



# Reforming Public Financial Governance Through Accountability and Transparency Principles

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## Abstract

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Public financial governance serves as a crucial foundation for establishing a transparent, accountable, and efficient system of government. Sound financial management plays a vital role in enhancing public trust, strengthening institutional integrity, and promoting the efficient use of budgetary resources. The principles of accountability and transparency act as key instruments in preventing corruption and the misuse of public funds. Previous studies indicate that the implementation of a performance-based budgeting system can improve the effectiveness of fiscal policies and increase the efficiency of public sector organizations. Furthermore, the success of public financial governance largely depends on the capacity of human resources, effective reporting mechanisms, and strong internal control systems. This study highlights the significance of establishing an integrity-based public financial governance framework through the consistent application of transparency, efficiency, and professionalism. Such an approach is essential for reinforcing accountability and fostering greater public confidence in government institutions. Strengthening these governance principles is fundamental not only to ensuring fiscal discipline but also to achieving sustainable and trustworthy public administration.

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## **1. Introduction**

Public financial governance is a fundamental element in the administration of government that is oriented towards the principles of good governance. This system not only regulates the mechanism for managing, allocating, and utilizing public funds, but also serves as the main instrument in ensuring the government's level of accountability to the public. Through a good governance system, the government can demonstrate the extent to which the use of public resources is carried out responsibly and is oriented towards optimal results. In this context, accountability and transparency become two main pillars that support a modern public financial governance system. Both ensure that the processes of budgeting, implementation, and financial reporting are conducted openly, can be audited, and are based on the principles of efficiency and fiscal fairness.

In the realm of public administration, effective financial governance plays an important role as a means to achieve fiscal efficiency while strengthening public trust in government institutions. According to Brody et al. (2021), good financial governance does not merely emphasize compliance with administrative procedures, but is also oriented towards performance and results. When the government is able to demonstrate efficient, transparent, and outcome-oriented management of public funds, the level of public trust in public policies and programs will significantly increase. Thus, the success of public financial governance is not only measured through compliance, but also through its contribution to the effectiveness of policies and socio-economic development.

Transparency in public financial management allows the public to access information regarding budgetary policies, fiscal realization, and performance achievements openly. This openness not only strengthens social oversight mechanisms but also encourages public participation in the process of formulating and evaluating fiscal policies. In line with the views of Shahmirzalou et al. (2020), transparency and accountability are key determinants in the successful implementation of performance-based budgeting. Conversely, the absence of transparency can open room for irregularities, manipulation of financial reports, and reduce the credibility of public institutions. Therefore, transparency must be placed as both a normative and operational principle within the state financial management system.

In the context of corruption prevention, transparent public financial governance functions as an effective social and administrative control instrument. Nolte et al. (2022) suggests that the implementation of a performance-based budgeting system that is open and publicly auditable is able to suppress the risk of budget capture by certain interest groups. Strong transparency also strengthens the foundation of inclusive and equitable fiscal governance. Through the implementation of good governance principles, public institutions can build a bureaucratic ecosystem that is highly integrated, efficient, and oriented towards optimal public service. Meanwhile, Ferry and Murphy (2018) assert that global dynamics, including pandemics and economic crises, demonstrate the urgency for a public financial system that is resilient, adaptive, and accountable. The government's inability to maintain fiscal accountability often leads to uneven budget distribution,

especially in basic service sectors. In such situations, the government is required to strengthen performance-based accounting systems and verifiable financial reporting.

This step is crucial to prevent inefficiency, irregularities, and to ensure that every public expenditure provides measurable social benefits. Increasing accountability and transparency in public financial governance is not only a moral demand, but also a structural need for fiscal stability and credibility. Financial policy reform that focuses on performance, efficiency, and data-based oversight becomes an important foundation in realizing a clean, responsive, and results-oriented government. Thus, effective public financial governance not only supports the achievement of economic efficiency but also strengthens political legitimacy and public trust in the administration of the state.

## **2. Literature Review**

### **2.1. The Concept of Public Financial Governance and Its Core Principles**

Public Financial Management (PFM) is a system that encompasses the planning, execution, reporting, and oversight of the utilization of public resources. The core principles in public financial governance include accountability, transparency, effectiveness, efficiency, and compliance with fiscal regulations. According to Brody et al. (2021), good public financial governance not only emphasizes procedural compliance but also demands accountability for the results achieved. Transparency allows the public to know how public funds are used, while accountability ensures that public institutions are responsible for every fiscal decision taken.

