

Analysis of Regional Financial Management Performance Based on the Value for Money Perspective

Kasmawati¹, Sadly Abdul Djabar², Syamsuddin Bidol²

¹Program Magister Manajemen Fakultas Pascasarjana Universitas Fajar Makassar

²Universitas Fajar Makassar

*Corresponding Author: Kasmawati

Email: kasma.vinech@gmail.com

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Abstract

Value for Money is a management concept in the public sector based on three key elements: economy, efficiency, and effectiveness. Value for Money is crucial in public sector organizations because it embodies the principle of getting the most value for money. The objective of this study is to analyze the performance of local government financial management from a value-for-money perspective, which encompasses economic aspects, efficiency, and effectiveness. This study was conducted at the Regional Finance and Asset Agency of South Sulawesi Province. This study employs a mixed-methods approach using both primary and secondary data sources. The quantitative analysis involves examining budget data and actual local government expenditures for the 2021–2024 period, while the qualitative analysis consists of interviews, observations, and document review to support the findings of the quantitative analysis. Research method: explanatory sequential design. Based on the results of a study on the measurement of the financial performance of the Regional Finance and Asset Agency using the concept of value for money, it was found that: (1) The financial performance of the South Sulawesi Provincial Regional Finance and Asset Agency is classified as economical. This is indicated by an economic ratio that has consistently remained below 100% each year; (2) Financial performance is classified as efficient, as the efficiency ratio indicates that regional expenditures are relatively smaller than the revenue generated; (3) Financial performance is classified as fairly effective, as the effectiveness ratio is below 100%, indicating that revenue realization has not yet fully met the set targets; (4) Overall, the financial performance of the South Sulawesi Provincial BKAD reflects the application of the value-for-money principle, particularly in terms of economy and efficiency, while effectiveness still needs to be improved to ensure more optimal achievement of revenue targets in the future.

Introduction

Regional financial management is a strategic instrument for realizing good governance. The success of public financial management at the regional level is determined not only by compliance with applicable regulations, but also by the local government's ability to allocate resources efficiently, economically, and effectively so that every rupiah spent truly provides maximum benefits to the community. In the context of regional autonomy, provincial and district/city governments are given full authority to plan, manage, and utilize regional budgets in accordance with established development priorities. This requires local governments to focus not only on achieving the quantity of budget absorption, but also on the quality of the results and impact generated by public financial management. In line with increasing public demands for transparency, accountability, and government performance, local governments are required to deliver more professional and outcome-oriented financial governance. The concept of Value for Money has emerged as a relevant approach to assessing public financial management performance. Value for Money emphasizes the importance of three key elements

in financial management: economy, efficiency, and effectiveness. The principle of economy emphasizes an organization's ability to obtain inputs at the lowest possible cost without compromising quality. Efficiency assesses the extent to which resources are used to optimally produce outputs. Effectiveness, on the other hand, emphasizes the achievement of the goals and expected outcomes of implemented programs or activities (Hosokawa et al., 2024; Aguilera et al., 2024; Arugu & Ann, 2025). This approach allows local governments to evaluate not only the amount of budget absorbed but also whether that budget provides added value to the community.

The Regional Finance and Asset Agency (BKAD) of South Sulawesi Province are a technical institution that plays a central role in regional financial management. BKAD is responsible for planning, implementing, administering, accounting, reporting, and monitoring the regional budget (APBD). The complexity of the BKAD's duties requires this organization to have adequate managerial and technical capacity to carry out its functions optimally. However, in practice, financial management at BKAD still faces several challenges that hinder the comprehensive implementation of the Value for Money principle. One of the most fundamental problems is the orientation of budget management, which tends to focus on the level of budget absorption, rather than the quality of outputs or results produced (Nguyen, 2024; Sariri & Septiana, 2023; Sipayung et al., 2025). High spending realization does not always align with the achievement of program performance targets, as some activities tend to be carried out to ensure budget absorption, especially towards the end of the fiscal year. This kind of orientation shows the weak implementation of the principle of effectiveness in regional financial management, because high budget absorption does not necessarily reflect the real benefits received by the community.

Budget efficiency at the South Sulawesi Regional Revenue and Expenditure Agency (BKAD) remains a challenge. Some regional spending activities have not been fully planned based on strategic priorities and organizational needs. Although procurement procedures for goods and services are regulated, in practice they are sometimes not fully based on the principle of value creation, leading to a predominance of operational spending over development spending, which has long-term impacts. This situation creates the potential for resource waste, where costs are disproportionate to the benefits gained. This inefficiency is exacerbated by the limitations of a financial management information system that is not yet fully integrated, making real-time monitoring of budget implementation across all regional government agencies difficult (Aryani, 2023). As a result, the principle of efficiency and value for money has not been fully achieved, and budget utilization still has room for improvement (Ren, 2022; Alatarige, 2023).

The quality of performance evaluations is also a significant issue. Evaluations tend to be administrative in nature, and performance indicators do not fully meet criteria. Evaluations that focus more on budget absorption reports without in-depth analysis of the resulting benefits result in reactive financial decision-making and lack evidence-based decision-making (Ponto et al., 2024; Ardiputra et al., 2025; Kumar, 2026). This situation demonstrates that a value-for-money performance evaluation culture has not been fully ingrained within the BKAD, thus improving the effectiveness of budget allocation. Internal oversight is a crucial aspect to ensure regional financial management adheres to economic and efficient principles. However, the South Sulawesi Regional Budget Agency (BKAD) continues to face challenges in strengthening internal oversight. Repeated findings from the Supreme Audit Agency (BPK), incomplete information system integration, and the lack of real-time monitoring of budget implementation are factors that reduce the quality of oversight. These weaknesses have the potential to lead to budget waste, inefficient spending, or programs that do not go according to plan, thus preventing the full achievement of the economic principle of Value for Money.

In addition to structural challenges, human resource capacity also impacts BKAD performance. Regional financial management requires a deep understanding of regulations, technical accounting skills, and adequate analytical skills (Maradona et al., 2024; Nwalado et al., 2024; Du, 2025). However, not all employees possess equal competency, particularly in analyzing budget performance based on Value for Money. Rapid regulatory changes, including the implementation of the Regional Government Information System (SIPD) and the latest government accounting standards, require a high degree of adaptability. High administrative workloads also reduce employee focus on budget performance evaluation and analysis, resulting in suboptimal implementation of the 3E principle (economy, efficiency, and effectiveness).

