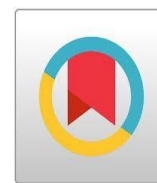


## Optimizing Financial Management to Improve Regional Performance



## Optimalisasi tata kelola keuangan untuk peningkatan kinerja daerah

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### ARTICLE INFORMATION

<p><b>Keywords</b>  <i>Regional Financial Management;</i>  <i>Good Governance;</i>  <i>PFM;</i>  <i>Wo Strategy;</i>  <i>Fiscal Autonomy;</i>  <i>Local Revenue;</i>  <i>Local Government Financial Performance;</i></p>	<p><b>ABSTRACT</b>  <i>This study analyzes strategies for optimizing local financial management through the strengthening of good governance within the framework of Public Financial Management (PFM) to improve the financial performance of the West Bandung Regency (KBB) government. The research background is based on low fiscal autonomy, reflected in the contribution of Local Own-Source Revenue (PAD) of around 18–24% and high dependence on central government transfers (±75–77%), resulting in limited fiscal discretion and making it difficult to transform public spending into measurable public value. The study employs a qualitative approach using a case study design, involving cross-actor interviews (Bappelitbangda, BKAD, Inspectorate, OPD, academics), a review of financial management cycle documents (from planning to accountability/LKPD), and triangulation of sources, techniques, and time. The research findings indicate that the process has proceeded in accordance with regulations; however, the leverage over the fiscal structure is determined by substantive governance: the validity of planning data, the consistency of documents and audit trails, internal controls from the outset, and cross-OPD coordination. Performance from 2020 to 2024 improved managerially (PAD effectiveness &gt;100% SiLPA decreased) but PAD remains small and operational expenditures are dominant (±67–70%). The SWOT analysis places KBB in Quadrant III (IFAS 2.40; EFAS 2.47), so a turnaround strategy is prioritized through a package of data governance, quality assurance, change control/document locking, a single source of truth, and a learning loop for oversight findings.</i></p>
<p><b>Kata Kunci</b>  <i>Pengelolaan Keuangan Daerah;</i>  <i>Good Governance;</i>  <i>PFM;</i>  <i>Strategi WO;</i>  <i>Kemandirian Fiskal;</i>  <i>PAD;</i>  <i>Kinerja Keuangan Daerah;</i></p>	<p><b>ABSTRAK</b>                  Penelitian ini menganalisis strategi optimalisasi pengelolaan keuangan daerah melalui penguatan tata kelola pemerintahan (<i>good governance</i>) dalam kerangka <i>Public Financial Management</i> (PFM) untuk meningkatkan kinerja keuangan Pemerintah Kabupaten Bandung Barat (KBB). Latar belakang penelitian bertumpu pada rendahnya kemandirian fiskal yang tercermin dari kontribusi Pendapatan Asli Daerah (PAD) sekitar 18–24% serta tingginya ketergantungan pada transfer pemerintah pusat (±75–77%), sehingga ruang diskresi fiskal terbatas dan belanja publik sulit ditransformasikan menjadi nilai publik yang terukur. Penelitian menggunakan pendekatan kualitatif dengan desain studi kasus melalui wawancara lintas aktor (Bappelitbangda, BKAD, Inspektorat, OPD, akademisi), telaah dokumen siklus pengelolaan keuangan (perencanaan hingga pertanggungjawaban/LKPD), serta triangulasi sumber, teknik, dan waktu. Hasil penelitian menunjukkan bahwa proses telah berjalan sesuai regulasi, namun daya ungkit terhadap struktur fiskal ditentukan oleh tata kelola substantif: validitas data perencanaan, konsistensi dokumen dan <i>audit trail</i>, pengendalian internal sejak hulu, serta koordinasi lintas-OPD. Kinerja 2020–2024 membaik secara manajerial (efektivitas PAD &gt;100%, SiLPA menurun) tetapi PAD masih kecil dan belanja operasi dominan (±67–70%). SWOT menempatkan KBB pada Kuadran III (IFAS 2,40; EFAS 2,47) sehingga strategi WO (<i>turn-around</i>) diprioritaskan melalui paket <i>data governance</i>, <i>quality assurance</i>, <i>change control/locking</i> dokumen, <i>single source of truth</i>, dan <i>learning loop</i> temuan pengawasan.</p>
<p><b>Article History</b>                  Send 28<sup>th</sup> January 2026                  Review 24<sup>th</sup> February 2026                  Accepted 7<sup>th</sup> April 2026</p>	<p>Copyright ©2027 <a href="#">Jurnal Aristo (Social, Politic, Humaniora)</a>                  This is an open access article under the <a href="#">CC-BY-NC-SA</a> license.                  Akses artikel terbuka dengan model <a href="#">CC-BY-NC-SA</a> sebagai lisensinya.</p>



## Introduction

Budget management by the West Bandung Regency Government (KBB) reveals a gap between administrative achievements and substantive fiscal performance. Administratively, the West Bandung Regency Government has been able to maintain an Unqualified Opinion (WTP) from the Indonesian Audit Board (BPK RI); however, audit findings still indicate weaknesses in the internal control system and compliance with regulations, particularly regarding fixed asset management, expenditure effectiveness, and the consistency of planning and budgeting. Consequently, an Unqualified Opinion does not automatically mean that the Regional Budget (APBD) has functioned optimally as an instrument for improving welfare; rather, it still leaves room for improvement in the quality of implementation at every stage of the financial management cycle.

The first and most critical issue is the low level of fiscal autonomy and high dependence on central government transfers. KBB's revenue structure is still characterized by Local Original Revenue (PAD) contributions that have not exceeded 20% of total regional revenue, while the fiscal autonomy ratio remains in the low range ( $\pm 16$ – $21\%$ ) and the dependency ratio remains high ( $\pm 79$ – $84\%$ ). This situation indicates that the region's fiscal capacity to independently fund development priorities remains limited, resulting in low fiscal flexibility and making development policies vulnerable to being influenced by transfer schemes and central government policies. Data on the PAD trend from 2018 to 2024 indicates a post-pandemic recovery and stabilization of growth; however, this improvement has not yet fundamentally altered the fiscal structure because the PAD base has not yet been sufficiently diversified. Local Own-Source Revenue (PAD) is the primary indicator of a region's fiscal autonomy. Its development reflects the local government's ability to tap into local economic potential through taxes, fees, and asset management proceeds. During the 2018–2024 period, the PAD trend in West Bandung Regency showed dynamics influenced by internal factors such as tax intensification policies and collection efficiency, as well as external factors such as the impact of the pandemic and local financial system reforms.

**Table 1 Trends in Local Own-Source Revenue (PAD) of West Bandung Regency, 2018–2024**

Years	PAD (Rp Billion)	Growth (%)	Note
2018	422,34	-	The beginning of a positive trend following the reform of local financial management
2019	528,09	+25,0	Significant increase thanks to the optimization of local taxes
2020	464,82	-12,0	Decrease due to the Covid-19 pandemic
2021	540,78	+16,4	Fiscal recovery and adaptation to tax digitalization
2022	667,24	+23,4	Improvement in local revenue collection efficiency
2023	700,00	+4,9	Post-pandemic stabilization
2024*	735,00	+5,0	Conservative growth projection following SIPD-RI

Source: BKAD West Bandung Regency (2024)

Table 1 shows that the trend in West Bandung Regency’s PAD from 2018 to 2024 has generally been increasing, despite a temporary decline during the pandemic. PAD rose from Rp422.34 billion (2018) to Rp528.09 billion (2019) (+25.0%) in line with the optimization of local taxes, then fell in 2020 to Rp464.82 billion (-12.0%) due to Covid-19. This was followed by a strong recovery in 2021 (Rp540.78 billion; +16.4%) and 2022 (Rp667.24 billion; +23.4%), supported by digital adaptation and collection efficiency. The 2023–2024 period shows stabilization and moderate growth (2023: Rp700.00 billion; +4.9% and 2024\*: Rp735.00 billion; +5.0% projected), indicating a post-pandemic consolidation phase and adjustments to system-based governance (SIPD-RI).

The self-reliance–dependence ratio serves as the primary measure of fiscal autonomy: the higher the self-reliance, the stronger the region’s capacity to finance development from local revenue (PAD). According to Mahmudi (2023), the self-reliance ratio reflects the comparison of PAD to total revenue; a low ratio indicates a small PAD contribution, meaning central government transfers (DAU/DAK/DBH) are dominant. In the case of West Bandung Regency, the improving trend in self-reliance indicates progress, but the still-significant dependency structure demands a more aggressive strategy through the intensification and expansion of taxes and fees, the strengthening of productive sectors, and synergy among local government agencies to achieve sustainable fiscal self-reliance. The following presents data

on the fiscal autonomy and dependency ratios of the West Bandung Regency Government for the years 2018–2024.

**Tabel 2 Rasio Kemandirian dan Ketergantungan Fiskal Daerah**

Years	Autonomy Ratio (%)	Dependency Ratio (%)	Description
2018	16,53	83,47	Very high dependence
2019	17,47	82,53	Slight improvement following tax intensification
2020	16,36	83,64	The pandemic worsened the fiscal structure
2021	18,07	81,93	Moderate recovery
2022	20,24	79,76	Growth driven by revenue innovation
Tahun	Autonomy Ratio (%)	Dependency Ratio (%)	Description
2023	20,70	79,30	Stable but still weak
2024*	21,00	79,00	Projected to move to the “low to moderate” category

Source: BKAD West Bandung Regency (2024)

Table 2 confirms that the fiscal structure of West Bandung Regency in 2018–2024\* remains characterized by low self-reliance and very high dependence on transfers. The self-reliance ratio moved from 16.53% (2018) to around 21.00% (2024\*), while dependence decreased from 83.47% to around 79.00%. A slight improvement in 2019 indicated the initial effects of tax intensification, but in 2020 the pandemic suppressed local revenue (PAD), causing dependence to rise again. The 2021 phase showed moderate recovery, and 2022–2023 demonstrated acceleration followed by stabilization, which can be attributed to revenue innovations and improvements in the collection system. Although the trend is improving, the dominance of transfers, which remains in the range of  $\pm 79$ –83%, indicates that local fiscal space remains narrow and vulnerable. Therefore, strengthening governance across the entire local financial management cycle is a prerequisite for driving sustainable increases in local revenue while improving the quality of spending and local financial performance (Source: BKAD West Bandung Regency, 2024; processed by the researcher).