Shahmirzalou et al. (2020) assert that effective public financial governance requires strong internal and external oversight mechanisms to reduce financial irregularities. In the modern context, the implementation of Performance-Based Budgeting (PBB) has become the main approach in strengthening fiscal accountability. PBB links budget expenditure with measurable results, thereby creating a system of incentives for the efficiency and effectiveness of public institutions. Furthermore, Mulyani et al. (2021) state that transparency in public financial reporting increases institutional credibility and minimizes the potential for corruption. When financial reports are accessible and openly auditable, the public can objectively assess government performance. Therefore, public financial governance is not only an administrative instrument but also an important means of building public trust in the government.

## **2.2. Accountability, Transparency, and Their Relationship with Corruption Prevention**

The principles of accountability and transparency are two essential pillars in corruption prevention efforts in the public sector. These two principles ensure that every stage in the management of state finances can be monitored, evaluated, and accounted for openly and systematically. Nolte et al. (2021) found that the implementation of a transparent budgeting system plays a significant role in suppressing the potential for corrupt practices through expanding public access to fiscal data and government financial reports. Openness in the budget process also serves to minimize the risk of budget capture by interested groups and strengthens public confidence in the credibility of the state's financial system. Furthermore, Ferry

and Murphy (2018) assert that public financial governance based on the principle of accountability contributes directly to fiscal stability and the strengthening of governmental institutional integrity. In the context of the global economic crisis, fiscal accountability becomes increasingly important to ensure that the allocation of public resources is carried out efficiently, accurately targeted, and oriented towards measurable results.

The implementation of performance-based accounting systems accompanied by independent financial audits is a strategic step to reinforce transparency and public oversight of the government's fiscal performance. According to Wahyurudhanto (2020), the relationship between accountability and the level of corruption is negative: the higher the level of accountability, the lower the potential for corruption. Therefore, strategies for strengthening public accountability must be supported by competent human resources capacity, a professional audit system, and active community involvement in budget oversight mechanisms. Without the synergy of these three aspects, public financial governance reform will tend to be procedural and lose its substantial effectiveness.

### **2.3. Challenges and Innovations in Performance-Based Systems**

The application of a performance-based financial system brings its own challenges in the context of public bureaucracy. The main challenges include the limitation of human resources, the lack of adequate cost accounting systems, and weak coordination between organizational units. According to Mauro et al. (2020), the success of a performance-based system highly depends on the institution's ability to measure output and outcome objectively and implement relevant performance

indicators. Boriani et al. (2022) also show that a performance-based system can increase efficiency if accompanied by continuous performance evaluation and appropriate incentives. However, without the support of information technology and strong analytical capacity, this system is vulnerable to misjudgment and data manipulation.

Innovations in fiscal technology have also opened new opportunities to increase transparency and accountability. The use of open data platforms and e-budgeting systems allows public access to financial information in real-time. Bachtiar and Muhamad (2020) assert that the digitalization of the budget process can reduce the potential for irregularities and increase the efficiency of oversight. Thus, performance-based public financial governance that utilizes technological innovation can strengthen fiscal integrity and ensure the optimal use of public funds. The literature indicates that public financial governance based on accountability and transparency is a key element in creating a clean, efficient, and results-oriented government. However, its implementation requires synergy between regulation, institutional capacity, and technology to ensure the sustainability of fiscal reform in the public sector.

### **3. Method**

This research uses a descriptive qualitative approach, which aims to deeply understand how the principles of accountability, transparency, and performance-based systems are implemented in public financial governance. This approach was chosen because it is capable of describing phenomena contextually and interpreting

the meaning behind public financial management practices without using quantitative statistical analysis. The descriptive qualitative method allows researchers to explore the perceptions, views, and experiences from various sources related to financial governance, both from the aspects of regulation, policy implementation, and public oversight. The analysis process is carried out through a literature study of various scientific publications, policy reports, and academic documents relevant to public financial governance and performance-based accountability systems.

The data sources used come from journal articles indexed by Google Scholar, Research Gate and other academic databases published within the last five years. This secondary data was collected from previous studies such as Bachtiar and Muhamad (2020) who discussed e-budgeting innovation in public financial management, Shahmirzalou et al. (2020) regarding the implementation of performance-based budgeting, Brody et al. (2021) on strategies for increasing public transparency and accountability. Data analysis was performed using thematic analysis techniques to identify the main patterns and themes in the literature. Each piece of data was analyzed based on the dimensions of governance principles, accountability mechanisms, and the effectiveness of the performance system.

This approach provides a comprehensive picture of the relationship between the application of public financial principles and the level of efficiency, integrity, and public trust in public institutions. To enhance the validity of the findings, this research used a source triangulation strategy by comparing results from various academic publications with different contexts and regions. This technique allows for the identification of similarities and differences in the implementation of public

financial governance policies across various sectors. The results of this descriptive qualitative method are expected to enrich the literature on public financial governance and serve as a basis for policymakers in strengthening financial accountability and transparency systems in the public sector, in order to encourage efficiency, public trust, and the prevention of corruption practices in the management of state funds.

