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Implementation of Performance-Based Accounting on Good Financial Governance in Local Governments in Papua Province

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Abstract
Improving transparency and accountability in public financial management is essential to realising good governance. Local governments are required to implement an accounting system that not only records financial transactions but also measures performance and results achieved. This study aims to analyse the effect of Performance-Based Accounting Implementation on Good Financial Governance in local governments in Papua Province. This is a quantitative study employing a survey approach, utilizing a closed-ended questionnaire as the research instrument. The research population comprises all financial management officials in the Papua local government, selected through purposive sampling, with a sample of 200 respondents who meet the criteria for direct involvement in planning, budgeting, reporting, and the evaluation of financial performance. The data were analysed using Partial Least Squares–Structural Equation Modelling (PLS-SEM) in SmartPLS. The results showed that implementing performance-based accounting had a positive and significant effect on good financial governance. This indicates that the more optimal the implementation of the performance-based accounting system, the better the transparency, accountability, effectiveness, efficiency, and legal compliance in regional financial management. This finding reinforces the New Public Management (NPM) approach, which emphasises efficiency, effectiveness, transparency, and accountability in the public sector. This approach forms the basis for implementing a results-based accounting system. In addition, these findings have practical implications for local governments, strengthening the capacity of their apparatus and results-based reporting systems to achieve sustainable good financial governance.

Keywords: performance-based accounting, financial governance, local government, good governance.

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INTRODUCTION

Research on local financial management is increasingly urgent amid growing public pressure for transparency, accountability, and the effective use of public budgets (Ermawati, 2023). In the era of decentralization and regional autonomy, local governments in Indonesia face significant challenges in aligning their budgets, reporting, and performance evaluation with good governance standards (Sonjaya, 2024). For example, the performance measurement systems of government institutions are not yet optimal in many regions, so the potential for waste and inefficiency in public budget use remains high (Murti, Mahmudi, & Nurfauziya, 2021). Against this backdrop, this research is urgently needed to explore how the implementation of performance-based accounting can serve as a strategic instrument in enhancing the quality of financial governance in local government.

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The object of this study, local governments in the Papua region, was chosen because they have characteristics that differ from those of many other areas in Indonesia, particularly in terms of geography, resource capacity, and public financial management challenges. Local governments in Papua often face unique conditions: limited access, logistical complexity, and the need for stronger governance development. Selecting this region enables a more nuanced examination of how performance-based accounting is applied in a challenging context, compared to more developed areas on Java Island or in significant cities. Thus, this study not only expands the geographical scope of research but also provides a unique contextual picture of the application of good governance in a relatively complex situation.

The main variables in this study are the Implementation of Performance-Based Accounting as the independent variable and Good Financial Governance as the dependent variable. The implementation of performance-based accounting encompasses aspects of planning, budgeting, reporting, evaluating results, and accountability for performance outcomes. Meanwhile, sound financial governance encompasses transparency, accountability, efficiency, effectiveness, and adherence to legal compliance. The relationship between these variables can be understood as follows: the more optimal the implementation of performance-based accounting, the greater the possibility of achieving good governance in public financial management. The conceptual model tested in this study considers that the performance-based accounting variable has a positive influence on good economic governance.

Several previous studies have explored the relationship between governance and public financial performance, as evidenced by research indicating that good governance positively affects the economic performance of local governments in Indonesia (Amyulianthy, Muda, Said, Setyaningrum, & Harnovinsah, 2023). In addition, recent literature also highlights that performance measurement and accountability systems in local government still face substantial obstacles (Putri, Aswar, & Ermawati, 2020). However, a research gap remains. There has been little research that specifically examines the implementation of performance-based accounting as an independent variable in the context of disadvantaged regions, such as Papua, to determine its direct effect on good financial governance. Therefore, this study aims to fill this gap.