The condition of weak fiscal autonomy indicates the presence of more fundamental issues than mere administrative achievements, namely the quality of governance in revenue planning, budgeting, implementation, administration, reporting, and oversight, which has not yet fully yielded substantive fiscal performance. In a situation of high dependence, even

minor deviations—such as weak validity of the tax/retribution object database, delayed collection misalignment between planning and budgeting, or unproductive spending—will directly reduce fiscal space and slow down the improvement of autonomy. Therefore, this study aims to conduct an in-depth analysis of the implementation of local financial management based on good governance principles, assess its relationship with improvements in local financial performance identify structural institutional and regulatory barriers affecting governance effectiveness, and formulate operational and sustainable strategies for optimizing local financial management for the West Bandung Regency Government.

The second issue is the problem of spending quality, where expenditures are not yet fully productive. The expenditure structure of West Bandung Regency still shows a dominance of personnel expenditures, which absorb nearly half of the Regional Budget (APBD), while capital expenditures remain in the range of 15–18% of total expenditures. This composition indicates a fiscal orientation that remains administratively focused, leaving limited room for productive public investments such as basic service infrastructure, public facilities, and development programs that yield long-term benefits. In the context of value for money, the dominance of routine expenditures has the potential to create a fiscal trap where the APBD is absorbed to maintain bureaucratic operations, while strategic spending that directly impacts the community moves more slowly (Table 1).

The third issue is the weak consistency of the planning–budgeting linkage. The linkage between the Regional Development Plan (RKPD), the Budget Framework and Priorities (KUA–PPAS), and the Regional Budget (APBD) is not always consistently maintained at the program and performance indicator levels. Consequently, the budgeting process tends to shift toward administrative activities (document preparation and budget absorption) rather than strategic processes that lock in priorities, refine indicators, and ensure spending delivers outcomes. This gap can lead to program duplication across local government agencies, inefficient resource allocation, and a weakening of development focus. From a PFM perspective, this issue indicates that evidence-based planning and performance-based budgeting mechanisms are not yet optimal as prerequisites for effective budget management. The fourth issue is internal oversight that remains weak and not fully risk-based, meaning administrative findings and non-compliance are likely to recur. The Regional Inspectorate, as the body responsible for internal control, faces challenges related to human resource capacity, limited risk-based audit tools, and weak consistency in following up on recommendations. These conditions impact the quality of preventive controls and the organizational learning loop derived from audit results, even though strengthening internal

oversight is a critical prerequisite for enhancing accountability, the effectiveness of spending, and the integrity of local financial management.

The fifth issue is that digital transformation has not yet been fully integrated, despite the implementation of SIPD-RI and local financial applications. The main obstacles lie in data interoperability across local government agencies, the consistency of data input discipline, and the uneven digital literacy of civil servants. Consequently, real-time transparency, reporting accuracy, and data-driven performance monitoring have not yet functioned optimally. Under such conditions, digital systems risk becoming “reporting platforms” rather than “managerial platforms” that should strengthen fiscal decision-making.

Modern government governance is carried out based on the principles of good governance, such as: transparency, accountability, participation, effectiveness, efficiency, and the rule of law—which are prerequisites for achieving high-quality financial performance. UNDP (2021) emphasizes that good governance ensures information transparency, institutional accountability, and public participation in the policy-making process. Nationally, efforts to strengthen local financial governance continue to be promoted through Government Regulation No. 12 of 2019, Ministry of Home Affairs Regulation No. 77 of 2020, and the implementation of the SIPD-RI, which emphasizes performance-based financial management and transparency.

Based on the Public Financial Management (PFM) framework, Mahmudi (2023) asserts that successful local financial management must be carried out comprehensively across six stages: (a) planning and budgeting; (b) budget execution; (c) accounting; (d) reporting; (e) accountability; and (f) audit and evaluation. Suboptimal performance in any one stage will distort the entire cycle and degrade the quality of fiscal performance. Therefore, this study focuses on analyzing how strategies for optimizing local financial management can be realized through the consistent, measurable, and performance-based application of good governance principles within the West Bandung Regency Government. To enhance its novelty, this study develops a Strategic Optimization (GG) model by synthesizing strategic management (Wheelen & Hunger, 2022; David & David, 2023)—including environmental scanning, strategy formulation, strategy implementation, and evaluation control—into the context of local fiscal governance. This model positions good governance not merely as an ethical norm but as a strategic-operational tool to strengthen fiscal autonomy, improve the quality of spending, close control gaps, and accelerate digital integration as the foundation for long-term fiscal sustainability. Thus, the core problem of local financial management in West Bandung Regency does not lie in the absence of regulations or systems, but rather in

the implementation gap between normative mandates (Government Regulation No. 12 of 2019, Minister of Home Affairs Regulation No. 77 of 2020, and the strengthening of the SIPD-RI) and managerial realities on the ground. This gap is reflected in (i) low fiscal autonomy, which limits the scope for development innovation; (ii) an expenditure structure that is not yet sufficiently productive due to the dominance of routine expenditures suppressing public investment spending; (iii) weak consistency in planning and budgeting, which shifts the budget's focus from outcomes to absorption, (iv) internal oversight that is not yet fully effective and risk-based, meaning that lessons learned from audits have not yet “closed the loop” on system improvements, and (v) digital transformation that has not been integrated across local government agencies, resulting in suboptimal real-time accountability and data-driven decision-making. The accumulation of these issues has direct implications for the quality of local financial performance: the Regional Budget (APBD) carries significant administrative risks but has not yet been maximized as a strategic instrument for improving welfare. Therefore, a strategy for optimizing local financial management is needed that goes beyond procedural compliance to focus on strengthening governance based on measurable and performance-based good governance, through policy orchestration, managerial strengthening, and technology integration across the entire Public Financial Management cycle. This forms the rationale for this study to formulate the Strategic Optimization (GG) Model as a strategic-operational framework to bridge implementation gaps and drive sustainable improvements in the financial performance of the West Bandung Regency Government. This study is based on four main research questions, namely: (1) how is local financial management based on the principles of good governance implemented in the West Bandung Regency Government; (2) how is local financial management carried out to improve the financial performance of the West Bandung Regency Government; (3) what factors act as barriers to the implementation of local financial management based on the principles of good governance, thereby affecting the improvement of the financial performance of the West Bandung Regency Government; and (4) how to optimize local financial management based on the principles of good governance to drive the improvement of the financial performance of the West Bandung Regency Government.

This study aims to (1) conduct an in-depth analysis of the implementation of regional financial management based on the principles of good governance, emphasizing transparency, accountability, effectiveness, and efficiency at every stage of the regional financial cycle; (2) evaluate the implementation of regional financial management in relation to improving financial performance to obtain an empirical picture of the extent to which good

financial governance strengthens fiscal capacity and regional autonomy; (3) identify structural, institutional, and regulatory barriers that affect the effectiveness of applying good governance principles and their impact on the achievement of local government financial performance; and (4) formulating strategies for optimizing local financial management based on the principles of good governance as a strategic instrument to improve financial performance, strengthen institutional integrity, and realize transparent, accountable, and sustainable local government governance.

Theoretically, this study enriches the field of local financial management by integrating good governance principles into the PFM framework, contributes to the development of a conceptual model for strategies to optimize local financial management based on transparency, accountability, effectiveness, and participation, and serves as a reference for further research on fiscal policy reform and the improvement of local financial performance. Practically, this research is useful as evaluation material for the government to improve systems and institutional capacity in budget management, as a basis for formulating strategies and policy innovations across the entire financial cycle (planning–budgeting–implementation–evaluation–reporting), supporting the development of fiscal performance evaluations based on value for money and public accountability, and can be replicated as inspiration for other regions toward fiscal autonomy and sustainable development.

## **Method**

This study employs a descriptive qualitative method, emphasizing the interpretation of informants' accounts based on observed phenomena, which are then analyzed to yield qualitative information or narrative-based findings, with the researcher serving as the key instrument. This study employs a qualitative approach with a classic single-case study design focused on the West Bandung Regency Government. This design was chosen because local financial management is a complex and contextual phenomenon, involving regulatory dimensions, institutional frameworks, human resource capacity, local political dynamics, and digital transformation in governance. The research is descriptive-explanatory (explanatory research) to explain the contextual causal relationship between the application of good governance principles (transparency, accountability, participation, effectiveness, and legal compliance), local financial management strategies, and local government financial performance. Epistemologically, the research is inductively oriented, meaning it builds understanding and strategic models based on empirical findings rather than testing statistical hypotheses.

Data collection was conducted using a triangulation approach through semi-structured in depth interviews, moderate participatory observation, and documentary analysis (planning, budgeting, implementation, and reporting documents, as well as audit/oversight results and key regulations). Informants were selected purposively from policy makers, budget planners/managers, internal auditors, legislators, and academics. Data analysis followed the interactive model of Miles, Huberman & Saldaña (data condensation–data presentation–conclusion drawing/verification) using thematic coding, supplemented by SWOT and fishbone (6M) analyses to map strategic positioning and root causes. Data validity was ensured through the principles of trustworthiness (credibility, transferability, dependability, confirmability) using triangulation, member checking, peer debriefing, and audit trail techniques, as well as the application of research ethics in the form of informed consent, data confidentiality, and official permits.

