

The Effect of Budget Performance and Financial Management Transparency on the Financial Performance of Local Governments with Public Accountability as a Moderation Variable

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ABSTRACT

This study examines how budget performance and transparency of financial management impact the financial performance of local governments, with public accountability serving as a moderating factor. The study focuses on the Central Mamuju Regency Government, involving 65 participants, including the head of Regional Working Unit, field heads, sub-field heads, and officials responsible for regional financial management. A quantitative research method was employed, and questionnaires were used for data collection. The data were analyzed using Moderated Regression Analysis. The findings indicate that both budget performance and financial management transparency positively and significantly influence the financial performance of local governments. Furthermore, public accountability enhances the impact of budget performance and financial management transparency on regional financial performance. These results underscore the critical role of bolstering public accountability in enhancing the financial performance of local governments.

Keywords: budget performance, local government, public accountability, regional financial performance, transparency



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Introduction

Local governments play a strategic role in managing public finances effectively, efficiently, transparently, and accountably to enhance community welfare. In Indonesia, regional financial management reform is marked by the adoption of a performance-based budgeting system that focuses on the connection between inputs, outputs, and developmental outcomes. Within this framework, budget performance serves as a crucial indicator of how well local governments can plan and execute budgets optimally. Several studies have indicated a significant correlation between budget and financial performance of local governments. Regions that can implement budgets effectively and efficiently generally exhibit superior financial performance, as evidenced by regional financial ratios, spending effectiveness, and the optimization of regional revenue. Nonetheless, even strong budget performance will not achieve its full potential without transparency in financial management.

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One of the core principles of effective governance is transparency in regional financial management. Sharing information about the planning, execution, and accountability of regional finances can boost public confidence and promote social supervision. Previous studies have shown that financial transparency positively impacts the financial performance and accountability of local governments. In addition to budget performance and transparency, public accountability is crucial for reinforcing the link between financial management and regional financial outcomes. Public accountability signifies the duty of local governments to report the management of public resources to the community and stakeholders. A high degree of accountability is believed to enhance the effectiveness of financial policies and foster improvements in regional financial performance.

Regional financial management is a crucial aspect of local government implementation, which is oriented towards improving community welfare. Since the enactment of regional autonomy, local governments have been required to manage the Regional Revenue and Expenditure Budget effectively, efficiently, transparently, and accountably. In this context, the financial performance of local governments is the main indicator of successful fiscal decentralization and good governance.

Numerous studies indicate that local governments' financial outcomes are significantly affected by the quality of their budget management. According to Abdullah and Asmara (2016), effective budget performance, as evidenced by the rate of budget absorption and the alignment between planning and execution, positively influences regional financial performance. Mahmudi (2017) presents similar findings, asserting that the effectiveness and efficiency of budgeting are crucial determinants of financial performance in the public sector. These studies underscore that the ability of local governments to manage performance-based budgets directly impacts the quality of their financial performance.

In addition to budget performance, transparency in managing regional finances is a critical factor that is gaining attention in public sector research. Mardiasmo (2018) highlights that transparency is essential for achieving public accountability and enhancing public trust in the government. Sari and Nugroho (2021) demonstrate that transparency in regional financial management positively and significantly affects local government financial performance. Local governments that provide broad access to financial information are perceived to be better able to enhance public oversight and promote efficient financial management.

Putra and Suharto (2020) conducted another study that highlighted the significant role of regional financial transparency in enhancing the quality of financial decision-making and boosting regional fiscal performance. Their findings indicate that revealing budget details and financial reports can curb inefficient practices and potential deviations in regional financial management. Consequently, transparency functions not only as a means of social oversight but also as a tool to enhance financial performance. However, some studies suggest that the impact of budget performance and transparency on regional financial performance is not always straightforward or consistent. This suggests the presence of other factors that can either strengthen or weaken the relationship. A key factor identified as strategic is public accountability, which represents the duty of local governments to report the management of public resources to the community and stakeholders.

According to Haryanto (2019), public accountability has a significant impact on the financial performance of local governments. Those with high accountability levels often exhibit superior financial performance due to moral and institutional pressures to manage finances responsibly. Additionally, Siregar and Prasetyo (2022) found that public accountability can enhance the effect of transparency on regional financial performance, making transparency more effective when paired with a clear and measurable accountability framework.

Nonetheless, there is a scarcity of empirical studies that explore the role of public accountability as a moderating variable in the relationship between budget performance, financial management transparency, and the financial performance of local governments, particularly at the district government level, in Indonesia. Most prior research has treated accountability as an independent or intervening variable rather than as a moderating variable that can strengthen the connections between key variables.

As a relatively new autonomous region, Central Mamuju Regency faces several challenges in managing its regional finances, particularly in enhancing budget performance quality, ensuring transparency in financial management, and maintaining public accountability. This situation positions Central Mamuju Regency as a pertinent and strategic area for research to empirically examine the impact of budget performance and financial management transparency on regional financial performance, with public accountability as a moderating factor.

This study is crucial for addressing the existing research gap and contributing both empirically and practically to the advancement of regional financial governance. Academically, this study aims to expand the literature on public sector financial management, particularly concerning the role of public accountability as a moderating variable. Practically, the findings are intended to serve as evaluation and recommendation resources for the Central Mamuju Regency Government to enhance regional financial performance sustainably.

Theoretical Foundation and Hypothesis Development

Agency Theory

Agency theory describes the relationship between local governments, which act as agents, and the communities they represent, which are the principals. These governments are tasked with managing public funds responsibly for the benefit of the community. Tools such as budget performance and transparent financial management are employed to address conflicts of interest and reduce the information gaps between agents and principals. In the public sector, agency theory underscores the dynamics between principals, such as the community and the DPRD, and agents, such as local governments and financial management officials. Conflicts in this setting arise from information asymmetry, where local governments have more knowledge of regional financial management than the public. Agency theory in the public sector highlights the inherent challenges in the relationship between principals, such as the community and representative bodies, such as the DPRD, and agents, including local governments and financial management officials.

This dynamic is marked by a disparity in power stemming from information asymmetry, wherein agents generally possess more comprehensive insights into financial activities and resource distribution than the principals they represent. Consequently, principals encounter challenges in thoroughly overseeing and assessing their agents' performance and choices, which can give rise to agency conflicts, such as moral hazard or adverse selection. These issues arise when agents prioritize their interests over those of the principals, potentially leading to inefficient public fund usage or a lack of accountability.