This study identifies a gap, as there are few empirical studies examining performance-based accounting in the context of the Papua regional government and its relationship with good financial governance. The novelty of this study lies in its research object (local government in Papua) and its focus on performance-based accounting variables as the primary determinant of good financial governance. The benefits of this study are both theoretical—enriching the literature on public accounting and governance in developing countries, and practical, providing input for local policymakers to strengthen performance-based financial management systems. The detailed objectives of this research are to: (1) measure the level of performance-based accounting implementation in the Papua regional government; (2) examine the effect of this implementation on good financial governance; and (3) provide policy recommendations to improve the quality of public financial governance based on empirical findings.

Implementation of Performance-Based Accounting

This variable refers to the application of a performance-based accounting system, encompassing performance-based planning, budgeting, reporting, and accountability. This

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system aims to improve the effectiveness, efficiency, and transparency of public financial management (Auliah & Agit, 2024). Several studies show that in the context of local government in Indonesia, the implementation of performance measurement systems and performance-based budgeting still faces operational and organisational culture constraints (Akbar, Pilcher, & Perrin, 2015); "Implementing Performance Measurement Systems: Indonesian Local Government under Pressure", discussed in (Wardhani et al., 2017). For example, research by Wijaya et al. (2017) shows that the use of performance measurement systems significantly improves public accountability in the study area. More specifically, a highly relevant study was conducted by Siregar, Sudarma, Andayani, and Purwanti (2025). They examined the effects of accounting information quality and performance-based budgeting on local government governance in Papua Province. They found that performance-based budgeting has a positive impact on governance (Siregar et al., 2025). Thus, the implementation of performance-based accounting is a key factor in achieving sound financial governance by enabling performance measurement, control, and reporting mechanisms.

Good Financial Governance

The dependent variable in this study is the quality of local government financial governance, or "Good Financial Governance", which includes aspects of transparency, accountability, effectiveness, efficiency, and regulatory compliance. The literature indicates that effective governance practices have a substantial impact on the financial performance and accountability of local governments. For example, Wardhani, Rossieta, and Martani (2017) examined the effect of good governance on expenditure efficiency and local government performance in Indonesia, finding that good governance is an important moderator in the relationship between audit results and local government performance. Furthermore, a study titled "Quality of Financial Reporting and Impact of GGG Implementation: Study on Local Government in Indonesia" shows that legal culture, transparency, and accountability, which are elements of good governance, significantly affect the quality of local government financial reporting in Indonesia (adjusted $R^2 = 0.257$). Thus, sound financial governance is a crucial outcome of effective public financial management and can serve as an indicator of the successful implementation of performance-based accounting.

The Relationship between Performance-Based Accounting Implementation and Good Financial Governance

Within a theoretical framework, it can be explained that the implementation of performance-based accounting provides a systemic structure that enables: (1) output/outcome-based planning, (2) performance-based budgeting, (3) reporting and evaluation of results, (4) performance accountability (5) which cumulatively improve the transparency, accountability, efficiency and effectiveness of regional financial management (Mir & Sutiyono, 2013). Empirical research in Indonesia also supports the idea that performance-based budgeting (or performance measurement systems) is positively correlated with local government accountability and governance. For example, Situmorang, Simanjuntak, et al. (2023) found that performance-based budgeting significantly affects the performance accountability of government agencies in North Sumatra Province. Thus, the hypothesis that "the more optimal the implementation of performance-based accounting, the

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better the financial governance" has theoretical and empirical foundations in Indonesian literature, which then underpins this research in the context of the Papua local government.

RESEARCH METHODOLOGY

This research is quantitative and uses a survey approach. The quantitative approach was chosen because this study aims to test the effect of the independent variable, namely Performance-Based Accounting Implementation, on the dependent variable, namely Good Financial Governance, using quantitative indicators and statistical analysis (e.g., SmartPLS). The quantitative model is considered appropriate because it allows for empirical testing of the relationship between constructs and estimation of the magnitude of influence (*path coefficient)*, as widely applied in local government research in Indonesia (Puspita & Martani, 2021). The quantitative method also allows the use of questionnaire instruments distributed to respondents in the local government environment and data analysis through statistical software, in accordance with practices widely used in public accounting literature (Manafe & Akbar, 2021).