**Table 3 Research Informant Codes and Identifications**

<b>Informan Code</b>	<b>Job Category/Position</b>	<b>Agency/Work Unit</b>	<b>Strategic Role in Regional Financial Management</b>
I1	Plt. Sekretaris Daerah	Sekretariat KBB	Daerah Director of general regional policy and coordinator across regional agencies in the consolidation of planning and financial management.
I2	Kepala Bappelitbangda	Bappelitbangda KBB	Person in charge of the RPJMD–RKPD and controller of the synchronization of regional development planning and budgeting.
I3	Inspektur	Inspektorat KBB	Daerah The head of the APIP responsible for ensuring internal oversight, compliance, and strengthening local financial management.
I4	Kepala BKAD	BKAD KBB	The decision-maker for technical fiscal policies; the manager of local government cash and assets; and the coordinator of financial administration among local government agencies.
I5	Sekretaris BKAD	BKAD KBB	Strengthens internal coordination within BKAD; ensures harmonization across departments and the smooth operation of the budgeting cycle.
I6	Kepala Anggaran	Bidang BKAD KBB	Manages the budgeting process (RKA, KUA–PPAS, APBD) and oversees budget ceilings and local spending discipline.
I7	Kepala Akuntansi Perbendaharaan	Bidang & BKAD KBB	Responsible for the local government accounting system and the preparation of accrual-based LKPD to strengthen financial reporting accountability.
I8	Kepala Perbendaharaan	Seksi BKAD Kabupaten Bandung Barat	Implementer of the regional general treasury (SP2D and payments), including administrative order and cash flow control

<b>Informan Code</b>	<b>Job Category/Position</b>	<b>Agency/Work Unit</b>	<b>Strategic Role in Regional Financial Management</b>
I9	Sekretaris PUTR	Dinas Kabupaten Bandung Barat	Manages infrastructure program and budget administration; ensures the effectiveness of capital expenditures and the governance of construction assets.
I10	APIP / Auditor Madya	Inspektorat Daerah Kabupaten Bandung Barat	Conducts financial and performance audits and monitors the Internal Control System (SPIP); promotes continuous improvement based on findings.
I11	Ketua DPRD	DPRD Kabupaten Bandung Barat	Key actor in the legislative–budgeting–oversight functions during the discussion of the Regional Budget (APBD) and control of budget implementation.
I12	Akademisi / Kebijakan Publik	Ahli Perguruan Tinggi	Providers of academic validation and theoretical perspectives on good governance to assess local financial management practices.

This study involved twelve key informants selected purposively based on their strategic positions and involvement in the local financial management cycle. The composition of informants represents policy-directing actors (Regional Secretariat), development planners (Regional Development Planning Agency), fiscal and accounting managers (Regional Treasury Office), internal auditors (Inspectorate/APIP), infrastructure sector expenditure implementers (Public Works and Spatial Planning Agency), political budget decision-makers (Regional Legislative Council), and academic validators. This diversity of positions allowed the researchers to gain a comprehensive understanding of the process—from planning, budgeting, implementation, administration, and reporting to oversight—and to assess its relationship with the application of good governance principles in improving the financial performance of the West Bandung Regency Government.

## **Result and Discussion**

### **Implementation of Regional Financial Management Based on Good Governance Principles in the West Bandung Regency Government**

#### **Transparency**

Findings indicate that transparency in West Bandung Regency is already present through formal channels (planning documents, budgeting, reports, and administrative publications), but the level of “accessibility” of information is not yet uniform across OPDs. Informants from the Regional People’s Representative Council (DPRD) emphasized that meaningful transparency is that which allows the public and the DPRD to trace the “policy logic” down to indicators and deviations, not merely reading realization figures (I11). A

planning technocrat added that transparency loses its control function when baselines and indicators are weak, as readers lack a benchmark to assess whether achievements are reasonable or not (I2). Therefore, transparency in West Bandung Regency needs to be directed toward a minimum narrative standard: objectives–indicators–targets–risks–reasons for deviations–improvement plans.

### **Accountabilitas**

Financial accountability is relatively stable as it follows the LKPD and audit mechanisms, but performance accountability still faces challenges regarding the consistency of indicators across documents (RKPD–Renja–RKA–DPA–Performance Agreements). BKAD informants emphasized that when indicators do not lock in outcomes, absorption easily “trumps” benefits, and at this point accountability shifts to the administrative level (I4, paraphrased). Academic informants underscored the need to link public funds with public benefits through indicators that measure changes (outcomes), not merely outputs (I12, paraphrased). These findings confirm that performance accountability in West Bandung Regency requires standardization of priority indicators and evidence-based discipline.

### **Participation**

Participation occurs through formal forums, but the quality of participation becomes a critical issue when forums devolve into mere aggregations of aspirations without priority frameworks. A policy coordinator emphasized that without orchestration and agreed-upon criteria, the Regional Budget (APBD) is vulnerable to fragmentation and loss of strategic focus (I1). Planning informants emphasize that participation must be framed within selection criteria (urgency, impact, priority alignment, fiscal feasibility), accompanied by feedback on why proposals are accepted or rejected (I2). With this design participation becomes a quality gate for policy, not merely the “volume of proposals.”

### **Rule of Law & Integrity**

Inspectorate informants assert that recurring findings are generally not due to major violations but rather to minor non-compliance that is not systematically addressed: weak evidence, misclassification, and inconsistent reconciliation (I3). APIP adds that the integrity of the system is evident in the organization’s ability to translate findings into control changes when the same findings recur, meaning the organization has not learned (I10). This implies

that strengthening the rule of law and integrity within the KBB must be embedded as process disciplines (SOPs, checklists, routine reconciliations, audit trails), not merely as a matter of personal ethics.

### **Effectiveness–Efficiency, Fairness, and Strategic Vision**

Academic informants emphasized that high-quality evaluations must distinguish between impactful and non-impactful programs, and then guide program redesign and spending reviews—rather than stopping at mere implementation reports (I12). The Regional People’s Representative Council (DPRD) emphasized that checks and balances are effective when indicators and data are traceable; without them, oversight tends to be merely administrative (I11). The Acting Secretary of the Regional Secretariat emphasized fairness as the basis for trust: evaluations must be bold enough to openly acknowledge deviations and demonstrate proportional corrective actions (I1). The Regional Development Planning Agency (Bappelitbangda) concluded by emphasizing “closing the loop”: evaluations must feed back into the planning for the following year (I2). Conclusion: Governance in West Bandung Regency is already “on track,” but its quality needs to be elevated from compliance to performance through indicators that lock in results, consistent data across documents, and evaluations

### **Implementation of Regional Financial Management to Improve the Financial Performance of the West Bandung Regency Government**

A Bappelitbangda informant emphasized that without a solid baseline and sharp indicators, planning is prone to becoming overly broad and difficult to control during budgeting and evaluation (I2). A policy coordinator stressed the need for consolidated prioritization to prevent planning from becoming fragmented across OPDs (I1). Research findings indicate that the quality of planning is a key determinant because it “sets the tone” for the quality of subsequent stages: budgeting, implementation, and evaluation.

The Head of the Budget Division emphasized that consistency between the KUA–PPAS → RKA DPA serves as a locking mechanism to ensure program objectives do not weaken due to revisions and shifts (I6, paraphrased). The Secretary of the Regional Finance Agency (BKAD) added that cross-agency harmonization determines process efficiency because repeated corrections consume time and disrupt the implementation rhythm (I5). Thus, budgeting that enhances performance is not merely about being “on time,” but ensuring the Regional Budget (APBD) becomes a coherent policy design.

Informan perbendaharaan menekankan bahwa ketertiban dokumen dan ritme pembayaran Treasury informants emphasized that document order and payment rhythm influence year-end accumulation patterns, which ultimately reduce the quality of spending (I8, paraphrase). The technical sector asserts that capital expenditures must be supported by technical and administrative readiness and quality control so that outputs provide public service value and are recorded as valid assets (I9). Research findings identify the implementation rhythm as a critical point: when backlogs occur, spending tends to “prioritize completion” over “prioritizing quality.” Implementation Cycle in the Financial Management of West Bandung Regency. Accounting/treasury informants emphasize that report quality cannot be built at year-end; it is the result of consistent evidence discipline and reconciliation throughout the year (I7). The Inspectorate highlights variations in evidence order and classification as a source of recurring corrections (I3). This underscores that financial management is not merely an administrative function but the foundation of accountability.

The Regional People’s Representative Council (DPRD) emphasizes that reporting is meaningful when it can be used to assess the rationality of indicators and the traceability of expenditures (I11). Academics add that reporting must guide spending reviews and program redesign, rather than merely fulfilling a format (I12). These findings reinforce the accountability function as a “compass” for improving the quality of spending. The APIP emphasizes that effective oversight is that which results in changes to controls and SOPs, not merely a list of findings (I10). The Inspectorate asserts that recurring patterns of findings indicate that the learning loop is not yet robust (I3). Thus, oversight that improves performance must be risk-based and have a robust follow-up monitoring mechanism. The financial performance of West Bandung Regency improves when critical points in the cycle are transformed into performance discipline mechanisms: sharp indicators, consistent documentation, a stable implementation rhythm, a strong audit trail, and evaluation based on a learning loop.

The analysis of West Bandung Regency’s financial performance in this study is positioned as an objective tool for assessing the region’s fiscal capacity to carry out public service, development, and social protection functions sustainably. Financial performance is not solely determined by the size of the budget, but primarily by the quality of revenue structure, the appropriateness of spending priorities, the level of fiscal autonomy, and the degree of efficiency and effectiveness in converting fiscal resources into development

outputs and outcomes. Thus, financial performance metrics are crucial to ensuring that local fiscal governance operates on the logic of value for money and public accountability. To ensure a comprehensive analysis, the financial performance of West Bandung Regency is examined through several key ratios: (1) Local Fiscal Autonomy Ratio, (2) Dependence on the Central Government Ratio, (3) Local Revenue (PAD) Effectiveness Ratio, (4) Local Retribution Effectiveness Ratio, (5) Fiscal Decentralization Ratio, (6) Ratio of Operating Expenditures to Capital Expenditures, (7) Ratio of Unspent Budget Balance (SiLPA) to Revenue, and (8) Ratio of Growth in Local Revenue and Expenditures. These ratios are interpreted holistically because each represents a distinct dimension, yet they are interdependent in shaping the “profile” of the region’s fiscal health.