Regional asset management is also a key function of the Regional Revenue and Expenditure Agency (BKAD), which continues to face challenges. Outdated asset data, suboptimal asset utilization, and undocumented or uncertified assets are issues that impact the accuracy of financial reports and the economic value of regional assets. This situation emphasizes that the economic aspects and effectiveness of asset management still require improvement to ensure that regional assets truly provide maximum benefits for development and public services (Anick & Kabir, 2022; Wang et al., 2024; Rojas et al., 2025). Given these various challenges, regional financial management at the BKAD of South Sulawesi Province still faces serious obstacles in implementing the Value for Money principle. A focus on budget absorption, suboptimal spending efficiency, weak performance evaluation quality, limited internal oversight, varying human resource capacity, and suboptimal asset management present real challenges to achieving accountable, transparent, and results-oriented financial management. This situation underscores the need for an in-depth analysis of BKAD performance from a Value for Money perspective to identify obstacles, explore opportunities for improvement, and formulate strategic recommendations that can be implemented to enhance the quality of regional financial management.

According to Awodiran et al. (2024), Value for money is a concept in public sector organizations that refers to the appreciation of the value of money. Measuring value for money is a performance measure used to gauge the economy, efficiency, and effectiveness of activities, programs, or organizations. The application of the VFM concept is not only about cost control, but also about ensuring that all public spending provides the greatest benefit to the public. The Regional Finance and Assets Agency of the South Sulawesi Provincial Government strive to optimize the quality of services provided to the public by considering a balance between efficiency, effectiveness, and accountability.

According to Biondi & Russo, (2022), Performance reflects the level of achievement of specific activities, programs, and strategies in accordance with the organization's goals, objectives, vision, and mission as outlined in the organization's strategic planning. This financial performance can be seen in the Regional Revenue and Expenditure Budget. The Regional Revenue and Expenditure Budget are a financial planning document prepared by the regional government to adjust revenue and expenditures over a specific period (usually one year). The Regional Budget (APBD) plays an important role in regulating budget allocation and management so that it can support development and community welfare at the regional level.

According to Kimani (2023), Financial performance is defined as the extent to which a company has implemented Financial Practice Rules by applying them appropriately and accurately in accordance with the standards and regulations of SAK (Financial Accounting Standards) or (Generally Accepted Accounting Principal) carried out for this purpose. Analyzing the financial performance of local governments, especially the Regional Finance and Asset Agency of South Sulawesi Province, through the VFM lens is important to assess

the extent to which public financial management meets the value standards expected by local governments. This analysis determines whether each expenditure has a significant impact, whether the implemented programs are effective, and the extent to which local governments maintain transparency and accountability. In this context, the concept of Value for Money (VFM) is an important basis in assessing regional financial performance. VFM refers not only to the efficiency of spending but also to the effectiveness of the use of public resources to achieve the desired targets. The urgency of this research lies not only in its academic aspects but also in its practical aspects. From an academic perspective, this research will enrich the literature on the application of Value for Money principles in regional financial management in Indonesia, particularly in South Sulawesi Province. From a practical perspective, this research is expected to provide an objective overview of the extent to which the principles of economy, efficiency, and effectiveness have been implemented by the Regional Financial Management Agency (BKAD), while also generating constructive recommendations for improving regional financial governance.

This research will not only contribute to the development of knowledge but also provide tangible benefits to regional governments in their efforts to improve the quality of public services, maximize budget utilization, and strengthen financial management accountability. This background demonstrates that regional financial management is a complex process that requires integration between institutional capacity, human resource quality, internal control systems, and a data-driven evaluation culture. The BKAD of South Sulawesi Province, as the primary manager of regional finances and assets, plays a key role in ensuring that regional financial management not only meets legal requirements but also provides optimal benefits to the community. Therefore, research that assesses BKAD performance from a Value for Money perspective is highly relevant and strategic, both to support better policymaking, strengthen financial governance, and improve the quality of development and public services in South Sulawesi Province.

Method

Research Approach and Type

This research uses a mixed methods approach. A mixed methods research design is a research design in which researchers collect and analyze data, integrate findings, and draw inferential conclusions using two approaches, or qualitative and quantitative research methods. Furthermore, Creswell (2012) states that a combination of research methods is useful when quantitative or qualitative methods alone are insufficient to accurately understand the research problem, or when using quantitative and qualitative methods in combination will yield the best understanding. This combined approach aims to provide a better understanding of the problem and research questions than if each method were used separately. States that mixed methods research is a research method that combines quantitative and qualitative methods for joint use in a study, resulting in more comprehensive, valid, reliable, and objective data.

Mixed methods research is particularly useful when quantitative and qualitative methods alone are insufficiently accurate to understand the research problem, or when using quantitative and qualitative methods in combination can yield a better understanding. Mixed methods include the collection of quantitative (closed-ended/questionnaires) and qualitative (open-ended/interview) data, which are integrated into the analysis, either through merging, connecting, or embedding data. This approach is chosen to obtain more comprehensive analysis results related to regional financial management performance. There are six mixed method research designs used: convergent parallel designs, explanatory sequential design, exploratory sequential design, embedded design, transformative design, and multiphase design.

Convergent parallel designs involve collecting quantitative and qualitative data and then using them together to understand research problems. Explanatory sequential design involves collecting quantitative data, followed by qualitative data to help analyze the quantitative data. The results of this design provide a general description. Exploratory sequential design involves collecting qualitative data, followed by quantitative data. The purpose of qualitative data collection is to explore the existing phenomenon first, followed by quantitative data collection in the second stage to explain the relationship between variables found in the qualitative data. Embedded design involves collecting quantitative and qualitative data simultaneously or sequentially, with one form of data supporting the other. Transformative design is a research model that utilizes one of the four previous models, designed using a transformative framework or lens. The multiphase design is a research model based on convergent, explanatory, and embedded principles. This means that the research is conducted through a series of separate stages, each with a single research objective. The explanatory sequential design employed is used. The initial phase of the research utilizes quantitative methods for data collection and analysis, followed by qualitative methods. Data collection and analysis of both methods are conducted separately but are integrated to produce conclusions.

Managing the Researcher's Role

In this research, which focuses on analyzing regional financial management performance from a value-for-money perspective at the Regional Finance and Asset Agency (BKAD) of South Sulawesi Province, the researcher plays an active and structured role to ensure that the research process follows scientific principles. The researcher acts as the designer, implementer, and controller of the research process, from problem formulation and data collection to analysis and conclusion development. The researcher also acts as a bridge between the concept of value for money, which encompasses aspects of efficiency, effectiveness, and economics, and the financial management practices implemented by the BKAD of South Sulawesi Province. During the data collection process, the researcher interacts directly with informants through interviews, observations, and official document reviews, while upholding research ethics, maintaining data confidentiality, and avoiding subjectivity. The researcher manages the role independently but remains open to input to obtain a comprehensive and objective picture. With this approach, the researcher not only produces academic studies but is also expected to make a tangible contribution to improving regional financial governance at the BKAD of South Sulawesi Province through data-based recommendations and in-depth analysis.

