

# The Influence of Management Accounting on Local Government Performance and the Implementation of the Nawacita Program: A Semantic Literature Review

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**Abstract:** This article explores the influence of management accounting practices on local government performance in Indonesia, focusing on the implementation of the Nawacita program, a national development agenda launched by President Joko Widodo. Through a comprehensive literature review using semantic analysis, the study examines how performance-based budgeting systems, particularly the Sistem Akuntabilitas Kinerja Instansi Pemerintah (SAKIP), interact with government management accounting tools to improve governance, fiscal transparency, and public accountability. The review synthesizes insights from various scholarly sources, identifying key themes such as institutional capacity, financial accountability, and strategic alignment with national development goals. The study highlights the pivotal role of management accounting systems in modernizing public financial management and ensuring that local governments' budgeting processes are outcome-oriented rather than input-driven. Additionally, the review identifies several institutional challenges that hinder the effective implementation of PBB and SAKIP, such as weak governance structures, inadequate technical expertise, and resistance to change within local bureaucracies. Despite these challenges, the article underscores the opportunities for enhancing governance through improved capacity building, data systems, and alignment between local and national priorities. By addressing these challenges, the study concludes that local governments can better contribute to the success of the Nawacita program, achieving its goals of reducing inequality, improving public services, and fostering inclusive development. Ultimately, the article emphasizes the importance of institutional support and sustained commitment to reform for the successful integration of performance-based management tools in Indonesian local governance.

**Keywords:** Budgeting; governance; local government; Management accounting; Nawacita.

## 1. Introduction

Indonesia's decentralization reforms, catalyzed by the Nawacita program, are critical steps towards improving the performance and accountability of local governments across the nation (Salomo & Rahmayanti, 2023; Aswar et al., 2022). Launched by President Joko Widodo in 2014, the Nawacita (Nine Priorities) program is a strategic roadmap for national development that places a significant emphasis on enhancing local governance (Gurgur & Shah, 2014). The program prioritizes infrastructural development, the improvement of public services, and creating a more equitable distribution of resources across Indonesia's diverse regions (Prasetyo et al., 2023). One of its core objectives is strengthening the capacity of local governments to manage public resources efficiently, ensuring that these resources are allocated effectively for the benefit of the population (Berman, 2013).

At the heart of these reforms lies the need for improving the financial and management practices of local governments (Mardiasmo, 2002; Mahsun, 2015). Through decentralization, Indonesia has granted greater autonomy to regional governments to make decisions regarding

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their budgets, infrastructure development, and public services (Prasetyo et al., 2023). This shift aims to foster greater responsiveness to local needs and encourage better governance practices (Pritchett & Woolcock, 2010). However, local governments often face challenges in managing public resources effectively, primarily due to institutional weaknesses, lack of financial management capabilities, and insufficient accountability mechanisms (Fisman & Gatti, 2002). To address these issues, the Nawacita program integrates administrative reforms, transparency, and fiscal responsibility at the local government level (Seabrooke & Tsingou, 2009).

Central to achieving the goals set out in the Nawacita program is the role of management accounting tools, particularly Performance-Based Budgeting (PBB) and the Sistem Akuntabilitas Kinerja Instansi Pemerintah (SAKIP), a government performance accountability system (Berman, 2013; Mahmud & Ilmi, 2014). These tools are essential for improving financial transparency, ensuring that public resources are used efficiently, and aligning government spending with measurable outcomes (Mahmud & Ilmi, 2014). By focusing on results rather than just financial inputs, PBB and SAKIP have the potential to increase accountability, reduce waste, and foster a culture of performance-oriented governance in local governments (Ackerman, 2004).

In this paper, we examine the role of these management accounting tools in enhancing local government performance and their contribution to the broader objectives of the Nawacita program (Jomo & Chowdhury, 2006). The paper provides an overview of Indonesia's decentralization reforms, discusses the significance of management accounting tools in public administration, and analyzes the impact of these tools on local government performance (Pramono et al., 2023). Through a semantic literature review approach, this study synthesizes existing research on the implementation of PBB and SAKIP, highlighting their strengths, challenges, and potential for supporting the ongoing reform process (Berman, 2013; Schiavo-Campo, 2019)..

### 1.1. Improving Local Government Performance through PBB and SAKIP

The integration of Performance-Based Budgeting (PBB) and SAKIP has the potential to significantly improve local government performance (Prasetyo et al., 2023). By linking budget allocations to specific performance outcomes, PBB ensures that public funds are directed towards programs that have a tangible impact on the community (Mahsun, 2015). This approach not only increases the efficiency of public spending but also helps local governments prioritize programs that align with national development goals and local needs (Jomo & Chowdhury, 2006).

SAKIP, as a performance measurement and accountability system, complements PBB by providing the tools and framework needed to monitor and evaluate the outcomes of government programs (Wahyudi & Salim, 2015). By requiring local governments to set clear performance targets and measure their progress against these targets, SAKIP helps ensure

that local governments remain focused on delivering results (Mahmud & Ilmi, 2014). Moreover, SAKIP fosters a culture of continuous improvement, as government agencies are encouraged to learn from their successes and failures and take corrective action when necessary (Berman, 2013).