The financial autonomy ratio is used to assess the extent to which West Bandung Regency (KBB) can finance its governance and development needs from local revenue sources, particularly Local Owned Revenue (PAD), without relying predominantly on transfers. This ratio also reflects the region’s capacity to control its fiscal policy space: the higher the autonomy, the greater the local government’s flexibility in setting spending priorities according to local needs. Conversely, low autonomy indicates that the region’s fiscal space is relatively influenced by the transfer structure, so improvement strategies must focus on strengthening legitimate revenue bases, standardizing revenue object data, and reducing revenue leakage. The local government financial autonomy ratio measures the ability of the West Bandung Regency Government to finance development and public services using its own Local Original Revenue (PAD), without relying on central government assistance. The higher this ratio (PAD/Total Revenue), the more fiscally autonomous a region is. For West Bandung Regency, this ratio is crucial for assessing the extent to which fiscal autonomy has been achieved after more than 15 years of regional existence. In West Bandung Regency, the dynamics of the financial autonomy ratio during the 2020–2024 period reflect significant fiscal challenges. Although PAD has grown annually, its contribution to total regional revenue remains relatively small. The fiscal structure of West Bandung Regency is still dominated by central government transfers such as the General Allocation Fund (DAU), Special Allocation Fund (DAK), Revenue-Sharing Fund (DBH), and Village Fund. This high dependence on central government transfers places West Bandung Regency in a relationship ranging from “instructive” to “consultative,” meaning the local government operates under the fiscal guidance and oversight of the central government.

**Table 4 Local Financial Autonomy Ratio (PAD/Total Revenue) of West Bandung Regency, 2020–2024**

Years	PAD (Rp)	Total Revenue (Rp)	Financial Autonomy Ratio	Relationship Pattern
2020	464,8 miliar	2,49 triliun	18,6%	Instructive
2021	540,7 miliar	2,64 triliun	20,4%	Instructive
2022	667,2 miliar	2,80 triliun	23,8%	Consultative
2023	699,2 miliar	3,95 triliun	22,9%	Consultative
2024*	799,2 miliar	3,41 triliun	±23–24%	Consultative

\*Source: SIPD Budget Implementation Report, BKAD West Bandung Regency; data processed (2024).  
 Note: 2024 is a forecast (estimate) for the current fiscal year.

From the table and graph above, it is evident that the fiscal autonomy ratio of West Bandung Regency remains at a low level, approximately 18–24 percent. Although there is a gradual upward trend from year to year (around 18.6% in 2020, rising to approximately 23–24% in 2022–2024), the annual increase in PAD has not kept pace with the rise in total local revenue, which remains largely dependent on central government transfers. From 2022 to 2024, there was a shift in the relationship pattern from “instructive” to “consultative,” indicating a slight improvement in local fiscal capacity; however, West Bandung Regency has not yet been able to achieve the “delegative” level of autonomy (ratio  $\geq 50\%$ ), let alone the “appreciative” level ( $\geq 75\%$ ). With the current ratio, KBB’s regional financial policies remain dominated by central government directives; West Bandung Regency has not yet fully gained the autonomy to manage its own finances.

The low autonomy ratio indicates that West Bandung Regency’s revenue structure remains heavily reliant on central government transfers (DAU, DAK, DBH, etc.) compared to local revenue (PAD). With PAD accounting for only about one-fifth of total revenue, West Bandung Regency’s fiscal autonomy has not been substantively achieved—the region is administratively autonomous but not yet in terms of financial substance. Informant I7 (BKAD) explained that although West Bandung Regency’s PAD has increased every year, its share has never reached 25% of total revenue; West Bandung Regency remains in a consultative relationship with the central government and cannot yet be considered fiscally independent. Consequently, the scope for local financial innovation is very limited, and many programs must follow the central government’s technical guidelines. The main challenge is to expand the PAD base (optimization of local taxes, fees, BUMDs, and local assets) so that the autonomy ratio can increase significantly.

The dependency ratio is the inverse of the autonomy ratio, indicating the extent to which West Bandung Regency’s Regional Budget (APBD) is supported by central government transfer funds (e.g., DAU, DAK, and other transfers). The higher this ratio, the

greater the region’s dependence on national policy and allocation dynamics, thereby increasing fiscal risk in the event of changes to regulations or transfers. Therefore, the dependency ratio not only indicates a weakness but also serves as the foundation for a fiscal resilience strategy: strengthening local revenue and improving spending efficiency to ensure the APBD remains stable when the transfer structure changes. Over the past five years, West Bandung Regency has consistently remained in the high fiscal dependency zone, where more than 75% of local revenue comes from the central government. This condition indicates that West Bandung Regency’s fiscal structure lacks strong resilience against central policy shocks such as budget refocusing, changes to the DAU/DAK formula, or delays in transfers. A high dependency ratio means that local financial flexibility is severely limited and the scope for fiscal innovation is narrowing.

**Table 5 Dependency Ratio of the West Bandung Regency Government on the Central Government, 2020–2024**

Years	Transfer Funds (Rp)	Total Revenue (Rp)	Dependency Ratio (%)	Relationship Pattern
2020	1,87 triliun	2,49 triliun	75,96%	Instructive (very high dependency)
2021	2,07 triliun	2,64 triliun	76,21%	Instructive (very high dependency)
2022	1,92 triliun	2,80 triliun	75,69%	Instructive (very high dependency)
2023	3,04 triliun	3,95 triliun	77,06%	Instructive (very high dependency)
2024*	2,61 triliun	3,41 triliun	76,54%	Instructive (very high dependency)

\*Source: SIPD Budget Implementation Report, BKAD West Bandung Regency; data processed (2024).

Note: 2024 is a forecast for the current year.

The data in Table 4 above indicate that throughout 2020–2024, the West Bandung Regency Government has been in a state of very high fiscal dependence (>75%). This means that for every Rp.1 of local revenue, approximately Rp.0.75–0.77 comes from the central government. Such a fiscal structure makes the West Bandung Regency APBD highly susceptible to changes in national fiscal policy. Minor fluctuations in the ratio each year indicate no significant shift in the revenue structure—the increase in local own-source revenue (PAD) has not yet been sufficient to significantly reduce the dominance of central government transfers. The 2020–2024 trend confirms this: approximately three-quarters of West Bandung Regency’s annual revenue comes from central government transfers (DAU, DAK, DBH, etc.), with the dependency ratio remaining relatively stable at 75–77% (e.g., 2020 = 75.96%; 2021 = 76.21%; 2023 = 77.06%). This indicates there has been no significant breakthrough in increasing the share of local revenue within the APBD structure.

The high dependency ratio (>75%) means West Bandung Regency’s APBD is highly vulnerable to central government policies.

This situation limits the local government’s flexibility in fiscal decision-making and makes West Bandung Regency vulnerable to changes from the central government (such as delays in transfers or sudden budget reallocations). Local informants provide a vivid picture: I2 (Bappelitbangda) noted that nearly 80% of the West Bandung Regency APBD comes from DAU/DAK, so if central government transfers are delayed or reduced, local development programs are immediately hindered and the local treasury is shaken. I7 (BKAD) added that even mandatory expenditures such as employee salaries, education, and health care can be disrupted if central government transfers are delayed. In other words, this high level of dependence is a structural external factor that limits the fiscal autonomy of West Bandung Regency.

The PAD effectiveness ratio is used to assess the ability of local governments to achieve the PAD targets set in the APBD. Good effectiveness indicates that PAD targets are set relatively realistically and supported by orderly collection implementation, while low or fluctuating effectiveness indicates underlying problems such as: target setting that is not sufficiently based on potential, an unstable taxpayer/fee payer database, weak collection efforts, or suboptimal oversight mechanisms. Therefore, the interpretation of PAD effectiveness in this study does not stop at percentage achievements but emphasizes the relationship between the quality of revenue planning and the quality of execution and control. PAD effectiveness measures a local government’s ability to achieve PAD targets (comprising local taxes, local fees, proceeds from the management of local assets, and other legitimate local revenues). The higher the PAD effectiveness ratio (actual revenue divided by target × 100%), the greater the region’s capacity to mobilize its fiscal potential in accordance with the plan. In West Bandung Regency, PAD effectiveness is crucial given the high fiscal dependence on the central government; this effectiveness reflects whether West Bandung Regency can optimize the revenue sources under its own authority.

**Table 6 Local Revenue (PAD) Effectiveness Ratio West Bandung Regency Government 2020–2024**

Tahun	PAD Target (IDR)	PAD Realization (IDR)	Effectiveness Ratio	Category
2020	448,9 miliar	464,8 miliar	103,54%	Effective
2021	515,2 miliar	540,7 miliar	104,97%	Highly Effective
2022	637,0 miliar	667,2 miliar	104,80%	Highly Effective
2023	675,0 miliar	699,2 miliar	103,59%	Effective
2024*	786,0 miliar	799,2 miliar	101–102%	Effective

Source: SIPD Budget Implementation Report, BKAD West Bandung Regency; data processed (2024).

