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Optimising Fiscal Decentralisation: Addressing Financial Management Challenges in Gorontalo Province

Abstract

Fiscal decentralisation is the basic capital to reach better governance, regional development, and fiscal autonomy. This paper discusses financial management barriers and opportunities in the Gorontalo Province, a region with low fiscal autonomy, as shown by its index and heavy dependency on central government transfer. This qualitative research, using data from interviews and document studies, found various inefficiencies in the province, such as incongruence between expenditures and revenues, lack of coordination among stakeholders, non-compliance by taxpayers, and delays in financial reporting. Drawing on the theoretical work of Schick (1998) for a framework for public expenditure management and using empirical evidence, this paper proposes an integrated strategy toward a better fiscal management system, diversification of revenue sources, enhancements in planning techniques, introduction of comprehensive accounting mechanisms, and stakeholder participation. This paper contributes to the debate on fiscal decentralisation by giving practical suggestions on how to achieve fiscal autonomy and promote sustainable development in economically less-developed regions.

Keywords:

fiscal decentralisation; regional financial management; budget management; Gorontalo Province; fiscal independence.

Introduction

Fiscal decentralisation is increasingly recognised as a key approach to good governance and the reduction of regional

disparities in development. In this regard, fiscal decentralisation, through the transfer of decision-making powers to subnational governments, makes policies

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more responsive and efficient in administration to handle various regional peculiarities (Udeagha & Breitenbach, 2023b). Fiscal decentralisation in Indonesia is instrumental in enhancing regional autonomy and improving the quality of governance, particularly in less developed regions like Gorontalo Province. The foundation of fiscal decentralisation is effective financial management, which enables fair distribution and accountability in the delivery of public services. Without solid financial management, decentralisation could instead increase fiscal imbalances, misallocate resources, and perpetuate dependence on central government transfers while undermining efforts at fiscal independence.

The significance of fiscal decentralisation does not remain at the borders of Indonesia. On more macro levels, decentralised forms of governance have been able to boost regional autonomy and increase the quality of public services by contextualising policies to the local settings (Dong et al., 2023). These, however, can be actualised only if the local governments are capable of managing the financial resources available to them effectively. In Gorontalo Province, where fiscal independence is significantly lacking, addressing inefficiencies in financial management is one of the keys to fulfilling the promises of decentralisation.

Allocation of fiscal authority is an imperative element of governance reforms around the world. Schick (1998) identifies three core components of public expenditure management that are essential for effective financial governance, i.e., aggregate fiscal discipline, allocative efficiency, and operational efficiency. Aggregate fiscal discipline attains budget sustainability by matching expenditures with corresponding revenue sources. Allocative efficiency emphasises the directing of expenditure to developmental purposes, ensuring that resources are allocated in line with strategic objectives. Operational efficiency emphasises the need to meet goals at the lowest possible cost while not compromising on quality. Together, these two elements provide a foundation for evaluating financial management strategies and identifying areas for improvement.

Fiscal decentralisation in Indonesia is aimed at increasing the capacity of regional governments to address potential issues that may arise within the scope of local development projects. However, this policy's success ultimately depends on the regions' capacity to practice financial management. The implementation of fiscal decentralisation in Gorontalo Province has been plagued by challenges, including poor local revenue generation, overdependence on central government transfers, and inefficient financial planning, ratification, execution, and evaluation. Addressing these challenges is central to achieving fiscal independence and ensuring the sustainability of regional development projects.

Despite the prospective advantages associated with fiscal decentralisation, Gorontalo Province faces significant obstacles in improving its financial governance. Its low fiscal independence index, recorded at a score of 0.222 by the Audit Board of the Republic of Indonesia (2020), means dependence on transfers from the central government, which represent the major portion of its revenue streams. This reduces the province's ability to finance development projects, which reduces its fiscal autonomy. Moreover, weaknesses in financial management practices, including planning, budgeting, reporting, and evaluation, exacerbate the fiscal challenges in the region.

One major challenge is the lack of strategic budget planning orientation that often places spending before revenue generation. Regular changes to the budget upon ratification also disrupt fiscal stability and result in poor execution of development projects. Fiscal capacity in the region is further weakened by a low rate of tax compliance and insufficient private sector investment, while delays in financial reporting and poor performance appraisals weaken accountability and transparency. All these point to poor financial management, calling for a critical analysis of financial practices in the region.

While many studies are to be found on the subject of fiscal decentralisation and financial management, much of this research is largely focused on regions with high capacities or explores trends at the national level, hence potentially overlooking specific dynamics in underdeveloped regions (Siregar, 2019; Sandjaja, 2020). Moreover, very few studies seek to explore the integration of fiscal risk management, collaboration with stakeholders, and financial early warning systems into the frameworks of regional financial management. This study aims to fill these gaps by carrying out an in-depth analysis of the financial management practices of Gorontalo, offering strategies that could be implemented to improve fiscal autonomy.

Empirical research underlines the critical need to deal with the inefficiencies in the financial management of Gorontalo Province. Its fiscal independence index, at 0.222 according to a report by the Audit Board of the Republic of Indonesia (2020), reflects a strong dependence on central government transfers, which constitute approximately 80% of total revenue. Moreover, the Mapping by the Ministry of Finance of the Republic of Indonesia (2023) categorises Gorontalo as having a limited capacity in terms of regional fiscal resources, with a ratio value of 1.421. This dependence limits the ability of the province to fund development programs independently, thereby making it vulnerable to changes in policies set by the central government.

These findings are supported by qualitative research that shows that there are critical challenges facing the financial management processes. First, in the budgeting process, Gorontalo tends to focus on expenses rather than revenue generation, which results in fiscal inconsistencies. In addition, the limitation of coordination between government institutions leads to ineffective financial management practices, while delayed reporting of finances affects accountability. These findings are in line with most of the literature on fiscal decentralisation, stressing the need to establish effective financial management systems to achieve fiscal autonomy (Zhang et al., 2022; Luo & Liu, 2022).