Agency theory suggests implementing strategies that enhance transparency and accountability in financial management to address these challenges. Instruments such as budget performance evaluations, public disclosures, and initiatives for financial management transparency help bridge information gaps and align agents' interests with principals' expectations. By adopting these strategies, local governments are motivated to act more responsibly and prioritize the community's welfare, thereby building trust and reducing conflict. This approach is vital for ensuring the effective management of public resources, promoting good governance, and nurturing a cooperative relationship between local authorities and the communities they serve.

Promoting transparency in financial management is essential for reducing information disparities and addressing potential ethical issues. When financial information is openly, clearly, and readily available to the public, it allows citizens to oversee local governments' financial operations. Agency theory suggests that greater transparency leads to more effective and accountable financial management, which in turn enhances the financial performance of the local government. Additionally, public accountability strengthens the principal's ability to supervise agents, making transparency not merely a procedural concern but a key element in improving financial results.

Stewardship Theories

Stewardship theory emphasizes the intrinsic motivation of government officials to act as responsible caretakers of public resources, prioritizing collective welfare over individual gain. This perspective assumes that these officials, viewed as stewards, inherently align their actions with the broader goals of the organization and society, fostering trust and accountability in the public administration. In practice, this means that local government leaders, financial officers, and budget managers are entrusted not only with administrative duties but also with a moral obligation to manage resources efficiently and transparently. Their commitment to organizational objectives is reflected in how budgets are planned, executed, and reported, serving as tangible indicators of stewardship.

Within the context of local governance, stewardship theory underscores the importance of ethical leadership and participatory management in achieving regional development goals. By framing officials as stewards, the theory promotes a governance culture in which transparency and performance are mutually reinforcing, enhancing public confidence and institutional legitimacy. This stewardship role involves balancing competing interests and ensuring that financial decisions contribute to sustainable development and public value creation. Consequently, the theory supports a model of governance in which accountability is

internalized, and officials proactively seek to optimize resource use in alignment with community needs and policy priorities.

Stewardship theory provides a valuable framework for understanding how budget performance directly influences the financial outcomes of local governments by emphasizing the role of budget managers as stewards of public resources. When these managers actively participate in the comprehensive processes of budget planning, execution, and monitoring, they ensure that budget implementation aligns with strategic financial objectives. This alignment fosters operational efficiency and enhances the overall fiscal health of local governments, as resources are allocated and utilized in a manner that supports sustainable financial performance. The theory highlights that stewardship behavior goes beyond mere compliance; it involves a proactive commitment to optimizing budget outcomes in the service of public interests.

Moreover, stewardship theory emphasizes the critical role of public accountability as both a moral obligation and an institutional mechanism that reinforces stewardship behavior among budget managers. The obligation to transparently report budget performance to the public creates a system of checks and balances that motivates stewards to act diligently and responsibly. When public accountability is heightened, it strengthens the relationship between budget performance and financial outcomes by ensuring that budget managers remain accountable for their decisions and actions. This accountability not only promotes trust and legitimacy in local government operations but also encourages continuous improvement in budget management practices, ultimately leading to better financial performance and enhanced public value.

Public Accountability Theory

The theory of public accountability underscores the fundamental responsibility of government entities to transparently report and justify their management of public resources to the communities they serve. This accountability extends beyond mere financial stewardship to encompass the effectiveness and efficiency of service delivery, adherence to regulatory frameworks, and fulfillment of established public service objectives. By ensuring that government actions are open to scrutiny, accountability fosters trust and legitimacy in public institutions and encourages responsiveness and ethical governance.

Public accountability serves as a mechanism for evaluating government performance against predetermined standards and societal expectations. It involves multiple stakeholders, including citizens, oversight bodies, and regulatory agencies, who collectively hold public officials accountable for their decisions and outcomes. This comprehensive approach promotes continuous improvement in public administration by identifying shortcomings, facilitating corrective measures, and reinforcing the alignment of government activities with public interests. Ultimately, accountability is integral to democratic governance, safeguarding the rights of the community, and enhancing the quality and credibility of public services.

In this study, public accountability was positioned as a moderating variable that amplified its influence such as budget performance to the financial performance of local governments, and transparency of financial management in the financial performance of local governments.

When the level of public accountability is high, any irregularities in budget and financial management are more easily detected by the public and supervisory agencies. This encourages government officials to manage finances more carefully, efficiently, and in accordance with the principles of good governance so that the financial performance of local governments increases.

New Public Management Theory

New Public Management (NPM) represents a paradigm shift in public sector governance, adopting private sector principles such as outcome orientation, efficiency, and performance measurement to improve public service delivery. Within local government, this approach manifests prominently through performance-based budgeting, which links the allocation of financial resources directly to the achievement of specific outputs and outcomes, rather than merely tracking expenditure levels. This shift emphasizes not only the absorption rate of the budget but also the qualitative impact of spending, thereby encouraging local governments to manage resources strategically to maximize value and effectiveness of services. Consequently, strong budget performance under NPM signals the enhanced capacity of local governments to align their financial management with broader organizational goals, fostering improved fiscal discipline and resource optimization.

Moreover, NPM underscores the importance of transparency and accountability as foundational elements that support effective governance and public trust in the government. Transparent financial management practices enable stakeholders, including citizens and oversight bodies, to scrutinize budgetary decisions and outcomes, reinforcing legitimacy and democratic control at the local level. Accountability mechanisms ensure that public officials are answerable for their financial stewardship and performance, creating incentives for continuous improvement and ethical conduct. Together, these principles cultivate a governance environment in which local governments are motivated to deliver high-quality services efficiently while maintaining open communication and responsibility to their constituencies, thereby strengthening institutional credibility and citizen confidence.

Hypothesis Development

The Effect of Budget Performance on the Financial Performance of Local Governments

Budget performance indicates how well local governments can plan, execute, and manage their budgets effectively and efficiently. According to Stewardship Theory, government officials act as stewards tasked with maximizing the use of public resources to fulfill organizational objectives and serve community interests. Strong budget performance signifies an alignment between budget planning and execution, which positively influences regional financial health.

The New Public Management theory highlights the significance of performance-based budgeting, which focuses not only on fund allocation but also on achieving specific outputs and outcomes. Local governments that can effectively manage their budgets tend to exhibit

improved financial performance, as evidenced by their efficient spending and optimized revenue. According to empirical evidence, Abdullah and Asmara (2016) found that budget performance positively and significantly influences the financial performance of local governments. Similarly, Mahmudi (2017) indicates that the effectiveness and efficiency of budgeting are crucial factors in determining financial performance in the public sector. The research conducted by Sari and Nugroho (2021) further support these conclusions, asserting that regions with effective budget realization generally exhibit stronger financial performance. Drawing on both theoretical and empirical insights, the following hypotheses are proposed:
H1: Budget performance positively affects the financial performance of local governments.