*Note: The "Very Effective" category applies if the ratio is >100%. 2024 is a projection.*

In Table 6 above, generally, the PAD effectiveness ratio for West Bandung Regency falls within the effective to highly effective categories (above 100%) throughout the 2020–2024 period. This data indicates that the West Bandung Regency Government has been able to set realistic PAD targets and even implement intensification and expansion strategies, resulting in PAD revenue realization exceeding targets every year. Revenues from major local taxes (such as hotel, restaurant, and advertising taxes, as well as PBB-P2) and service and licensing fees successfully exceeded the established plans. However, this high level of effectiveness does not necessarily indicate local fiscal autonomy. The contribution of PAD to total local revenue remains between 18–24%, meaning that, fiscally, West Bandung Regency remains in an instructive-consultative relationship with the central government. This implies that, although local revenue is highly effective in terms of meeting targets, dependence on Transfer Funds (DAU, DAK, DBH, and Village Funds) remains dominant. This performance exceeding targets reflects “administrative success” (setting appropriate targets and optimal collection) rather than substantive fiscal strength. Informant I4 (BKAD) acknowledged that West Bandung Regency’s own-source revenue (PAD) consistently exceeds 100% of the target, indicating that targets are set realistically and staff perform well; however, the annual PAD realization of approximately Rp700–800 billion remains small compared to total revenue exceeding Rp3 trillion. Over 70% of West Bandung Regency’s revenue still originates from the central government, so if central transfers are disrupted, the local finances become unstable.

BKAD Informant (I4) emphasized that achieving targets should not lead to complacency; what is more important is expanding the tax and fee base without burdening the public, for example through tax collection digitization (e-Tax, tapping boxes), collaboration with banks, and the revitalization of regional-owned enterprises (BUMD). Informant I (an academic) added that the high effectiveness of West Bandung Regency’s PAD is partly due to moderate targets. If new potentials are tapped (e.g., village tourism, creative industries, electronic parking, optimization of local assets), targets can be raised so that the effectiveness ratio better reflects actual capacity. He also noted that revenue leakage (parking, advertising, traditional market fees) still exists and needs to be addressed through digitalization and data-driven oversight. In short, a high PAD effectiveness ratio indicates good collection performance, but has not fundamentally changed the fiscal structure. Moving forward, fiscal transformation is needed: expanding PAD sources, reducing revenue leakage,

and optimizing regional- owned enterprises (BUMD) and regional assets, so that PAD can truly become the main pillar of regional finance.

The revenue effectiveness ratio is used to assess the performance of PAD components that are often more technical and operational in nature, directly related to service quality, collection institutions, and user compliance. Effective revenue reflects alignment between the potential of services managed by local governments and actual revenue collection, and indicates that mechanisms for tariff setting, service delivery, record-keeping, and oversight are functioning adequately. However, when fee effectiveness is weak, there are generally more structural issues: service quality that has not yet fostered a willingness to pay, a collection system that is not yet orderly, or operational-level leakage. Therefore, this ratio is positioned as an indicator that simultaneously measures the quality of public service governance.

This ratio measures the success of local governments in achieving their local fee revenue targets (charges for specific services or permits). Fees are a form of direct consideration, meaning the public pays and immediately receives a service (examples: market service fees, parking fees, waste management fees, building permits/IMB, and fees for the use of local government assets). The fee effectiveness indicator is calculated as  $\text{actual revenue}/\text{target} \times 100\%$ . A ratio value  $>100\%$  indicates high effectiveness, while a ratio  $<80\%$  is categorized as ineffective. For West Bandung Regency, although fees contribute a small portion to the Regional Owned Revenue (PAD), the effectiveness ratio remains important as it reflects the local government’s performance in optimizing non-tax local revenue, and is closely linked to the quality of public services and user compliance.

**Table 7 Local Retribution Effectiveness Ratio for West Bandung Regency, 2020–2024**

Years	Fee Target (Rp)	Fee Realization (IDR)	Effectiveness Ratio	Category
2020	38.532.266.676	27.510.250.500	71,40%	Ineffective
2021	37.698.929.439	17.073.496.576	45,29%	Ineffective
2022	21.341.968.392	15.099.253.355	70,74%	Ineffective
2023	23.560.000.000	19.234.000.000	81,64%	Fairly Effective
2024*	25.870.000.000	22.900.000.000	±88–90%	Effective (forecast)

Source: SIPD Budget Implementation Report, BKAD West Bandung Regency; processed data (2024). 2024 forecast.\*

Based on Table 7 and Figure 4 above, it is evident that the effectiveness of local government revenue collection in West Bandung Regency during the 2020–2024 period has experienced significant fluctuations and, overall, has not been optimal. From 2020 to 2022, the revenue collection effectiveness ratio remained below 80%, which is categorized as

ineffective. This situation is closely tied to the impact of the COVID-19 pandemic, which during that period hindered community economic activities: population mobility decreased, many public facilities (such as traditional markets and tourist attractions) were closed, and the public's ability to pay for public services also declined. Consequently, the collection of many types of revenue fell far short of targets.

The year 2021 even showed a drastic decline in revenue collection effectiveness (only 45.3%, highly ineffective) as the pandemic's impact peaked. The revenue target was significantly reduced in 2022 (from ~Rp37.7 billion in 2021 to Rp21.3 billion in 2022), yet collection still failed to reach 80%. It was not until 2023 that improvements began to be seen, with the ratio reaching 81.64% (falling into the "fairly effective" category). This increase aligns with the post-pandemic economic recovery and the restructuring of the revenue collection system, including the limited implementation of e-Retribusi for markets and parking. The 2024 forecast indicates further improvement toward the " " category (projected ratio of 88–90%), resulting from intensified oversight, the digitization of fee collection services, and the establishment of more realistic targets based on actual potential.

The 2020–2024 trend can be summarized as follows: West Bandung Regency's revenue collection effectiveness was very low at the start of the period, then improved toward the end. In 2020, the ratio was around 71.4% (Ineffective), plummeted in 2021 to 45.3% (highly ineffective), and rose again in 2022 to 70.7% (still Ineffective). Performance began to recover in 2023 with a ratio of 81.6% (Fairly Effective). The 2024 forecast is expected to approach 88–90% (Effective). In other words, during 2020–2022, KBB's local revenue collection did not meet the target (below 80%), while 2023–2024 showed a positive trend approaching or slightly below 100%. The increase in 2023 aligns with post-pandemic economic recovery and the implementation of collection innovations (e.g., e- Retribusi for markets and parking). The year 2024 is projected to be even better thanks to strengthened oversight, service digitization, and the setting of more realistic targets in line with potential. The low effectiveness of West Bandung Regency's retribution collection in 2020–2022 stems from both external and internal factors. The pandemic clearly caused an economic contraction: markets and tourist attractions closed, mobility was restricted, resulting in many retributions remaining uncollected or the public being unable to pay. Internally, prior to 2023, revenue collection was still manual (using paper tickets), making it prone to leakage and resulting in incomplete data on revenue-generating facilities. These factors explain why revenue realization fell far short of targets even though the targets had been lowered (for example: the 2021 target of Rp.37.7 million was reduced to Rp.21.3 million in 2022, yet

realization still struggled to reach 80%). Improvements in 2023–2024 reflect efforts to address these issues: the economy has recovered, local governments have begun implementing e-Retribution for markets and parking, which enhances transparency and control, and has strengthened oversight. Although the ratio is approaching the “effective” category, retribution has not yet become the backbone of local revenue (its contribution remains relatively small compared to total local revenue). This means local governments still face significant challenges in improving the quality of public services (to encourage citizens to pay), completing the database of fee-generating objects, and tightening oversight to prevent revenue leakage. Informant I4 (BKAD) revealed that revenue realization remains far below its actual potential: many revenue objects (e.g., markets, parking, waste) are not yet properly recorded, and prior to digitization, officers collected fees manually without oversight, making the system prone to leakage. After e-Retribusi was implemented, transparency began to improve, although there was initial resistance from field officers because their informal income decreased. Additionally, the pandemic caused many kiosks to close and events to be canceled, so the low collection rate is not solely due to overly high targets but because the management system is not yet ideal. From the perspective of fee payers.

The fiscal decentralization ratio indicates the proportion of PAD (Local Revenue) contributions to total regional revenue. This ratio is crucial for assessing the extent to which decentralization—as a constitutional mandate and a policy of regional autonomy—is realized in fiscal practice. The larger the PAD contribution, the stronger the region’s role as the primary driver of funding for its priority programs. Conversely, a relatively small PAD contribution indicates that fiscal decentralization capacity remains limited, necessitating measurable revenue-strengthening strategies, including PAD innovations compliant with regulations, cross-agency data integration, and process digitization that enhances transparency and accountability. The fiscal decentralization ratio reflects the degree of a region’s fiscal autonomy within the framework of financial autonomy—specifically, the extent to which Local Own-Source Revenue (PAD) can support total revenue without reliance on central government transfers. The larger the PAD contribution, the higher the level of decentralization and fiscal sovereignty of that region. According to Halim (2023), a ratio below 10% is classified as very low, 10–20% as low, 20–30% as moderate, and above 30% as good or high.