Gorontalo Province offers a unique setting to explore challenges related to financial management within the context of decentralised governance. Although it has considerable natural resources and numerous potential sources of revenue generation, the province remains heavily reliant on transfers from the central government. Its local revenue sources, whether from taxation or other levies, are under-exploited, while low compliance rates further curtail fiscal capacity. In addition, the region faces immense challenges in streamlining activities across local government

bodies, legislative groups, and other stakeholders in executing financial management plans.

The need for fiscal independence in Gorontalo is more urgent because of its developmental challenges. Being one of the underdeveloped regions in Indonesia, Gorontalo needs substantial investments in infrastructure, education, and health to improve the citizens' quality of life. Attaining fiscal autonomy would mean that the province could finance investments autonomously, thus being less dependent on external support and more capable of fulfilling local needs. This study provides an in-depth analysis of the financial management strategies in Gorontalo, describing the probabilities of the region to overcome its fiscal challenges and achieve sustainable development.

This study primarily aims to evaluate the financial management practices in Gorontalo Province, focusing on critical issues across the stages of planning, approval, execution, documentation, and evaluation. The findings should contribute to the establishment of a sound approach and actionable insights to strengthen fiscal autonomy and improve governance quality. The research program aims to integrate theoretical insights from the literature with empirical findings to develop a comprehensive understanding of financial management within the devolved governance framework.

As such, this paper can contribute to the ongoing discourse on fiscal decentralisation and financial management through a deep analysis of the current practices in the financial domain of Gorontalo Province. By contextualising Mardiasmo's (2018) framework within the specific challenges and opportunities faced by a low-capacity region, this research enhances theoretical understanding in three key areas: stakeholder interaction, fiscal risk management, and the implementation of financial early warning systems. This study adopts an integrated approach to financial management, which is an

increasingly comprehensive framework that links strategic planning, stakeholder collaboration, fiscal transparency, and technology-driven decision-making to optimise budget allocation and improve governance outcomes. These come with actionable recommendations for improving existing financial management methodologies in Gorontalo and similar regions. This research focuses on key characteristics such as transparency, accountability, and cooperation among stakeholders, aiming to develop a framework for establishing fiscal autonomy that will promote sustainability within decentralised government structures.

The research on Gorontalo Province is crucial for understanding the complexities of financial management in low-capacity regions. This study will contribute to a broader understanding of how fiscal decentralisation can be further developed to support regional autonomy and sustainable development by addressing deficiencies in planning, ratification, implementation, reporting, and evaluation processes. These findings emphasise the urgent need to integrate theoretical frameworks with empirical data, hence laying the groundwork for future research and practical actions in the fields of decentralisation and financial management.

Method

This study employs qualitative methods, utilising two data sources: interviews and document analysis. This approach enables an in-depth examination of fiscal decentralisation and financial management in Gorontalo Province. The triangulation resulting from the combination of these methods enhances the quality of the data in terms of both reliability and validity (Creswell, 2009). The interviews were conducted with 13 purposively sampled key informants, selected based on specific areas of expertise, active involvement in the area of regional finance management, and representation of relevant

institutions. They comprised representatives of key regional government institutions (such as agencies responsible for financial management and planning), regional legislative bodies, central government institutions, such as the Directorate General of Treasury, control/regulatory institutions (for example, audit committees) and financial institutions.

This diversity of actors ensures that the perspectives of stakeholders involved in the policy-making relevant to development, implementation, and monitoring are all well represented. The selection criteria focused on the strategic positions held by participants and their hands-on experience in dealing with fiscal decentralisation policies, budgeting, and financial governance. The purposive sampling technique aims to guarantee that the sample represents individuals with substantial expertise in fiscal management and the challenges and opportunities in Gorontalo. Thirteen interviews were conducted, addressing critical issues such as inefficiencies in intergovernmental coordination, inadequate tax compliance, dependence on central transfer funds, and strategies to enhance fiscal autonomy.

The second methodological tool employed was document analysis, which systematically facilitated the review of primary and secondary sources relevant to fiscal decentralisation and regional financial governance. Among the studied documents were the audited Local Government Financial Reports (LRA LKPD), covering the period 2019-2023, the General Budget Policies (KUA) for the Years 2023 and 2024, and, lastly, the Financial Statement of the 2023 Amended Budget (Nota Keuangan P-APBD). Relevant laws and regulations were also reviewed, including Government Regulation No. 12 of 2019 on Regional Financial Governance and Minister of Finance Regulation No. 84 of 2023 on Fiscal Capacity Classification. In addition, this study investigates the Decentralization Funds and Co-administration Funds (Dana Dekonsentrasi/Tugas Pembantuan)

from 2019 to 2023 and the Transfer to Regions (TKD) from 2019 to 2022. These documents offer empirical evidence of fiscal allocations, spending patterns, regulatory frameworks, and implementation of financial management systems, hence revealing partial aspects of the structural and operational dynamics.

The document analysis aims to identify weaknesses and opportunities in fiscal governance in the cycle of budget preparation, approval, execution, documentation, and assessment. The data gathered from interviews and document analysis were subsequently interpreted and analysed to derive meaningful insights. Several strategies were employed to address concerns about validity. First, a purposive sampling technique was used to select participants with relevant knowledge and involvement in the subject matter, enhancing the representativeness of the findings. Second, document analysis complemented interview data, providing empirical evidence to substantiate the information shared by interviewees. Finally, triangulation across multiple methods ensured that the conclusions were based on diverse and consistent data sources, minimising potential bias and strengthening the study's credibility. This research offers a robust methodological framework by integrating interviews with comprehensive document analysis and employing thematic analysis for data interpretation. This approach enables a thorough, evidence-based understanding of systemic opportunities and challenges in fiscal management in Gorontalo. Consequently, the findings make a significant contribution to the discourse on fiscal decentralisation and financial governance.

