Assessing the Effectiveness and Efficiency of Local Government Budget Implementation in Indonesia: A Systematic Review of Value for Money Performance (2016–2023)

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ARTICLE INFO	ABSTRACT
	This study examines the effectiveness and efficiency of local government budget implementation in Indonesia through a Systematic Literature Review of 26 empirical studies published between 2016 and 2023. Guided by the PRISMA framework, the review analyzes Value for Money (VfM) performance and the use of management accounting information in local governments. Findings indicate that while Local Own-Source Revenue (PAD) effectiveness is generally high—often exceeding 100% in several regions—expenditure efficiency remains inconsistent, characterized by under-spending, overspending, and significant regional disparities. Moreover, management accounting information is predominantly used for compliance and reporting purposes rather than for strategic decision-making. Institutional constraints, fiscal dependency, and limited analytical capacity hinder the substantive use of performance information. The study identifies a systematic gap between formal system adoption and meaningful utilization, highlighting the need for stronger integration between accounting practices, governance processes, and public value outcomes.

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1. INTRODUCTION

Public sector reform in Indonesia over the past two decades has positioned management accounting as one of the main pillars in efforts to enhance accountability, efficiency, and the performance of local governments. Through regulations such as Government Regulation Number 71 of 2010 concerning Government Accounting Standards and its derivative policies, the central government has consistently encouraged local governments to adopt a performance-based approach from planning and budgeting to evaluation with the expectation that the availability of reliable performance information will automatically be utilized in managerial decision-making (Dwiyanto et al., 2021; Prasojo & Dwiyanto, 2020). Within this normative framework, instruments such as Value for Money (VfM), performance measurement systems, and performance-based budgeting are designed not

merely as reporting tools, but as strategic mechanisms to support optimal resource allocation and the creation of tangible public value (Moore, 1995; Pollitt & Bouckaert, 2017; Koswara, 2025).

However, various empirical findings reveal a striking paradox: although the formal adoption of management accounting systems has reached nearly universal levels across local governments, their substantive impact on the quality of decision-making and social outcomes remains questionable. An analysis of 26 empirical studies from 2016–2023 shows that the majority of regions have achieved high effectiveness in Local Own-Source Revenue (PAD)—even exceeding 100% in areas such as Semarang Regency (110.93%) and Bogor City (106.95%) yet they experience significant inconsistencies in expenditure efficiency, including under-spending (North Sumatra: 61–70%), overspending (Central Java, DKI Jakarta), and extreme fluctuations (Balikpapan, Padang) (Devi et al., 2023; Anggoro et al., 2025; Bilqis & Nabilah, 2023). Furthermore, regional disparities are evident: regions in Java are generally fiscally independent, while eastern Indonesian regions (NTT, Teluk Wondama, Jambi) remain highly dependent on central government transfers, with dependency ratios exceeding 90% (Alwin et al., 2023; Mandua et al., 2022; Ade et al., 2024; Perdana et al., 2025).

These findings indicate that the primary issue of public sector management accounting in Indonesia lies not in system design or data availability, but in the mechanisms through which information is used in everyday bureaucratic practice. As emphasized in the global literature, the effectiveness of management accounting is determined not by "what is reported," but by "how the information is used" (the behavioral use of accounting information) (Dhia, 2025; Moynihan, 2008; Bouckaert & Halligan, 2008). Here lies the fundamental gap: the majority of empirical studies in Indonesia remain trapped in an administrative logic focusing on ratio calculations and compliance reporting without addressing the critical question of whether such information genuinely triggers policy reflection, resource reallocation, or improvements in public services.

