

# The Effect of Budget Participation, Accountability, and Financial Supervision on Good Governance Government East Luwu Regency

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## Abstract

This research was conducted to obtain empirical evidence and analyze the effect of budget participation, accountability, and financial control on good governance and the performance of regional financial management of the East Luwu Regency Government. This study uses a proportional random sampling method, the data used in this study are primary in the form of questionnaires and secondary data. The population of the study was 378 structural officials spread over 57 SKPD within the government of East Luwu Regency. While the sample in this study was 378 questionnaires distributed, 378 questionnaires were returned. After verification, the number returned turned out to be 250 questionnaires that met the requirements. Data were analyzed using a structural equation modelling (SEM) model with confirmatory factor analysis (CFA) program Analysis of Moment Structure (AMOS 4.0); (Arbuki 1997:562) The results of this study indicate that (1). The p-value = 0.02 with cr with a positive sign of 2.187. Because the p-value obtained is < 0.05 and cr is positive > 1.96, budget participation has a positive and significant effect on good governance. The value (p-value = 0.430) with cr is positive at 0.790. Because the p-value obtained is < 0.05 and cr is positive > 1.96, accountability has a positive and significant effect on good governance. The value (p-value = 0.03) with cr is positive at 2.111. Because the p-value obtained is < 0.05 and cr is positive > 1.96, financial control has a positive and significant effect on good governance. The value (p-value = 0.03) with cr is positive at 2.176. Because the p-value obtained is < 0.05 and cr is positive > 1.96, budget participation has a positive and significant effect on Regional Financial Management Performance, the value (p-value = 0.01) with cr is positive at 2.433. Because the p-value obtained is < 0.05 and cr is positive > 1.96, accountability has a positive and significant effect on Regional Financial Management Performance. The value (p-value = 0.01) with cr is positive at 2.383. Because the p-value obtained is < 0.05 and cr is positive > 1.96, financial supervision has a positive and significant effect on Regional Financial Management Performance. The value (p-value = 0.1) with cr is positive at 7.388. Because the p-value obtained is < 0.05 and cr is positive > 1.96, then good governance has a positive and significant effect on Regional Financial Management Performance. budget participation, accountability, and financial supervision has been proven to improve the implementation of good governance and financial performance in the East Luwu Regency Government

**Keywords:** Budget Participation, Accountability, Financial Supervision on Good Governance and Regional Financial Management Performance.

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## I. Introduction

Regional autonomy requires local governments to increase their capability and effectiveness in carrying out the wheels of government in creating Good Governance in serving the community and being responsive to the ideals of regional development. In regional development planning, funding resources are needed to finance programs that have been planned in the context of public services and improving the welfare of the community. Good financial management makes every activity carried out by the government financially accountable. Therefore, good financial management will create public accountability. Public accountability is the obligation of individuals or authorities who are entrusted with managing public resources and those concerned with them to be able to answer matters concerning the government's accountability to the public who are consumers of its services. Regional financial management is all activities that include planning, implementation, administration, reporting, accountability and supervision of regional finances or all regional rights and obligations in the context of administering regional government which can be valued in money and all forms of wealth that can be used as regional property. the area's obligations. In regional financial governance, the East Luwu Regional Government through the Regional Finance and Assets Agency (BKAD) is tasked with