Research Location

This research was conducted at the South Sulawesi Province Regional Finance and Assets Agency Office, located in Building F, South Sulawesi Governor's Office Complex, Jl. Urip Sumoharjo No. 269 Panaikang, Panakkukang District, Makassar City. The reasons for selecting this location were: The South Sulawesi Province Regional Finance and Assets Agency are the institution responsible for implementing regional financial management functions, making it an appropriate location to examine the financial performance of local governments. The South Sulawesi Province Regional Finance and Assets Agency have diverse actors involved in regional financial management, allowing researchers to obtain diverse information from various perspectives. Access to the location where the researcher works facilitated direct information acquisition through observation and interviews, as well as obtaining supporting documents.

Data Sources

This research used two types of data sources: Primary data collected directly from informants through in-depth interviews with structural officials and technical staff/financial analysts, and

participant observation of daily activities at the South Sulawesi Province Regional Finance and Assets Agency. Secondary data, namely research data obtained indirectly through intermediary media (obtained and recorded by other parties). The secondary data collected in this study is the Financial Report in the form of the Budget Realization Report of the Regional Finance and Asset Agency of South Sulawesi Province for 2021-2024.

Research Informants

The informants were selected using purposive sampling. purposive sampling is a sampling technique based on specific considerations. Informants are selected based on specific criteria, including knowledge of regional financial management, direct involvement in the budget management process, accountability for the regional budget, and holding a related position. The selection of informants in this study was based on specific considerations relevant to the research objectives, including direct involvement in regional financial management. The following is a list of informants and the reasons for their selection based on their involvement in regional financial management at the Regional Revenue and Expenditure Agency (BKAD) of South Sulawesi Province.

Data Collection Techniques

Documentation, a data collection method involving the collection of documents related to the research being conducted. The data used in this study were financial report data, specifically budget realization reports for the 2021-2024 financial years. In-depth interviews were conducted in a structured manner using adaptive interview guidelines with informants who play important roles in regional financial management, such as division heads and technical implementation staff. Observations were conducted to directly observe the regional financial management process.

Data Analysis Techniques

Quantitative data analysis was conducted using a value-for-money approach. The ratios used to measure performance through the value-for-money concept developed in finance are as follows: Economic ratios illustrate the relationship between the cost concept for acquiring a unit of input. The economic ratio is the comparison between agency expenditures and the established budget. According to Mahsun (2013: 186) it is as follows: (1) If the value obtained is less than 100%, it means it is economical; (2) If the value obtained is equal to 100%, it means it is economically balanced; (3) If the value obtained is more than 100%, it means it is not economical. The efficiency ratio describes the achievement of maximum output with certain inputs or the use of the lowest input to achieve certain output. According to Mahsun (2013: 186) it is as follows: (1) If the value obtained is less than 100%, it means efficient; (2) If the value obtained is equal to 100%, it means balanced efficiency; (3) If the value obtained is more than 100%, it means inefficient. The effectiveness ratio describes the level of achievement of program results with the set targets. The effectiveness value is measured by the financial performance assessment criteria. Mahsun (2013: 186) is as follows: (1) If the value obtained is less than 100% then it is not effective; (2) If the value obtained is equal to 100% then it is balanced effective; (3) If the value obtained is more than 100% then it is effective.

Qualitative Data Analysis

Data analysis is conducted qualitatively, referring to the Miles and Huberman model. Analysis according to the Miles and Huberman model is divided into three simultaneous activity streams: Data in qualitative research generally takes the form of qualitative descriptive narratives; even if there is quantitative documentary data, it is also descriptive. There is no statistical data analysis in qualitative research. Data reduction is part of the analysis that

sharpens, classifies, directs, discards unnecessary data, and organizes data in such a way that conclusions can be drawn and verified. By presentation, Miles and Huberman mean a collection of structured information that allows for drawing conclusions and acting. In qualitative research, data presentation can be done in the form of brief descriptions, charts, relationships between categories, flowcharts, and the like. According to Miles and Huberman, the third step in qualitative data analysis is drawing conclusions and verifying them. Initial conclusions are still tentative and will change if strong supporting evidence is not found in the next stage of data collection. Interview data is analyzed to explain the quantitative results.

Validity Checking of Findings/Conclusions

Data validity is a crucial factor in ensuring that the results reflect the reality on the ground. According to Creswell & Plano Clark, validation techniques focus on checking the consistency, complementarity, or explanatory power of two different types of data. This technique compares quantitative data (e.g., survey results) with qualitative data (e.g., in-depth interviews) on the same topic to determine whether the results align, complement, or contradict each other. The use of triangulation, which compares quantitative data (ratios calculated) with qualitative data from interviews with officials and staff at the Regional Finance Agency, also helps reduce subjectivity and increase the objectivity of research results.

Researchers return the results of the qualitative analysis to participants to verify whether the findings are accurate and reflect their experiences. This is part of qualitative validity, strengthening the combined findings. Explanatory (Quantitative-Qualitative): Validation is conducted by using qualitative data to explain unexpected or extreme quantitative results. Experts like Creswell recommend using a joint display (table or matrix) that juxtaposes quantitative and qualitative findings side by side. This technique makes it easier for researchers to conduct comparative analysis and see whether the data corroborates each other. Validation is conducted by ensuring that sampling techniques (e.g., purposive sampling for qualitative and simple random sampling for quantitative) are appropriate and mutually supportive to answer complex research questions.

Result and Discussion

The financial performance of public sector organizations cannot be evaluated solely through numerical budget realization indicators because regional financial governance is closely related to institutional capacity, managerial effectiveness, accountability systems, and the ability of public institutions to transform fiscal resources into sustainable public value. Within the context of regional autonomy, local governments are increasingly required to demonstrate not only compliance with financial regulations but also efficient, economical, and effective management practices that support development outcomes and public service quality. Therefore, the Value for Money approach becomes important as an analytical framework for assessing how public organizations manage financial resources while balancing fiscal discipline and organizational performance. In this study, the financial performance of the Regional Financial and Asset Management Agency (BKAD) of South Sulawesi Province during 2021–2024 is analyzed through the dimensions of economy, efficiency, and effectiveness, while also examining the broader managerial and institutional factors influencing regional financial governance performance.