This research is conducted in local governments in the province of Papua, Indonesia. Papua was chosen for its unique characteristics, geographic access, resource capacity, and challenging financial management conditions, which provide a context for testing the application of performance-based accounting. The population in this study includes all officials authorized to manage finances and report performance in local governments (regencies/cities) in the administrative region of Papua Province, following the division of Papua into six provinces: Papua, West Papua, South Papua, Central Papua, Papua Pegunungan, and Southwest Papua.

Administratively, after the division, the Province of Papua consists of eight regencies and one city, namely:

1. Jayapura Regency
2. Keerom Regency
3. Yapen Islands Regency
4. Waropen Regency
5. Biak Numfor Regency
6. Supiori Regency
7. Mamberamo Raya Regency
8. Sarmi Regency
9. Jayapura City

The officials who were part of the research population included officials from Regional Apparatus Organizations (OPD) who played a role in the processes of planning, budgeting, reporting, and evaluating financial performance, such as the Regional Financial and Asset Management Agency (BPKAD), the Inspectorate, the Regional Development Planning Agency (Bappeda), and other technical OPDs.

Sampling was determined using the purposive sampling technique, which selects participants based on considerations relevant to the research objectives. The criteria for selecting respondents were as follows:

- The local government has implemented performance-based accounting in its reporting and budgeting systems.

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- Respondents are officials or staff who are directly involved in planning, budgeting, reporting, and evaluating regional financial performance.
- Respondents come from OPDs that have functions and authority in financial management and the preparation of regional financial performance reports.

The total number of respondents in this study was 200, considered proportional and representative of the number of OPDs in nine districts/cities in Papua Province. This number is also in line with the recommendation of Hair et al. (2019), which states that Partial Least Squares Structural Equation Modeling (PLS-SEM) analysis ideally uses a minimum of 100–200 observations to obtain valid and reliable model estimates. In addition, this sample size is also in line with previous research practices in the Indonesian public sector, such as those conducted by Akbar, Pilcher, and Perrin (2015) and Manafe and Akbar (2021), both of which used the PLS approach with more than 150 respondents to ensure the inferential power of the measurement and structural models.

To maintain proportionality across regions, the number of respondents was distributed according to the estimated number of relevant OPDs in each district/city. Details of the sample distribution are shown in Table 1.

Table 1 Sample Distribution by District/City

No	Regency/City	Estimated Number of Relevant OPDs*	Number of Respondents	Percentage (%)
1	Jayapura Regency	25	28	14%
2	Keerom Regency	18	20	10%
3	Kepulauan Yapen Regency	20	22	11%
4	Waropen Regency	16	18	9%
5	Biak Numfor Regency	22	24	12%
6	Supiori Regency	14	16	8%
7	Mamberamo Raya Regency	14	16	8%
8	Sarmi Regency	16	18	9%
9	Jayapura City	34	38	19%
	Total		200	100%

*Relevant OPDs include BPKAD, Inspectorate, Bappeda, and other technical units involved in regional financial management and performance reporting.

The sample distribution accounts for the complexity of each region's organizational structure and its fiscal capacity.

1. Jayapura City received the most significant proportion (19%) because it serves as the center of government and administration with a larger number of OPDs.
2. Jayapura Regency and Biak Numfor have considerable organizational capacity, so they were allocated a higher proportion of respondents than other regencies.
3. Meanwhile, regencies with a relatively small number of OPDs, such as Supiori and Mamberamo Raya, still received a minimum allocation of 8% to maintain representativeness and enable cross-regional analysis.

This distribution ensures that all administrative regions in Papua Province are proportionally represented and that the PLS-SEM model analysis produces stable, statistically inferential estimates.