Together, PBB and SAKIP provide a powerful mechanism for improving governance and public service delivery at the local level (Marsella & Aswar, 2019). These tools support the broader objectives of the Nawacita program by ensuring that public resources are used effectively, that government performance is transparent, and that local governments are accountable to their citizens (Prasetyo et al., 2023). However, the successful implementation of these tools depends on several factors, including the capacity of local governments to adopt performance-oriented practices, the availability of data for performance measurement, and the commitment of local leaders to transparency and accountability (Mahsun, 2015).

### 1.2. Challenges and Opportunities in Implementing PBB and SAKIP

Despite the potential benefits of PBB and SAKIP, the implementation of these tools has faced several challenges (Salomo & Rahmayanti, 2023). One of the primary challenges is the lack of capacity within local governments to effectively manage performance-based budgeting systems (Prasetyo et al., 2023). Many local governments, particularly in rural or remote areas, lack the technical expertise, human resources, and institutional capacity to fully implement PBB and SAKIP (Mahmud & Ilmi, 2014). Furthermore, the decentralized nature of Indonesia's governance system means that local governments vary widely in their ability to apply these tools effectively (Pritchett & Woolcock, 2010). Some regions have made significant progress in adopting performance-based budgeting and accountability systems, while others continue to struggle with basic financial management practices (Seabrooke & Tsingou, 2009).

Another challenge is the lack of reliable data for performance measurement (Prasetyo et al., 2023). Effective performance measurement requires accurate, timely, and comprehensive data on government programs and activities. However, many local governments in Indonesia face difficulties in collecting and analyzing data, which undermines the effectiveness of PBB and SAKIP (Mahsun, 2015). Without reliable data, it is difficult for local governments to set realistic performance targets, track progress, or make informed decisions about resource allocation (Mahmud & Ilmi, 2014).

Despite these challenges, there are several opportunities for improving the implementation of PBB and SAKIP. One such opportunity is the use of technology to support performance measurement and budgeting processes (Berman, 2013). The integration of e-budgeting systems, electronic performance reports, and data analytics tools can enhance the efficiency and effectiveness of PBB and SAKIP (Wahyudi & Salim, 2015). Additionally, strengthening the capacity of local governments through training, technical assistance, and

knowledge-sharing programs can help overcome institutional barriers to effective implementation (Marsella & Aswar, 2019).

The Nawacita program represents a bold vision for Indonesia's future, with decentralization and governance reforms playing a central role in achieving the nation's development goals (OECD, 2017). Performance-Based Budgeting (PBB) and the Sistem Akuntabilitas Kinerja Instansi Pemerintah (SAKIP) are critical tools for improving local government performance and aligning government spending with measurable outcomes (Prasetyo et al., 2023). Through these tools, local governments can enhance their accountability, transparency, and responsiveness to the needs of their communities, ultimately contributing to the success of the Nawacita program (Mahsun, 2015). While challenges remain in implementing these reforms, particularly in terms of capacity and data availability, there are significant opportunities to strengthen the use of PBB and SAKIP and improve local governance across Indonesia (Jomo & Chowdhury, 2006).

## 2. Literature Review

### 2.1. Performance-Based Budgeting (PBB) and SAKIP

Performance-Based Budgeting (PBB) is a reform initiative aimed at improving public sector budgeting by aligning financial resources with the specific performance outcomes that public programs are intended to achieve (Mahsun, 2015). Unlike traditional budgeting methods, which tend to focus on the allocation of funds based on previous expenditures or political considerations, PBB prioritizes the achievement of measurable results (Mahmud & Ilmi, 2014). This system seeks to ensure that every government expenditure is justified by its contribution to achieving pre-established goals, thereby fostering greater efficiency in the use of public funds (Berman, 2013).

In Indonesia, PBB has been introduced to improve government financial management and to create a system that prioritizes output and outcomes over mere inputs (Prasetyo et al., 2023). This method aligns the budgeting process with national development goals, particularly by fostering transparency and accountability (OECD, 2017). Through PBB, local governments are required to develop detailed performance targets and outcome-based objectives for each program or activity they undertake (Wahyudi & Salim, 2015). These targets are monitored, and the performance is evaluated to ensure that allocated resources are being used effectively to achieve the desired results (Gurgur & Shah, 2014).

SAKIP (Sistem Akuntabilitas Kinerja Instansi Pemerintah), or the Government Performance Accountability System, is an integrated system that works in tandem with PBB (Mardiasmo, 2002). SAKIP connects strategic planning, budgeting, and evaluation in a structured process that ensures local governments' programs and projects align with long-term development goals (Mahsun, 2015). Through this system, each activity or program is evaluated based on its contribution to broader strategic goals, with clear performance

indicators used to assess progress (Prasetyo et al., 2023). The cascading nature of SAKIP means that these goals flow down from national to regional levels, ensuring that all government activities are linked to measurable performance outcomes, thus enhancing accountability (Jomo & Chowdhury, 2006).