Results

This study identifies several obstacles within Gorontalo's financial framework that contribute to suboptimal financial management. Financial management is the core of regional governance,

covering general policies to raise revenue as well as keep track of expenses. According to Schick (1998), public expenditure management encompasses three key dimensions: aggregate fiscal discipline, efficient resource allocation, and operational efficiency. Aggregate fiscal discipline ensures the budget remains sustainable by maintaining a balance between revenues and expenditures. Allocation efficiency ensures that spending is focused on developmental objectives, including channelling resources towards strategic goals. Operational efficiency ensures that all objectives are achieved at the lowest cost without compromising quality. Meanwhile, the financial early warning system, as highlighted by Zeng (2022), is a proactive tool designed to detect and mitigate fiscal crises, thereby enhancing governance mechanisms through preventive measures.

Various critical barriers in the financial framework of Gorontalo are found in this study. A significant concern is the tendency for budget expenditures to exceed projected revenues. Agustyawati (2019) stated that good cash management in development projects is essential. Unrealistic forecasts about revenue and spending often result in major fiscal risks, aggravated by weaknesses in inter-agency coordination, which hinders planning integration and supervision. The risks are compounded by the absence of a strategic focus on minimising non-priority spending and closely monitoring activities that could be economically detrimental to fiscal health. The poor compliance level in taxation and low private sector involvement also hinder the realisation of fiscal targets and the overall aim of regional financial independence.

These findings highlight both the theoretical aspects of financial management and their practical application. Effective financial management requires careful attention and adherence to all rules and regulations for fiscal responsibility. It involves income generation as well as monitoring

of expenditure. In Schick's (1998) framework, collaboration and commitment among institutions are essential to uphold aggregate fiscal discipline. This requires establishing clear, quantifiable priorities and implementing targeted activities to address developmental challenges. In the case of Gorontalo Province, the financial management faces several challenges. The government has implemented the Regional Government Information System (SIPD), aimed at improving the decision-making process, openness, and public service delivery (Maulani et al., 2024). The financial management of Gorontalo, as embedded in the Government Regulation of the Republic of Indonesia Number 12 of 2019, encompasses stages from planning to budgeting, implementation, administration, reporting, accountability, and supervision. While these steps appear well-structured, the province faces several challenges that hinder the effective implementation of these processes, as outlined below.

Planning

Budgeting and planning are important parts of keeping financial management sustainable, as they create a framework for resource allocation that matches expected revenues with developmental objectives (Mardiasmo, 2018). An effective planning process extends beyond simply balancing expenditures with revenue estimates; it incorporates strategic foresight to mitigate potential risks and capitalize on available opportunities. According to Peetz et al. (2021), an internal locus of control enables local governments and stakeholders, through financial planning, to develop a belief in their agency and responsibility for their actions. This concept, grounded in a significant psychological framework, is crucial for empowering decision-makers to take ownership of fiscal outcomes, thereby promoting sound financial governance.

Other than technical skills, budget planning must involve behavioural skills, commonly known

as soft skills. These include knowledge in cash flow management, taxation, investment strategies, risk management, and estate and retirement plans (Jackling & Sullivan, 2007; Yeo et al., 2023). The above skills offer a comprehensive outlook of financial decision-making, enabling planners to foresee and eliminate potential inefficiencies. Kadjentuni et al. (2023) emphasise that effective budget planning should adopt a programmatic and performance-driven approach. This ensures that financial resources are utilised in ways that enhance the likelihood of achieving developmental outcomes while maintaining fiscal discipline.

Empirical data gathered from Gorontalo Province showed that there were significant gaps in the planning stage, which negatively affected the effectiveness and efficiency of budget management. The gap between expenditures and revenues has become a major concern. Evidence suggests that income analysis and its prospects are often overlooked during the initial planning stages, resulting in an overemphasis on expenditure factors. This imbalance necessitates adjustments—either increasing or decreasing expenditure or revenue estimates—which can lead to fiscal imbalances and inefficiencies in fiscal development. In many cases, spending discussions happen without proper consideration of the sources of revenue; therefore, set unrealistic financial goals, destabilising the whole budgeting system.

Additionally, coordination during the planning stage is often fragmented across various levels of government, leading to inconsistencies and resource gaps. While frameworks such as the Regional Long-Term Development Plan (RPJPD) and the Regional Budget (APBD) are in place, ineffective intergovernmental collaboration hinders the integration of these planning inputs into actionable outcomes. This disjointed approach greatly undermines the ability of the provincial government to execute its developmental priorities effectively. For example,

the RPJPD may stipulate strategic goals that are not realised at the RKPD level, considering the inconsistency of resource allocation and priorities.

The second challenge is the lack of application of available technological tools to support planning, such as SIPD, which would also allow for easier coordination across government departments. Even though SIPD offers a method through which inputs into planning could be matched with implementation strategies, its practice has not been implemented throughout Gorontalo Province. In this respect, planners cannot use the system to ensure coherence between projected revenues and planned expenditures. This gap underscores the need for increased training and capacity building to enhance the effective utilisation of the SIPD system in the budget planning process.

The study also found that the budgetary regime is characterised by a general absence of the culture of anticipatory planning. Major decision points in the cycle, such as the priority programs and activities, were deferred to later stages, constraining the province's chances to anticipate fiscal challenges. This has implications not only for greater inefficiency of resources but also for the long-term developmental goals of the province.

The findings emphasise the urgency of adopting an integrated approach in the budgeting process at the provincial level in Gorontalo Province. That means setting expenditure plans according to realistic revenue projections, increasing coordination across levels of government, and applying technological tools like SIPD in a way that enables data-driven decision-making. Above all, the urgent need for institutional framework reforms is critical to strengthening the interlinkages among various planning documents, ensuring that strategic priorities outlined in the RPJPD and RKPD seamlessly cascade into the APBD. In addressing these challenges, the province can then be in a better position to put in place an improved planning framework through

fiscal discipline, efficiency in resource allocation, and operational effectiveness.

