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Good Financial Governance as the Foundation for Accountable and Efficient Public Administration

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Abstract

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Good Financial Governance has emerged as a crucial paradigm for enhancing the effectiveness of public financial management, particularly within the framework of fiscal decentralization. The primary of objective of implementing Good Financial Governance is to foster transparency, accountability, and efficiency in the utilization of public resources, thereby supporting improved public service performance. This study aims to examine the interrelationship among Good Financial Governance, transparency, accountability, and public service performance through a descriptive qualitative literature-based on approach. The findings indicate that fiscal transparency exerts a positive influence on the efficiency of government spending. Effective implementation of Good Financial Governance requires maintaining a balance between the principle of "money follows function" and the administrative capacity of public officials. Conceptually, the enhancement of accountability and transparency contributes to the development of a more responsive public service performance that prioritizes societal welfare. Therefore, strengthening Good Financial Governance principles constitutes a fundamental prerequisite for establishing a clean, transparent, and effective government system.

1. Introduction

Good Financial Governance (GFG) is a fundamental element in modern public administration systems. This concept emphasizes the importance of transparency, accountability, efficiency, and public participation in the management of state finances, especially in the era of fiscal decentralization, which grants greater authority to regional governments. The implementation of GFG does not merely function as an administrative mechanism but also as a strategy to strengthen government legitimacy and public trust through the open and ethically and professionally accountable management of public funds. According to De Simone et al. (2019), fiscal transparency has a significant influence on the efficiency of government expenditure, as it allows the public and oversight institutions to assess the extent to which the budget is used effectively and according to targets. Openness in presenting budget information also plays a role in reducing information asymmetry between the government and citizens, thereby increasing fiscal efficiency and accountability.

When financial data is presented clearly and is easily accessible, the public can participate in the public oversight process, which ultimately strengthens accountability mechanisms and reduces the potential for misappropriation in the use of public funds. In addition to transparency, public accountability is an important pillar in the implementation of GFG. An accountable government ensures that every financial activity and decision can be justified based on the principles of effectiveness, efficiency, and compliance with applicable regulations. Natision et al. (2022) affirm that solid public accountability has a positive relationship with the effectiveness of state financial management. The strengthening of internal and external audit systems is proven to increase public trust while reducing the risk of corruption. Conversely, a weak accountability system opens opportunities for abuse of authority and inefficiency in the management of public resources.

Fiscal decentralization provides an important context for GFG implementation. In many developing countries, decentralization is aimed at bringing public services closer to the community, increasing the responsiveness of regional governments, and accelerating equitable development. However, Dick-Sagoe (2020) notes that the implementation of fiscal decentralization often faces challenges in the form of limited institutional capacity and an imbalance between budget allocation and the service functions carried out by regional governments. The principle of money follows function often does not run optimally, meaning the use of public funds does not always align with the actual needs of the region. This mismatch potentially hinders the effectiveness of public services and weakens the achievement of regional development goals. Public service performance ultimately becomes the main indicator for assessing the success of GFG implementation. Governments capable of managing finances transparently and accountably tend to show better service performance because resources are allocated based on real needs and community priorities.

Khosrowjerdi (2022) explains that the level of national transparency is directly related to the quality of governance and the level of public trust in government institutions. In this context, fiscal transparency acts as a catalyst that strengthens public service performance through increased public trust, more active social oversight, and efficiency in budgeting policy. Thus, the implementation of GFG integrated with the principles of transparency and accountability not only has implications for improving the quality of public financial management but also directly impacts improving community welfare. Good management of public funds encourages the improvement of service quality, strengthens the relationship between the government and citizens, and builds a clean, open, and results-oriented governance. This study aims to examine the conceptual relationship between GFG, transparency, accountability, and public service performance through a descriptive qualitative approach based on literature. This analysis is expected to provide a comprehensive understanding of how good public financial governance can strengthen the effectiveness and credibility of public services in the era of fiscal decentralization.