The research instrument was a closed-ended questionnaire that measured indicators for each construct:

Performance-Based Accounting Implementation (X), covering the following indicators:

(1) performance-based planning,

DOI: 10.37531/amar.v5i2.3274

(2) results-based budgeting,
(3) performance reporting, and
(4) performance accountability.
(5) Performance Evaluation and Feedback

Good Financial Management (Y), including indicators:
(1) transparency,
(2) accountability,
(3) efficiency,
(4) effectiveness, and
(5) legal compliance.

Each item uses a 5-point Likert scale (1 = strongly disagree to 5 = strongly agree). The validity and reliability of the instrument were tested through *an outer model analysis (factor loadings, AVEs, composite reliabilities*) using SmartPLS, as is the practice in public accounting research in Indonesia (Manafe & Akbar, 2021; Akbar et al., 2015).

Data Analysis Techniques

The data were analysed using SmartPLS with Partial Least Squares Structural Equation Modelling (PLS-SEM). PLS-SEM was chosen because this research model is exploratory and focuses on testing relationships among latent constructs. This method also does not require a normality assumption and can be used with relatively small sample sizes, yet still provides strong estimation results (Hair et al., 2019).

The analysis stages include:

(1) Evaluation of the Measurement Model (Outer Model):
   a. Convergent validity (factor loadings > 0.70),
   b. Discriminant validity (Fornell–Larcker method), and
   c. Composite reliability (ρc > 0.70; AVE > 0.50).
(2) Structural Model Evaluation (Inner Model):
   a. Assessing R-square values, *path* coefficients, t-statistics, p-values, and *effect sizes* (f^2).
(3) Interpretation of Results:
   a. Evaluating the strength of influence and empirical implications for improving local government financial management.

The PLS-SEM approach has been widely used to assess public sector performance and accountability in Indonesia (Akbar et al., 2015; Hair et al., 2019).

RESULTS AND DISCUSSION

Before conducting model analysis, this study first describes the characteristics of respondents to provide context for the participants who are the source of the data. Respondents in this study are local government officials in Papua Province who are directly involved in regional financial management, performance reporting, and the implementation of performance-based accounting. Information on respondent characteristics includes gender, age, highest level of education, position, and length of service. These characteristics are important to show the extent to which respondents have capacity and experience in public accounting and regional financial management (Manafe & Akbar, 2021).

DOI: 10.37531/amar.v5i2.3274

Table 2 shows that of the total 200 respondents, the majority were male (59%) and female (41%), reflecting a relatively balanced distribution in regional financial management in Papua. Most respondents were aged 31–40 years (38%), indicating that they were of productive age and had sufficient work experience in the bureaucracy. In terms of education, 67% of respondents held a bachelor's degree (S1), followed by 20% with a master's degree (S2) or a doctorate (S3), indicating that most regional financial management officials have adequate academic qualifications.

Table 2 Respondent Characteristics

No	Characteristic	Category	Number (persons)	Percentage
1	Gender	Male	118	59
		Female	82	41.0
2	Age (years)	< 30 years	34	17
		31–40 years	76	38
		41–50 years old	62	31.0
		Over 50 years old	28	14
3	Highest level of education	D3	26	13.0
		Bachelor	134	67
		Master's/Doctorate	40	20
4	Position	Finance staff	88	44.0
		Sub-division Head	64	32
		Head of Department/Section	48	24.0
5	Length of Service	< 5 years	30	15
		5–10 years	92	46
		> 10 years	78	39
	Total		**200**	**100**

Based on position, 44% were implementing staff, 32% were sub-division heads, and 24% were division/section heads; this composition shows that most respondents were at the operational level, directly involved in performance-based accounting. Meanwhile, 46% of respondents had worked for 5-10 years, indicating that most had considerable experience in the government financial system. Thus, the characteristics of the respondents indicate that the data collected comes from relevant, competent, and representative sources, thereby supporting the reliability of the results of this research model analysis (Hair et al., 2019; Akbar et al., 2015).