This suggests that effective planning encompasses more than just budgeting; it establishes the groundwork for sound financial management aligned with regional priorities and development objectives. The case of Gorontalo Province points out that systemic inefficiencies at the level of planning processes must be addressed if resource allocation has to be more equitable and efficient. Improved training, increased intergovernmental collaboration, and the application of sophisticated planning tools will help enhance the planning stage and, consequently, the overall financial management framework.

Ratification

Specific aspects of regional financial management, particularly the ratification process, are considered critical moments when planned budgets transform into actionable frameworks. At this stage, everything must undergo a thorough evaluation to ensure compliance with legal principles, feasibility for implementation, and alignment with regional goals (Mardiasmo, 2018). During this phase, regional leaders and financial managers must exercise great care in overseeing these matters. How budgets are ratified plays a pivotal role in shaping government services and achieving development goals. However, research findings from Gorontalo Province indicate that several factors, such as legal practices, regulatory consistency, and post-ratification changes, undermine the effectiveness of this stage.

While the principles governing law and justice have presumably guided the theory of ratification of budgets, the realisation of this principle is far from perfect. Theoretically, the ratification process in Gorontalo Province complies with regulation, as defined in documents about regional planning, such as the SKPD RKA Preparation Guidelines, which were designed

to create an adequate framework to ensure that budgets are allocated to all stakeholders fairly and lawfully. Theoretically, inconsistency arises at the point of interpreting and enforcing these principles, leading to disparities in resource distribution and creating opportunities for favouritism and/or inefficiency in resource allocation.

This indicates a more general problem of low institutional capacity to systematically apply the rule of law in ratification processes. The greatest number of post-ratification frequency issues observed in the Province of Gorontalo is the number of budget revisions. Despite careful planning, budgets are frequently revised during the execution year, often due to unforeseen activities or changes in expected revenue. For example, new programs may surface after the budget formulation; consequently, re-allocations disturb fiscal stability. Fluctuations in local revenue sources, especially central transfer funds, undermine the predictability and stability of financial management, making necessary adjustments more challenging. These changes in the post-ratification period reveal a critical weakness in the planning and ratification continuum, and preliminary budgets are inadequate to meet dynamic fiscal realities.

The other serious hindrance to the proper ratification of financial documents is regulatory complexity. Financial regulations keep changing; hence, it becomes very difficult to put budgets into ratification and requires stakeholders to be in constant alignment with the new rules and requirements. Additionally, these regulatory challenges may be exacerbated by the limited expertise of the human resources tasked with navigating the complexities of financial management in Gorontalo Province. Financial managers and decision-makers lack specific training to interpret and apply changing regulations, leading to waiting periods and errors in the ratification processes. This capacity gap

reflects the need to build a capacity in terms of technical assistance concerning human resources dealing with financial management to create reforms in institutions.

One frequent echo of the problems occurring in Gorontalo Province during the legalisation process is the weak understanding among stakeholders about what Regional Original Revenue, or PAD in Indonesian, means. PAD is a crucial element of fiscal independence because it represents a source of locally generated revenues, thereby reducing dependence on external transfers. However, the empirical evidence indicates that in most cases, stakeholders have an inadequate understanding of the role and potential of PAD, hence unrealistic budget allocations with overestimation of regional revenue capacity. This misunderstanding not only reduces the effectiveness of the ratification process but also creates a vicious circle of fiscal dependence and inefficiency.

Problems encountered at the ratification level have ramifications that spread far into the field of regional financial management of Gorontalo Province. Fluctuation budgets that are mostly done after ratification disturb the continuity of financial planning and require reallocation of resources and adjustment of priorities by decision-makers due to unpredicted changes. It causes inefficiency, which is carried over to the next lower levels of financial management, implementation, and assessment. It has even been added to by the absence of clear regulation and deficits in human resource skills, in which the stakeholders struggle to keep afloat in an increasingly complicated financial environment.

To overcome these challenges, a multi-pronged approach is needed to enhance the institutional and technical capacity of the ratification process. First, there needs to be more regulatory stability; this means that financial regulations need to be streamlined and standardised to lessen the burden on stakeholders. Second, focused training programs should be

provided to train financial managers in how to handle regulatory complexities and apply legal principles consistently. Thirdly, an advanced management accounting system may integrate and present to the decision-makers high-quality, real-time data as a basis for informed, reliable ratification actions, supported by Chenhall (2003) and Soobaroyen and Poorundersing (2008). Finally, understanding of PAD among stakeholders is expected to be strengthened through education and collaborative forums, fostering more realistic, grassroots-level approaches to budget formulation and ratification.

The ratification phase, then, is the underlying determinant of the effectiveness and sustainability of regional financial management. While Gorontalo Province has developed a framework based on law principles and regulatory references, challenges in post-ratification modifications, regulatory complexity, and limited expertise provide certain key areas for improvement. Such issues, if addressed through targeted reforms and capacity-building initiatives, will go a long way toward stability and predictability in provincial financial management and broader developmental objectives.

Implementation

The final stage in the budget management cycle is implementation, where financial strategies are put into action. At the implementation level, precise implementation together with a careful review process, is necessary to ensure fiscal sustainability. The empirical findings from Gorontalo Province point out some of the systemic bottlenecks in efficacious implementation: overemphasis on maximising budgeting, low cooperation of taxpayers, poor coordination between the two branches of the government, poor allocation of budgets, and heavy dependence on the central government transfer system. These challenges ultimately impair the efficiency of financial execution and call for strategic reforms.

It reflects strong tendencies in Gorontalo province to maximise budget allocations, as driven more by institutional and political interests than by the real fiscal circumstances. It reflects the mismatch between the desire for budgetary increase and the region's true potential for revenue generation. While ambitious financial plans try to develop a roadmap toward actual developmental goals, the tendency to place focus on developing larger budgets without the related consideration of fiscal sustainability results in inefficient implementation of programs. Overly optimistic budget projections lead to reallocating budgets, delaying the implementation of programs, and poor delivery of public services. This further erodes the quality and credibility of financial management and shows that a much more realistic and disciplined approach is needed in budget preparation as well as execution.