Table 1. Budget Realization Report of Revenue of the Regional Financial and Asset Management Agency of South Sulawesi Province
Fiscal Years 2021–2024

Year	Revenue	%
	Budget	Realization
2021	5,678,569,733,190	5,528,958,779,926
2022	4,335,922,553,023	4,120,331,475,901
2023	4,430,774,270,014	4,342,296,115,438
2024	4,641,394,091,700	4,614,396,209,180

Table 1. shows that the regional revenue budget of the Regional Financial and Asset Management Agency (BKAD) of South Sulawesi Province experienced fluctuating trends during the 2021–2024 period rather than a continuous decline. The largest decrease occurred between 2021 and 2022, when the revenue budget declined from IDR 5,678,569,733,190 to IDR 4,335,922,553,023. This reduction may reflect post-pandemic fiscal adjustments, changes in intergovernmental transfer allocations, and revisions in regional development priorities. However, the revenue budget gradually increased again in 2023 and 2024, reaching IDR 4,430,774,270,014 and IDR 4,641,394,091,700, respectively, indicating improving fiscal stability and recovery in regional financial capacity. In terms of realization, regional revenue performance remained relatively high throughout the study period. Revenue realization reached 97.37% in 2021, decreased slightly to 95.03% in 2022, then improved to 98.00% in 2023 and 99.42% in 2024. The lower realization rate in 2022 suggests that fiscal recovery and revenue optimization had not yet fully stabilized after the pandemic period. Meanwhile, the increasing realization rates in 2023 and 2024 indicate improvements in revenue management, planning accuracy, and budget implementation. Nevertheless, the inability to consistently achieve 100% realization also reflects continuing structural challenges in regional financial governance, including dependence on central government transfers and limitations in optimizing Regional Original Revenue (PAD).

Table 2. Budget Realization Report of Expenditure of the Regional Financial and Asset Management Agency of South Sulawesi Province
Fiscal Years 2021–2024

Year	Expenditure	%
	Budget	Realization
2021	2,082,702,147,267	2,051,840,591,669
2022	2,545,667,362,110	2,516,171,483,492
2023	2,846,715,807,816	2,768,576,551,811
2024	1,966,952,198,634	1,952,791,562,625

Table 2. shows that the regional budget for the Regional Finance and Assets Agency has increased from year to year. The 2021 budget of Rp2,082,702,147,267 increased by Rp462,965,214,843, bringing the budget to Rp2,545,667,362,110 in 2022. Furthermore, in 2023, the budget increased by Rp301,048,445,706 to Rp2,846,715,807,816. Meanwhile, in 2024, the budget decreased by Rp879,763,609,182 to Rp1,966,952,198,634. In terms of regional expenditure realization of the Regional Finance and Asset Agency of South Sulawesi Province in 2021 amounted to IDR 2,051,840,591,669 or 98.52%, then in 2022 the regional expenditure realization was IDR 2,516,171,483,492 or 98.84%, while in 2023 the regional expenditure realization was IDR 2,768,576,551,811 or 97.26% and in 2024 the regional expenditure realization was IDR 1,952,791,562,625 or 99.28%.

Table 3. Economic Rasio Regional Financial and Asset Management Agency (BKAD) of South Sulawesi Province Fiscal Years 2021–2024

Year	Expenditure Budget	Expenditure Realization	Economic Ratio
2021	2,082,702,147,267	2,051,840,591,669	98.52%
2022	2,545,667,362,110	2,516,171,483,492	98.84%
2023	2,846,715,807,816	2,768,576,551,811	97.26%
2024	1,966,952,198,634	1,952,791,562,625	99.28%

The results in Table 3. were obtained from published budget realization reports for the 2021-2024 period. These budget realization reports were then analyzed and linked to existing theories. The following graph shows the development of the financial performance of the South Sulawesi Province Regional Revenue Agency (BKAD) from an economic perspective.

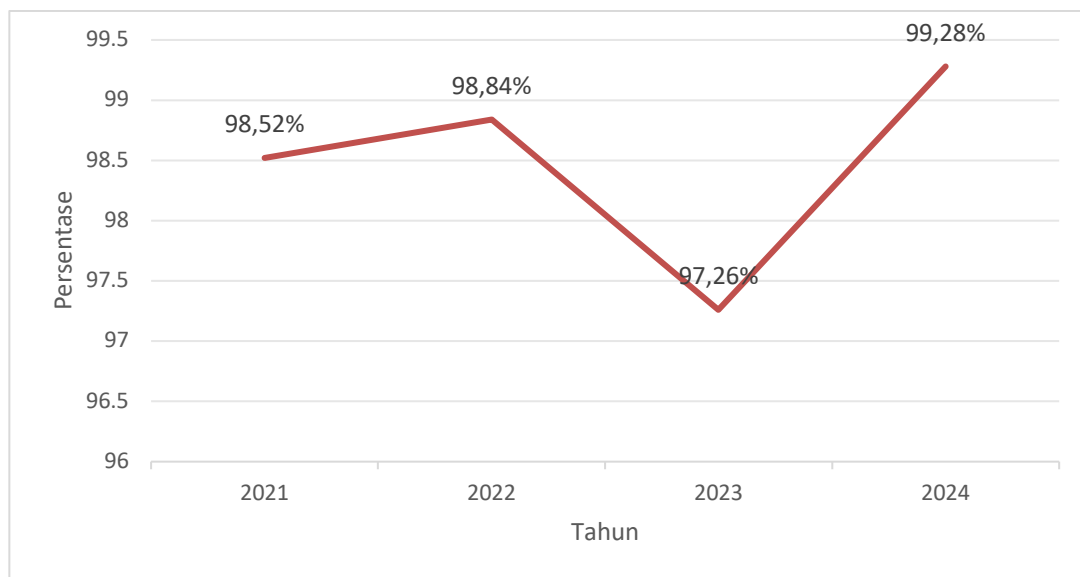


Figure 1. Trend of Economic Ratio Performance of the Regional Financial and Asset Management Agency (BKAD) of South Sulawesi Province for the 2021–2024 Fiscal Years

Measurement of the economic level is the level of costs incurred by the public sector to provide a public service. The economic level in managing finances by looking at the comparison between the realization of the spending budget with the budget target and the percentage of the level of achievement. According to Mahsun (2013: 186) is as follows: (1) If the value obtained is less than 100%, it means it is economical; (2) If the value obtained is equal to 100%, it means it is economically balanced; (3) If the value obtained is more than 100%, it means it is not economical.