2. Literature Review

2.1. The Concept of Good Financial Governance in Public Financial Management

Good Financial Governance (GFG) is a principle of financial governance that emphasizes transparency, accountability, efficiency, and effectiveness in the use of public resources. Its main goal is to ensure that every public expenditure reflects development priorities and provides optimal benefits for society. According to De Simone et al. (2019), fiscal transparency functions as an accountability device that allows the public to assess the extent to which fiscal policies are carried out efficiently. The higher the level of fiscal openness, the stronger the government's ability to control spending and minimize waste. Furthermore, GFG includes components of oversight, audit, and public participation in financial decision-making. Jeriansyah and Mappanyukki (2020) assert that public audit practices and good governance positively influence the financial accountability of government institutions. External oversight, such as independent audits and public reports, strengthens the integrity of budget management.

The effective implementation of GFG also demands synergy between fiscal policy and institutional governance, including the human resource capacity to manage the budget professionally and transparently. GFG plays a crucial role in ensuring the money follows function principle runs optimally. This means public funds are allocated based on the functional needs and responsibilities of each organizational unit. However, as explained by Dick-Sagoe (2020), many regional governments in developing countries still face institutional capacity gaps and a mismatch between fiscal allocation and service functions. This condition indicates that without strong transparency and accountability mechanisms, GFG is difficult to realize effectively.

2.2. Accountability and Transparency as Pillars of GFG

Public accountability is a moral and legal obligation for the government to explain, justify, and account for the use of public funds. In the context of financial governance, accountability becomes a tool to prevent abuse of authority and corruption. Natision et al. (2022) found that increased public accountability has a positive influence on the mechanism of state financial management. Transparent reporting systems and strong internal audits are capable of increasing the credibility of government financial statements. Transparency, on the other hand, is the main requirement for the realization of accountability. When financial information is easily accessible to the public, the social oversight process runs effectively. Khosrowjerdi (2022) explains that the level of national transparency is positively related to the quality of governance. Governments with open public information systems are more trusted by the public and have lower levels of corruption. Transparency also triggers public participation, as the public can assess and provide input on fiscal policy.

However, several studies show that accountability without transparency is often ineffective, and vice versa. High transparency without an accountability mechanism can result in a "transparency illusion," where openness is only administrative without real improvement in oversight. Therefore, the implementation of GFG demands a balance between these two aspects so that the public financial management system genuinely encourages efficiency, justice, and integrity. In addition, the importance of public audit systems in strengthening accountability is also described by Arends (2020). He asserts that strong fiscal oversight plays a role in reducing the risk of misappropriation and improving the quality of public services. Without tight control, fiscal decentralization can actually increase the opportunity for corruption, as regional authority increases without adequate oversight capacity.

2.3. Public Service Performance in the Financial Governance Perspective

Public service performance is a reflection of the government's ability to provide services that are efficient, fair, and responsive to community needs. The relationship between GFG and public service performance is both direct and indirect. Kyriacou & Roca-Sagalés (2021) explain that fiscal decentralization accompanied by good governance significantly impacts the improvement of governance quality. Regional governments with high transparency and strong accountability mechanisms show better service performance compared to regions with weak governance. Public service performance also depends on the alignment between fiscal policy and service goals. Saputra (2021) shows that a high level of fiscal decentralization can reduce indications of corruption and increase service efficiency if balanced with a strong accountability system. However, if decentralization runs without control and transparency, the risk of inefficiency and misappropriation actually increases.

Other research also reinforces that accountability and transparency influence not only finances but also public perception of service quality. Honest and open government creates an environment of social trust, which in turn increases community participation in supporting public policy. This strengthens the view that GFG is not only an administrative instrument but also a social instrument for building government legitimacy. Thus, the existing literature affirms that the relationship between GFG, accountability, and transparency to public service performance is synergistic and multilayered. The better the implementation of these principles, the higher the efficiency of financial management and service performance achieved. However, the effectiveness of its implementation is highly dependent on institutional capacity, the quality of human resources, and the political commitment to upholding public integrity.