The taxpayer compliance rate in implementing the budget is extremely low, and such a trend has deleterious effects on the generation of regional original revenues. The underperformance of PAD thus reflects inherent structural flaws in the revenue collection mechanisms, including a significant lack of public trust and ineffective enforcement measures. Limited awareness among the public about adhering to tax obligations and perceived injustices within the taxation system are the two most important variables that escalate taxpayers' noncompliance at this level. Thus, it leads to a decrease in regional revenues and instead forces the government to rely more on alternative funding sources such as transfers from the central government, weakening fiscal independence and effective implementation of planned programs. The problem can be solved using two approaches: building public confidence and trust in the tax system and establishing enforcement mechanisms to ensure compliance. The effective implementation of the budget requires strong coordination between the legislative and executive branches. In Gorontalo

Province, this lack of synergy is manifested in the mismatch between fiscal priorities and goals, leading to suboptimal resource allocation and program implementation. The legislature often pushes for priorities that do not align with the capabilities of implementation, which causes disputes and delays in the realisation of budgets. This is worsened by the absence of efficient mechanisms for communication and coordination of decision processes among institutions, leading to segmented decision-making. Strengthening institutional arrangements for legislative-executive coordination will help ensure that fiscal goals are jointly set and sufficiently met during the implementation phase.

Ineffective budget allocation is one major constraint which often leaves out the actual forecasting of regional income. Much of this stems from the failure to conduct proper financial analysis during the planning and approval stages, which leads to determining expenditure priorities without a clear understanding of the capacity to generate revenue. Consequently, it only ends up with actual revenues lower than those budgeted and faces constraints of budget deficit and ineffective implementation. On the other hand, there is an overemphasis on non-priority spending, which diverts resources that would have accrued to big projects of development. Given these challenges, financial managers must adopt evidence-based approaches to budgetary allocations—approaches that prioritize realistic revenue projections and align them with developmental goals before formulating spending plans.

One of the most deep-seated obstacles to the implementation of Gorontalo's budget is dependence on fiscal transfers from the central government. Reflecting a bigger challenge in fiscal autonomy, local governments are restricted in their ability to generate sufficient revenues on their own to fund their expenditure. Central transfers are the main source of finance but, at the same time, are

exposed to risks because any postponement or reduction will cause disruption of the planned programs and jeopardise fiscal stability. This dependence on external sources of funding limits the region's capability to pursue long-term development objectives and considerably restricts financial capacities. It requires consolidation of revenue source diversification, thus enhancing PAD revenue collection techniques towards an independent fiscal system to address this concern. These challenges identified at the implementation stage have very important implications for financial management practices in Gorontalo. Weak execution not only delays the realisation of developmental goals but also erodes public trust in government. In addition, the chronic issues of low compliance with rules, inadequate coordination, and misallocation reinforce a cycle of fiscal inefficiency that undermines long-term financial sustainability.

All this requires a holistic approach. First and foremost, changes in institutional frameworks must place a great weight on setting a sound management control system ensuring accountability and transparency in the execution of budgets. Management control instruments, according to Mardiasmo (2018), are effective in tracking the trend of expenditures and irregularity detection, if they are supported with up-to-date accounting information systems. To this end, Gianini et al. (2020) advocated using anomaly detection systems to identify deviations from expected financial norms to improve the use of information in decision-making and resource allocation during implementation.

In addition, public awareness and capacity-building programs are needed to enhance the taxpayers' compliance culture. Such activities would foster trust and accountability and a better PAD performance with less reliance on central transfers. Finally, improving the institutional framework of legislative-executive coordination for defining fiscal objectives compatible with

operational capacity. Establishing formal channels for communication and collaborative platforms is needed for dialogue and building consensus between such entities. More so, it may entail public awareness and capacity-building programmes that are taken on by the end users to improve the culture of compliance among taxpayers. Such an approach will foster mutual trust and accountability, leading to improved PAD performance with reduced reliance on consolidated revenue transfers. The third is to strengthen the institutional framework of legislative-executive coordination for defining fiscal objectives in a manner harmonious with operational capacity. This includes establishing facilitating channels for communication and collaborative platforms to dialogue with and build consensus between such entities.

The budget allocations should be subjected to serious scrutiny as to finance-evidence decisions. Financial managers would have to lean more toward advanced budgetary approaches to cash expenditure with more concrete revenue estimates so that the risks of deficits and inefficiencies would be minimised. Lastly, active diversification strategies must be observed to lessen a region's reliance on central transfers. Reassessment of such innovative financing mechanisms would have to include public-private partnerships and local economic development initiatives to broaden the region's fiscal base and strengthen its financial resilience.

The execution phase of budget management faces systemic and operational challenges that significantly impact the overall economy in terms of financial implementation. These challenges include non-compliance, improper budget allocations by both houses of parliament, ineffective coordination between the legislative and executive branches, and an over-reliance on central transfers. These issues highlight the importance of strategic sequencing and placing measures to achieve better results in fiscal sustainability and efficiency.

This would include institutional reforms, capacity-building programs, and evidence-based decision-making processes. This would involve strengthening the financial management framework to achieve more effective development objectives. In doing so, the improvements in implementation would help secure long-term fiscal resilience and autonomy, which are essential for any province's sustainability.

Reporting and Evaluation

The basic building blocks of financial management at the sub-national level, therefore, include accountability, transparency, and informed decision-making, which are achieved through the practices of reporting and evaluation. At this level, however, some significant problems were identified in Gorontalo Province, such as the late submission of financial statements, which hampers the timely evaluation and adjustment of financial plans, lack of transparency with limited public access to financial information, weaknesses in the mechanisms of performance evaluation, and a lack of adequate coordination in the implementation of recommendations. These challenges hinder the ability to measure fiscal health accurately, impair governance improvements, and prevent the continuous enhancement of financial management practices.