Table 4. Efficiency Rasio of the South Sulawesi Regional Revenue and Expenditure Agency (BKAD) for 2021-2024

Year	Expenditure Realization	Revenue Realization	Percentage
2021	2,051,840,591,669	5,528,958,779,926	37.11%
2022	2,516,171,483,492	4,120,331,475,901	61.07%
2023	2,768,576,551,811	4,342,296,115,438	63.76%
2024	1,952,791,562,625	4,614,396,209,180	42.32%

The results in Table 4. were obtained from published budget realization reports for the 2021-2024 period. These budget realization reports were then analyzed and linked to existing

theories. The following graph shows the financial performance development of the South Sulawesi Province Regional Revenue Agency (BKAD) in terms of efficiency.

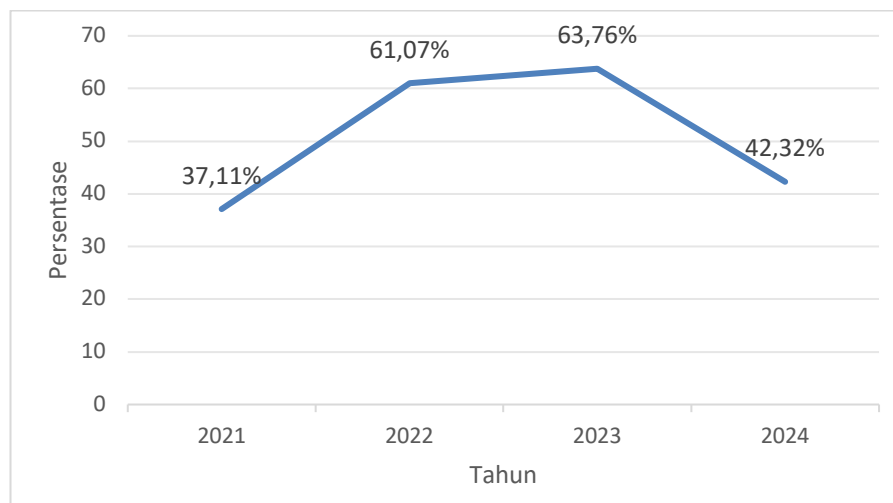


Figure 2. Graph of BKAD Financial Performance in Terms of Efficiency

Source: Processed Secondary Data, 2026

According to Mahsun (2013: 186) the following applies: (1) If the value obtained is less than 100%, it means efficient; (2) If the value obtained is equal to 100%, it means balanced efficiency; (3) If the value obtained is more than 100%, it means inefficient.

Table 5. Effectiveness Ratio Regional Financial and Asset Management Agency (BKAD) of South Sulawesi Province Fiscal Years 2021–2024

Year	Regional Revenue Realization	Regional Revenue Budget	Percentage
2021	5,528,958,779,926	5,678,569,733,190	97.37%
2022	4,120,331,475,901	4,335,922,553,023	95.03%
2023	4,342,296,115,438	4,430,774,270,014	98.00%
2024	4,614,396,209,180	4,641,394,091,700	99.42%

Source: Budget Realization Report Data processed, 2026

The results presented in Table 5. were obtained from the published Budget Realization Reports for the 2021–2024 period. These reports were then processed and analyzed in relation to the relevant theoretical framework. The following is a graph illustrating the development of the financial performance of the Regional Financial and Asset Management Agency (BKAD) of South Sulawesi Province in terms of effectiveness.

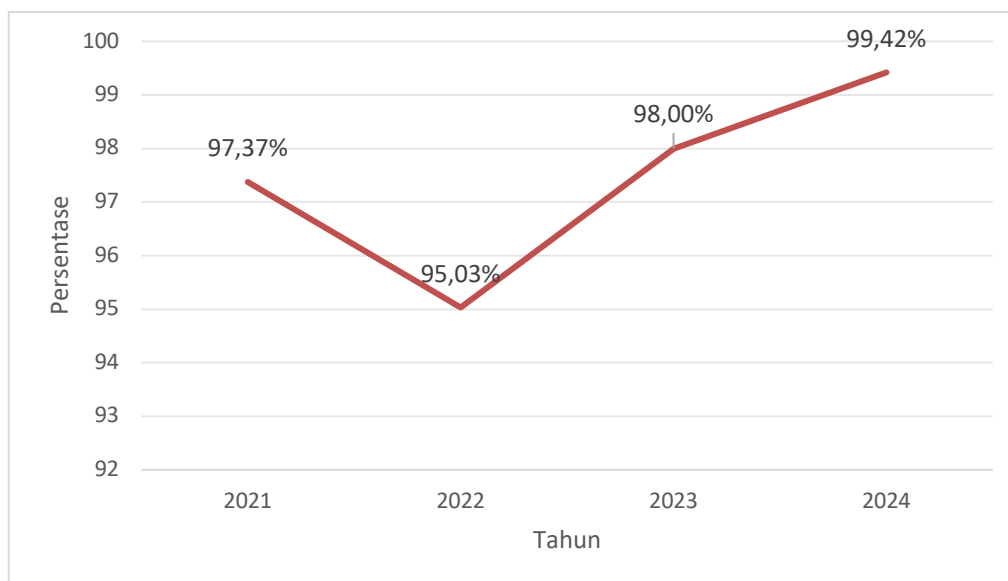


Figure 3. BKAD Financial Performance in Terms of Effectiveness

Source: Processed Secondary Data, 2026

If an organization successfully achieves its goals, it is said to be operating effectively. Mahsun (2013: 186) defines effectiveness as follows: (1) If the value obtained is less than 100%, it is ineffective; (2) If the value obtained is equal to 100%, it is balanced effective; (3) If the value obtained is more than 100%, it is effective.