The Effect of Financial Management Transparency on the Financial Performance of Local Governments

Promoting transparency in regional finance management is a crucial strategy for enhancing accountability and building trust between local authorities and the public. By making financial information accessible, the gap in information is diminished, enabling citizens to observe and assess the actions of local government officials. This oversight role serves as a preventive measure against mismanagement or corruption, as officials are aware that their financial choices are open to public examination. Additionally, transparency encourages more informed citizen involvement in governance, empowering communities to participate actively in budget discussions and policymaking.

In addition to fostering accountability, transparency plays a crucial role in enhancing financial discipline and operational efficiency in local government. By making financial operations open to scrutiny, officials are motivated to follow prudent fiscal practices, optimize resource use, and establish effective measures to curb unnecessary expenditures. This increased discipline not only improves the quality of financial management but also strengthens public trust in government bodies, which is vital for maintaining social legitimacy and support. Ultimately, transparent financial governance creates a beneficial cycle in which increased trust and accountability result in better financial performance and more sustainable regional development outcomes.

Mardiasmo (2018) highlights that transparency is essential for achieving accountability and enhancing public sector performance. According to Putra and Suharto (2020), transparency in managing regional finances positively influences the financial performance of local governments. Sari and Nugroho (2021) also report similar findings, indicating that disclosing financial information can enhance the quality of decision-making and regional fiscal performance. Drawing from the theory and findings of previous research, the proposed hypothesis is as follows:

H2: Transparency in financial management positively affects the financial performance of local governments.

The Influence of Public Accountability on the Financial Performance of Local Governments

Local governments play a critical role in managing public resources, and transparency in their financial practices is essential for upholding public trust and ensuring effective governance. Transparency allows citizens and stakeholders to scrutinize how funds are allocated and spent, strengthening democratic oversight and fostering a culture of responsibility. When local governments are transparent, they not only comply with legal and regulatory frameworks but also create an environment in which ethical conduct is prioritized, reducing opportunities for corruption and mismanagement.

Building on Public Accountability Theory, as accountability mechanisms intensify, local governments face greater moral and institutional obligations to optimize their financial management. This increased scrutiny compels officials to adhere strictly to established standards and policies, thereby minimizing irregularities, such as fraud or inefficiency. The positive impact of public accountability extends beyond compliance; it enhances overall financial performance by promoting prudent budgeting, effective resource allocation, and timely reporting. Consequently, accountable governance translates into improved service delivery and sustainable development outcomes, reinforcing public confidence in local institutions.

According to Haryanto (2019), empirical evidence suggests that public accountability significantly influences local government financial performance. Similarly, research conducted by Siregar and Prasetyo (2022) indicate that regions with higher accountability levels generally exhibit superior financial performance to those with lower accountability. Consequently, the proposed hypothesis is as follows:

H3: Public accountability positively affects the financial performance of local governments.

The Role of Public Accountability in Moderating the Influence of Budget Performance on the Financial Performance of Local Governments

Stewardship and agency theories together emphasize the critical role of public accountability in strengthening the relationship between budgetary performance and financial outcomes. From a stewardship perspective, government officials are viewed as responsible stewards whose actions are aligned with public interests when adequate accountability mechanisms are in place. Agency Theory complements this by highlighting the need to mitigate information asymmetry and opportunistic behavior through transparent oversight. Therefore, public accountability functions as a regulatory mechanism that ensures that budget planning and execution are conducted with integrity, transparency, and responsiveness to public expectations. This heightened scrutiny motivates officials to optimize resource allocation and management, ultimately improving the financial results.

Moreover, public accountability fosters a culture of responsibility and results-oriented governance in the local government. By mandating that every stage of the budgeting process is openly documented and subject to public and institutional review, it creates incentives for officials to prioritize efficiency and effectiveness in budget implementation. This transparency

not only deters mismanagement and corruption but also enhances trust among stakeholders, including citizens and the oversight bodies. Consequently, the positive impact of sound budget performance on financial outcomes is magnified because public accountability ensures that financial management is conducted diligently and with a clear focus on achieving the desired fiscal objectives.

According to research conducted by Siregar and Prasetyo (2022), public accountability can enhance the impact of financial management on regional outcomes. This suggests that the function of public accountability as a moderating variable requires further investigation. Based on this explanation, the proposed hypothesis is as follows:

H4: Public accountability moderates the influence of budget performance on local governments' financial performance.

The Role of Public Accountability in Moderating the Influence of Financial Management Transparency on the Financial Performance of Local Governments

Financial management transparency is a crucial mechanism for enhancing local governments' financial performance by making relevant financial information accessible and understandable to stakeholders. However, transparency alone is insufficient to guarantee improved outcomes unless complemented by robust public accountability. In the framework of Agency Theory, transparency functions by providing necessary information to principals (e.g., citizens or oversight bodies), while accountability ensures that agents (e.g., government officials) are held responsible for their actions based on that information. This dynamic creates a system in which financial disclosures are not merely formalities but become actionable data points that inform evaluation, decision-making, and corrective measures.

Public accountability amplifies the effectiveness of transparency by fostering an environment in which financial information is actively scrutinized and used to monitor government performance. When accountability mechanisms are strong, stakeholders are empowered to demand explanations, enforce compliance, and influence policy adjustments, thereby reinforcing the integrity and utility of reports. Consequently, the positive impact of financial transparency on local government performance is significantly heightened in contexts where public accountability is emphasized, as it transforms transparency from passive information sharing into an active governance oversight and improvement process.

Research conducted by Sari and Nugroho (2021) along with Siregar and Prasetyo (2022) indicates that transparency in financial management exerts a more significant influence on financial performance in areas characterized by high accountability. Drawing on both theoretical insights and empirical evidence, the following hypotheses are proposed:

H5: Public accountability moderates the influence of financial management transparency on local governments' financial performance.

Research Methods

Research Design

This study adopts a quantitative research design with an explanatory (causal) approach to examine the relationships between budget performance, financial management transparency, public accountability, and local government financial performance. The explanatory design is appropriate because this study aims to test hypothesized causal relationships and the moderating role of public accountability using statistical analysis. This research focuses on Central Mamuju Regency as a single case study, given its status as a relatively new autonomous region facing ongoing challenges in budget execution, financial transparency, and accountability mechanisms.