One of the significant challenges identified in the financial reporting system of Gorontalo Province is the delay in submitting financial statements. In the past, timely reporting was seen as a basis for transparency and accountability, where stakeholders were able to evaluate the accuracy and reliability of the financial information presented. Such delay diminishes the credibility of financial management and reduces the potential for timely interventions and adjustments. According to Mardiasmo (2018), reliable financial reporting should be neutral, complete, free of material errors, and timely submitted. Some contributing factors to these delays in Gorontalo

are administrative inefficiencies, limited capacity of human resources, and inadequate utilisation of technology. This not only erodes public trust but also holds up the assessment process, delaying critical governance reforms.

The aforementioned delays can be reduced using sophisticated accounting information systems that enhance reporting efficiency. Nalukenge et al. (2017) argue that increasing the level of organisational governance through enhanced supervision and control mechanisms can enhance the timeliness and quality of financial reporting drastically. Capacity-building programs should, therefore, concentrate on preparing financial managers with the requisite competencies to use those systems. In this respect, the inclusion of automated reporting tools would be the best solution, as it eases the administrative burden and ensures that financial statements are submitted on time.

The clarity of financial reporting fosters public confidence and guarantees accountability. In Gorontalo Province, the lack of transparency and restricted access to financial information hinder public participation and diminish the effectiveness of oversight mechanisms. As a result, stakeholders are unable to properly assess financial performance. The findings reveal a significant shortage of financial information available internally to stakeholders, with minimal efforts to disclose such information externally to the public.

Improvement in transparency requires that the Gorontalo financial management framework emphasises proactive dissemination of financial information. This calls for the publication of financial statements, budgetary reports, and assessment results in accessible formats through multiple channels. However, building a culture of transparency cannot be done by regulatory action alone; it needs to be complemented by the commitment of regional leadership to principles of openness and accountability. The presence

of such sophisticated platforms for information dissemination, including digital portals and public dashboards, can make financial information more accessible to citizens and stakeholders for better accountability within governance frameworks.

The performance assessment system used in Gorontalo Province has been criticized for its objectivity and actionability. Systems like this lack a comprehensive analysis of financial performance, resulting in significant limitations when it comes to making adjustments and improvements. According to Bajra and Simon (2017), an excellent performance evaluation system should combine sophisticated analytical methods with evidence-based measures to guarantee accuracy and, at the same time, be relevant. In Gorontalo, reliance on an outdated assessment system, coupled with a less comprehensive set of powerful data analysis tools, limits the ability to find systemic issues and apply corrective measures.

With these shortcomings, the performance review system has to be upgraded, where advanced accounting information systems, together with data analytics tools, are included in the process. Such an upgrade would ensure greater accuracy, fairness, and comprehensiveness of reviews so that financial managers could identify performance gaps and initiate remedial measures with targeted actions. Second, stakeholder input on how financial management is executed would significantly contribute to the evaluation processes, helping to determine whether the current financial management practices align with regional priorities and objectives.

A chronic problem in the financial management system of Gorontalo is poor coordination regarding the implementation of recommendations based on evaluation reports. Even though critical areas requiring improvement have been identified, the lack of systematic follow-up arrangements often results in the non-implementation or ineffective implementation of these recommendations. This failure to act on

the results of evaluations not only hinders the purpose of continuous improvement but also the credibility of the evaluation process itself.

Active participation by all the stakeholders is required, under an institutional arrangement in which, for example, special task forces or implementation committees are established within a systematic effort to consider and bring about appropriate recommendations into the practices of governance. This would further ensure the accountability of the regular monitoring and reporting of progress made in the implementation processes and the effective execution of corrective actions. According to Mahdi Sahi et al. (2022), advanced analytics and management control systems can be helpful during the implementation process by showing real-time progress and results.

This is not to say that accountability, transparency, and effectiveness in the financial management of Gorontalo Province depend solely on broad-ranging reforms to overcome barriers identified in the stages of reporting and evaluation. For instance, reducing delays in reporting and improving report quality could be achieved by optimising reporting procedures, such as implementing modern accounting information systems. Such systems allow automated data collection and reporting, which would reduce administrative inefficiencies related to errors, completeness, and timeliness regarding financial information.

For example, there has to be a culture of transparency; financial information has to be made public easily. This can be done using digital platforms that make sharing of financial data more accessible and easier for stakeholders to access and scrutinize financial performance more effectively. Third, reforms in the performance evaluation system should be implemented to incorporate advanced analytics and feedback from stakeholders so that the appraisals yield useful and actionable information for further improvement.

Even more importantly, establishing strong mechanisms for coordinating the implementation of recommendations will ensure that evaluation findings bring their fruits to real governance reform. This means creating and reregistering operational committees charged with the responsibility of checking progress periodically and using technological means to track and report on the implementation.

Strategic interventions that minimise these challenges will further strengthen the financial management framework, enhance public trust, and enable the achievement of Gorontalo Province's development goals. The account-the financial management and transparency of Gorontalo. However, many obstacles stand in the way of these improvements, such as late financial reports, non-transparency, ineffective evaluation, and poor coordination in implementing recommendations. Overcoming these challenges requires a multidimensional

approach, incorporating advanced technologies, enhancing transparency, and strengthening coordination mechanisms. Such efforts will put Gorontalo Province in the best position to improve the quality of financial management practices, build public trust, and implement well-designed, durable governance reforms.