3. Method

This research uses a descriptive qualitative approach focusing on literature review (library research). This approach was chosen because it aims to explain the conceptual relationship between GFG, accountability, transparency, and public service performance based on recent scientific studies. The qualitative approach allows researchers to examine the social, policy, and institutional contexts that shape the implementation of public financial governance without conducting quantitative statistical tests. The research stages include four main steps. First, literature identification and selection, by searching international and national journals through Google Scholar or Research Gate using the keywords: "Good Financial Governance," "accountability," "transparency," and "public service performance." The selection criteria include scientific publications from the last five years relevant to public financial governance and fiscal decentralization. Several main articles used as references include De Simone et al. (2019), Dick-Sagoe (2020), Natision et al. (2022), Khosrowjerdi (2022), and Kyriacou & Roca-Sagalés (2021).

Second, content analysis was conducted by grouping main themes such as fiscal transparency, public accountability, financial oversight, fiscal decentralization, and public service performance. Through this process, the researcher traced patterns of relationships between variables that emerged in various literature. Third, interpretation and synthesis of findings were performed to build a holistic understanding of how GFG contributes to improving public service performance. Fourth, the compilation of results and discussion was structured narratively to connect empirical findings from various studies with the theoretical framework of good governance. This approach follows the principle of literature triangulation, ensuring the validity of findings through the comparison of various academic sources. As explained by Natision et al. (2022), the descriptive qualitative method is relevant for analyzing the complex phenomenon of accountability and transparency because both are rooted in social and institutional dynamics. Thus, this research does not intend to test hypotheses but rather to describe the relationship between GFG and public service performance conceptually and empirically. This approach provides a theoretical contribution by clarifying how good public financial governance becomes the foundation for creating a transparent, accountable, and community-welfare-oriented government.

4. Results

The results of the literature review show that Good Financial Governance (GFG) has a highly strategic role in strengthening public financial governance while encouraging an increase in the quality of public services. GFG cannot be understood merely as a series of administrative procedures, but as a governance paradigm that emphasizes the integration of transparency, accountability, and effectiveness in fiscal management to achieve community welfare goals. Based on the analysis of eight scientific articles within the last five years, a number of main trends were found that demonstrate the close link between the dimensions of GFG and the improvement of public service performance.

The dimension of fiscal transparency is proven to have a direct influence on the efficiency and effectiveness of government expenditure. De Simone et al. (2019)

state that the openness of fiscal information encourages increased government spending efficiency through the active role of public oversight and increased discipline in budget execution. Transparency allows the public, audit institutions, and other stakeholders to monitor all stages of budget planning and realization more carefully. In the context of regional government, fiscal openness also functions to strengthen policy legitimacy because the public can assess the extent to which budget policies are implemented according to the principles of efficiency, fairness, and favoring the interests of the wider community.

In addition, fiscal transparency has implications for the behavior of public bureaucracy. When financial data and information are presented openly, public officials will be more cautious in making decisions that have fiscal impacts, thereby reducing the risk of misappropriation and increasing institutional accountability. Khosrowjerdi (2022) asserts that the level of national transparency is directly proportional to the quality of governance; countries with strong transparency systems tend to have more efficient, responsive, and accountable public service performance. Thus, transparency functions not only as an administrative instrument but also as a political instrument that strengthens public trust in government institutions and is an important foundation in building modern state legitimacy.

Public accountability is a fundamental element in realizing the effective implementation of GFG. Natision et al. (2022) show that public accountability positively influences the effectiveness of state financial management. In the context of regional government, accountability is realized through the preparation of financial reports that meet professional standards, the optimal functioning of internal and external audits, and public involvement in evaluation and oversight processes. Strong accountability plays a crucial role in suppressing corruption practices, increasing the efficiency of budget use, and strengthening public trust in government apparatus. However, research also highlights that accountability without being balanced by transparency can lead to information asymmetry, so the public does not have an adequate basis for objectively assessing government performance.