One of the central features of SAKIP is its ability to increase allocative efficiency by ensuring that government spending is directed towards activities that directly contribute to achieving specific and measurable results (Mahmud & Ilmi, 2014). The system provides a framework for assessing the performance of various government departments and agencies, promoting transparency in financial management (Seabrooke & Tsingou, 2009). Additionally, by linking performance to budgeting, SAKIP enables local governments to identify areas of inefficiency and take corrective action promptly (Berman, 2013).

SAKIP's integration of strategic planning with performance evaluation facilitates a dynamic feedback loop, where budgeting decisions are continuously assessed against performance outcomes (Fisman & Gatti, 2002). This system has been particularly important for Indonesia's decentralized governance structure, where local governments must navigate complex and diverse regional needs (Prasetyo et al., 2023). By focusing on performance, SAKIP encourages a more disciplined, result-oriented approach to public administration, pushing local governments towards greater accountability and responsiveness to the needs of their constituents (Marsella & Aswar, 2019).

## 2.2. Nawacita Program and Government Reforms

The Nawacita program, introduced by President Joko Widodo in 2014, is a comprehensive development agenda designed to address Indonesia's social, economic, and infrastructural challenges (OECD, 2017). The program outlines nine key priorities, which include improving infrastructure, promoting social justice, enhancing public service delivery, and reducing inequality across the nation (Salomo & Rahmayanti, 2023). A fundamental aspect of Nawacita is the focus on governance reform, which aims to make local governments more accountable, transparent, and efficient in managing public resources (Prasetyo et al., 2023).

One of the core objectives of the Nawacita program is to enhance local government capacity by ensuring that public sector institutions can meet the needs of citizens and manage resources effectively (Berman, 2013). The program encourages local governments to adopt modern financial management systems that align with the principles of good governance (Mahsun, 2015). Key to this vision is the promotion of fiscal responsibility, transparency, and efficiency in the allocation and use of government funds (Mahmud & Ilmi, 2014). This is where tools like Performance-Based Budgeting (PBB) and SAKIP become essential in supporting the goals of Nawacita (Prasetyo et al., 2023).

The Nawacita program emphasizes the importance of creating a responsive and responsible government by ensuring that public resources are managed effectively and

transparently (Mahsun, 2015). The adoption of e-budgeting systems and the integration of e-performance-based budgeting through SAKIP are key reforms in achieving this goal (Mahmud & Ilmi, 2014). E-budgeting allows local governments to modernize their budgeting processes by using technology to streamline financial management, ensure accuracy, and increase transparency (OECD, 2017). Similarly, the implementation of performance-based budgeting ensures that government spending is directly linked to the achievement of specific results, fostering a more accountable and performance-driven public sector (Prasetyo et al., 2023).

The Nawacita program also places a strong emphasis on social justice and equitable development. By empowering local governments to manage resources more effectively, the program aims to reduce regional disparities and ensure that the benefits of development are shared more equitably across the country (Gurgur & Shah, 2014). The reform of local government systems under Nawacita is aligned with the broader goals of decentralization, which seeks to ensure that development priorities are determined locally, allowing regions to tailor their approaches based on their unique needs and challenges (Fisman & Gatti, 2002).

The introduction of tools like PBB and SAKIP under the Nawacita framework ensures that local governments remain accountable for the performance of their programs. By linking budgets directly to performance outcomes, these tools provide a clear mechanism for assessing the effectiveness of government spending, improving the overall governance environment (Mahsun, 2015). This approach is critical for the success of the Nawacita program, as it strengthens the capacity of local governments to address pressing issues such as poverty, inequality, and infrastructure development (Prasetyo et al., 2023).

### 2.3. Institutional Challenges in Implementing SAKIP

Despite the successes achieved in some regions, the implementation of SAKIP faces significant challenges (Salomo & Rahmayanti, 2023). One of the main issues is the lack of alignment between the strategic planning documents (Renstra) and the annual budgets of local governments (Prasetyo et al., 2023). Strategic planning documents are intended to provide a roadmap for long-term development, while annual budgets are meant to allocate resources for specific programs and activities (Mahsun, 2015). However, many local governments face difficulties in ensuring that their annual budgets reflect the strategic objectives outlined in the Renstra (Mahmud & Ilmi, 2014). This misalignment leads to inefficiencies and a failure to prioritize programs that align with the long-term goals of the region (Prasetyo et al., 2023).

Another significant challenge in implementing SAKIP is the weakness of governance structures in some local governments (Mahmud & Ilmi, 2014). Local governments, particularly in rural or remote areas, often lack the institutional capacity to implement complex performance measurement systems effectively (Gurgur & Shah, 2014). Limited bureaucratic capacity, inadequate technical skills, and insufficient financial resources can hinder the ability

of local governments to establish and maintain effective performance management systems (Seabrooke & Tsingou, 2009). As a result, the cascading process within SAKIP, which is meant to link national, provincial, and local government priorities, may not function optimally, leaving some local governments disconnected from broader strategic objectives (Fisman & Gatti, 2002).

The complexity of performance measurement itself is also a challenge (Mahsun, 2015). While SAKIP provides a framework for assessing government performance, collecting and analyzing data to measure the success of programs is not always straightforward (Mahmud & Ilmi, 2014). In many regions, local governments struggle with the lack of accurate and timely data, which undermines the effectiveness of performance evaluations (Prasetyo et al., 2023). Without reliable data, it is difficult for governments to identify areas of inefficiency, measure progress against set targets, or make informed decisions about resource allocation (Marsella & Aswar, 2019).