Data Analysis

Assessing *the Outer Model* or *Measurement Model*

In analysing data using SmartPLS, the outer model is assessed against three key criteria: convergent validity, discriminant validity, and composite reliability. Convergent validity ensures that the indicators adequately reflect the construct. Discriminant validity indicates that constructs do not overlap. Meanwhile, composite reliability measures the consistency of indicators in their representation of latent variables. These three criteria are critical to ensure that the research model has good validity and reliability before testing the hypothesis.

Convergent Validity

Convergent validity in measurement models using reflective indicators is assessed by the correlation between item or component scores, as calculated by PLS software, and the construct being measured. A reflective indicator is considered to have good convergent validity if its correlation with other indicators is greater than 0.70. This value indicates that the

DOI: 10.37531/amar.v5i2.3274

indicator explains the construct quite well, as its contribution is substantial and consistent in representing the latent variables.

The results of the SmartPLS analysis presented in Table 3 indicate that the values in the outer model — namely, the relationships between the constructs and their indicators — meet the criteria for convergent validity. This is evident in all indicators, which have factor loadings greater than 0.70. Thus, the convergent model of this study is valid, as each indicator consistently and adequately represents the measured construct.

Table 3. *Outer Loadings (Measurement Model)*

	Good Financial Governance (Y)	Implementation of Performance-Based Accounting (X)
GFG1	0.872	
GFG2	0.855	
GFG3	0.848	
GFG4	0.841	
GFG5	0.849	
PBA1		0.900
PBA2		0.864
PBA3		0.862
PBA4		0.871
PBA5		0.899

Discriminant Validity

Discriminant validity is used to ensure that each construct of the latent variables is genuinely unique and does not overlap with other latent variables. A model can be said to have good discriminant validity if each indicator has the highest loading on the construct it measures, rather than on other constructs. In other words, indicators must represent their own constructs more than different constructs. The results of the discriminant validity test in this study are presented as follows:

Table 4. Discriminant Validity Values (*Fornell-Larcker*)

	Good Financial Governance (Y)	Implementation of Performance-Based Accounting (X)
Good Financial Governance (Y)	0.853	
Implementation of Performance-Based Accounting (X)	0.904	0.880

Composite Reliability.

The validity and reliability of the construct can be assessed through the construct reliability and Average Variance Extracted (AVE) values for each latent variable. A construct is considered reliable if its reliability value reaches a minimum of 0.70, while an AVE value exceeding 0.50 indicates that the indicator can explain most of the variance of the measured construct. Thus, the combination of these two values confirms that the construct has good internal consistency and adequate validity.

Based on Table 5, all constructs in this study meet the required reliability criteria. This is indicated by a composite reliability value exceeding 0.70 and an AVE value greater than 0.50, in accordance with the recommended standards. Thus, the instruments used in this study are consistent and capable of reliably representing the latent variables.

DOI: 10.37531/amar.v5i2.3274

Table 5. *Composite Reliability* Values

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average Variance Extracted (AVE)
Good Financial Governance (Y)	0.906	0.907	0.930	0.728
Implementation of Performance-Based Accounting (X)	0.927	0.928	0.945	0.774

Structural Model Testing (*Inner Model*)

The inner model, or structural model, testing aims to assess the relationships among the study's concepts, including the significance level and R-square value. The evaluation is carried out by examining the R-square value for the measured concept, the t-test value, and the significance level of the relationship coefficient. In this way, we can determine how well the research model explains the measured variables and assess the strength of the relationships within the model.