managing regional finances from planning, budgeting, administration, and accountability to reporting and regional asset management. To realize transparent and accountable financial governance and responsive to regional development programs to realize the Vision and Mission of the East Luwu Regional Government as stated in the Regional Medium-Term Development Plan (RPJMD) 2021-2026, it is necessary to prepare a Strategic Plan (Renstra). Regional Finance and Assets Agency 2021-2026. In realizing the Regional Government's Vision and Mission contained in the 2021-2026 RPJMD, the Regional Finance and Assets Agency (BKAD), carries out its 4th mission, namely Creating better governance and public services to realize good, clean and serving governance. with performance and financial accountability targets as outlined in the five-year Strategic Plan (Renstra) in accordance with the Main Tasks and Functions with the formulation of objectives, targets, policies, programs, and activities as well as measurable targets and outputs. Good Governance is the most prominent issue in the management of public administration today. Public demands are intensively made by the community to the government so that good governance is carried out in line with increasing public knowledge and the influence of globalization demands openness. The old patterns of government administration are no longer appropriate for the changing social order. Especially after the enactment of Law No. 22 of 1999 concerning Regional Government which has been revised into Law No. 32 of 2004 and Law No. 25 of 1999 was subsequently revised again to Law No. 33 of 2004 concerning Financial Balance between the Central Government and Area. This has resulted in local governments being increasingly required to improve their performance to provide services to the community. The birth of autonomy is a manifestation of a shift in the government system, namely from a centralized system to a decentralized system. (Journal of Herminingsih, 2009).

One of the MPR Decrees, namely the MPR Decree Number XV/MPR/1998 concerning "The Implementation of Regional Autonomy, Regulation, Distribution and Fair Utilization of National Resources and the Balance of Central and Regional Finances in the Framework of the Unitary Region of the Republic of Indonesia" is the legal basis for the issuance of Law no. 22 of 1999 concerning Regional Government and Law no. 25 of 1999 concerning the Financial Balance between the Central and Regional Governments as the basis for the implementation of regional autonomy. 32 of 2004 in lieu of Law no. 22 of 1999 and Law No. 33 of 2004 as a replacement for Law No. 25 of 1999. and the last change is Law No. 23 of 2018 which is the latest revision of the Regional Government. Law No. 32 of 2004 gives authority to local governments in regulating all government affairs and allows the regions concerned to regulate and manage the interests of local communities.

The broad autonomy authority requires local governments to improve public services and welfare in a democratic, fair, equitable and sustainable manner. Law no. 33 of 2004 concerning the Financial Balance between the Central and Regional Governments caused a fundamental change in the regulation of central and regional relations. Regardless of whether a region is ready or not to implement the two laws, regional autonomy is believed to be the best way to encourage regional development because, through regional autonomy, independence in carrying out development can be carried out effectively and efficiently. The main mission of the two laws is that decentralization not only means the delegation of authority from the central government to lower governments but also the delegation of some government powers to the private sector in the form of privatization. To realize good governance, the government continues to make various efforts by increasing the transparency and accountability of state financial management, one of which is by improving the overall state administration system. The granting of autonomy to the regions is based on factors, calculations, actions and policies that truly guarantee the regions concerned can manage their households. While dynamic is based on the conditions and developments of development and responsibility is the granting of autonomy which is sought to facilitate development in remote parts of the country. The above description is the ideal goal of regional autonomy. The achievement of these goals of course depends on the readiness of each region regarding the availability of resources or regional potential, especially human resources who will certainly play a role and function as a driving force for the running of regional government. The Central Government's policy of implementing regional autonomy is a concrete step in realizing real government decentralization. The purpose of the Central Government granting autonomy rights to local governments is to accelerate the realization of community welfare through service improvement, empowerment, and community participation. Along with the implementation of regional autonomy by the central government, regional governments have a greater responsibility to utilize the potential of their respective regions to advance the region.

Mardiasmo (2006), provides a clear definition of accountability, namely the form of the obligation to account for the success or failure of the implementation of the organization's mission in achieving predetermined goals and objectives, through an accountability medium that is carried out periodically. While Mahmudi (2010) explained that accountability is the obligation of agents (government) to manage resources,

report, and disclose all activities and activities related to the use of public resources to the giver of the mandate (principal).