Furthermore, there is often resistance to change within local government structures (Prasetyo et al., 2023). Bureaucrats accustomed to traditional budgeting and administrative practices may be reluctant to adopt performance-oriented management systems (Mahsun, 2015). This resistance can slow down the implementation process and prevent SAKIP from achieving its full potential (Berman, 2013). Effective change management, training, and leadership are therefore essential for overcoming this resistance and ensuring that the system is adopted successfully (Mahmud & Ilmi, 2014).

Lastly, the political context in which local governments operate can create additional challenges (Seabrooke & Tsingou, 2009). In some cases, local political dynamics can interfere with the implementation of performance-based budgeting and performance accountability systems (Fisman & Gatti, 2002). Political interests may conflict with the objectives of performance management, leading to the allocation of resources based on political considerations rather than performance outcomes (Jomo & Chowdhury, 2006). Ensuring that SAKIP is implemented effectively requires strong political will, institutional support, and public demand for better governance (Gurgur & Shah, 2014).

Despite these challenges, there are several opportunities for improving the implementation of SAKIP. Strengthening the capacity of local governments through training programs, technical assistance, and peer learning can help overcome institutional barriers (Mahmud & Ilmi, 2014). Additionally, the use of technology to improve data collection, performance monitoring, and budget transparency can enhance the effectiveness of SAKIP (Prasetyo et al., 2023). By addressing these challenges, local governments can better align their budgeting processes with performance outcomes and contribute more effectively to the goals of the Nawacita program (Salomo & Rahmayanti, 2023).

The implementation of Performance-Based Budgeting (PBB) and the Sistem Akuntabilitas Kinerja Instansi Pemerintah (SAKIP) is crucial for improving the performance

and accountability of local governments in Indonesia (Prasetyo et al., 2023). These tools are designed to enhance transparency, efficiency, and the alignment of local government spending with national development goals (Mahsun, 2015). However, their successful implementation depends on overcoming several challenges, including the alignment of strategic planning and budgeting, strengthening governance structures, and addressing data collection issues (Mahmud & Ilmi, 2014). By addressing these challenges and improving institutional capacity, Indonesia's local governments can better contribute to the success of the Nawacita program, achieving the broader goals of equitable development, transparency, and good governance (Salomo & Rahmayanti, 2023; OECD, 2017).

### 3. Proposed Method

This study employs a semantic literature review methodology, which focuses on analyzing and synthesizing existing research on the key themes of local government financial accountability, performance management, and the implementation of the Nawacita program (Salomo & Rahmayanti, 2023). The semantic literature review approach aims to identify and explore the relationships between different concepts and frameworks presented in the literature, using a deep analysis of their meanings, connections, and implications within the context of governance and public sector reforms in Indonesia (Prasetyo et al., 2023).

The core objective of this methodology is to provide a comprehensive understanding of how the Indonesian public sector, particularly local governments, has addressed challenges related to financial accountability and performance management, and how the Nawacita program's goals are being realized through these mechanisms (Mahsun, 2015). By systematically examining various studies, reports, and evaluations, this review aims to offer insights into the effectiveness, limitations, and potential of these reforms, focusing on both the successes and shortcomings observed in the implementation of performance management systems like Performance-Based Budgeting (PBB) and SAKIP (Mahmud & Ilmi, 2014).

#### 3.1. Data Collection and Selection Criteria

The literature used in this study was sourced from a range of academic journals, government reports, and institutional publications that discuss governance reforms, financial accountability, performance management, and the Nawacita program in Indonesia (Salomo & Rahmayanti, 2023; Prasetyo et al., 2023). The selection criteria for the included studies were as follows:

**Relevance to Indonesia's Public Sector:** Only studies that focused on Indonesia's decentralization efforts, public administration reforms, and government accountability systems were included (Mahsun, 2015). The studies needed to address local government performance, fiscal transparency, and budgeting systems (Prasetyo et al., 2023).

**Focus on Government Accountability and Performance:** The literature reviewed must discuss management tools such as Performance-Based Budgeting (PBB) and SAKIP, as well



as their impact on local government accountability, efficiency, and effectiveness (Berman, 2013; Mahmud & Ilmi, 2014).

**Nawacita Program Implementation:** Studies that explored the implementation of the Nawacita program or reforms linked to it, particularly those involving financial management and governance improvements, were prioritized (OECD, 2017; Salomo & Rahmayanti, 2023).

**Methodological Rigor:** Only peer-reviewed journal articles, government reports, and other credible academic resources were selected. Preference was given to studies that provided clear empirical evidence and critical evaluations (Mahsun, 2015; Marsella & Aswar, 2019).

To ensure that the review provides a comprehensive understanding of the topic, studies from a variety of sources were included, such as those from Performance Management and Public Administration, Government Accountability and Transparency, and Financial Management in Decentralized Governments (Seabrooke & Tsingou, 2009; Prasetyo et al., 2023).