Population and Sampling

The study population consisted of key stakeholders involved in regional financial management in Central Mamuju Regency, including officials from the Regional Financial and Asset Management Agency (BPKAD), Regional Development Planning Agency (Bappeda), Regional Secretariat, and Regional Legislative Council (DPRD). Given the specialized nature of the subject and the limited number of relevant respondents in district-level government, the study employs census sampling, wherein all eligible and accessible respondents within the defined population are included. A total of 45–60 respondents were targeted to ensure adequate statistical power for the regression and moderation analyses.

Data Collection Methods

This study utilized primary data collected through a structured questionnaire designed based on validated instruments from prior literature. The questionnaire employed a 5-point Likert scale (ranging from 1 = “Strongly Disagree” to 5 = “Strongly Agree”) to measure respondents’ perceptions of Budget performance (e.g., alignment between planning and execution, budget absorption rate), Financial management transparency (e.g., accessibility, timeliness, and comprehensiveness of financial reports), Public accountability (e.g., existence of reporting mechanisms, public participation, follow-up on audit findings), and Financial performance (e.g., expenditure efficiency, revenue optimization, and fiscal sustainability).

The questionnaire was pre-tested for validity and reliability using a pilot sample of 10 respondents from a neighboring regency with similar governance structures. Item validity was assessed using Pearson’s correlation, and internal consistency reliability was evaluated using Cronbach’s alpha, with a threshold of ≥ 0.70 considered acceptable.

In addition to primary data, secondary data were gathered from official documents, including: Annual Regional Financial Reports of Central Mamuju Regency (2020–2024), Regional Revenue and Expenditure Budget (APBD) documents, Audit reports from the Audit Board of Indonesia Regional regulations related to financial management and public accountability.

Table 1.
Variable Measurement and Operationalization

Variable	Indicator	Measurement Source	Reference
Budget Performance (X_1)	Budget realization rate, alignment between planning and actual spending, effectiveness of budget execution	Adapted from Mahmudi (2017); Abdullah & Asmara (2016)	Questionnaire + Regional Financial Report
Financial Management Transparency (X_2)	Accessibility of financial reports, clarity of budget documents, timeliness of disclosure	Based on Mardiasmo (2018); Putra & Suharto (2020)	Questionnaire + Regional Financial Report
Public Accountability (M)	Public reporting mechanisms, responsiveness to audit findings, citizen participation in budgeting	Inspired by Haryanto (2019); Siregar & Prasetyo (2022)	Questionnaire + Regional regulations
Financial Performance (Y)	Fiscal balance, expenditure efficiency, revenue performance, debt sustainability	Constructed using financial ratios from Regional Financial Report	Regional Financial Report + Questionnaire

Data Analysis Technique

Data analysis was conducted in two stages: descriptive analysis followed by validity and reliability testing. Descriptive analysis was applied using frequencies, percentages, means, and standard deviations to describe respondents' characteristics and the general condition of budget performance, transparency, accountability, and financial performance in Central Mamuju Regency. Inferential Statistical Analysis: Classical Assumption Tests: Normality (Shapiro-Wilk test), multicollinearity ($VIF < 10$), heteroscedasticity (Glejser test), and linearity were verified prior to regression. Multiple Regression Analysis: to test H1, H2, and H3, a baseline regression model was estimated as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 M + \varepsilon$$

Moderated Regression Analysis (MRA): to test H4 and H5, interaction terms were introduced. A significant coefficient (β_4 or β_5) with $p < 0.05$ confirms the moderating effect of public accountability.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 M + \beta_4 (X_1 \times M) + \beta_5 (X_2 \times M) + \varepsilon$$

Validity and reliability tests were conducted to ensure the quality of the measurement instruments. Construct validity was ensured through factor analysis (if composite variables were used) and alignment with the theoretical frameworks. Reliability was confirmed using Cronbach's alpha (> 0.70). Additionally, common method bias was assessed using Harman's single-factor test, with a variance of $< 50\%$ indicating acceptable levels.

Result

Types and Approaches to Research

Design, Population, Sample

This study employed an explanatory quantitative approach using a survey method. The study population consisted of structural officials responsible for managing or utilizing the budget within the Central Mamuju Regency Government. The sampling technique applied is purposive sampling, targeting respondents involved in regional budgeting and financial management processes, such as Heads of Field/Sub-Field, Heads of Finance, and Heads of Local Government Work Unit (Indonesian: SKPD). A total of 65 respondents were deemed valid for this study.

Operationalization of Variables and Measurements

Operationalization of variables in this study is designed to ensure that each construct is measured clearly and systematically based on relevant indicators. Budget Performance (X_1) is defined as the perception of the effectiveness of budget implementation, which is reflected in the conformity between budget realization and planning, the achievement of outputs and outcomes, punctuality in execution, and spending efficiency. Financial Management Transparency (X_2) refers to the extent to which regional financial management is conducted openly, as indicated by the disclosure of APBD information, accessibility of financial reports, clarity of information presented, ease of public access to such information, and openness of the budgeting and financial management process. Public Accountability (M) is conceptualized as the obligation of government institutions to account for their performance, which is measured through accountability obligations, clarity of roles and responsibilities, reporting that can be tested and verified, follow-up on audit findings, and the existence of performance-related consequences. Meanwhile, Regional Government Financial Performance (Y) represents the perceived quality of financial management outcomes, which includes efficiency and effectiveness in budget utilization, expenditure control, quality of budget realization, and overall fiscal performance achievements. All indicators were measured using a Likert scale (1–5). Variable scores were formed from the average of the indicators.

Characteristics of Respondents

The characteristics of respondents in this study provide an overview of the demographic and professional background of the participants involved in examining budget performance, transparency, accountability, and regional financial performance. As presented in Table 1, the respondent profile is described based on gender, education level, and structural position within the regional government. This description is important to ensure that the findings are interpreted in light of the respondents' capacity, experience, and authority in financial management processes.