Discussion

Above all, the study gives complete and deep coverage of challenges and opportunities in enhancing the regional financial management of Gorontalo Province toward fiscal independence. The study primarily identifies major bottlenecks to effective financial resource management as revealed in theory and practice. Since financial management is at the core of the regional governance area, it should include not only income generation and expenditure monitoring but also alignment of fiscal strategies with developmental goals. Schick's (1998) three pillars of public

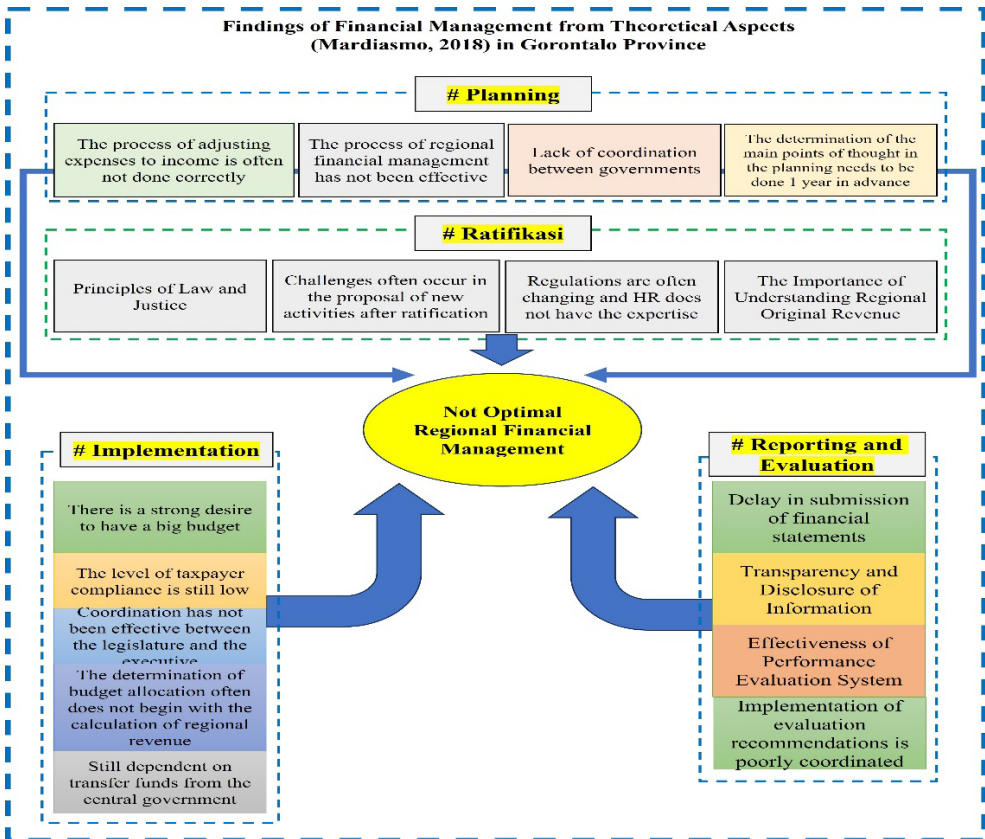


Figure 1. Financial Management Challenges

Source: Authors Analysis Based on Mardiasmo1s Framework, 2024.

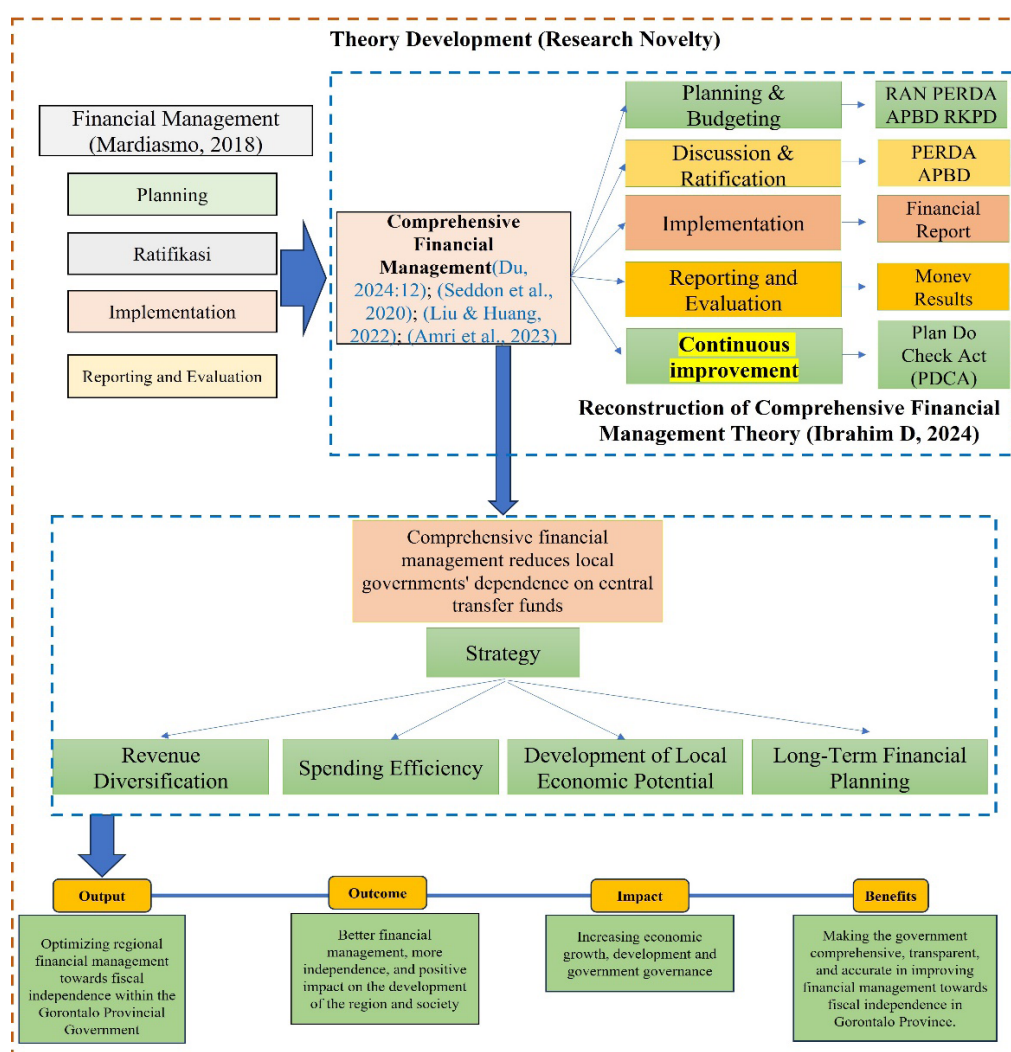


Figure 2. Strategic Pathways to Optimized Financial Management

Source: Authors Analyses. 2024

expenditure management, aggregate fiscal discipline, allocation efficiency, and operational efficiency, serve as a basic framework within which these problems can be explored. Aggregate discipline ensures that the budget can be sustained over time; allocation efficiency relates to where there are priorities as to what has to be spent and operational efficiency ensures that these spends are incurred at minimal cost. The study addresses these principles which underline a holistic integrated approach to financial management. Challenges depicted within Gorontalo's fiscal framework appear multidimensional, indicating a need for systemic reforms in planning, ratification, implementation, reporting, and evaluation. Key issues include a mismatching rate between plan

revenues and expenditures. Whereas budget talks generally focus on expenditure without studying what the revenues have the potential for, this is mainly the cause of fiscal imbalance. Moreover, poor coordination and dysfunctional regulation result in fiscal policy not being consistently implemented.