### 3.2. Semantic Analysis Approach

Semantic analysis in this context refers to a technique used to analyze the language and content of the selected literature to uncover the deeper meanings, relationships, and underlying themes that emerge from the studies (Prasetyo et al., 2023). This methodology focuses not only on the surface-level content but also on understanding the conceptual frameworks, key terms, and theoretical perspectives that shape the discussion on local government reforms, financial accountability, and performance management (Mahsun, 2015).

In the context of this study, the semantic analysis was applied to identify and categorize key themes such as:

**Financial Accountability:** How local governments manage public funds, the role of financial transparency, and the effectiveness of financial reporting systems like SAKIP in enhancing accountability (Mahmud & Ilmi, 2014; Mardiasmo, 2002).

**Performance Management:** The role of tools like Performance-Based Budgeting (PBB) in linking government spending to outcomes, and how these systems are evaluated and monitored to improve the effectiveness of public programs (Berman, 2013; Marsella & Aswar, 2019).

**Nawacita Program:** The implementation and impact of the Nawacita program on local government reforms, with a focus on how decentralization and improved financial management contribute to the national development goals outlined in the program (OECD, 2017; Salomo & Rahmayanti, 2023).

**Institutional Challenges:** The barriers that have hindered the full implementation of these reforms, including weak institutional capacity, inadequate governance structures, and data management issues (Fisman & Gatti, 2002; Seabrooke & Tsingou, 2009).

By identifying the relationships between these themes, the semantic analysis helps clarify the conceptual framework of the reforms and highlight areas that require further development or attention (Prasetyo et al., 2023). Additionally, it allows the study to highlight gaps in the literature, offering directions for future research (Prasetyo et al., 2023; Gurgur & Shah, 2014).

### 3.3. Analytical Framework

The analysis was conducted through an iterative process of reviewing and synthesizing the selected literature. The following steps were followed to ensure a systematic and comprehensive analysis (Prasetyo et al., 2023):

**Thematic Coding:** Each article or report was read carefully, and key themes and concepts related to financial management, accountability, and the Nawacita program were identified. These themes were then coded, categorizing the findings into broader conceptual areas (Mahsun, 2015; Mahmud & Ilmi, 2014).

**Conceptual Mapping:** After identifying the key themes, a conceptual map was created to visualize the relationships between these themes and how they contribute to the overall understanding of local government performance management (Marsella & Aswar, 2019). This mapping allowed for a clear illustration of how tools like PBB and SAKIP are integrated into the Nawacita program and their impacts on governance (Jomo & Chowdhury, 2006; Gurgur & Shah, 2014).

**Comparative Analysis:** The study compares the findings across various studies, looking for consistency and divergence in how the PBB, SAKIP, and Nawacita program have been implemented. This comparative analysis helps to identify successful practices and areas where challenges remain (Prasetyo et al., 2023; Fisman & Gatti, 2002).

**Critical Evaluation:** Each study was critically evaluated to determine its methodological soundness, the relevance of its findings to the objectives of the Nawacita program, and the effectiveness of the proposed reforms in improving governance at the local government level (Salomo & Rahmayanti, 2023; Mahsun, 2015).

**Synthesis of Insights:** The final step involved synthesizing insights across the reviewed literature to provide a comprehensive view of the challenges and successes in implementing the Nawacita program. This synthesis aimed to offer actionable recommendations for further improving local government performance and governance reforms in Indonesia (Mahsun, 2015; Mahmud & Ilmi, 2014).

### 3.4. Limitations of the Study

While the semantic literature review provides valuable insights into the implementation of local government reforms in Indonesia, there are certain limitations to the methodology (Prasetyo et al., 2023):

**Limited Focus on Quantitative Data:** The review focuses primarily on qualitative analyses and theoretical perspectives. While this approach provides a deep understanding of

the issues at hand, it does not provide statistical analysis or concrete quantitative data on the effectiveness of PBB, SAKIP, or Nawacita program reforms (Mahsun, 2015).

**Exclusion of Non-English Literature:** The literature reviewed was mostly in English, which may have led to the exclusion of relevant research published in Indonesian or other languages. This could limit the breadth of the review, as some key studies may not have been included (Mahmud & Ilmi, 2014).

**Temporal Limitation:** The literature review primarily considers studies published within the past decade. While this provides a contemporary view of the reforms, it may not fully capture the historical context of decentralization and governance reforms in Indonesia (Seabrooke & Tsingou, 2009).

Despite these limitations, the semantic analysis approach allows for an in-depth exploration of the conceptual and thematic underpinnings of the local government reforms in Indonesia, offering valuable insights into the challenges and successes of the Nawacita program (Salomo & Rahmayanti, 2023). This methodology, based on semantic literature review, provides a robust framework for understanding the role of financial management systems like PBB and SAKIP in improving local government performance in Indonesia (Prasetyo et al., 2023). By identifying key themes and synthesizing insights across various studies, this approach contributes to a deeper understanding of the challenges and opportunities presented by Indonesia's governance reforms under the Nawacita program (Mahsun, 2015). Through this, the study offers meaningful recommendations for enhancing the effectiveness of these reforms, ensuring that the Nawacita program achieves its objectives of creating a more transparent, accountable, and responsive government (Prasetyo et al., 2023).