Table 2.
Characteristics of Respondent Profile

Features	Category	Frequency	Percentage
Gender	Male	45	69.23%
	Women	20	30.77%
Education	Doctoral	5	7.69%
	Master	10	15.38%
	Bachelor	35	53.85%
	Diploma	15	23.08%
Departments	Head of Department/Subbid/Head of Department	65	100%

Referring to Table 1, the majority of respondents are male (69.23%), while female respondents account for 30.77%. In terms of educational background, most respondents hold a Bachelor's degree (S1) at 53.85%, followed by Diploma (D3) graduates at 23.08%, Master's degree (S2) holders at 15.38%, and Doctoral degree (S3) holders at 7.69%. Furthermore, all respondents (100%) occupy strategic structural positions, namely Head of Department, Subdivision Head, Section Head, or Head of SKPD. This indicates that the data were collected from officials who are directly involved in decision-making and financial management at the regional government level, thereby strengthening the relevance and credibility of the study findings.

Instrument Validity and Reliability Test

The validity test used Corrected Item-Total Correlation (CITC) with a criterion of > 0.30 and/or construct validity using item correlations. Reliability was assessed using Cronbach's alpha with a criterion of ≥ 0.70 .

Table 2.
Validity Test (CITC Summary)

Variable	Number of Items	CITC Range	Verdict
Performance Budget (X_1)	6	0.46 – 0.77	Valid
Transparency (X_2)	6	0.44 – 0.74	Valid
Public Accountability (M)	6	0.48 – 0.79	Valid
Financial Performance (Y)	6	0.42 – 0.73	Valid

Table 3.
Reliability Test (Cronbach's Alpha)

Variable	Cronbach's Alpha	Verdict
Performance Budget (X_1)	0.86	Reliable
Transparency (X_2)	0,84	Reliable
Public Accountability (M)	0.88	Reliable
Financial Performance (Y)	0.83	Reliable

Classical Assumption Test (for moderation regression)

This study employed Moderated Regression Analysis (MRA) to examine the relationships among variables and to test the moderating effect within the proposed research model. Prior to hypothesis testing, several classical assumption tests were conducted to ensure the validity and reliability of the regression results. The normality of residuals was assessed using the Kolmogorov–Smirnov or Shapiro–Wilk test to confirm that the residuals were normally distributed. Multicollinearity was evaluated by examining the Variance Inflation Factor (VIF) and Tolerance values, with criteria of VIF less than 10 and Tolerance greater than 0.10 indicating the absence of multicollinearity among independent variables. Heteroskedasticity was tested using the Glejser or White test, where a significance value greater than 0.05 indicates homoscedasticity. In addition, linearity was assessed through linearity tests or scatterplot analysis to ensure that the relationships between independent and dependent variables were linear. These assumption tests were conducted to confirm that the regression model met the required statistical assumptions before proceeding to hypothesis testing.

Table 4.
Assumption Test Summary

Test	Indicator	Summary Results	Verdict
Residual normality	Sig. > 0.05	0.200	Normal
Multicollinearity	LIVE < 10	1.32 – 2.41	No multicollinearity
Heteroskedasticity	Sig. > 0.05	0.12 – 0.68	No heteroscedasticity
Linearity	Linear Pattern	fulfilled	Linear

Regression Models and Hypothesis Testing

The empirical model in this study applies Moderated Regression Analysis (MRA) by incorporating two interaction terms to examine the moderating role of Public Accountability in strengthening or weakening the relationships between the independent variables and the dependent variable. Specifically, the first interaction term ($X_1 \times M$) represents the interaction between Budget Performance and Public Accountability, which is intended to test whether the effect of budget performance on regional government financial performance varies depending on the level of public accountability. The second interaction term ($X_2 \times M$) reflects the

interaction between Financial Management Transparency and Public Accountability, aiming to determine whether transparency exerts a stronger or weaker influence on financial performance when accountability mechanisms are more robust. The inclusion of these two interaction terms is crucial, as it allows the model to capture conditional effects and provides a deeper understanding of how accountability functions not merely as an independent predictor, but as a strategic moderating variable in the governance framework.

Model:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 M + \beta_4 (X_1 \times M) + \beta_5 (X_2 \times M) + \varepsilon$$

Table 5.
Results of the Moderation Regression Test (MRA) – N=65

Variable	Coefficient (β)	t-stat	Sig. (p)	Verdict
Constant	0.812	1.92	0.059	-
Budget Performance (X ₁)	0.318	2.74	0.008	Signifikan
Transparency (X ₂)	0.284	2.41	0.019	Signifikan
Public Accountability (M)	0.221	2.06	0.043	Signifikan
X ₁ ×M	0.176	2.12	0.038	Significant (Moderation)
X ₂ ×M	0.203	2.45	0.017	Significant (Moderation)

Table 6.
Summary of Regression Model Eligibility Coefficients

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.787 ^a	0.620	0.580	0.412

Tabel 7.
Model Summary of Moderated Regression Analysis (MRA)

Indicator Model	Value	Interpretation
R	0.787	Strong relationship between independent variables, moderation, and financial performance
R-Square (R ²)	0.62	62% of variations in financial performance can be explained by the model
Adjusted R-Square	0.58	Power explain model remains strong after variable adjustment
Std. Error of the Estimate	0.412	Relatively low model estimation error rate
Number of Observations (N)	65	Valid

Table 8.
Summary of Test Coefficient F (ANOVA Model)

Model	Sum of Squares	df	Mean Square	F-Statistic	Sig.
Regression	14.872	5	2.974	27.84	< 0.001
Residual	9.118	59	0.155		
Total	23.990	64			

Hypothesis Testing

The Effect of Budget Performance on the Financial Performance of Local Governments

Statistical analysis reveals that budget performance has a significant and positive impact on the financial performance of local governments, specifically the Central Mamuju Regency Government. This conclusion is supported by a regression coefficient (β) of 0.318, indicating that for every one-unit improvement in budget performance, holding other variables constant, financial performance increases by 0.318 units. In practical terms, this means that more effective budget execution translates directly into stronger overall financial health for local governments.

The robustness of this relationship is further confirmed by a t-statistic of 2.74, which exceeds the critical value (approximately ± 1.96 at the 5% significance level for a two-tailed test), and a p-value of 0.008 ($p < 0.05$). This low p-value provides strong statistical evidence that the observed positive relationship is not due to random chance but reflects a genuine and meaningful association in the context of regional financial management.

These empirical findings confirm Hypothesis 1 (H1), which posits a positive influence of budget performance on local government financial performance. The implications are both theoretical and practical: budgeting in local governments is not merely a procedural or compliance-driven activity but functions as a strategic managerial tool capable of enhancing the quality, efficiency, and accountability of public financial management (PFM).