According to Mardiasmo, accountability is divided into two types, namely:

1. Vertical Accountability is accountability in the form of accountability carried out to superiors.
2. Horizontal Accountability is accountability in the form of accountability carried out to equal persons or institutions. Meanwhile, according to Mahmudi, accountability in public institutions is divided into five parts, namely:
  1. Legal Accountability and Honesty is accountability related to law enforcement activities and honesty norms which are shown by not committing various abuses of power and authority
  2. Managerial Accountability is accountability related to managerial work patterns that must be carried out effectively and efficiently,
  3. Program Accountability is accountability related to the program to be run. The person in charge of this program must be able to show if the program to be built can run well or not and what efforts can be made so that the planned program can run optimally.
  4. Policy Accountability is accountability related to the accountability of public institutions for various policies and decisions that have been decided or taken. In this case, people who play a role in public institutions must be able to account for every policy that has been set, from the objectives, reasons for making policies, and the benefits that arise, to various negative things that may arise from the policies that will be or have been taken.
  5. Financial Accountability This type of accountability is closely related to the accountability of public institutions for every money deposited by the public to the government. Public institutions must be able to explain how the money was obtained, where the money was spent and various other responsibilities.

The phenomenon in Accountability at BPKAD itself has not gone well, because it has not been able to provide accountability, present, report, and disclose all activities and activities to the community. function properly. In the context of regional autonomy, value for money is a bridge to deliver local governments to achieve good governance. The value for money must be operationalized in the management of regional finances and regional budgets. To support the management of public funds based on the concept of value for money, a good Regional Financial Management System and Regional Budget are needed. This can be achieved if the local government has a good accounting system (Mardiasmo 2004). Therefore, the purpose of this study was to determine the effect of budgetary participation, accountability and financial control on good governance and performance of regional financial management in the East Luwu Regency Government. Issues related to budgeting such as participation, budgetary gaps, performance and other things, have become the focus of many researchers, especially in the behavioural accounting domain. These studies were among others conducted by Kenis (1979), Brownell and McInnes (1986) and Indriantoro (1993). Research on budgets by adopting a contingency approach, among others, by Brownell (1982); Subramaniam and Mia (2001); Chong and Chong (2000). The contingency approach causes other variables to act as moderating variables or intervening variables. Meanwhile, budget research by adopting agency theory, among others, by Muryati (2001), Riharjo (2001), Sukma Lesmana et al (2001), Haryanti and Nasir (2002), Poerwati (2002) and Sinambela (2003). Several budget studies in the public sector that have been carried out include Johnson (1982) using an ethnomethodological approach in researching budget behaviour. Ethnomethodology is a collection of knowledge based on common sense and a series of procedures and considerations (methods) which ordinary people can understand, find out, and act on situations in which they find their identity. Munawar (2006) shows that the characteristics of budget objectives have a significant effect on the behaviour and attitudes of local officials. The researches on participation in budgeting that have been widely carried out examine its effect on managerial performance. While in this study will examine the effect on organizational performance in local government. Research related to the managerial role of regional financial managers was conducted by Rohman (2007). Rohman conducted a survey on the provincial and district governments of Central Java on the Influence of the Managerial Role of Regional Financial Managers and the Internal Audit Function on the Performance of Local Governments. The results showed that the managerial role of the Regional Financial Manager and the Internal Audit Function affected the performance of the local government. By looking at the research results of Rohman (2007) that even though the internal audit function affects the performance of local governments, the effect is very low at 0.065 while the influence of the managerial role of regional financial managers is 0.108. For this reason, this study does not include the internal audit function variable as a variable that affects the performance of local governments. To examine how the influence of participation in budgeting and the managerial role of regional financial managers on the performance of local governments, this study uses the Government of Demak Regency as the object of research. In consideration of the performance of the agency in the 2008 budget year, it was reported that it was 96.27%. In terms of income, local revenue can be realized by 119.91%. The Balance Fund realization rate is 107.92%; other legitimate income realization of 104.16%. Meanwhile, in terms of expenditure, the realization was 92.27%. For financing, the realization is 100.32%. And Regional Expenditure

of 120.32 %. Based on the description above, the researchers are interested in conducting research with the title "The Influence of Budget Participation, Accountability and Financial Supervision on Good Governance and Performance of Regional Financial Management of the East LUWU Regency Government"