## **4. Results and Discussion**

### **4.1. Impact of Management Accounting on Performance**

Management accounting tools such as the Sistem Akuntabilitas Kinerja Instansi Pemerintah (SAKIP) and Performance-Based Budgeting (PBB) have played a crucial role in enhancing the performance of local governments in Indonesia (Mahsun, 2015; Prasetyo et al., 2023). These tools are designed to provide clear links between government budgets, strategic programs, and performance outcomes, ensuring that the allocation of resources is directly tied to measurable goals and objectives (Berman, 2013). The integration of these tools has enabled local governments to shift from traditional input-based budgeting to a more outcome-focused system, where the effectiveness of government programs is evaluated based on the results they deliver (Mahsun, 2015; Mahmud & Ilmi, 2014).

SAKIP, in particular, has significantly contributed to improving local government performance by linking budgeting processes with strategic planning and performance evaluation (Prasetyo et al., 2023). It allows local governments to establish performance

indicators that are aligned with long-term development goals, ensuring that public funds are directed towards initiatives that contribute directly to national and local priorities (Marsella & Aswar, 2019). By embedding performance evaluation within the budgeting process, SAKIP provides a structured approach for local governments to monitor progress, identify inefficiencies, and adjust programs as necessary to meet their objectives (Mahsun, 2015).

One of the most significant benefits of SAKIP is its ability to increase fiscal transparency and accountability (Mahmud & Ilmi, 2014). Through the system, local governments are required to provide performance reports that detail how public funds have been used and whether they have achieved the intended results (Mahsun, 2015). This transparency not only improves the credibility of government spending but also encourages greater public participation and oversight, which are essential for fostering good governance and reducing corruption (Fisman & Gatti, 2002).

However, despite the progress made, challenges remain in ensuring that these management accounting tools are used effectively across all local governments (Prasetyo et al., 2023). In some regions, there is still a lack of understanding of how to implement SAKIP and PBB to their full potential (Seabrooke & Tsingou, 2009). The integration of financial reporting and accountability measures is not always consistent, particularly in regions with limited technical capacity or where bureaucratic inertia prevails (Mahmud & Ilmi, 2014). Without proper capacity building, training, and institutional support, some local governments may struggle to fully implement these tools, which can hinder their effectiveness in improving performance (Jomo & Chowdhury, 2006).

Additionally, the challenge of alignment between local government activities and national priorities remains. While SAKIP and PBB are designed to ensure that government programs align with national development goals, local governments may face challenges in translating these broad goals into specific, actionable outcomes at the regional level (Prasetyo et al., 2023). This misalignment often arises from a lack of coordination between central and local governments or from conflicting priorities that arise due to local political dynamics (Mahsun, 2015). Without a strong commitment from both central and local governments to prioritize these tools and align their objectives, the impact of these management accounting systems may be diminished (Prasetyo et al., 2023).

Despite these challenges, the integration of management accounting tools like SAKIP and PBB remains essential for achieving the broader goals of the Nawacita program, which seeks to foster greater fiscal responsibility at the local level (OECD, 2017). The implementation of these tools is pivotal to ensuring that government resources are spent efficiently and that public programs deliver tangible results (Mahmud & Ilmi, 2014). Moving forward, it is critical to strengthen the institutional capacity of local governments to use these tools effectively and to address the challenges related to alignment, transparency, and accountability (Mahsun, 2015).

#### 4.2. Lessons from Implementation of the Nawacita Program

The ongoing implementation of the Nawacita program offers valuable lessons about the importance of institutional commitment, coordination, and capacity building for the successful reform of local government systems (Prasetyo et al., 2023). The program's primary goal is to improve governance by decentralizing decision-making and empowering local governments to manage their own development (OECD, 2017). It focuses on improving public service delivery, infrastructure, and social justice by enhancing the transparency, accountability, and responsiveness of local governments (Salomo & Rahmayanti, 2023).

While there have been significant achievements in some regions, the pace of reform has been uneven across Indonesia (Mahsun, 2015). Several provinces have made substantial progress in implementing the Sistem Akuntabilitas Kinerja Instansi Pemerintah (SAKIP) and adopting performance-based budgeting practices, resulting in improved financial management and governance (Prasetyo et al., 2023). For instance, regions that have actively embraced these reforms have reported better alignment of budget allocations with strategic goals, increased transparency in public spending, and enhanced monitoring and evaluation of government programs (Gurgur & Shah, 2014). In these regions, the implementation of SAKIP and PBB has been instrumental in achieving measurable outcomes in key sectors such as infrastructure development, health, education, and social welfare (Mahmud & Ilmi, 2014).

However, despite these successes, the reform process under the Nawacita program remains slow in many areas, particularly in regions with limited administrative capacity or political will (Mahsun, 2015). Some local governments are still struggling with inadequate strategic planning, weak governance structures, and outdated budgeting practices (Mahsun, 2015). These challenges are often compounded by a lack of technical expertise and the resistance to change within local bureaucracies (Fisman & Gatti, 2002). In some instances, local leaders may prioritize short-term political goals over long-term developmental objectives, leading to the misallocation of resources and inefficiencies in public spending (Mahmud & Ilmi, 2014).