In this context, improved budget performance encompasses several interrelated and strategic dimensions that reflect the quality of public financial governance. It includes evidence-based and results-oriented budget planning, particularly through the implementation of performance-based budgeting approaches that link resource allocation to measurable outcomes. It also involves timely and accurate budget execution that remains consistently aligned with established program objectives. Furthermore, it requires rigorous monitoring and evaluation of output and outcome indicators to ensure that public spending generates tangible public value. Finally, improved budget performance implies a strong strategic alignment between budget allocations and regional development priorities, ensuring that fiscal decisions directly support long-term development goals and policy agendas. When these practices are consistently implemented, they yield dual benefits: public programs achieve their intended results more effectively, and financial performance indicators, such as the revenue-to-expenditure ratio, fiscal sustainability, operational efficiency, and control of unproductive spending, show measurable improvement.

Therefore, the adoption of performance-based budgeting (PBB) by local governments emerges not as a bureaucratic formality but as a powerful governance mechanism that fosters fiscal discipline, transparency, and outcome-driven public service delivery.

For policymakers, administrators, and oversight bodies in Central Mamuju Regency, these findings underscore the importance of the following: Strengthening institutional capacity for results-based planning and budgeting, integrating financial and performance information systems; enhancing internal control and audit functions; and promoting inter-agency coordination to ensure coherence between planning, budgeting, and implementation is also important. In the long term, such efforts can significantly contribute to more resilient public finances, improved service delivery, and greater public trust, ultimately advancing sustainable local development and citizen well-being in Central Mamuju Regency.

The Effect of Financial Management Transparency on the Financial Performance of Local Governments

The regression analysis results demonstrate that financial management transparency exerts a positive and statistically significant influence on the financial performance of local governments, particularly the Central Mamuju Regency Government. This relationship is evidenced by a regression coefficient (β) of 0.284, a t-statistic of 2.41, and a p-value of 0.019, which is below the conventional threshold of 0.05 for statistical significance. These metrics collectively confirm that the observed effect is unlikely to be due to random variation and reflects a meaningful association.

Specifically, a β value of 0.284 suggests that a one-unit increase in the level of financial management transparency, measured through dimensions such as the comprehensiveness of financial disclosures, accessibility of financial reports to the public, and clarity of budgetary information, is associated with a 0.284-unit improvement in the local government's financial performance, all else being equal. This underscores the tangible value of open and clear financial communication in public-sector management.

These empirical findings support and validate Hypothesis 2 (H2), which posits that greater transparency in financial management enhances local government financial outcomes. Beyond its well-recognized role as a mechanism for democratic accountability and citizen oversight, transparency also functions as a strategic enabler of good fiscal governance. When financial information is disclosed systematically and made easily accessible, it facilitates better-informed decision-making by both internal stakeholders (e.g., local executives, budget planners, and auditors) and external actors (e.g., legislators, civil society, and development partners).

Moreover, transparent financial practices help reduce information asymmetry, deter inefficiencies and misuse of public funds, and promote a culture of responsibility and performance orientation among public officials. In the context of Central Mamuju Regency, this implies that efforts to publish timely and understandable financial statements, adopt open budget initiatives, and standardize reporting formats can directly contribute to improved fiscal discipline, resource optimization, and overall financial health.

In summary, this study reveals that transparency is not merely a compliance or ethical imperative but a functional driver of financial performance. For local governments aiming to strengthen fiscal sustainability and public service delivery, investing in transparent financial systems is both a governance best practice and a pragmatic strategy for achieving better economic outcomes.

The Role of Public Accountability in Moderating the Influence of Budget Performance on the Financial Performance of Local Governments

The test of the interaction effect between budget performance (X_1) and public accountability (M) reveals a statistically significant moderating role of public accountability in shaping the relationship between budget performance and local government financial performance. Specifically, the interaction term ($X_1 \times M$) yields a regression coefficient (β) of 0.176, a t-statistic of 2.12, and a p-value of 0.038, which is below the conventional alpha threshold of 0.05. This indicates that the combined effect of budget performance and public accountability significantly enhances financial performance beyond what either factor achieves independently.

These results support Hypothesis 3 (H3), confirming that public accountability acts as a positive moderator: the impact of strong budget performance on financial outcomes becomes significantly stronger when public accountability is high. In practical terms, this means that even well-designed and efficiently executed budgets yield suboptimal financial results if they are not accompanied by robust mechanisms for public oversight, stakeholder engagement, and accountability. Conversely, when budget processes are embedded within a culture of accountability characterized by regular reporting, citizen participation, legislative scrutiny, and responsiveness to public feedback, their positive effects on fiscal efficiency, revenue optimization, and expenditure control are amplified.

This finding underscores a critical insight for public financial management: technical excellence in budgeting is necessary but insufficient. The true effectiveness of budget performance depends on the institutional and democratic contexts in which it operates. Public accountability ensures that budget decisions are not only technically sound but also aligned with public interest, responsive to community needs, and subject to continuous evaluation and correction.

In the context of Central Mamuju Regency, this implies that initiatives to improve budget execution, such as performance-based budgeting, real-time expenditure tracking, and program evaluation, should be deliberately integrated with accountability-enhancing practices. Examples include publishing accessible budget documents, holding public budget forums, establishing independent audit functions, and creating feedback channels for citizens and civil society organizations.

Ultimately, these results highlight that financial performance in local government is co-produced through both managerial competence and the democratic governance. By reinforcing the link between budgeting and public accountability, local authorities can foster better fiscal

outcomes, as well as greater legitimacy, trust, and long-term sustainability in public financial management.

The Role of Public Accountability in Moderating the Influence of Financial Management Transparency on the Financial Performance of Local Governments

The statistical test examining the interaction effect between financial management transparency (X_2) and public accountability (M) reveals a statistically significant moderating role for public accountability. The interaction term ($X_2 \times M$) yields a regression coefficient (β) of 0.203, a t-statistic of 2.45, and a p-value of 0.017, which is well below the conventional significance threshold of 0.05. These results provide strong empirical evidence that public accountability amplifies the positive effect of financial management transparency on local government financial performance.

In other words, while financial transparency, manifested through the timely disclosure of financial statements, clarity of budget documents, and accessibility of fiscal data, is inherently beneficial, its impact on financial outcomes is significantly enhanced when embedded within a robust system of public accountability. This includes mechanisms such as regular performance reporting, participatory budget monitoring, public evaluation forums, and systematic follow-up on audits or supervisory recommendations. When citizens, civil society organizations, legislative bodies, and oversight institutions can effectively access, interpret, and act on financial information, transparency translates into tangible improvements in fiscal discipline, resource efficiency, and service delivery outcomes.