At the same time, low taxpayer compliance and private sector participation continue to hinder revenue generation and impact progress to fiscal independence. These findings are consistent with Zhang et al. (2022) and Luo and Liu (2022), who stress proper governance to realise optimal implementation of fiscal decentralisation. However, the localized barriers identified within this study, such as weak coordination mechanisms

and low stakeholder awareness, extend the existing theoretical discussions into practical, actionable insights. Therefore, this study proposes a comprehensive strategy informed by both theoretical insights and empirical evidence. This strategy includes revenue diversification, reducing reliance on central government transfers, and fully utilizing underexploited revenue sources. It also recommends upgrading tax administration to modern platforms, such as Indonesia's Pajak Online, to enhance compliance and streamline revenue collection. Equally important is private sector participation; diversified income sources stimulate local economic growth. Another important area is efficiency in spending. Poor budget allocation and lack of prioritisation in spending are constant challenges that call for strategic intervention. Thus, zero-based budgeting as suggested by Kadjintuni et al. (2023) is needed. This should be coupled with regular expenditure audits to ensure the most efficient way of resource allocation and ensure public funds go to areas that have a higher benefit to development programs.

Another important form of self-reliance in terms of finance is investment expenditure on local economic potential development. Investment in sectors such as tourism, infrastructural construction, and the development of small and medium enterprises would generate income streams for the economy sustainably. According to Teremetskyi (2021), financial management practices would be related to the local economic priorities, which is the point that should be strongly stressed for Gorontalo Province. Long-term financial planning would be another main pillar of this model. Integrating forecasting practices with sound risk management would lead to the matching of fiscal policy to development goals while ensuring sustainability. Developing full-cost accounting models as suggested by previous studies provides a mechanistic way of assessing the long-term efficacy of financial strategies, thus equipping the country with a good

framework for future changes (Bebbington, 2007; Fuior, 2015). However, some challenges persist. Poor coordination between the legislative and executive branches is the primary bottleneck, leading to misalignment of fiscal objectives and inefficient policy execution. This necessitates the establishment of common communication channels and improved collaboration mechanisms. Another complicating factor in fiscal management is regulatory uncertainty, which disrupts long-term planning and introduces unpredictability into financial decision-making. Therefore, this study recommends developing stable regulatory frameworks and training programs to build capacity for financial managers at all levels and policymakers. In addition, there must be financial early warning systems tailored to the fiscal context of Gorontalo, which would be relevant in risk management owing to their proactive approach to sustaining economic stability.

Following the steps of financial management outlined by Mardiasmo (2018), this study strengthens the classical framework by incorporating a dynamic component. It introduces a continuous improvement dimension, framing financial management as an iterative practice. In this process, insights gained from the evaluation stages are used to refine planning, budgeting, and implementation practices, creating a cyclical process of learning and adaptation. The plan-do-check-act (PDCA) integration further strengthens this framework, allowing dynamic responses to changing circumstances and enhancing governance resilience (Xu, 2020). Other crucial elements of this framework are the stakeholder dynamics. Taxpayer compliance, private sector engagement, and intergovernmental collaboration have all been identified as critical levers for improving financial management. This is supported by empirical evidence in the literature, which suggests that fiscal policies must align with local economic realities and the needs of the community to be effective.

The outcomes of the study also highlight that increased transparency as well as accountability are necessary in the area of financial reporting and evaluation. These persistent issues, such as delays in the submission of financial statements and insufficient disclosure of information, erode public confidence and hinder effective governance. According to Mardiasmo (2018), such challenges call for improved accounting systems and management control mechanisms that would ensure timely and accurate preparation of financial reports to enable objective performance assessment and informed decision-making. In addition, as indicated by Gianini et al. (2020), the combination of abnormality detection methods can provide greater reliability to the financial data as grounds for continuous improvement.

This study provides a holistic approach to regional financial management in Gorontalo Province. It offers a roadmap towards fiscal independence by addressing inefficiencies in each phase of planning, ratifying, implementing, reporting, and evaluating. Drawing on both theoretical insights and empirical data, the study offers practical solutions to fiscal challenges, contributing to sustainable development. By integrating innovative practices such as digital tax platforms, financial early warning systems, and stakeholder engagement mechanisms, the research significantly contributes to the literature on fiscal decentralization and regional governance. Its findings not only inform policy reforms in Gorontalo but also serve as a model for other regions aiming to optimize their financial management systems and achieve fiscal autonomy.

Conclusion

Challenges to effective fiscal governance in Gorontalo Province have been identified in this study, along with a master plan for fiscal independence and sustainable development of regions. Addressing these weaknesses will help increase transparency, accountability, and

operational efficiency, which are crucial for the successful management of public finances and the long-term fiscal health of the province. Diversification of revenues, better alignment of budget with development goals, government coordination strengthening, and adoption of new financial management technologies are some of the recommendations. These will reduce dependence on central transfers, make resource allocation more efficient, and provide space for resilience in the economy. Lastly, the recommendations offer viable solutions for improving fiscal governance in Gorontalo Province, while also creating a replicable model for enhancing fiscal management in similar low-capacity regions.

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