#### **4. Results**

The results of this study indicate that the effectiveness of public financial governance is highly determined by a strong synergy between the principles of accountability, transparency, efficiency, and a reliable internal control system. Literature analysis confirms that the consistent application of these four principles enables public institutions to build an integrity-based, efficient budget management system that earns public trust. Within the framework of modern governance, public financial governance functions not only as an administrative mechanism but also as a strategic instrument in maintaining state legitimacy through responsible and transparent management of public resources.

According to Shahmirzalou et al. (2020), the implementation of a performance-based budgeting system has been proven to increase fiscal transparency by linking every budget allocation to performance indicators that can be measured both quantitatively and qualitatively. This approach requires every public institution to shift its focus from merely fund absorption to the achievement of real results that impact public welfare. Thus, the efficiency of public expenditure

increases because every expenditure is linked to accountable outcomes. This principle not only strengthens fiscal discipline but also creates a performance culture oriented towards results-based accountability.

However, the effectiveness of the performance-based budgeting system cannot be separated from the capacity of the Human Resources (HR) who manage public finances. Vian et al. (2022) assert that a number of public institutions still face barriers in implementing the principle of accountability due to low technical competence of apparatus and weak internal oversight mechanisms. Apparatus who do not fully understand the concept of results-based reporting tend to prioritize administrative compliance as the main goal, rather than as a means to achieve substantive performance. Consequently, the accountability system often remains procedural and does not fully reflect the actual results of implemented public policies.

On the other hand, reporting mechanisms and internal control also remain a major challenge in increasing fiscal transparency. Ferry and Murphy (2018) found that financial reports not prepared in accordance with government accounting standards or not published openly can hinder public participation in the public oversight function. This condition potentially creates an information gap between the government and the public, which ultimately reduces the level of public trust in government institutions. Therefore, reporting mechanisms must be designed not only as a form of administrative accountability but also as a means of public communication that is easily accessible and understandable.

Public transparency is currently also highly influenced by the utilization of information technology in modern fiscal governance. The implementation of e-budgeting systems, open data, and fiscal transparency portals has become a key strategy in strengthening fiscal openness in various countries. Nwangene et al. (2021) show that the digitalization of the public financial system can accelerate access to information, reduce the potential for data manipulation, and increase budget administration efficiency. When budget data is available online and in real-time, the public and oversight institutions can monitor budget execution directly. This not only increases the efficiency of oversight but also expands public participation in maintaining the state's fiscal integrity.

In addition to technological factors, institutional commitment plays a central role in building integrity-based public financial governance. Nolte et al. (2021) emphasizes that the success of fiscal governance depends on the integrity of institutional leaders and an organizational culture that rejects corrupt practices. Many policy reforms fail not because of weaknesses in the designed system, but because of a lack of commitment and consistency in their implementation. Therefore, financial governance reform needs to be accompanied by the strengthening of bureaucratic ethics, professionalism, and individual responsibility within the public organizational structure.

From an efficiency perspective, various literature reviews show that the performance-based budgeting system contributes positively to the optimization of public resource utilization. Boriani et al. (2022) explain that this system allows government agencies to adjust budget allocation based on the achievement of

measurable performance indicators. If indicators are not met, the allocation can be reviewed and transferred to a more productive sector or to more urgent national priorities. This approach not only increases fiscal efficiency but also reduces the potential for waste that is common in traditional input-oriented budgeting systems.

Nevertheless, the implementation of performance-based budgeting systems also faces a number of technical and institutional constraints. These challenges include setting unrealistic performance targets, weak cost accounting systems, and limited coordination between organizational units. Mauro et al. (2020) assert that without clear performance indicators and a measurable reporting system, the performance-based budgeting system can lose direction and even risk producing inaccurate reports. Therefore, a framework for performance measurement based on evidence-based framework needs to be developed so that fiscal evaluation can be carried out objectively and transparently. Public accountability cannot be separated from the role of external oversight, including independent audits and public participation. Wahyurudhanto (2020) highlight that public audits conducted professionally and published openly have a significant impact in suppressing corruption practices in the government sector.

Regular audits enable the early detection of budget irregularities while strengthening public confidence in government transparency. Thus, auditing not only functions as an administrative instrument but also as a mechanism for social accountability. From the aspect of public participation, community involvement in the planning, implementation, and evaluation of the budget is one of the main indicators of a democratic state financial system. The public has the right to know,

monitor, and assess the extent to which public funds are utilized for the common interest. In Austin and Jones (2018) study, it is explained that communities that have access to open fiscal information tend to be more active in overseeing the use of the budget and reporting potential irregularities. Thus, information openness is not just about the technical provision of data, but also part of empowering citizens in state financial oversight.