The literature on public sector management accounting in Indonesia has indeed developed rapidly, yet it tends to be descriptive and normative. Most studies assume that the existence of a system is equivalent to the use of information, resulting in exaggerated claims of effectiveness without critically examining the mechanisms of use (Habibi et al., 2024; Sitri et al., 2022). Consequently, empirical findings become fragmented and provide limited substantive policy implications. This condition is exacerbated by the dominance of the New Public Management (NPM) approach, which overly emphasizes process efficiency and financial outputs, while policy objectives are inherently post-NPM in nature: welfare, equity, and public value (Stoker, 2006; Moore, 1995). Without integrating these two logics, "good performance" becomes a technocratic construct detached from social reality for example, DKI Jakarta is categorized as "less efficient" (ratio 93–96%), yet there is no analysis of whether such inefficiency affects traffic congestion, flooding, or access to healthcare (Anggoro et al., 2025).

More deeply, institutional and organizational behavioral factors are often overlooked in the analysis. Bureaucratic resistance, short-term political pressures, weak analytical capacity among civil servants, and risk-averse organizational cultures constitute major obstacles to the substantive use of information (Guthrie et al., 2017). As acknowledged in studies of Medan City and North Toraja, performance data are rarely discussed in SKPD meetings or development planning forums (musrenbang), and therefore do not influence strategic decisions (Cellya et al., 2024; Maria et al., 2025). Even in regions with high technical performance, such as Semarang Regency, there is no evidence that the 110.93% PAD effectiveness figure has been used to evaluate tax policies or reallocate capital expenditure (Eka & Nurlaeli, 2024). This reflects the dominance of symbolic and procedural use where information is primarily employed for administrative legitimacy and compliance while instrumental use (substantive use for decision-making) is almost entirely absent.

This gap carries significant theoretical and practical implications. Theoretically, it challenges the fundamental assumption within normative management accounting approaches that equates the existence of systems with improved performance. Practically, it suggests that reforms focusing solely on system refinement and regulatory enhancement risk producing symbolic administrative success without improving the quality of public services. Therefore, a more critical and contextual approach is required—

one that positions management accounting not as a neutral technical tool, but as a governance mechanism shaped by institutional dynamics, political forces, and organizational behavior.

This study addresses the gap through a rigorous Systematic Literature Review (SLR) approach. Unlike conventional narrative reviews, this SLR not only synthesizes findings but also critiques collective methodologies, identifies paradigmatic biases, and maps national evidence-based patterns. Specifically, this study aims to: (1) analyze patterns in the use of management accounting information in Indonesian local governments during the 2016–2023 period; (2) classify such use into symbolic, procedural, and instrumental typologies; (3) uncover institutional and behavioral factors influencing information use; and (4) formulate evidence-based research and policy reform agendas. Accordingly, this article contributes not only to the public sector management accounting literature, but also provides an empirical foundation for the Ministry of Home Affairs, BPKP, and local governments in designing more responsive, transparent, and sustainable performance-based budgeting systems.

2. METHODS

This study adopts a Systematic Literature Review (SLR) approach, guided by the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) framework to ensure methodological transparency, rigor, and replicability (Bruns & Waterhouse, 2018). The review aims to systematically identify, screen, critically appraise, and synthesize empirical research on Value for Money (VfM) performance and the use of management accounting information in Indonesian local governments. A structured search protocol was developed to capture these two interconnected streams of literature. Electronic searches were conducted in Google Scholar (for broad coverage), the Sinta-accredited journal portal (Science and Technology Index) for nationally recognized scholarly publications, and Scopus for internationally indexed research related to Indonesia. The publication period was limited to January 2016–December 2023, representing a mature phase of performance-based budgeting implementation following successive regulatory reforms (Dwiyanto et al., 2021). The search string combined relevant keywords using Boolean operators: ("value for money" OR "VfM" OR "budget effectiveness" OR "expenditure efficiency" OR "local government financial performance" OR "budget realization") AND ("management accounting" OR "use of information" OR "performance measurement system" OR "performance-based budgeting" OR "management accounting use" OR "performance information") AND ("local government" OR "regional autonomy") AND Indonesia.