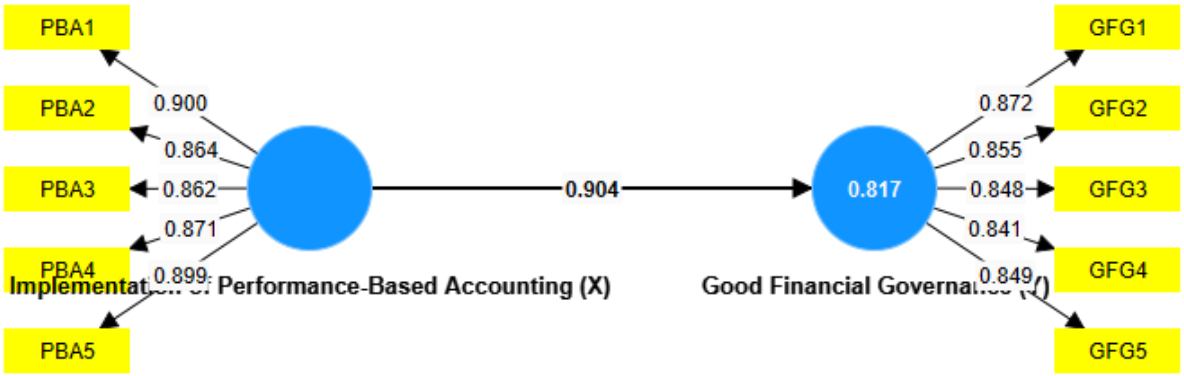

Figure 1. Tested structural model

In evaluating PLS models, the first step is to assess the R-squared for each dependent latent variable. The R-squared value indicates the extent to which the independent variables explain the variation in the dependent variables in the research model. The higher the R-square value, the better the model represents the relationships among the variables analysed. The following table presents the R-square values estimated from the data processing using SmartPLS software, which can serve as a basis for assessing the predictive power of the constructed model.

Table 6. *R-Square Values*

	R-square	Adjusted R-square
Good Financial Governance (Y)	0.817	0.815

Table 6 shows that the R-Square value for the Good Financial Governance variable is 0.817. This means that the Implementation of Performance-Based Accounting variable can explain 81.7% of the variation in Good Financial Governance. In comparison, the remaining 18.3% is influenced by other factors not included in this research model. This finding indicates that the implementation of performance-based accounting makes a substantial contribution to the realisation of good financial governance in local government in Papua. With the increasingly effective implementation of performance-based accounting through planning, budgeting, reporting, evaluation, and accountability for results, the quality of financial governance — reflected in transparency, accountability, effectiveness, efficiency, and legal compliance — will also increase. These results emphasise the importance of implementing a

DOI: 10.37531/amar.v5i2.3274

performance-oriented accounting system as both an effectiveness measure and a control instrument in public financial management within local government.

Hypothesis Test Results

Direct (Partial) Effect

A direct (partial) effect in SmartPLS analysis is the relationship between independent and dependent variables, without involving mediating variables. This relationship is measured through path coefficients, t-statistics, and p-values as the basis for testing significance. The effect is considered significant if the t-statistic value is greater than 1.990 and the p-value is less than 0.05. Thus, the direct effect analysis shows the magnitude of each independent variable's contribution to the dependent variable in the research model.

Table 7. Results of Direct (Partial) Effect Hypothesis Testing

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T-statistic (|O/STDEV|)	P-values	Alpha	Conclusion
Implementation of Performance-Based Accounting (X) Good Financial Governance (Y)	0.904	0.905	0.015	59.921	0.000	0.05	Influential Positive Significant

Table 7 shows that the path coefficient is 0.904, the t-value is 59.921, which is far beyond the critical limit of 1.990, and the p-value is 0.000, which is less than 0.05. These results indicate a significant effect of implementing performance-based accounting on good financial governance. Thus, it can be concluded that the better the implementation of performance-based accounting, the higher the level of good financial governance in local governments in Papua. This finding reinforces the importance of a performance-oriented accounting system in improving transparency, accountability, and the effectiveness of public financial management.