West Bandung Regency has shown a positive trend in the increase of its fiscal decentralization ratio, although the rise has been gradual. In 2020, West Bandung Regency’s

PAD contributed only about 18.6% of total revenue, indicating a very high dependence on transfer funds. From 2021 to 2024, the ratio increased to the 23–24% range, indicating improvements in local revenue management through the optimization of local taxes, fees, and the management of assets and regionally-owned enterprises (BUMD)

**Table 8 Fiscal Decentralization Ratio in the West Bandung Regency Government Years 2020-2024**

Years	Local Revenue (Rp)	Regional Revenue (IDR)	Fiscal Decentralization Ratio (%)	Category
2020	464,8 M	2,497 T	18,6%	low
2021	540,7 M	2,647 T	20,4%	Moderate (consultative)
2022	667,2 M	2,801 T	23,8%	Moderate
2023	699,2 M	3,048 T	22,9%	Moderate
2024*	799,2 M	3,410 T	23,4%	Moderate

Source: SIPD Budget Implementation Report, BKAD KBB, processed (2024)

Although the trend is upward, the fact that local revenue (PAD) remains below 25% indicates that West Bandung Regency’s fiscal autonomy is not yet optimal. Informant I4 (Head of BKAD) emphasized that the local revenue structure remains heavily reliant on the central government, with PAD at approximately Rp.699 billion (2023) compared to total revenue exceeding Rp.3 trillion. The fiscal relationship with the central government remains at the “consultative” stage, not yet reaching the “delegative” stage. Informant I2 (Bappelitbangda) added that tax digitalization (tapping boxes, e-tax, e- retribution) has been pursued, but obstacles such as leakage, low taxpayer awareness, and weak data integration continue to hinder the acceleration of PAD. Informant I12 (Academic) highlighted that fiscal decentralization is not merely a financial ratio but an indicator of fiscal sovereignty: regions lack strong bargaining power as long as PAD remains below 25%. Therefore, future strategies include optimizing idle assets, strengthening Public-Private Partnerships (PPPs), revitalizing Regional State-Owned Enterprises (BUMDs) and Village-Owned Enterprises (BUMDes), and implementing digital revenue management. Consequently, West Bandung Regency’s still-low fiscal decentralization ratio indicates limited financial autonomy. Innovations in local revenue generation and fiscal institutional reforms are needed to reduce dependence on the central government. In 2020, West Bandung Regency’s Fiscal Decentralization Ratio stood at 18.6%, indicating that the contribution of Local Owned Revenue (PAD) to total local revenue remains limited. Fiscally, this situation indicates that the local government’s policy discretion remains relatively narrow, as development

financing capacity is largely supported by sources outside of local revenue. From a fiscal decentralization perspective, the “low” category reflects that local fiscal autonomy is not yet strong; the region remains in a phase of “going with the flow” of the revenue structure, so budget flexibility based on local priorities is not yet optimal. The year 2021 showed an increase in the ratio to 20.4%. This rise marks an initial strengthening of fiscal autonomy as the share of PAD began to increase more significantly. The “moderate (consultative)” category can be interpreted as a transitional phase: regions are beginning to develop their own financing capacity, but fiscal policies and development programs remain heavily influenced by the dynamics of non-PAD revenue (particularly transfers). In other words, PAD capacity is improving, but it is not yet sufficient to fundamentally shift the revenue structure. In 2022, the ratio increased significantly to 23.8%, marking the highest point during the analysis period.

This increase signals that PAD mobilization performance is relatively strong, driven by improvements in the tax base, economic recovery, and enhanced revenue administration. Although still categorized as “moderate,” the 2022 achievement indicates a positive direction: PAD is beginning to serve as one of the pillars of funding, not merely a supplement. However, the “moderate” classification also serves as a reminder that PAD has not yet become the dominant source, meaning fiscal resilience is not yet fully robust. In 2023, the ratio corrected downward to 22.9%. It is important to note: this correction should not be interpreted as a decline in PAD, but may reflect that total local revenue grew faster than PAD growth, causing the proportion of PAD to decrease. In fiscal decentralization analysis, phenomena like this often serve as a “structural warning”: regions may succeed in increasing revenue, but the dependency structure remains unchanged because the strengthening of PAD is not aggressive enough to keep pace with the growth of other revenue components. The 2024\* figure shows a ratio of 23.4%, an increase from 2023. This indicates that efforts to strengthen PAD are back on track and are having an effect on the revenue composition. However, the 2022–2024 pattern confirms a plateauing trend around the 23% range. This means that even though PAD has increased in nominal terms, the transformation of the revenue structure has not been robust: PAD has not yet “pulled” the composition of local government revenue up to a higher tier. The 2024 forecast notes also indicate the need for caution in interpretation, but the trend direction still points to stability in the strengthening.

Overall, the 2020–2024 period shows a gradual improvement in the Fiscal Decentralization Ratio from 18.6% to 23.4% (an increase of 4.8 percentage points). This

signifies that West Bandung Regency's PAD capacity is strengthening; however, this strengthening is not yet sufficient to produce a structural leap, as the ratio remains in the moderate category and has tended to stabilize around 23% since 2022. Thus, the key issue for West Bandung Regency is not merely that "PAD is rising," but rather that PAD must grow faster than the growth of total local revenue for the revenue structure to change. Implications for the Regional Financial Performance of the West Bandung Regency Government are as follow.

- a) Fiscal space remains limited: PAD accounts for only about one-fifth of revenue; the scope for local priority spending is vulnerable to fluctuations in non-PAD revenue.
- b) Fiscal resilience is not yet strong: when there are adjustments to transfer policies or economic shocks, the Regional Budget (APBD) is likely to face pressure because PAD has not yet become the primary buffer.
- c) Improving PAD quality is essential: this involves not only increasing revenue figures but also enhancing the quality of revenue collection governance, data systems, compliance, and asset productivity.

Findings on the fiscal decentralization ratio for West Bandung Regency from 2020 to 2024 show a trend of strengthening PAD from the low to moderate category; however, this has not yet resulted in significant structural changes in revenue, as the ratio has tended to plateau around 23% since 2022. Therefore, the strategy for optimizing local financial performance in Chapter V is directed not only at increasing PAD in nominal terms but also at transforming revenue management based on the principles of good governance through data integration, leakage control, digitalization of collection, strengthening public compliance, and the productive utilization of local assets.

### **Ratio of Operating Expenditures to Total Expenditures in West Bandung Regency**

The ratio of operating expenditures to capital expenditures is used to assess the quality of the expenditure structure and the orientation of fiscal policy. Dominant operating expenditures may reflect routine service needs, but if they are too large and uncontrolled, they have the potential to narrow the scope for productive expenditures and expenditures with medium-term impacts, such as capital expenditures. Meanwhile, capital expenditures serve as an indicator of the local government's investment in strengthening infrastructure, basic service facilities, and development capacity. Thus, this ratio is key to assessing whether West Bandung Regency's local expenditures are more oriented toward routine maintenance or toward creating development value-added.

The ratio of operating expenditures to total expenditures indicates the portion of the local budget allocated to routine/operational expenditures (staff salaries, goods and services, subsidies, grants, mandatory expenditures for basic public services, etc.). Conversely, the capital expenditure ratio indicates the portion allocated to long-term development investments (infrastructure, public facilities, etc.). This ratio reflects the region’s fiscal priorities: if operational expenditures are very high, the budget is absorbed by routine bureaucratic activities rather than new development. Ideally, a balance is needed—operational expenditures are necessary for government administration, but capital expenditures also require an adequate share (recommended >25–30% of total expenditures) so that the local government can create economic value and public services for the future. Operational expenditures constitute the largest component of the West Bandung Regency APBD, used to fund routine government needs. The high ratio of operational expenditures reflects fiscal priorities that are more oriented toward the sustainability of administration rather than long-term development. Within the framework of good governance, a balance between operational and capital expenditures is necessary so that local governments not only maintain administrative functions but are also able to drive development, improve public services, and create socio-economic value.

**Table 9 Ratio of Operating Expenditures to Total Expenditures**

Years	Operational Expenditures (Rp)	Total Expenditures (Rp)	Ratio (%)	Category
2020	1,580 T	2,345 T	67,36%	Tinggi
2021	1,720 T	2,513 T	68,44%	Tinggi
2022	1,840 T	2,662 T	69,11%	Tinggi
2023	1,945 T	2,860 T	68,01%	Tinggi
2024*	2,208 T	3,162 T	69,80%	Tinggi

Source: SIPD Budget Implementation Report, BKAD West Bandung Regency, Data processed (2024)

The data shows that throughout the 2020–2024 period, West Bandung Regency’s operational expenditures consistently remained within the 67–70 percent range of total expenditures. This category is classified as “high,” meaning more than two-thirds of the Regional Budget (APBD) is allocated to funding routine government operations. This trend signals that the APBD remains focused on bureaucratic consumption rather than long-term development. The increase in the ratio to nearly 70% in 2022 and the 2024 projection indicate growing pressure from employee expenditures, performance allowances, civil servant salary increases, as well as meeting the mandatory spending requirements of 20%

for education and 10% for health. Meanwhile, the share of capital expenditures—such as public infrastructure (roads, bridges, irrigation, schools, community health centers)—has relatively decreased, resulting in no significant improvement in the quality of public services. Fiscally, this phenomenon indicates that West Bandung Regency remains in the stage of maintaining basic government functions, not yet fully transformational in creating revenue innovations and expenditure efficiency. This condition requires serious attention to prevent it from continuing to become a “fiscal trap” that hinders regional growth. West Bandung Regency’s expenditure structure over the past five years has been dominated by operating expenditures. The operating expenditure ratio has consistently remained around 67%–70% of total annual expenditures (a “high” category according to the ). Data shows that in 2020, operational spending was ~67.3%, rising to 68.4% (2021) and ~69.1% (2022), and is projected to be around 70% for 2023–2024. Thus, more than two-thirds of West Bandung Regency’s Regional Budget (APBD) is spent on routine government operations. Consequently, capital expenditures account for only about 30% or less, and in some years even fall below 20% (low category). The share of capital expenditures in West Bandung Regency is far below the ideal threshold of 25–30%, indicating that fiscal space for physical development is relatively limited. This trend is consistent: high operational expenditures and limited capital expenditures throughout 2020–2024.

An operational expenditure ratio of around 70% indicates that the West Bandung Regency APBD remains heavily focused on funding routine bureaucratic operations rather than long-term investments. The dominance of spending on personnel, allowances, OPD operations, and goods/services creates a high fiscal burden, causing the APBD to be largely absorbed by maintaining daily government services and fulfilling mandatory expenditures (education, health, and others), rather than driving new development expansion. Consequently, capital expenditures remain relatively limited; infrastructure projects and public innovation initiatives proceed slowly or are frequently treated as adjustment items when fiscal space is constrained. Ideally, more developed regions should aim for a capital expenditure ratio of 25–30%, but West Bandung Regency remains below this threshold due to its large share of personnel expenditures. In addition to limiting the scope for capital expenditure, high operational expenditure demands far stricter budget management. The large allocation for goods and services increases the risk of inefficiency and potential audit findings if oversight is not conducted transparently and accountably.