## **II. Research Methods**

The approach used in this research is the level of explanation approach, namely research that is intended to explain the position of the variables studied and the relationship between one variable and another and test the formulated hypothesis. Thus, this study explains the magnitude of the influence of the variables of budget participation, accountability and financial control on good governance and regional financial management performance. The scope of the study and testing is in East Luwu Regency. This study uses a survey approach, namely to determine several variables that make up good governance and regional financial management performance in East Luwu Regency. In addition to the variables mentioned above, there are identified variables, namely budget participation, accountability and financial control. The purpose of the research design is to explain social phenomena by conducting research between variables from the variables studied. Operationally, this design is used to examine a characteristic or phenomenon of the population which is then used as a research subject. The relationship between the variables studied was based on previous studies and literature reviews. The unit of analysis used in this study is the individual. Individuals referred to here are budget use, echelon III and IV structural officials in each of the 33 Regional Apparatus Work Units (SKPD) within the scope of the East LUWU Regency Government. This study describes the scope of research in the form of a survey. The research environment includes library research and field research. The data used in this study is primary data in the form of respondents' perceptions of the variables used. The method of communication with respondents in this study used a questionnaire that was delivered directly by the researcher. The data collection technique used is a survey data collection technique. The survey used in this research is by using a questionnaire. The data collection methods in this study are:

1. Observation, which is an effort that can be used to carry out systematic observations and recordings of the object of research, which in this case involves data on participation in budgeting, accountability, financial supervision, good governance and regional financial management performance reports and others.
2. The interview method is intended to further deepen and strengthen the existence of research data through a questionnaire
3. Questionnaire is a data collection technique by asking a number of questions in writing given to respondents to obtain data regarding the problems faced in regional financial management in East Luwu Regency.
4. Documentation is an attempt to obtain some data through recording a number of documents and other evidence contained in the research location.

The population in this study is the number of State Civil Apparatus (ASN) who are directly and indirectly related to the regional financial management of East Luwu Regency. Furthermore, from the number of ASN, each SKPD is taken, namely, the Office, Agency, District and Technical institution with the number of SKPD within the scope of the East Luwu Regency government as many as 33 SKPD. To get a clearer picture of the population that can be sampled in this study, each SKPD is taken that is directly related to regional financial management because of their position, namely budget users, echelon II, III and IV. The number of ASN employees of East Luwu Regency is 3,562 people (including kindergarten, elementary and junior high school teachers). Of these, 378 are structural officials of echelon II, III and IV. The sample in this study is that each SKPD consists of 1 budget user, 4 echelon III people, and 8 echelon IV people so that the estimated number of samples in this study is 250 respondents from the total population of structural officials, which is 378 people.

## **III. Research Results**

Based on the estimation results of the model in the picture above, the model does not yet have a probability value above 0.05 and the chi-square model is not below the required chi-square (chi-square  $(0.02563,720) = 457,153$ ), this shows that the model does not yet have the same covariance matrix as the population covariance matrix, so the model is not feasible to be used to test the research hypothesis.

### **Significance Test**

According to Augusty Ferdinand, the significance test aims to test whether there is a significant effect of exogenous variables on endogenous variables. The hypotheses built in this test are as follows:

Ho: There is no significant effect of exogenous variables on endogenous variables

Ha: There is a significant effect of exogenous variables on endogenous variables

With a significant level of 0.05 then Ho will be rejected if the significant value  $(P) < 0.05$  and  $cr > 1.96$ , whereas if the value is significant  $(P) > 0.05$  and  $cr < 1.96$  then Ho is not rejected.