Effect Size (f square)

Effect size (f^2) is used to assess the contribution of independent variables to dependent variables in a research model. This value is obtained by comparing changes in R Square when independent variables are removed from the model. The interpretation is that $f^2 < 0.02$ indicates a minimal effect, 0.02–0.15 a small effect, 0.15–0.35 a moderate effect, and ≥ 0.35 a significant effect. Thus, the f^2 value describes how strong the influence of each independent variable is in explaining the dependent variable.

Table 8. Effect Size (f-square)

	f-square
Implementation of Performance-Based Accounting (X) Good Financial Governance (Y)	4.469

Based on Table 8, the f^2 value for the relationship between the Implementation of Performance-Based Accounting and Good Financial Governance is 4.469, indicating a significant effect. This value indicates that the implementation of performance-based accounting strongly influences the explanation of variations in good financial governance. In other words, the more effective local governments are in implementing performance-based

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accounting, the greater the improvement in the quality of financial governance, especially in accountability, transparency, efficiency, and compliance with public financial regulations.

DISCUSSION

This study found that the Performance-Based Accounting Implementation (X) variable has a positive and significant effect on the Good Financial Governance (Y) variable, with a path coefficient of 0.904 and very high significance. This means that the more optimal the implementation of performance-based accounting—including performance-based planning, budgeting, reporting, and accountability for results—the higher the quality of local government financial governance in Papua. These results are supported by a recent study entitled "The Effect of Implementing Accounting Information Quality and Performance-Based Budgeting on Local Government Governance (Good Governance) with Management Commitment as a Moderating Variable," which also conducted research in Papua Province. The study found that performance-based budgeting has a positive effect on good governance in local government. This research reinforces the relevance of implementing a performance-based accounting system in challenging regional contexts.

Research by An Analysis of Performance Measurement Systems Used in Indonesian Local Governments found that the use of performance measurement systems in local governments is positively correlated with public accountability (Murti, Mahmudi, & Nurfauziya, 2021). This supports the mechanism by which performance-based accounting strengthens accountability and internal control, thereby improving financial governance. However, the literature also shows that, despite the adoption of performance-based systems, their implementation remains weak and has not yet led to significant improvements. For example, a study on the adoption of Performance-Based Budgeting in Indonesian public sectors, "Note to Future Research," shows that in many Indonesian local governments, the adoption of performance-based budgeting remains a formality ("decoupling") and has not yet significantly improved budgeting effectiveness. The reasons given are low human resource competence, a lack of in-depth understanding, and a lack of measurable results.

In the context of this study, conducted in Papua, the results indicate that the adoption of performance-based accounting has been highly successful, yielding tangible benefits in financial management. The difference with previous studies lies in the geographical context and level of implementation: many previous studies focused on areas that were more "practical" or in the early stages of adoption, whereas this study shows that in Papua, implementation has reached a level that allows for a tangible impact. Therefore, this study provides empirical evidence that, in regions facing significant challenges, the optimal implementation of performance-based accounting can lead to effective financial management.

Although not a primary moderating variable in this study, it is essential to note that the implementation context (such as management commitment, organisational culture, and human resource capacity) is often cited in the literature as a factor that either strengthens or hinders the influence of performance-based accounting on financial governance. For example, a study by Siregar et al. (2025) on Papua found that management commitment strengthens the impact of accounting information quality on governance but weakens the influence of performance-based budgeting on governance. Research by Murti et al. (2021) emphasises organisational culture, external pressure, and leadership as essential antecedents of an effective performance measurement system, which, in turn, affects accountability.

DOI: 10.37531/amar.v5i2.3274

In this study, despite significant challenges in the Papua context (access, logistics, and human resources), the results show that, even with more limited capacity, the application of performance-based accounting remains effective. This indicates that successful implementation does not only depend on high capacity, but also on the "seriousness" of implementation and adaptation to the local context. This differs from many previous studies, which have shown failure or formalistic implementation due to human resource or cultural constraints. Therefore, this study contributes to the field by demonstrating that, in the context of "underdeveloped regions", the implementation of performance-based accounting can be successful and have a meaningful impact on financial management when carried out with focus and contextual adaptation.