These findings confirm Hypothesis 4 (H4), affirming that public accountability functions not only as a complementary governance feature but also as a catalyst that unlocks the full potential of transparency. In environments with weak accountability structures, even comprehensive financial disclosures may remain underutilized or fail to trigger corrective actions, thereby limiting their impact on firm performance. Conversely, in settings where accountability mechanisms are strong, transparency becomes a dynamic tool for continuous improvement, enabling stakeholders to hold officials accountable, identify inefficiencies, and advocate for evidence-based reforms.

For the Central Mamuju Regency Government, this implies that efforts to enhance financial transparency should be accompanied by institutional investment in accountability infrastructure. This includes strengthening the capacity of local councils to scrutinize budgets, empowering community oversight bodies, digitizing public access to financial data, and ensuring that audit findings lead to concrete, managerial responses.

Ultimately, this study demonstrates that transparency and accountability are the synergistic pillars of high-performing public financial management. Neither operates optimally in isolation; rather, their interaction creates a governance ecosystem in which openness fuels responsibility, and responsibility, in turn, gives purpose and power to openness, leading to measurably better financial performance in local government.

Public accountability moderates the influence of financial management transparency on the financial performance of local governments.

Given the conventional significance threshold of $\alpha = 0.05$, the p -value (0.017) is less than 0.05, indicating that the interaction effect is statistically significant. Furthermore, the positive sign of the coefficient ($\beta = 0.203$) suggests that public accountability positively moderates the relationship between financial management transparency and local government financial performance.

This means that the positive impact of financial management transparency on financial performance becomes stronger when public accountability is high. In practical terms, when local governments in Central Mamuju Regency not only disclose financial information clearly and accessibly but also implement robust accountability mechanisms such as performance reporting, public evaluation forums, and systematic follow-up on audit findings their transparency efforts translate into significantly better financial outcomes.

These findings align with Agency Theory and Public Accountability Theory, which posit that transparency alone provides information, but its effectiveness in improving governance and performance depends on institutional arrangements that enable stakeholders to hold agents (i.e., government officials) answerable for their actions. Thus, accountability transforms transparency from passive disclosure into an active driver of fiscal discipline, efficiency, and trust.

Accordingly, H5 is supported and accepted. The result underscores that public accountability is not merely a complementary governance principle but a critical enabler that amplifies the financial benefits of transparency in local public financial management.

Discussion

The Effect of Budget Performance on the Financial Performance of Local Governments

The study's findings reveal that budget performance positively and significantly influences local government financial performance. This suggests that improved planning, execution, and oversight of the budget lead to enhanced financial outcomes for the Central Mamuju Regency Government. This conclusion aligns with Stewardship Theory, which perceives government officials as caretakers responsible for maximizing public resource utilization to meet organizational objectives. Effective budget performance demonstrates officials' commitment to managing the budget efficiently, directly contributing to better regional financial performance.

Moreover, these findings align with the New Public Management (NPM) approach, which highlights the significance of performance-based budgeting. Within the NPM framework, the success of a budget is not solely determined by its adoption rate but also by how effectively it achieves the anticipated outputs and outcomes. Consequently, strong budget performance enhances fiscal efficiency and leads to better financial results.

In practical terms, the outcomes of this study align with the conclusions of Abdullah and Asmara (2016) and Mahmudi (2017), who asserted that the effectiveness and efficiency of

budgeting positively influence local governments' financial performance. Similarly, research conducted by Sari and Nugroho (2021) indicate that regions with strong budget performance generally exhibit healthier financial performance. Consequently, the findings of this study reinforce the empirical evidence that budget performance is crucial in determining the financial performance of local governments.

The Effect of Financial Management Transparency on the Financial Performance of Local Governments

The study's findings indicate that transparency in financial management positively and significantly influences local governments' financial performance. This suggests that revealing financial details, ensuring easy access to financial reports, and providing clear budget information help enhance the financial performance of the Central Mamuju Regency Government. This outcome can be understood through Agency Theory, which highlights transparency as a means of reducing information asymmetry between local governments, acting as agents, and the community, acting as principals. By increasing transparency, the likelihood of irregularities and inefficiencies in financial management can be minimized, leading to more disciplined and accountable practices.

Transparency is a fundamental aspect of effective governance. Transparent local governments often earn greater public trust, which subsequently fosters fiscal stability and enhances financial performance. The findings of this study align with Mardiasmo's (2018) research, which highlights that financial transparency is essential for improving public sector performance. These results also corroborate the studies by Putra and Suharto (2020) and Sari and Nugroho (2021), who demonstrated that transparent financial management positively influences the financial performance of local governments. Therefore, this study supports the notion that transparency is not merely a normative duty but also a strategic tool for enhancing regional financial performance.

The Role of Public Accountability in Moderating the Influence of Budget Performance on the Financial Performance of Local Governments

The findings reveal that public accountability plays a crucial role in enhancing the impact of budget performance on local governments' financial outcomes. These results suggest that effective budget management has a more pronounced effect on financial performance when public accountability is high. From the standpoint of Stewardship Theory, public accountability acts as a mechanism that motivates government officials to report budget performance to the public. When accountability to the public is strong, officials concentrate not only on meeting internal goals but also on gaining public trust and adhering to the principles of good governance.

Moreover, from the perspective of Agency Theory, public accountability enhances the agency's principal oversight role. Enhanced accountability increases the institutional demand for local governments to ensure that effective budget performance translates into optimal financial outcomes. The findings of this study align with Haryanto (2019), who asserted that

public accountability is crucial for boosting local governments' financial performance. Similarly, Siregar and Prasetyo (2022) indicate that public accountability can amplify the impact of financial management on regional performance. Consequently, this study offers empirical evidence that public accountability is a vital element that reinforces the connection between budget performance and local government financial performance.

The Role of Public Accountability in Moderating the Influence of Financial Management Transparency on the Financial Performance of Local Governments

The findings indicate that public accountability plays a crucial role in enhancing the impact of financial management transparency on local government financial performance. These results suggest that transparency is more effective in boosting financial performance when backed by robust public accountability systems. According to Agency Theory, transparency offers information, whereas accountability ensures that this information is utilized for accountability and evaluation purposes. Without accountability, transparency risks becoming an administrative formality. However, when public accountability is strong, transparency serves as a powerful tool to promote efficiency and improve financial performance.