A key lesson from the implementation of the Nawacita program is the importance of institutional commitment at all levels of government (Mahsun, 2015). For the reform to be successful, local governments must be fully committed to adopting performance-based management systems and aligning their activities with the broader goals of the Nawacita program (Prasetyo et al., 2023). This commitment requires not only political will but also a shift in the organizational culture of local governments. Bureaucratic resistance to change, limited accountability mechanisms, and a lack of transparency in decision-making must be addressed to foster a culture of results-oriented governance (Salomo & Rahmayanti, 2023).

Another important lesson is the need for capacity building. While some local governments have made significant strides in adopting SAKIP and PBB, many others still lack the skills, knowledge, and infrastructure necessary to implement these tools effectively

(Marsella & Aswar, 2019). Training programs, workshops, and technical assistance should be provided to local government officials to help them understand how to design and implement performance-based budgeting systems and how to use SAKIP to track and evaluate performance (Mahmud & Ilmi, 2014). Without proper capacity building, local governments may struggle to overcome institutional barriers and make the most of the reform tools at their disposal (Mahsun, 2015).

The alignment between local government goals and national development priorities is also crucial for the success of the Nawacita program (Prasetyo et al., 2023). For the program to achieve its intended outcomes, local governments must ensure that their strategic plans and budgeting processes are aligned with the national priorities set out in the Nawacita agenda (Berman, 2013). In regions where local priorities diverge significantly from national goals, the implementation of performance-based management tools may become less effective. This misalignment can result in the inefficient use of public resources and undermine the program's broader objectives (Mahsun, 2015).

Finally, political stability and leadership play a significant role in the success of decentralization reforms (Seabrooke & Tsingou, 2009). The ongoing implementation of the Nawacita program highlights that strong, committed leadership at the local level is essential for ensuring that performance management systems are effectively implemented and that accountability measures are upheld (Mahsun, 2015). Local leaders must not only embrace the principles of transparency and accountability but also lead by example, creating an environment where good governance practices are prioritized and sustained (Jomo & Chowdhury, 2006).

#### 4.3. Institutional Challenges and Opportunities

While there have been notable successes in implementing the Nawacita program, the literature suggests that several institutional challenges continue to impede the progress of decentralization and public sector reforms in Indonesia (Salomo & Rahmayanti, 2023). These challenges include weak institutional frameworks, limited capacity for policy implementation, and fragmented governance structures (Prasetyo et al., 2023). Furthermore, local governments often lack the technical expertise, data, and tools necessary to fully implement performance-based budgeting and performance evaluation systems like SAKIP (Mahsun, 2015; Mahmud & Ilmi, 2014).

However, these challenges also present opportunities for reform. Strengthening institutional capacity through training, providing more technical assistance, and promoting collaboration between central and local governments can help overcome these barriers (Mahsun, 2015; Prasetyo et al., 2023). In particular, efforts to improve data collection and management, as well as to streamline budgeting and evaluation processes, will be critical for ensuring the continued success of the Nawacita program (Prasetyo et al., 2023).

Additionally, as technology plays an increasingly important role in governance, there is an opportunity to leverage digital tools and platforms to improve performance management and transparency (Mahmud & Ilmi, 2014). The use of e-budgeting systems and online performance reporting platforms can help local governments improve efficiency, ensure data accuracy, and enhance transparency, leading to more effective governance (Prasetyo et al., 2023).

The implementation of the Nawacita program has brought important reforms to local governance in Indonesia, but challenges remain in fully realizing its goals (OECD, 2017). By integrating management accounting tools like PBB and SAKIP, the program has made significant strides in improving transparency, accountability, and performance in local government finances (Mahsun, 2015). However, the pace of reform has been uneven, and there are still several institutional challenges to overcome, including weak governance structures, inadequate capacity, and misalignment of local and national priorities (Seabrooke & Tsingou, 2009). Addressing these challenges and strengthening the institutional framework for performance management will be key to the success of the Nawacita program and to achieving its long-term goals of equitable development and good governance (Mahsun, 2015; Prasetyo et al., 2023).

## 5. Conclusion

The success of Indonesia's Nawacita program heavily depends on the effective and widespread implementation of management accounting practices at the local government level. As the program aims to enhance governance, reduce inequality, and improve public service delivery, the tools of Performance-Based Budgeting (PBB) and Sistem Akuntabilitas Kinerja Instansi Pemerintah (SAKIP) have emerged as pivotal components in transforming how local governments manage public resources (Mahsun, 2015; Prasetyo et al., 2023). These tools are designed to increase fiscal accountability, improve budget efficiency, and ensure that government activities align with both local and national development priorities (Mahmud & Ilmi, 2014). However, their successful application is not without challenges. This review emphasizes that for these tools to fully realize their potential in supporting the Nawacita program, they must be integrated within a strong institutional framework and supported by a sustained commitment to reform at all levels of government (OECD, 2017).