The results of this study have substantial practical implications. Given the significant impact of performance-based accounting on financial management, local governments (particularly in Papua) need to strengthen performance-based planning, results-based budgeting, performance reporting, and results accountability as integral parts of the public financial system. This is consistent with the framework outlined by the World Bank study on local financial management in Indonesia, which states that strengthening regional financial governance requires regulatory reform and tangible performance measurement (World Bank, 2009).

This study shows that achieving good financial governance is not merely a matter of adopting a system. Still, than the depth of implementation and contextual adaptation to regional challenges, these are key. This means that regions with challenging geographical and logistical conditions, such as Papua, require tailored implementation strategies, including human resource training, support for IT systems, and continuous evaluation mechanisms.

CONCLUSION

This study aims to analyse the effect of Performance-Based Accounting Implementation on Good Financial Governance in local governments in Papua Province. Based on the analysis and discussion results, the application of performance-based accounting plays a crucial role in enhancing the quality of public financial governance. Local governments that optimally implement performance-based planning, budgeting, reporting, and accountability processes can create governance that is more transparent, accountable, effective, efficient, and compliant with laws and regulations.

Conceptually, this study confirms that a results-oriented accounting system (outputs and outcomes) not only serves as an internal control tool but also increases public trust in regional financial management. The results of this study align with various studies in the literature that emphasize the importance of a performance-based approach to strengthening good governance in the Indonesian public sector (Akbar, Pilcher, & Perrin, 2015; Manafe & Akbar, 2021). Thus, this study successfully answers its primary objective: to prove that the implementation of performance-based accounting has a significant contribution to the realisation of good financial governance in the Papua regional government.

The findings of this study reinforce the theory and literature on *New Public Management* (NPM) and *Good Governance Theory,* which emphasise the importance of efficiency, effectiveness, and accountability in the public sector. Empirical evidence from the Papua context demonstrates that the application of performance-based accounting is a crucial component in establishing a robust governance system, even in regions with limited resources

DOI: 10.37531/amar.v5i2.3274

and geographical challenges. Thus, this study adds to the evidence that the success of financial governance is not solely determined by fiscal capacity, but also by the quality of the performance information system and the culture of accountability.

In practical terms, the results of this study provide essential input for local governments, especially in Papua, to strengthen the implementation of performance-based accounting through: (1) improving human resource competencies in the areas of performance planning and reporting, (2) integrating results-based financial information systems, and (3) more transparent performance monitoring and evaluation. The central government can also utilize these findings as a basis for policy in designing regional financial guidance and technical assistance programs, thereby enhancing the effectiveness of performance-based accounting implementation throughout Indonesia.

This study has several limitations that need to be considered. First, the study focuses solely on one province, namely Papua, so the results cannot necessarily be generalized to all local governments in Indonesia, which have different socio-economic characteristics and bureaucratic capacities. Second, this study relies heavily on questionnaire data, which are highly dependent on respondents' understanding of performance-based accounting implementation. Third, the research model covers only two main variables, without considering other factors such as organisational culture, management commitment, or internal control systems that may also influence financial management.

These limitations do not diminish the significance of the research findings; however, it is essential to note that the results must be interpreted within the context of the research. For future research, it is recommended that the research area be expanded to include other provinces in Indonesia, enabling comparisons across contexts and providing a more comprehensive picture of the national implementation of performance-based accounting. Future researchers may also add mediating or moderating variables, such as management commitment, organisational culture, or the use of information technology, to examine factors that strengthen the relationship between the implementation of performance-based accounting and good financial governance.

It is recommended that future research employ a *mixed-methods* approach, incorporating in-depth interviews or direct observation, to qualitatively explore the fundamental challenges local governments face in implementing performance-based accounting systems. This effort will enrich theoretical and practical understanding of how good financial governance can be realised sustainably in the context of local government in Indonesia.

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