Financial Performance Using the Value for Money Method Based on Interviews with Informants

The informants in this study were financial employees at the Regional Finance and Asset Agency of South Sulawesi Province, namely officials and executive staff. The BKAD's strategic policies for improving regional financial management performance, based on interviews with informants, were also explained in direct interviews by the Secretary of the Regional Finance and Asset Agency:

An interview with Octria Ramdhayana, Secretary of the South Sulawesi Provincial BKAD, stated:

"The BKAD's (Regional Finance and Asset Agency) strategic policies for improving regional financial management performance are focused on system digitization (SIPD), increasing accountability through WTP opinions, optimizing Regional Original Revenue (PAD), good asset governance, and developing accountable and adaptive financial management human resources." (Direct interview, February 9, 2026)

The Secretary of the South Sulawesi Provincial BKAD (Regional Asset Management Agency) stated that the application of the value for money principle in regional financial management is as follows:

"The application of the value for money (VfM) principle in regional financial management is carried out by ensuring that the Regional Budget (APBD) is used economically (economically), efficiently (appropriately), and effectively (targeted) for public services. The main focus is to produce optimal performance (outcomes) at minimal cost, not just budget absorption." (Direct interview, February 9, 2026)

The main indicators used to assess the success of the Regional BKAD's performance, according to the Secretary of the South Sulawesi Provincial BKAD, are as follows:

"The main indicators for the success of the BKAD (Regional Finance and Asset Agency) focus on financial management accountability, with the following main indicators: an Unqualified Opinion (WTP) from the Supreme Audit Agency (BPK), the Regional Financial Management Index (IPKD), the timeliness of APBD/Accountability submission, regional spending absorption, and the effectiveness of regional asset management." (In-person interview, February 9, 2026)

According to the Secretary of the South Sulawesi Provincial Regional Revenue and Expenditure Agency (BKAD), the main obstacle to increasing regional financial efficiency and effectiveness is:

"The main obstacles to improving the efficiency and effectiveness of regional finances include low human resource capacity in budget planning, high fiscal dependence on the central government, weak civil service integrity (risk of corruption), slow budget absorption due to administrative constraints, and limited information technology infrastructure." (In-person interview, February 9, 2026)

According to the Secretary of the South Sulawesi Provincial Regional Personnel Agency (BKAD), the impact of financial management on public services is as follows:

"Good financial management has a direct impact on improving the quality, speed, and transparency of public services. Through efficient and transparent budgeting, the government can prioritize basic services, reduce corruption, and accelerate the implementation of public projects, ultimately increasing public trust and service satisfaction." (In-person interview, February 9, 2026)

According to the Secretary of the South Sulawesi Provincial BKAD, future steps to improve financial performance at the Regional Finance and Asset Agency (BKAD) are as follows:

"Future steps to improve financial performance at the Regional Finance and Asset Agency (BKAD) are focused on digitizing financial and asset administration, increasing accountability through WTP opinions, optimizing Regional Original Revenue (PAD), and intensive coordination with Regional Apparatus. This includes strengthening asset management, preparing performance-based budgets, and consistently following up on BPK findings." (In-person interview, February 9, 2026)

Furthermore, according to the Secretary of the South Sulawesi Provincial BKAD, the financial management of the Regional Finance and Asset Agency (BKAD) is generally directed towards meeting the principle of value for money (economical, efficient, and effective), primarily through the implementation of performance-based budgeting and the regional financial management information system (SIMDA/SIPD).

This aims to create transparency, accountability, and optimize budget use for public services. Meanwhile, according to Sakura, Head of the Regional Budget Planning Division of the South Sulawesi Provincial Regional Revenue and Expenditure Agency (BKAD), regarding value for money in budgeting, he stated:

"The budget must be prepared based on priority scale, needs analysis, effectiveness and efficiency, planning, and control. In every regional government, the potential for budget waste will always exist. Therefore, it is necessary to anticipate this from the outset so that the planning process is aligned with needs and is effective and efficient. Budget waste can be prevented through a rigorous and thorough work plan and budget assistance process in accordance with statutory regulations." (Direct Interview, February 9, 2026)

According to Sakura, Head of the Regional Budget Planning Division of the South Sulawesi Provincial BKAD, he stated:

"Things that need to be improved to make regional financial management more economical, efficient, and effective. To achieve this, it cannot be done fragmentarily. It must be done comprehensively, starting with planning that is truly based on data analysis, integrated activity implementation, continuous monitoring, and evaluation at every stage of activity/program implementation." (Direct Interview, February 9, 2026)

According to Sakura, Head of the Regional Budget Planning Division of the South Sulawesi Provincial Regional Revenue and Expenditure Agency (BKAD), the main obstacles to improving regional financial efficiency and effectiveness are:

"Lack of understanding among Human Resources Managers regarding implementation mechanisms and regulatory provisions, the presence of individuals who are not integrated in carrying out activities, weak monitoring, and the absence of evaluation at the end of each activity." (Direct Interview, February 9, 2026)

According to Sakura, Head of the Regional Budget Planning Division of the South Sulawesi Provincial BKAD, the impact of financial management on improving public services/regional development is as follows:

"Regional financial management is a vital point in improving public services and regional development. Regional financial management will have a direct impact on the quality of public services, and the direction of regional development is also determined by how well regional financial management is managed." (Direct Interview, February 9, 2026)

According to Sakura, Head of the Regional Budget Planning Division of the South Sulawesi Provincial BKAD, the steps taken to improve financial performance include:

"Improvements are being implemented through several steps, starting with refining data- and needs-based planning, improving implementation and monitoring processes, implementing evaluations, and strengthening human resources." (Direct Interview, February 9, 2026)

An interview with A. Nur Amaliah, Head of the Regional Accounting and Financial Reporting Division, regarding the reports used to assess financial performance, explained:

"The main report for assessing regional government financial performance is the Regional Government Financial Report (LKPD), which consists of the Budget Realization Report (LRA), Balance Sheet, Operational Report (LO), Statement of Changes in Equity (LPE), Cash Flow Statement (LAK), Statement of Changes in SAL, and Notes to the Financial Statements (CaLK)." (Direct Interview with A. Nur Amaliah, February 9, 2026)

Financial reports reflect aspects of economy, efficiency, and effectiveness. According to A. Nur Amaliah, Head of the Regional Accounting and Financial Reporting Division, she explained:

"The economic aspect relates to obtaining inputs (resources) at the lowest price while maintaining guaranteed quality, reflected in the Budget Realization Report (LRA). Comparing budgeted expenditures with actual expenditures. A government is considered economical if it is able to reduce actual expenditures below the established budget without compromising the quality of services. The efficiency aspect measuring the comparison between output (results) and input (costs) used, or how efficient the

budget is used as reflected in the LRA and CaLK (Notes to the Financial Statements) Using the efficiency ratio, namely the realization of expenditure compared to total income, the Effectiveness Aspect measures the government's ability to achieve planned goals or targets (achievement of performance targets). Reflected in the Budget Realization Report (LRA) and Operational Report (LO), Analysis Using the PAD (Regional Original Income) Effectiveness Ratio, namely (PAD Realization / PAD Target) x 100%," (Direct interview with A. Nur Amalia, February 9, 2026)

According to A. Nur Amaliah, Head of the Regional Accounting and Financial Reporting Division, ways to ensure accurate and transparent financial reports include:

"routine data reconciliation, strengthening internal oversight, and improving human resources for financial management. Transparency is achieved by regularly publishing reports and ensuring compliance with Government Accounting Standards (SAP). Internal Audit (Inspectorate) is required to conduct a review process before submitting the Regional Financial Report to the External Audit Agency (BPK)." (Direct interview with A. Nur Amalia, February 9, 2026)

According to A. Nur Amaliah, Head of the Regional Financial Accounting and Reporting Division, she explained:

"Financial management at the Regional Finance and Asset Agency (BKAD) has met the principle of value for money (economical, efficient, and effective) through priority budget planning, transaction digitization (e-budgeting/e-payment), and accountability. These steps include saving input costs, improving the quality of public services, and optimizing regional revenues to support fiscal independence and improve the performance of regional financial management. These include: Digitalization and System Integration (SIPD), Strengthening Planning and Budgeting, Transparency and Accountability, Improving Human Resources Competence and Governance, and Optimizing Revenue and Expenditure Management." (Direct interview with A. Nur Amalia, February 9, 2026)

Meanwhile, Sardy, a Young Expert Financial Analyst for the Central and Regional Governments, explained:

"BKAD has met the principle of value for money. This is because BKAD is an OPD tasked with managing regional finances and assets/goods." "Regional assets are used effectively, transparently, and accountably. Its main duties are: managing regional finances; managing regional assets; compiling regional financial reports; managing cash; conducting financial supervision and control; and formulating technical policies in the area of regional finance and assets, including recommendations for developing appropriate planning, improving human resource competency, increasing transparency and accountability, increasing regional revenue potential, strengthening regional financial monitoring and control systems, utilizing information technology, and better managing regional assets." (Direct interview, February 10, 2026)

According to Hidayat, a Central and Regional Financial Analyst for the South Sulawesi Regional Budget Agency (BKAD), he explained:

"The performance indicators that must be achieved in the budget preparation process have been established in the KAK (Regional Budget Implementation Report), which outlines the targets and indicators for each program, sub-activity, and are also included in the Regional Apparatus Budget Implementation Budget (DIPA). Currently, budget revisions are often made mid-year or during the current year, before entering

the APBD amendment stage, so they sometimes align with the stages stipulated in legislation." (Direct interview, February 10, 2026)

Financial Performance, Institutional Capacity, and Public Sector Management in the Implementation of Value for Money Principles

The findings of this study contribute to a broader managerial understanding of how Value for Money (VfM) principles operate within regional financial governance, particularly in developing decentralized administrative systems such as Indonesia. The significance of these findings lies not merely in confirming that the Regional Financial and Asset Management Agency (BKAD) of South Sulawesi Province achieved relatively economical and efficient financial ratios, but in demonstrating how institutional management capacity determines whether fiscal discipline can be translated into sustainable public value creation. In public sector management, financial performance cannot be reduced to technical compliance with budgeting procedures because the quality of governance is increasingly evaluated through organizational adaptability, strategic coordination, accountability mechanisms, and managerial responsiveness to fiscal uncertainty (Lulaj et al., 2022; Bandy, 2023; Yahaya, 2026). This study therefore reinforces the argument that regional financial management performance is fundamentally a managerial issue rather than merely an accounting exercise.

One of the most important implications emerging from this study is that fiscal economy does not automatically imply managerial effectiveness. The dominant tendency in regional public finance literature has often been to interpret lower expenditure realization as evidence of successful budget management (Paranata, 2022; Bousnina & Gabsi, 2023; Xu et al., 2024). However, this study demonstrates the conceptual inadequacy of that assumption when examined within the practical realities of regional administration. Budget realization below 100% may indeed reflect expenditure restraint and fiscal prudence, but it may simultaneously indicate delayed implementation, procurement inefficiency, fragmented coordination, administrative rigidities, or institutional incapacity to execute programs effectively. Similar concerns have been raised by (Dauda, 2023; Kabeya, 2025; Waheduzzaman, 2026), who argue that public sector reforms frequently overemphasize financial control while neglecting implementation quality and policy outcomes. The findings of this study support these critiques because the relatively economical expenditure pattern observed in BKAD coexisted with continuing weaknesses in monitoring systems, uneven human resource competency, and inconsistent planning integration. Consequently, the study challenges simplistic interpretations of “economical performance” that dominate many regional government evaluations in Indonesia.

The managerial implication is substantial because it shifts the focus of regional financial governance away from expenditure absorption as the primary indicator of success. Many local governments continue to prioritize administrative compliance and year-end budget realization rather than strategic performance outcomes (Matshotshi, 2025; Bombo, 2025). This study indicates that such orientation may create a distorted managerial culture where organizational success is measured through spending conformity rather than developmental impact. The interviews conducted in this research revealed persistent concerns regarding weak evaluation systems and fragmented monitoring practices despite the implementation of digital financial systems. This suggests that technological modernization alone cannot transform organizational performance unless accompanied by deeper managerial reforms involving analytical capability, inter-unit coordination, and performance-oriented leadership. Previous studies similarly found that performance management systems often fail not because of technological limitations but because institutions lack organizational learning capacity and strategic integration mechanisms.

The fluctuating efficiency ratios observed in this study further reinforce the argument that regional financial management should be understood as a dynamic organizational process influenced by institutional maturity rather than static fiscal ratios alone. The efficiency measurement used in this study reflects a common approach within Indonesian public administration research, namely comparing expenditure realization with revenue realization. Methodological approach reveals an important conceptual problem within public management scholarship itself. Efficiency in management theory fundamentally refers to the relationship between inputs, outputs, and outcomes. Revenue realization, however, cannot fully represent organizational output because local revenues are also shaped by external economic conditions, intergovernmental transfers, national fiscal policy, and macroeconomic volatility. This study therefore exposes an important methodological limitation in conventional Value for Money evaluations frequently applied in regional governance studies. Previous scholars have argued that public sector performance measurement often confuses financial indicators with organizational outcomes, thereby producing incomplete interpretations of governmental efficiency (Grossi et al., 2023; Qin et al., 2025; Adu, 2026; Bi et al., 2026).

This issue becomes even more important when considering the institutional context of Indonesian regional autonomy. Since decentralization reforms, local governments have been expected to function with greater fiscal independence and managerial accountability. Nevertheless, many regional governments remain structurally dependent on central government transfers, limiting their fiscal flexibility and weakening strategic planning autonomy. The findings of this study clearly demonstrate this structural dependency. The inability of BKAD to consistently achieve full effectiveness despite relatively strong economic and efficiency performance indicates that managerial capacity alone cannot fully overcome structural fiscal limitations embedded within intergovernmental financial systems. This finding supports arguments that decentralization frequently transfers administrative responsibilities to local governments without adequately strengthening institutional capacity or fiscal independence.