The application of the principles of accountability, transparency, and efficiency has a direct impact on the level of public trust in the government. When public institutions demonstrate integrity, professionalism, and consistency in financial management, the public will be more confident that public funds are used appropriately. This trust plays an important role in maintaining social stability and the political legitimacy of the government. In the long term, strong fiscal accountability can become the foundation for the sustainability of public administration reform and inclusive economic growth. Despite this, the analysis results also show a gap in policy implementation between institutions with high institutional capacity and those with limited capacity.

Factors such as limited operational budgets, inadequate technology infrastructure, and weak organizational culture become serious obstacles in achieving good public financial governance standards. Therefore, a holistic and multilevel reform approach is needed, covering the enhancement of apparatus capacity, modernization of the financial system, and the strengthening of risk-based supervision mechanisms. Based on various research findings, it can be concluded that the success of public financial governance is not solely determined by the design

of formal systems or policies, but also by the synergy between political commitment, individual integrity, institutional capacity, and effective oversight systems.

Public financial reform must be understood as a continuous process that continues to adapt to social, political, and technological changes. The results of this literature research reinforce the view that the principles of accountability and transparency not only improve the quality of fiscal governance but also contribute significantly to increasing public trust, economic stability, and long-term corruption prevention. By strengthening the implementation of these principles through a performance-based approach, digitalization of the financial system, and inclusive public participation, public financial governance can become the main foundation in realizing a government that is effective, efficient, and highly integrated.

## **5. Discussion**

This discussion highlights the link between the research findings and the theory of public financial governance based on the principles of accountability, transparency, efficiency, and bureaucratic integrity. In general, the results of the literature review indicate that the application of these principles is the main determinant in building a credible public financial system that is trusted by the public. First, the application of accountability is proven to be an important instrument in encouraging the improvement of public institution performance. In line with the findings of Vian et al. (2022), a strong accountability system allows public organizations to account for every financial activity transparently and measurably. Accountability is not just about administrative compliance, but also

involves the moral and ethical responsibility of public officials to the community. With accurate reporting mechanisms and independent audits, the government can suppress the risk of irregularities and increase the efficiency of public resource utilization.

Second, fiscal transparency plays a large role in building public trust in the government. Austin and Jones (2018) explain that when the public has access to budget information, they can assess the effectiveness of public policies and exercise social control over the use of state funds. Transparency also encourages broader public participation in the budgeting process, which ultimately strengthens government accountability. Furthermore, the research results show that the use of a performance-based system can be a solution to increase fiscal efficiency. However, the implementation of this system often faces challenges such as low human resource capacity and weak cost accounting systems. Mauro et al. (2020) emphasize the importance of developing objective and measurable performance indicators to ensure the link between the input, output, and outcome of public policies. Without clear indicators, the performance-based system risks becoming a formality without producing real improvements. Then, digital innovation through e-budgeting and open fiscal data is proven to increase transparency and efficiency.

Nwangene et al. (2021) highlight that information technology plays a large role in preventing data manipulation and accelerating the reporting process. However, the implementation of technology without strong oversight and institutional integrity can also create new challenges, such as the gap in access and the risk of data security. Finally, the findings of Ferry and Murphy (2018) reinforce

the view that good public financial governance requires synergy between transparent fiscal policies, high accountability, and public participation. These three elements form a healthy governance ecosystem, where the government and the public collaborate in ensuring the effectiveness of public fund utilization. Thus, it can be concluded that public financial governance based on performance and integrity not only increases fiscal efficiency but also strengthens the legitimacy and public trust in government institutions. The sustainable application of the principles of accountability and transparency will be the main pillar in building a public financial system that is fair, open, and oriented towards tangible results.

## **6. Conclusion**

This research affirms that good public financial governance is the main foundation in creating a government that is integrated, efficient, and trusted by the public. The principles of accountability and transparency are key elements in ensuring that the use of public funds proceeds according to objectives and prevents irregularities and corruption. The implementation of performance-based budgeting systems is proven to increase fiscal efficiency because it links every expenditure to measurable and openly monitored results. From the results of the literature review, it was found that effective public financial governance does not only depend on regulation, but also on political commitment, human resource capacity, and institutional integrity.

Digital innovation through e-budgeting and open fiscal data is also proven to strengthen transparency and accelerate public access to financial information, while

serving as a means to increase public participation in budget oversight. However, challenges still arise in the form of low apparatus competence, weak internal control systems, and resistance to change. Therefore, public financial governance reform must be viewed as a continuous process that requires the enhancement of institutional capacity, technological support, and strong public oversight. Public financial governance based on accountability, transparency, and performance is not only a fiscal control tool but also a strategic pillar in realizing a clean, effective, and welfare-oriented government.

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