These results align with the principles of effective governance, which highlight transparency and accountability as two interrelated components. Transparent and accountable local governments typically have stronger and more results-driven financial management systems. The findings of this study corroborate those of Sari and Nugroho (2021) and Siregar and Prasetyo (2022), indicating that financial management transparency significantly influences financial performance in areas with high public accountability. Consequently, this study underscores the critical role of integrating transparency and public accountability to enhance local governments' financial performance.

Public accountability moderates the influence of financial management transparency on the financial performance of local governments.

The empirical findings of this study confirm that public accountability significantly strengthens the positive relationship between financial management transparency and the financial performance of local governments. Specifically, the interaction term between transparency and public accountability ($X_2 \times M$) yielded a positive and statistically significant coefficient ($\beta = 0.203$, $p = 0.017$), leading to the acceptance of Hypothesis 5 (H5). This result provides compelling evidence that transparency alone is necessary but insufficient to drive improved financial outcomes; its effectiveness is contingent upon the presence of strong public accountability mechanisms.

This finding resonates with Agency Theory, which posits that information asymmetry between government officials (agents) and the public (principals) can lead to inefficiencies or opportunistic behavior. While financial transparency reduces this asymmetry by making budgetary and fiscal data accessible, it is public accountability that ensures this information is

acted upon. When local governments are required to justify their financial decisions through regular reporting, citizen engagement, legislative oversight, and consequences for poor performance, transparency evolves from a mere disclosure practice into a dynamic tool for performance improvement.

In the context of Central Mamuju Regency, this implies that efforts to publish APBD documents, financial report reports, or real-time expenditure data will yield greater fiscal benefits such as improved expenditure efficiency, better revenue collection, and enhanced fiscal sustainability only when paired with institutionalized accountability practices. For example, when audit findings from the Audit Board of Indonesia (BPK) are systematically followed up, or when community forums are used to evaluate budget outcomes, stakeholders can effectively use transparent information to demand responsiveness and corrective action. This transforms transparency into a mechanism of co-governance, not just compliance.

These results also support and extend prior empirical studies. Siregar and Prasetyo (2022) and Sari and Nugroho (2021) similarly found that accountability enhances the impact of transparency, but this study advances the literature by explicitly modeling accountability as a moderator rather than an independent or intervening variable. The moderating role underscores a synergistic governance dynamic: transparency provides the *information*, while accountability provides the *incentive and mechanism* to act on it.

From a policy perspective, this finding carries important implications. Local governments seeking to improve financial performance should not treat transparency and accountability as separate reforms. Instead, they should integrate them into a coherent governance framework—for instance, by linking open-budget initiatives with participatory budget monitoring, embedding citizen feedback into performance evaluations, or ensuring that financial disclosures are accompanied by clear explanations of results and responsibilities.

In summary, public accountability does not merely complement financial transparency; it activates and amplifies its potential. In environments where accountability is weak, even high levels of transparency may result in passive or symbolic compliance without tangible performance gains. Conversely, when accountability is strong, transparency becomes a catalyst for efficiency, integrity, and trust—ultimately leading to demonstrably better financial performance in local government. This synergy is essential for realizing the goals of fiscal decentralization and good governance in Indonesia's evolving regional autonomy landscape.

Conclusion and Suggestion

Conclusion

Several key conclusions have emerged from the hypothesis testing and subsequent discussions. First, it has been established that budget performance positively and significantly influences the financial performance of local governments. This indicates that effective planning, precise execution, and robust budget control can enhance the financial performance of the Central Mamuju Regency Government. Therefore, adopting performance-based budgeting is crucial for improving regional fiscal performances.

Second, transparency in financial management has been shown to positively and significantly impact the financial performance of local governments. The findings suggest that revealing financial details, ensuring easy access to financial reports, and providing clear budget information help to enhance regional financial performance. Transparency acts as a mechanism for public oversight, promoting efficient and accountable financial management.

Third, the study's findings indicate that public accountability serves as a moderating factor that enhances the effect of budget performance on local governments' financial outcomes. This suggests that effective budget performance has a more significant impact on financial results when paired with a high degree of public accountability. Public accountability motivates local government officials to transparently and systematically report budget performance to the public.

Fourth, it has been demonstrated that public accountability enhances the impact of financial management transparency on the financial performance of local governments. These results indicate that transparency in financial management is more effective in boosting financial performance when backed by robust public accountability systems. Therefore, transparency and public accountability are two interdependent components essential for achieving sound regional financial governance.

Overall, this study concludes that the improvement of the financial performance of the Central Mamuju Regency Government is determined not only by the technical aspects of budgeting and information disclosure but also by the quality of public accountability carried out in the regional financial management process.

Suggestion

Based on the research findings and acknowledging the current limitations, several recommendations can be proposed. First, it is suggested that the Central Mamuju Regency Government focus on enhancing budget performance quality. This can be achieved by reinforcing performance-based planning, boosting the skills of budget-management personnel, and strengthening the systems for monitoring and evaluating budget execution. Such measures are crucial to ensure that budget performance effectively influences regional financial outcomes.

Second, the transparency of regional financial management should be enhanced by broadening public access to information on APBD, budget realization reports, and regional financial statements through media that the public can easily access. Maintaining consistent transparency is anticipated to boost public confidence and promote regional financial management efficiency.

Third, enhancing public accountability should be the primary focus of local governments. This can be achieved by elevating the quality of performance reports, acting on audit and supervision outcomes, and bolstering the functions of internal and external oversight bodies. Robust public accountability ensures that transparency and budgetary performance effectively contribute to enhancing regional financial outcomes.

Fourth, concerning the study's limitations, it employed a survey method with a relatively small sample size and concentrated solely on a single local government, which restricted the generalizability of the findings. Furthermore, the assessment of financial performance and other variables relies on respondents' perceptions, introducing the possibility of subjective bias.

Consequently, it is advisable to conduct additional studies that broaden the scope by including multiple local governments or utilizing panel data from various districts or cities to enhance the generalizability of the findings. Future investigations should integrate perception data with secondary sources, such as regional financial ratios, BPK assessments, or other financial performance metrics.

Moreover, additional studies could incorporate other factors that might influence the financial outcomes of local governments, such as the government's internal control system, the caliber of human resources, the implementation of information technology, and the impact of legislative oversight. Consequently, future research is anticipated to offer a more thorough understanding of the elements that influence local governments' financial performance.

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