Table 35. SignificanceTestResults

DependentVariable		Variable	Estimate	S.E.	C.R.	P	Label
GoodGovernance	<---	Accountability	0,070	0,089	0,790	0,430	
GoodGovernance	<---	Supervision	0,162	0,065	2,476	0,013	
GoodGovernance	<---	Participation	0,130	0,060	2,187	0,029	
Performance	<---	Participation	0,150	0,071	2,111	0,035	
Performance	<---	Accountability	0,266	0,109	2,433	0,015	
Performance	<---	Supervision	0,187	0,079	2,382	0,017	
Performance	<---	GoodGovernance	0,201	0,084	2,388	0,017	

Source: AMOS ProcessedProducts, 2022

Based on the results of the SEM analysis in the table above, the following results were obtained:

1) The p-value of the influence of the budget participation variable on good governance (PA GOV) is significant (p-value = 0.02) with cr with a positive sign of 2.187. Because the p-value obtained is < 0.05 and cr is positive > 1.96, Ho is rejected and it is concluded that budget participation has a positive and significant effect on good governance. This shows that the better budget participation, the better good governance, and vice versa.

2) The p-value of the influence of the accountability variable on good governance (AK GOV) is significant (p-value = 0.430) with cr with a positive sign of 0.790. Because the p-value obtained is < 0.05 and cr is positive > 1.96, Ho is rejected and it is concluded that accountability has a positive and significant effect on good governance. This shows that the better the accountability, the better the good governance, and vice versa.

3) The p-value of the influence of the financial supervision variable on good governance (PK GOV) is significant (p-value = 0.03) with cr with a positive sign of 2.111. Because the p-value obtained is < 0.05 and cr is positive > 1.96, Ho is rejected and it is concluded that financial supervision has a positive and significant effect on good governance. This shows that the better financial supervision, the better good governance, and vice versa.

4) The p-value of the influence of the budget participation variable on Regional Financial Management Performance (PA KIN) is significant (p-value = 0.03) with cr with a positive sign of 2.176. Because the p-value obtained is < 0.05 and cr is positive > 1.96, then Ho is rejected and it is concluded that budget participation has a positive and significant effect on Regional Financial Management Performance. This shows that the better the budget participation, the better the Regional Financial Management Performance, and vice versa.

5) The p-value of the influence of the accountability variable on Regional Financial Management Performance (AK KIN) is significant (p-value = 0.01) with cr with a positive sign of 2.433. Because the p-value obtained is < 0.05 and cr is positive > 1.96, Ho is rejected and it is concluded that accountability has a positive and significant effect on Regional Financial Management Performance. This shows that the better the accountability, the better the Regional Financial Management Performance, and vice versa.

6) The p-value of the influence of the financial supervision variable on the Regional Financial Management Performance (PK KIN) is significant (p-value = 0.01) with cr with a positive sign of 2.383. Because the p-value obtained is < 0.05 and cr is positive > 1.96, Ho is rejected and it is concluded that financial supervision has a positive and significant effect on Regional Financial Management Performance. This shows that the better the financial supervision, the better the Regional Financial Management Performance, and vice versa.

7) The p-value of the influence of the good governance variable on the Regional Financial Management Performance (GOV KIN) is significant (p-value = 0.1) with cr with a positive sign of 7.388. Because the p-value obtained is < 0.05 and cr is positive > 1.96, Ho is rejected and it is concluded that good governance has a positive and significant effect on Regional Financial Management Performance. This shows that the better the good governance, the better the Regional Financial Management Performance, and vice versa.

### Hypothesis Testing

Based on the results of the above data processing with various statistical testing methods, show that:

1. Budget participation has a positive and significant effect on good governance so that the hypothesis is accepted, where  $p = 0.02 < 0.05$  and  $cr = 2.187 > 1.96$
2. Accountability has no positive and significant effect on good governance, thus the hypothesis is not accepted where  $p = 0.430 > 0.05$  and  $cr = 0.790 < 1.96$
3. Financial supervision has a positive and significant effect on good governance, this means that the hypothesis is accepted, where  $p = 0.013 < 0.05$  and  $cr = 2.111 > 1.96$