The ideal form of accountability covers two directions: downward accountability (accountability to the community) and upward accountability (accountability to state institutions or oversight authorities). When both forms run in balance, the public financial governance system becomes more transparent, participatory, and credible. Jeriansyah and Mappanyukki (2020) reinforce this finding by concluding that public audit practices, transparency, and the implementation of good governance principles have a significant influence on increasing the accountability of government institutions. Governments that implement independent audit systems and disclose their results to the public are proven to have more efficient service performance and gain a higher level of public trust.

The relationship between fiscal decentralization and public service effectiveness is also a major concern in GFG literature. Dick-Sagoe (2020) found that fiscal decentralization supported by the implementation of GFG principles can increase the efficiency of public service provision, as regional governments have the flexibility to allocate resources according to local needs. Decentralization allows public policy to be more adaptive to the regional context. However, when decentralization is carried out without strong accountability and transparency mechanisms, the risk of fiscal inequality, abuse of authority, and budget waste arises. In several cases, decentralization actually expands bureaucracy and opens opportunities for corruption if the oversight system and institutional capacity remain weak.

The research by Kyriacou & Roca-Sagalés (2021) supports this view by asserting that the quality of governance determines the extent to which fiscal decentralization can have a positive impact on public service performance. When regional governments have adequate fiscal capacity and consistently implement GFG principles, decentralization results in increased service efficiency and effectiveness. Conversely, decentralization without transparency and accountability only weakens policy effectiveness due to weak social control and the low professionalism of the bureaucratic apparatus. The results of the study indicate that the implementation of GFG has a direct correlation with the improvement of public service performance. The principles of accountability and transparency implemented continuously encourage public organizations to focus on achieving results rather than just fulfilling formal procedures.

In the perspective of modern public management, the success of public services is measured not only by the speed or efficiency of service but also by the effectiveness of policy and the level of community satisfaction. A transparent and accountable government is better able to adapt to public needs because its fiscal policies are open to criticism and oversight. Cross-country studies by Khosrowjerdi (2022) affirm that the openness of public information encourages innovation in service provision and increases the efficiency of public resource use. Transparency functions as a mechanism of social control that creates positive pressure on public apparatus to continuously implement continuous improvement in service delivery. With high openness and accountability, public officials are encouraged to achieve better performance standards due to increased public expectations and oversight of service quality. The synergy between the principle of money follows function and fiscal accountability remains a major challenge in the implementation of GFG, especially at the regional government level. This principle requires that every budget allocation follows the public service function that is the responsibility of the relevant organizational unit. However, the reality in the field shows that limited regional fiscal capacity and weak oversight systems cause budget allocations not always to reflect priority community needs. As a result, the effectiveness of public services is often not optimal and impacts the low level of community satisfaction with government performance.

A number of literatures also highlight that partial implementation of GFG only results in administrative changes without providing a substantive impact on the quality of public services. Therefore, strengthening institutional capacity, increasing apparatus integrity, and optimizing the public oversight system are absolute prerequisites for the success of state financial governance reform. Natawibawa et al. (2019) emphasize that public accountability reform demands a systemic approach, involving synergy between strict regulations, leadership commitment, and community participation in every stage of the financial management process. Conceptually, the synthesis results show that GFG functions as a governance framework that connects three main elements: an efficient and transparent public financial mechanism, a solid public accountability system, and public service performance that is oriented towards results and community satisfaction. The higher the level of GFG implementation, the greater the opportunity for a clean, effective, and responsive government to citizen needs.