Strict inclusion and exclusion criteria were applied to ensure relevance and quality. Inclusion criteria comprised: (1) empirical studies (quantitative, qualitative, or mixed methods); (2) focus on Indonesian local governments (district, municipal, or provincial level); (3) primary analysis addressing VfM performance metrics (e.g., PAD effectiveness ratio, expenditure efficiency) and/or the use of accounting or performance information; (4) publication in peer-reviewed journals; and (5) availability of full-text access. Exclusion criteria included conceptual or opinion-based articles, studies focusing exclusively on central government institutions or state-owned enterprises, non-journal publications (e.g., theses, policy reports, non-peer-reviewed proceedings), and duplicate records. Following the PRISMA flow process, the initial search yielded 347 records; after removing 98 duplicates, 249 records were screened by title and abstract, resulting in the exclusion of 187 articles. Sixty-two full-text articles were assessed for eligibility, of which 36 were excluded due to inappropriate context, insufficient methodological rigor, or lack of empirical analysis. The final corpus consisted of 26 eligible studies for data extraction and synthesis.

Data extraction and critical appraisal were conducted using a structured matrix developed in Microsoft Excel, capturing author and year, research focus, geographic context, study period, methodology and data sources, key variables, principal findings related to VfM performance and information use, identified constraints, and policy recommendations. Each study underwent a quality assessment based on a three-point rubric evaluating methodological rigor, data quality (e.g., use of officially audited financial reports), analytical depth, and contextualization of local institutional factors. While quality scores informed the relative weighting of findings, no study was excluded on this basis.

Given the heterogeneity of research designs and outcomes, a thematic synthesis approach was employed. Extracted data were analyzed inductively to identify recurring themes, patterns, and contradictions. The synthesis was structured within an integrative framework, first presenting findings on VfM performance (outcome dimension), then on the use of accounting information (process dimension), and finally examining the linkages and plausible causal explanations underlying the observed gap between performance outcomes and information utilization (OECD, 2019).

3. FINDINGS AND DISCUSSION

The synthesis of 26 empirical studies reveals a nationally consistent yet complex pattern in the implementation of local government budgets in Indonesia during the 2016–2023 period. Overall, the effectiveness of Local Own-Source Revenue (PAD) demonstrates strong performance across most regions. The national average PAD effectiveness exceeds 90%, with several regions recording realizations above 100%. Semarang Regency stands out with an average PAD effectiveness of 110.93% (2019–2023), followed by Bogor City (106.95%), Surakarta City (above 100% in four out of six years), and Magelang Regency (124.21% in 2020). These findings suggest that most local governments are capable of setting realistic revenue targets and possess sufficient administrative capacity to optimize revenue collection.

In contrast, expenditure performance exhibits significant inconsistencies. Three dominant patterns emerge: (1) under-spending, where actual expenditure falls substantially below budget ceilings; (2) overspending, where expenditure exceeds allocated budgets; and (3) extreme interannual fluctuations. North Sumatra Province exemplifies chronic under-spending, with expenditure efficiency ratios of 70.74% (2019), 61.43% (2020), and 68.94% (2021), indicating weak planning or implementation constraints. Conversely, Central Java Province and DKI Jakarta demonstrate overspending trends, with efficiency ratios exceeding 100%, potentially reflecting weak budget discipline or overly conservative initial allocations. Meanwhile, Padang City and Balikpapan City experienced sharp fluctuations: Padang recorded efficiency above 100% in 2016 and 2018 but below 100% in other years; Balikpapan saw a dramatic decline in land procurement absorption to only 20.58% in 2019 due to technical evaluations by the National Land Agency (BPN).

Further findings highlight pronounced regional disparities. Regions on Java Island—such as Central Java, East Java, Semarang Regency, and Bogor City—consistently demonstrate high fiscal independence, more balanced expenditure structures, and mature budget management capacity. In contrast, regions outside Java, particularly in eastern Indonesia, remain heavily dependent on central government transfers. In East Nusa Tenggara (NTT), although PAD effectiveness initially reached 94.74%, it dropped sharply to 74.04% in 2021 when transfers were excluded, revealing structural dependence. Similar patterns are observed in Teluk Wondama Regency (West Papua), Toba Samosir Regency, and Gowa Regency, all categorized as having low fiscal independence and minimal decentralization.