Informant I1 (Acting Regional Secretary) emphasized that operational spending at around 70% “is not merely a number, but a reflection of the government’s structure,” with a high number of employees and mandatory spending, making capital expenditure often the last adjustment variable. This situation creates a classic dilemma: personnel and operational expenditures are difficult to reduce because they constitute basic service obligations and civil servants’ rights, yet they simultaneously constrain the fiscal space for development. Moreover, new capital expenditure projects often only proceed optimally in the third quarter due to delayed technical planning caused by the burden of routine expenditures at the beginning of the year. Informant I3 (Inspectorate) added that the dominance of operational spending also increases the complexity of oversight and the potential for misuse. Overall, West Bandung Regency’s spending structure, which leans toward operational expenditures, indicates that the Regional Budget (APBD) still functions more to “survive” than to “thrive.”

West Bandung Regency remains focused on maintaining the sustainability of the bureaucracy rather than accelerating regional economic growth. This situation is common for regions with low local revenue and high personnel expenditures, but it must be addressed to achieve sound financial management. Proposed corrective measures include: reforming the expenditure structure through personnel expenditure efficiency (e.g., evaluating staffing needs, controlling allowances), improving efficiency in goods and services procurement via administrative digitization and e-procurement, and a political commitment to shift allocations toward productive expenditures. In essence, West Bandung Regency must reduce the proportion of routine expenditures and increase capital expenditures so that the Regional Budget (APBD) becomes more productive and has a long-term impact. Without this, infrastructure development and the quality of public services will progress slowly. The revenue growth ratio is used to assess the direction and dynamics of fiscal capacity over time: whether local revenue is expanding, stagnating, or contracting. Substantively, positive and stable revenue growth indicates fiscal resilience and the local government’s ability to expand the financing scope for priority programs. However, revenue growth requires a deeper analysis: not merely “up or down,” but the structure of its sources. Growth driven primarily by transfer components may boost short-term spending capacity but does not necessarily strengthen self-reliance. Conversely, growth supported by PAD (taxes, fees, and proceeds from the management of local assets) better indicates the strengthening of the internal fiscal base. Therefore, the revenue growth ratio should ideally be analyzed alongside indicators of PAD effectiveness, the autonomy ratio, and fiscal decentralization so that arguments regarding “performance” do not stop at aggregate figures.

### SiLPA-to-Revenue Ratio in West Bandung Regency

SiLPA represents the year-end budget surplus between actual revenue and expenditures (including financing). Within the framework of financial performance, SiLPA is not automatically “good” or “bad”; its meaning is determined by its magnitude, patterns of occurrence, and dominant causes. A controlled SiLPA can be interpreted as a signal of cash discipline and fiscal prudence. However, an excessively large and recurring SiLPA often indicates an implementation gap: imprecise planning, procurement delays, a concentration of activities at year-end, or low technical readiness of OPDs. This condition warrants close attention because a high SiLPA may mean the budget has not fully “functioned” to produce outputs/outcomes in the current year.

**Table 10 SiLPA Ratios for 2020–2024 (Rupiah)**

Years	SiLPA	Revenue	Ratio (%)	Description
2020	152,3 M	2,49 T	<b>6,12%</b>	High (requires attention)
2021	133,7 M	2,64 T	<b>5,06%</b>	Fairly high
2022	138,9 M	2,80 T	<b>4,96%</b>	Fairly high
2023	48,3 M	3,04 T	<b>1,59%</b>	Under control
2024*	78,2 M	3,41 T	<b>2,29%</b>	Moderata (buffer)

\*Source: SIPD Budget Implementation Report, BKAD of West Bandung Regency; data processed by the Important note: The 2024 ratio is calculated from the figures in the table (78.2 million / 3.41 trillion), so it is more accurate to write 2.29%.

The SiLPA ratio for West Bandung Regency dropped sharply from 6.12% (2020) to 1.59% (2023), indicating improved management of the Regional Budget (APBD): planning has become more precise, the pace of budget absorption is more even, year-end budget surpluses have decreased, and cash management/internal controls have improved. The high SiLPA in 2020–2021 was understandably influenced by the pandemic (refocusing, program adjustments), resulting in the postponement or cancellation of several activities and leaving unused budget funds. The year 2023 marked a phase of SiLPA consolidation under control due to more effective cross-agency coordination and process oversight, supported by the adaptation of digital financial information systems that accelerated data-driven corrections and decision-making. In 2024, the SiLPA rose moderately to 2.29%, but this can still be interpreted as a fiscal buffer; this increase is more related to implementation factors (delays in procurement, regulatory adjustments, and caution ahead of audits), rather than a structural setback. Key messages from informants emphasize: a healthy reduction in SiLPA stems from orchestration from the start of the year (I1), precision in data-driven planning (I2), orderly reconciliation and traceability (I7), and oversight that prioritizes timeliness–evidence–verified outputs (I3; I10). The 2024 increase is primarily influenced by the dynamics of

physical spending/PBJ (I9); therefore, the recommendation is to strengthen the certainty of the PBJ schedule and technical readiness from the outset so that caution does not turn into “spending restraint” that reduces program output.

### **Ratio of Revenue and Expenditure Growth in West Bandung Regency**

The expenditure growth ratio indicates how rapidly local government spending is increasing or decreasing. It is considered healthy if it aligns with revenue growth and is directed toward productive spending (rational composition: adequate capital expenditures, efficient operational expenditures). If spending grows faster than revenue, there is a risk of fiscal sustainability pressure, especially if dominated by routine expenditures. If growth is very low or there is a contraction, it may indicate program delays, fiscal tightening, or implementation constraints. The 2020–2024 period reflects the fiscal dynamics of West Bandung Regency, driven by the pandemic (2020) followed by recovery (2021–2024). Revenue stagnated in 2020 but subsequently returned to relatively stable growth of  $\pm 5$ –12% per year; the lowest growth was in 2022 (+5.8%), and the highest is projected for 2024 (+11.9%) due to improvements in the economy, tax performance, and transfers. Expenditures increased annually but not always in tandem—in 2021, expenditures (+7.1%) exceeded revenue (risk of pressure on the Regional Budget). Starting in 2023–2024, the situation improves: revenue > expenditure (2023: 8.8% vs. 7.4%), indicating budget discipline/fiscal prudence and strengthening fiscal capacity, although the structure of local revenue remains relatively limited and is influenced by transfer policies and national regulations. In 2020, West Bandung Regency’s local revenue tended to stagnate due to economic contraction and budget refocusing on health and social safety nets. The 2021–2024 period shows recovery with a more consistent upward revenue trend, driven by tax digitalization (e-tax, tapping boxes), strengthened roles of regional-owned enterprises (BUMD), and revenue source innovations. On the expenditure side, there was a significant increase, particularly in health, social protection, education, and basic infrastructure; however, the pace did not always align with revenue due to pressure from personnel expenditures, the DAU earmark scheme, and strategic projects. Overall, this situation reflects the local government’s efforts to maintain fiscal balance between mandatory expenditures and development expenditures.

**Table 11 Revenue & Expenditure Growth Ratios for West Bandung Regency Years 2020–2024 (Rupiah)**

Tahun	Local Revenue (Rp)	Revenue Growth	Regional Expenditures (Rp)	Expenditure Growth
2020	2,497 T	–	2,345 T	–
2021	2,647 T	+5,99%	2,513 T	+7,15%
2022	2,801 T	+5,81%	2,662 T	+5,93%
2023	3,048 T	+8,81%	2,860 T	+7,43%
2024*	3,410 T	+11,86% (prognosis)	3,162 T	+10,56% (prog.)

Source: SIPD Budget Implementation Report, BKAD West Bandung Regency, Data processed by the researcher (2024)

The trend in the Bandung Barat Regency APBD for 2020–2024 shows relatively stable revenue growth ( $\pm 5$ –12%/year), with a peak in 2024 (projected at 11.86%) driven by economic recovery, strengthened local taxes, and increased transfers (DBH/DAU). The lowest growth in 2022 (5.81%) was related to post-pandemic national fiscal adjustments and pressure from mandatory spending. On the expenditure side, the pattern of increase followed recovery needs. In 2021, expenditures grew faster (7.15%) than revenue, reflecting expansive policies for health, social assistance, and mandatory spending—which risked straining the APBD if not balanced by revenue. However, from 2023–2024, revenue begins to “ ” exceeding expenditures, indicating improved budget discipline and fiscal capacity. Informants’ views reinforce this: I2 (Bappelitbangda) emphasized that 2020 was difficult due to tax revenue declines caused by COVID, followed by accelerated recovery through tax digitalization (e.g., e-BPHTB, tapping boxes) to reduce leakage. I4 (BKAD) assessed 2023 as “phenomenal” because revenue > expenditure, linked to improved planning and a focus on reducing unspent budget balances (SILPA), while also highlighting the challenge of ensuring that spending actually has an impact. I3 (Inspectorate) cautioned that spending growth does not automatically equate to efficiency—it is necessary to avoid piling up work at the end of the year, which triggers unspent funds (SILPA), even though 2023 and the 2024 projections are assessed as more orderly and timely.

In conclusion, West Bandung Regency’s fiscal trajectory is becoming healthier heading into 2024 (rising revenue, more proportional expenditures), but significant strategic challenges remain: data- driven planning quality, shifting expenditures from consumptive to productive sectors, and—most importantly—low fiscal autonomy, necessitating diversification of local revenue through revenue innovation, asset optimization, and strengthening of regional-owned enterprises (BUMD) and village- owned enterprises (BUMDes).