Thus, the comprehensive implementation of GFG not only increases fiscal efficiency but also strengthens the relationship between the government and the community through increased public trust. The implication for the public sector is the need for policies that emphasize the integration between financial systems and public service management. The government needs to ensure that every fiscal policy is compiled based on strong principles of transparency and accountability, while oversight institutions must have the capacity and independence to ensure policy implementation runs according to these principles. In the long term, the consistent implementation of GFG will form public financial governance that is efficient, equitable, and oriented towards community welfare, which is the main goal of good governance.

5. Discussion

The results of the literature review indicate that the implementation of GFG is a major determinant for improving public service performance. The interconnectedness between GFG, transparency, and accountability creates a governance mechanism that is more efficient, open, and results-oriented. However, the effectiveness of its implementation depends on institutional capacity, political commitment, and community participation in public oversight. In a conceptual framework, fiscal transparency is the main prerequisite for effective accountability. Transparency allows the public to access information regarding budget allocation, realization, and evaluation, thereby encouraging social oversight and increasing spending efficiency. De Simone et al. (2019) assert that fiscal transparency has a positive relationship with public expenditure efficiency. However, when the openness of information is not balanced with an accountability mechanism, transparency only functions as an administrative formality that cannot prevent misappropriation. Therefore, both principles must run in tandem.

Public accountability functions as an instrument of justification and a control mechanism against the misuse of public resources. Natawibawa et al. (2019) show that a high level of public accountability positively correlates with sound and sustainable financial management. Effective public audit systems, legislative oversight, and community involvement in the budgeting process can increase fiscal integrity and reduce the risk of corruption. In the context of fiscal decentralization, accountability also plays a critical role in ensuring that regional autonomy is not used exclusively by local elites but rather to expand access to public services. The relationship between fiscal decentralization and the quality of public services is also influenced by the quality of governance.

Purbadharmaja et al. (2019) highlights that decentralization will only be effective if accompanied by adequate transparency and fiscal oversight. Without this, fiscal autonomy actually leads to inter-regional inequality and practices of abuse of authority. Conversely, Delen et al. (2019) found that decentralization supported by the GFG system can improve bureaucratic efficiency, shorten the decision-making chain, and increase public accountability. Good public service performance depends not only on the size of the budget but also on how the budget is managed. The principle of money follows function needs to be implemented consistently so that fund allocation aligns with actual service needs. Governments that consistently implement GFG are able to reduce administrative costs, accelerate program realization, and increase public satisfaction with public services. In this context, GFG functions as an integrative mechanism between fiscal policy, bureaucratic management, and the ethics of public service.

Thus, this discussion affirms that the success of GFG implementation is determined not only by policy but also by the behavior of public actors and the operational oversight system. To achieve an effective and accountable government, institutional reform is required that emphasizes integrity, digital transparency, and community involvement in the public budget cycle. This reform will ensure that public financial governance truly functions as an instrument for improving service performance and social welfare.

6. Conclusion

The implementation of GFG is proven to play an essential role in improving the quality of public financial management and public service performance. The main principles of GFG namely transparency, accountability, and efficiency interact to create a clean, effective, and community-welfare-oriented public financial system. Fiscal transparency serves as the basis for increasing public trust and budget efficiency, while accountability strengthens the integrity of public institutions through clear and open justification mechanisms. Fiscal decentralization strengthens the relationship between financial policy and community needs but will only be effective when supported by transparent and accountable governance. Weakness in the synergy of the "money follows function" principle indicates the need for strengthening institutional capacity and public oversight.

By implementing GFG consistently, the government can improve expenditure efficiency, suppress the potential for corruption, and increase the quality of public services. Therefore, the strategy for reforming public financial governance must place GFG as the main foundation in every budgeting cycle. Strengthening public audits, digital-based transparency, and community involvement are key to ensuring the effective use of public funds. When accountability and transparency are implemented simultaneously, GFG functions not only as an administrative tool but also as an ethical and social mechanism that realizes a clean, responsive, and equitable government.

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