The study also contributes to ongoing debates regarding the limitations of New Public Management reforms in developing administrative systems (Christensen & Lægreid, 2022; Rosenbloom et al., 2022; Krogh & Triantafillou, 2024). Value for Money principles emerged largely from managerial doctrines emphasizing efficiency, measurable performance, accountability, and fiscal discipline. Yet this study demonstrates that the managerial realities of regional governance are significantly more complex than the assumptions underlying these performance frameworks. Although BKAD implemented digitization systems such as SIPD, strengthened accountability mechanisms, and adopted performance-based budgeting, the institution continued to experience effectiveness gaps, monitoring weaknesses, and human resource limitations. This condition confirms that managerial reform instruments frequently fail to produce transformative institutional change when organizational culture, administrative capacity, and political coordination remain weak.

Another important contribution of this study concerns the relationship between digitalization and organizational capability in public sector management. The implementation of SIPD and integrated financial systems was repeatedly identified by informants as evidence of managerial modernization. However, the findings suggest that digitization alone cannot guarantee improved organizational performance. Instead, digital systems appear to function primarily as enabling infrastructure whose effectiveness depends heavily on managerial competence, organizational learning, and institutional coordination. Previous studies on digital governance similarly demonstrate that technological reforms often fail to generate expected performance gains because institutions treat technology as a substitute for managerial transformation rather

than as a complementary governance instrument. The persistence of monitoring weaknesses and inconsistent planning coordination in BKAD demonstrates precisely this problem.

The human resource dimension identified in this study further emphasizes the managerial character of regional financial governance. Informants consistently highlighted uneven competency levels, limited analytical capability, and administrative overload as major barriers to improving financial performance. These findings are highly significant because they indicate that regional financial management problems are not merely procedural but deeply organizational. Public organizations fundamentally depend on managerial competence, professional capability, and institutional learning capacity. Without strengthening these dimensions, reforms in budgeting systems and financial procedures are unlikely to produce substantial governance improvements. Previous studies similarly found that organizational capability remains one of the strongest determinants of public sector performance across different governance contexts.

The study additionally highlights the continuing tension between accountability and adaptability in public management systems. Modern public organizations are increasingly expected to maintain strict accountability standards while simultaneously responding flexibly to changing fiscal and developmental conditions. Yet these demands often produce contradictory managerial pressures. In the case of BKAD, the strong emphasis on accountability indicators such as audit opinions and budget conformity appears to encourage procedural compliance, but may simultaneously reduce organizational flexibility and innovation capacity. This tension helps explain why institutions may demonstrate strong financial compliance while still struggling to achieve transformative effectiveness outcomes. The implication is that performance management systems should not only evaluate procedural conformity but also assess adaptive capacity, collaborative governance quality, and developmental impact.

The findings also carry important implications for regional strategic management. Public financial management is frequently treated as a technical administrative domain isolated from broader organizational strategy. However, this study demonstrates that financial management performance is inseparable from strategic governance processes such as planning integration, inter-agency coordination, leadership quality, monitoring systems, and organizational learning. Strategic management perspectives in public administration emphasize that public organizations achieve sustainable performance only when financial systems are integrated into broader governance frameworks. The inability of BKAD to consistently optimize effectiveness despite relatively stable financial performance suggests that financial management reforms remain insufficiently connected to long-term strategic development objectives.

Importantly, this study also challenges the dominance of purely quantitative performance evaluation models within public sector management. The mixed-methods design revealed important contradictions between numerical financial indicators and organizational realities described by informants. Quantitatively, BKAD appeared relatively economical and efficient. Qualitatively, however, persistent governance weaknesses remained evident in planning coordination, human resource capability, and monitoring integration. This demonstrates that financial ratios alone are inadequate for evaluating organizational performance comprehensively. Previous scholars similarly argue that overreliance on quantitative performance metrics frequently obscures institutional complexity and managerial context.

The broader theoretical implication of this study is that Value for Money should not be understood as a purely financial doctrine but as a multidimensional managerial framework requiring institutional balance between fiscal discipline, organizational capability, governance quality, and developmental responsiveness. Excessive focus on expenditure control without

corresponding improvements in institutional learning, strategic coordination, and public value orientation risks producing administratively compliant yet developmentally limited governance systems. This perspective supports the concept of public value management, which emphasizes that public sector performance must ultimately be evaluated based on the institution's ability to create meaningful social outcomes rather than merely maintain financial conformity.

The findings indicate that improving regional financial performance requires reforms that extend beyond technical budgeting mechanisms. Outcome-based budgeting must be strengthened so that financial management is linked directly to measurable developmental outcomes rather than expenditure realization alone. Monitoring systems should be redesigned to function continuously rather than administratively at the end of implementation cycles. Human resource development should prioritize analytical competency, strategic planning capability, and adaptive managerial skills rather than procedural compliance alone. Furthermore, inter-agency coordination mechanisms must be strengthened because fragmented governance structures remain one of the primary barriers to effective fiscal management. Without addressing these organizational dimensions, regional financial reforms are likely to remain procedural rather than transformative.

This study demonstrates that the future of regional financial governance depends not only on stronger fiscal control mechanisms but on the managerial capacity of public institutions to transform financial resources into sustainable public value. The central challenge facing regional governments is no longer merely achieving compliance with Value for Money indicators, but developing governance systems capable of integrating accountability, adaptability, strategic coordination, and developmental effectiveness simultaneously.

Conclusion

The financial performance of the Regional Revenue and Expenditure Agency (BKAD) of South Sulawesi Province is considered economical. This is indicated by an economic ratio consistently below 100% each year, meaning that actual expenditures are lower than the established budget. This condition reflects savings and efficient budget use in procuring goods or services without compromising the quality of public services. Financial performance is considered efficient because the efficiency ratio indicates that regional expenditures are relatively smaller than the revenues generated. Despite fluctuations from year to year, the use of regional expenditures consistently demonstrates the BKAD's ability to maximize output with available inputs, thus ensuring appropriate budget utilization. Financial performance is considered quite effective, as the effectiveness ratio is below 100%, indicating that realized revenues have not fully achieved the established targets. However, there is an upward trend from year to year, indicating that improvements and financial management measures have begun to yield positive results in achieving organizational and public service goals. Overall, the financial performance of the South Sulawesi Province BKAD has reflected the application of the value for money principle, especially from an economic and efficiency perspective, while effectiveness still needs to be improved to achieve more optimal revenue targets in the future.

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