## **Barriers to Implementing Good Governance-Based Local Financial Management and Their Impact on the Financial Performance of West Bandung Regency**

The implementation of local financial management based on good governance principles in West Bandung Regency has established a regulatory framework, institutional structure, and digital system (SIPD-RI). However, research findings indicate that the effectiveness of its implementation remains hindered by a combination of capacity gaps and will gaps, which form a negative causal chain throughout the budget cycle (planning–budgeting–execution–accounting–reporting–oversight). These obstacles are multidimensional and intertwined within five main clusters: technical, structural, cultural, regulatory–political, and the quality of oversight and data.

First, technical barriers arise from disparities in operator literacy, unstable network infrastructure in some regions, and weak change management. As a result, data input quality is inconsistent, reconciliations are delayed, and reporting devolves into corrective work at the end of the year, undermining transparency, traceability, and efficiency. Second, structural barriers are primarily related to weak cross-agency coordination and the fragmentation of planning–budgeting functions. Coordination forums remain predominantly focused on administrative compliance and are not yet fully data-driven. This leads to inconsistencies between the Regional Development Plan (RKPD), the Budget Framework (KUA/PPAS), the Regional Budget (APBD), and the Budget Allocation Plan (DPA), undermining the whole-of-government approach, and resulting in expenditures being absorbed but insufficiently tied to outcomes. Third, cultural barriers are the most decisive factor. The persistence of a formalistic culture and a budget absorption bias (where absorption is seen as a measure of success) shifts the focus from value for money to procedural compliance. Resistance to digitalization and reliance on old methods slow down governance transformation. A weak “tone at the top” in some government agencies prevents administrative discipline from becoming a collective standard. Fourth, regulatory–political barriers create pressure for rapid adaptation that often disrupts the consistency of documents, indicators, and audit trails. Sudden regulatory changes create implementation gaps, while political pressure drives “quick-win” programs, potentially undermining fiscal rationality and the quality of productive spending. The impacts are: (1) weakened indicator alignment, (2) increased correction costs, (3) constrained medium-term fiscal space, and (4) a less stable agenda for strengthening local revenue. Fifth, obstacles to oversight and data quality are evident in weak reconciliation discipline, system fragmentation, and follow-up on

recommendations that are not yet based on institutional learning. Oversight remains largely corrective rather than risk-based and preventive, so findings tend to recur.

Implications for Regional Financial Performance. These obstacles have direct implications for the fiscal performance of West Bandung Regency through:

- a) Deviations in actual performance and repeated corrections at year-end;
- b) Uneven absorption rates, triggering a rush to procure;
- c) Suboptimal spending quality, insufficiently tied to outcomes;
- d) Accountability is costly, as it involves more corrective work;
- e) Inconsistent strengthening of local revenue, hindering fiscal autonomy.

Findings point to four main strengthening mechanisms:

- a) Indicator discipline: embedding program logic and indicators in every reallocation;
- b) Tighter cross-actor coordination (TAPD, Bappelitbangda, BKAD, OPD, APIP);
- c) Fast but controlled execution: accelerating absorption with stronger internal controls;
- d) Protection of the PAD agenda as a data-driven, stable policy.

The main issue is not a lack of instruments, but weaknesses in institutional capacity and the consistency of commitment. Future reforms must be systemic, not merely technocratic, encompassing: standardization of human resource competencies, integration of performance data, risk-based oversight, and organizational culture transformation through leadership that upholds substantive accountability. Without improvements in these dimensions, digitalization and regulation will only result in formal compliance, not sustainable improvements in fiscal performance. Conclusion: the dominant obstacles are systemic; partial improvements will result in “illusory performance” because the chain of weaknesses remains intact.

### **Strategy for Optimizing Regional Financial Management Based on Good Governance to Drive the Financial Performance of West Bandung Regency**

In West Bandung Regency, performance indicators are actually available, but they are not always “backed by strong evidence” (valid baselines, realistic targets, clear data sources, and a direct link between outputs and outcomes). Consequently, performance discussions easily shift toward administrative compliance rather than demonstrating results. Therefore, a minimum evidence chain must be established for each priority program (baseline–target–measurement method–source–frequency–data point of contact) along with OPD indicator cards; any changes to indicators during the KUA–PPAS/RKA stage must be accompanied by data-based justifications. The main data issue is not a lack of information,

but rather that data is not unified (varying across applications/units), leading to frequent corrections and numerical conflicts during evaluations. The solution: establish a single source of truth for key variables, strengthen integration SOPs (validation, cut-off, revision, audit trail), and build minimum interoperability (synchronize account codes, programs–activities, indicator metadata). The impact: faster decision-making, precise planning, and

## **Conclusion**

The implementation of local financial management in West Bandung Regency has, in principle, followed the formal cycle (planning–budgeting–implementation–accounting–reporting/accountability–oversight) and has adopted the principles of good governance (transparency, accountability, participation, legal compliance, effectiveness–efficiency, integrity, and fairness). However, the application of these principles still shows variations in quality across stages and among local government agencies, particularly regarding the consistency of indicators, data discipline, audit trails, and the strength of the feedback loop (evaluation → follow-up → system improvement).

Consequently, good governance has not yet fully functioned as a “mechanism” that ensures the quality of implementation but often remains merely administrative compliance. The implementation of local financial management has produced relatively complete administrative outputs (planning/budgeting documents, implementation, and reports); however, improvements in financial performance are more determined by the quality of implementation: the accuracy of baselines and indicators, budget execution discipline throughout the year (not concentrated at the end of the year), quality control of expenditures (value for money), and the effectiveness of internal controls. Thus, improvements in financial performance cannot be measured solely by budget absorption and document compliance, but rather by the district government’s ability to convert expenditures into public service outcomes and sustain fiscal health over the long term. The implementation of local financial management based on the principles of good governance in West Bandung Regency has established a regulatory framework, institutional structure, and digital system (SIPD-RI). However, research findings indicate that the effectiveness of its implementation remains hindered by a combination of capacity gaps and will gaps, which form a negative causal chain throughout the budget cycle (planning–budgeting–implementation–accounting–reporting–oversight). These obstacles are multidimensional and intertwined within five main clusters: technical, structural, cultural, regulatory–political, and the quality of oversight and data. First, technical obstacles arise from disparities in operator literacy,

unstable network infrastructure in some regions, and weak change management. Consequently, data input quality is inconsistent, reconciliations are delayed, and reporting becomes a corrective exercise at year-end, undermining transparency, traceability, and efficiency. Second, structural barriers primarily relate to weak cross-OPD coordination and the fragmentation of planning–budgeting functions. Coordination forums remain predominantly focused on administrative compliance and are not yet fully data-driven. This leads to inconsistencies between the Regional Development Plan (RKPD), the Budget

Framework (KUA/PPAS), the Regional Budget (APBD), and the Budget Implementation Plan (DPA), undermining the whole-of-government approach, and resulting in expenditures being absorbed but poorly aligned with outcomes. Third, cultural barriers are the most decisive factor. The persistence of a formalistic culture and a budget absorption bias (where absorption is seen as a measure of success) shifts the focus from value for money to procedural compliance. Resistance to digitalization and reliance on old ways slow down governance transformation. A weak “tone at the top” in some OPDs prevents administrative discipline from becoming a collective standard. Fourth, regulatory–political barriers create pressure for rapid adaptation that often disrupts the consistency of documents, indicators, and audit trails. Sudden regulatory changes create implementation gaps, while political pressure drives “quick-win” programs, potentially undermining fiscal rationality and the quality of productive spending. The impacts are: (1) weakened indicator alignment, (2) increased correction costs, (3) constrained medium- term fiscal space, and (4) a less stable agenda for strengthening local revenue. Fifth, obstacles to oversight and data quality are evident in weak reconciliation discipline, system fragmentation, and follow-up on recommendations that is not yet based on institutional learning. Oversight remains largely corrective rather than risk-based and preventive, so findings tend to recur. The main issue is not a lack of instruments, but weaknesses in institutional capacity and the consistency of commitment. Future reforms must be systemic, not merely technocratic, encompassing: standardization of human resource competencies, integration of performance data, risk-based oversight, and organizational culture transformation through leadership that upholds substantive accountability. Without improvements in these dimensions, digitalization and regulation will only yield formal compliance, not sustainable improvements in fiscal performance.

An effective optimization strategy must be integrative and phased. This study formulates the Strategic Financial Governance Model (SFGM) as the core strategy: (Level 1) strengthening internal foundations (human resources–work culture–data discipline–

coordination), (Level 2) digital integration for a single source of truth and early warning systems, and (Level 3) strengthening fiscal performance and sustainability through spending reviews, data-driven local revenue enhancement, expenditure composition control, and strengthening the learning loop (SPIP–APIP–TLHP). This model positions good governance as both a mechanism to ensure process quality and a driver of fiscal performance.

Recommendations for the West Bandung Regency government are as follows: 1). Strengthen the role of good governance not merely as an instrument of administrative compliance, but as a mechanism to ensure the quality of implementation at every stage of the local financial management cycle. 2). Shift the paradigm of local financial management from a budget absorption orientation toward a performance and public service outcome orientation. This can be achieved by strengthening the validity of baselines and performance indicators, enforcing a disciplined budget execution calendar throughout the year, and developing value-for-money- based expenditure quality control mechanisms. Internal controls must also be directed preventively to ensure public spending genuinely generates tangible impacts on community welfare and maintains medium-term fiscal health. 3). Financial management should focus on simultaneously closing capacity gaps and will gaps. These efforts include standardizing competencies and certifying local government finance personnel, strengthening cross-agency coordination based on performance data, and transforming organizational culture through a consistent “tone at the top” that upholds substantive accountability. 3). Oversight must be reoriented from a corrective approach toward risk-based oversight and institutional learning, so that findings do not recur and the system becomes increasingly adaptive to regulatory changes and political dynamics. 4). Adopt and implement the Strategic Financial Governance Model (SFGM) in a phased and integrated manner. In the initial phase, focus on strengthening internal foundations (human resources, work culture, data discipline, and coordination). The subsequent phase should focus on digital integration to establish a single source of truth and an early warning system.

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