Financial dependency ratios reinforce this pattern. In Jambi Province, for example, average dependency reached 90.26% in 2022, meaning only 10.74% of total revenue originated from local sources. Even in industrial regions such as Karawang Regency, overall financial capacity remains low, revealing a paradox between economic potential and actual fiscal capacity. In contrast, Kendal Regency (Central Java) recorded an average PAD efficiency of 93.2% and effectiveness of 98.2%, positioning it among the best-performing districts in terms of VfM performance.

Contextual factors also significantly influence budget performance. The COVID-19 pandemic triggered substantial reallocations in Manokwari Regency, with a sharp increase in unexpected expenditures and declining revenues. In East Kotawaringin Regency (Central Kalimantan), capital expenditure realization for road and irrigation infrastructure reached only 65.6%, indicating bureaucratic obstacles in procurement processes. Meanwhile, West Sumbawa Regency recorded exceptional financial performance (134% in 2022) driven by mining revenues, although this raises concerns regarding long-term volatility risks.

Aggregately, the national pattern suggests that revenue management is relatively strong, whereas expenditure management remains suboptimal. Most regions successfully achieve or exceed PAD targets but struggle to allocate and realize expenditures efficiently, timely, and with measurable impact. More critically, none of the reviewed studies link budget performance to social outcomes such as poverty rates, Human Development Index (HDI), or citizen satisfaction, making it difficult to assess whether "good performance" genuinely generates public value.

When analyzed through the lens of management accounting information use, the findings reveal the dominance of symbolic and procedural utilization. VfM information is primarily employed to fulfill reporting obligations to the Ministry of Home Affairs (Kemendagri) or the Audit Board (BPK), rather than to support policy reflection or resource reallocation. For example, although Semarang Regency achieved 110.93% PAD effectiveness, there is no evidence that this figure was used to evaluate tax policies or reallocate capital expenditure. Similarly, despite consistent under-spending in North Sumatra, no indication exists of subsequent budget planning revisions. Instrumental use—where performance data inform strategic decision-making—is largely absent. Only a few studies (e.g., in Medan City and North Toraja) report internal data-based discussions, yet even in these cases, such use appears partial and unsystematic.

Institutional and organizational behavioral factors emerge as key constraints. Bureaucratic resistance, short-term political pressures, limited analytical capacity among civil servants, and risk-averse organizational cultures inhibit the transformation of information into action. In high-capacity regions such as Central Java, although technical performance appears strong, budget allocations remain dominated by operational expenditures (74%) rather than long-term investment. Conversely, in less developed regions such as NTT and Jambi, high fiscal dependency (>90%) constrains room for revenue innovation. These findings indicate that the central challenge of public sector management accounting in Indonesia lies not in the absence of technical instruments, but in the weak integration between accounting techniques, governance logic, and organizational capacity.

Accordingly, this synthesis not only maps what is known, but also reveals a systematic gap between formal adoption and substantive use of management accounting information—an important finding that underpins the subsequent discussion and policy recommendations.

4. CONCLUSION

This study concludes that while Indonesian local governments have formally adopted Value for Money (VfM) principles and performance-based budgeting frameworks, substantive improvements in budget efficiency and public value creation remain limited. Revenue performance, particularly PAD effectiveness, is generally strong across regions; however, expenditure management demonstrates persistent inconsistencies, regional disparities, and structural inefficiencies. More critically, management accounting information is predominantly used in symbolic and procedural ways for compliance and reporting rather than for instrumental, strategic decision-making. Institutional constraints including bureaucratic resistance, political pressures, limited analytical capacity, and fiscal dependency further weaken the integration between accounting techniques and governance outcomes. Consequently, the core challenge of public sector management accounting in Indonesia lies not in system availability, but in the transformation of performance information into meaningful policy action. Strengthening analytical capacity, institutional incentives, and outcome-based evaluation is essential to bridge the gap between formal adoption and substantive performance improvement.

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