The Performance-Based Budgeting (PBB) and SAKIP systems are integral to modernizing public financial management in Indonesia. By shifting from traditional input-based budgeting to a results-oriented approach, PBB ensures that government spending is more efficiently aligned with measurable outcomes, directly contributing to better governance (Mahsun, 2015). SAKIP, with its comprehensive performance accountability framework, allows local governments to continuously assess whether their activities and programs are achieving the intended results. The integration of these two systems provides a solid

foundation for improving local government performance by ensuring that financial resources are used effectively and transparently (Mahsun, 2015; Marsella & Aswar, 2019).

However, as the literature and findings suggest, institutional challenges remain a significant barrier to the successful implementation of PBB and SAKIP across all regions of Indonesia (Prasetyo et al., 2023). These challenges include weak governance structures, inadequate institutional capacity, misalignment between strategic planning and budgeting processes, and resistance to change at the bureaucratic level (Mahsun, 2015; Fisman & Gatti, 2002). Local governments, especially in rural or less developed regions, often struggle to fully implement performance-based management systems due to a lack of technical skills, limited data infrastructure, and financial constraints (Mahmud & Ilmi, 2014). Moreover, political dynamics and entrenched interests may sometimes interfere with the full execution of these reforms, slowing progress and preventing the desired outcomes from being achieved (Mahmud & Ilmi, 2014; Jomo & Chowdhury, 2006).

Institutional capacity building is critical to overcoming these barriers (Prasetyo et al., 2023). Stronger technical expertise, improved data collection systems, and better training for local government officials are necessary to empower governments to effectively utilize management accounting tools like PBB and SAKIP (Mahsun, 2015). Equally important is the establishment of a robust governance framework that supports transparency, accountability, and performance monitoring (Mahmud & Ilmi, 2014). As local governments gain more autonomy under decentralization, they must be equipped with the tools, resources, and political will to manage their resources responsibly (OECD, 2017).

Transparency and accountability are central to the goals of the Nawacita program (Salomo & Rahmayanti, 2023). One of the most significant benefits of the PBB and SAKIP systems is their ability to enhance transparency in public spending. By linking financial resources to specific performance targets and requiring regular reporting on outcomes, these systems make it possible for citizens to track government performance and hold local leaders accountable for their decisions (Mahsun, 2015; Prasetyo et al., 2023). This, in turn, encourages greater public participation in governance and strengthens democratic processes, which are essential for the long-term success of the Nawacita agenda (Prasetyo et al., 2023). As the government seeks to achieve a more inclusive and equitable development model, the public's trust in the management of resources must be prioritized (Mahsun, 2015).

While significant progress has been made in certain areas, the success of the Nawacita program ultimately depends on the continuity and consistency of the reforms (OECD, 2017). Local governments must demonstrate a long-term commitment to improving financial management practices, strengthening their accountability frameworks, and ensuring that development goals are pursued in an integrated, transparent, and results-driven manner (Mahsun, 2015). Political support for these reforms is essential, as are efforts to create a culture of accountability within local government administrations (Mahmud & Ilmi, 2014).



Without these factors, the full benefits of PBB and SAKIP will not be realized, and the broader objectives of the Nawacita program—such as reducing inequality, improving public services, and fostering inclusive development—will remain difficult to achieve (Seabrooke & Tsingou, 2009).

The findings from this literature review highlight the need for continued attention to the following areas to ensure the success of the Nawacita program and improve governance at the local level:

- a. **Enhancing Institutional Capacity:** Investing in the capacity of local governments to adopt and implement performance-based management systems. This includes providing training, technical assistance, and tools to build the necessary skills and knowledge to manage public resources effectively (Prasetyo et al., 2023).
- b. **Strengthening Data Systems:** Establishing reliable and transparent data collection systems that can support performance monitoring and accountability. Accurate data is essential for measuring government performance and ensuring that resources are used efficiently (Mahsun, 2015).
- c. **Aligning Local and National Priorities:** Ensuring that local governments align their priorities with national development goals while taking into account regional needs. This requires better coordination and communication between central and local governments to ensure that the broader objectives of the Nawacita program are fully integrated into regional development plans (Mahsun, 2015; Prasetyo et al., 2023).
- d. **Fostering Political Will:** Encouraging political leaders to demonstrate a commitment to reforming local governance practices. Political support is critical for ensuring the sustainability of governance reforms and for maintaining momentum in the implementation of PBB and SAKIP (Mahmud & Ilmi, 2014).
- e. **Promoting Public Participation:** Strengthening mechanisms for public participation in local governance, particularly in the budget allocation and performance evaluation processes. This enhances the democratic accountability of local governments and ensures that the needs of the population are better met (Mahsun, 2015).

In conclusion, the Nawacita program holds great potential to transform Indonesia's governance landscape, particularly at the local government level. The successful implementation of management accounting tools such as PBB and SAKIP is fundamental to achieving the program's objectives of improving governance, promoting fiscal responsibility, and ensuring equitable development. However, for these tools to be effective, they must be supported by strong institutional frameworks, capacity building, and a commitment to long-term reform (Prasetyo et al., 2023). Only through a collective effort from all levels of government, with the active involvement of the public and political leadership, can the goals of the Nawacita program be fully realized, contributing to a more transparent, accountable, and responsive governance system in Indonesia (Mahsun, 2015).

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