4. Budget participation has a positive and significant effect on Regional Financial Management Performance, this shows that the hypothesis that the researcher proposes is accepted, where  $p = 0.035 < 0.05$  and  $cr = 2.111 > 1.196$
5. Accountability has a positive and significant effect on Regional Financial Management Performance so the hypothesis is accepted where  $p = 0.017 < 0.05$  and  $cr = 2.433 > 1.196$
6. Financial supervision has a positive and significant effect on Regional Financial Management Performance, thus the hypothesis is accepted where  $p = 0.0187 < 0.05$  and  $cr = 2.382 > 1.196$
7. Good governance has a positive and significant effect on Regional Financial Management Performance. The hypothesis is accepted where  $p = 0.000 < 0.05$  and  $cr = 7.395 > 1.196$ .

#### **IV. Research Discussion**

The discussion of the results of this study was carried out based on the results of the calculation of the data that had been analyzed according to the influence of each independent variable on the dependent variable based on the formulation of the problem proposed to answer the research hypothesis. This discussion is carried out operationally according to the facts and facts found in the research area of the Regional Apparatus Work Unit (SKPD) within the scope of the East Luwu Regency Government, more details can be described as follows:

##### **1. Effect of Budget Participation on Good Governance in the East Luwu Regency Government**

This has shown that budget participation has a positive and significant effect on good governance. This finding is based on statistical calculations where the p-value obtained is  $< 0.05$  and the cr is positive  $> 1.96$ . This shows that the better budget participation, the better good governance in East Luwu Regency, and vice versa the less good budget participation, the less good governance in East Luwu Regency.

From the findings of this study, it shows that the indicator that best shows the highest average answer is the X1.1 indicator, so it can be interpreted that with the position held, employees should participate and be involved in budgeting so that when there is involvement, good governance will be created. and this is also evidenced by the majority of respondents' rate strongly agreeing. In addition, the X1.5 indicators is also rated highly by respondents, so it can be interpreted that if an employee can contribute to assist in the preparation of the budget when there is a maximum contribution, good governance will be created, and this is also evidenced by the majority of respondents. rate strongly agree. While the indicator that is rated the lowest is indicator X1.4 where respondents consider the influence they have in determining the budget as reflected in the final budget is still not optimal, so it needs to be improved to create good governance.

The results showed that the East Luwu Regency Government was involved and participated in the preparation of the budget for the financial management in each SKPD, namely the head of the Service / Agency as the budget user, the head of the field and the head of the planning sub-section, with his position involvement in budgeting in each SKPD. The average person strongly agrees to be involved in budgeting according to his position, so this means that the average structural official wants to be in his position, so he must participate in the budget preparation process, where so far there are several SKPD that do not involve all structural officials in planning. budget, only limited to the expenditure treasurer, the head of planning and budget users. Involvement in revising the budget in each SKPD in general they agree to be involved in revising the budget according to their level of authority, the willingness to give opinions to each SKPD on average agrees that they will provide opinions in the budget preparation process without being asked, the magnitude of the influence towards the final budget determination in each SKPD generally agree on proposals or improvements to be taken into consideration for management so that their role in budgeting becomes important and influential, willingness to contribute, all SKPD within the scope of the East Luwu Regency Government, generally agree to contribute to the budgeting process in accordance with their respective responsibilities. The results of this study are not in line with Husmaruddin (2020), that budget participation has a positive and insignificant effect on good governance because, among other things, the process of involving stakeholders in budget participation through musrembang and DPRD recess tends to be a formality, along with lack of understanding and human resources. adequate.

##### **2. The Effect of Accountability on Good Governance in the East Luwu Regency Government**

The results of this study have shown that Accountability has a positive and significant effect on good governance. This finding is based on statistical calculations where the p-value obtained is  $< 0.05$  and the cr is positive  $> 1.96$ . This shows that the better the accountability, the better the good governance, and vice versa, the less good the accountability, the worse the good governance.

From the findings of this study, it shows that the indicator that best shows the highest average answer is the indicator X2.9, so it can be interpreted that if the compliance audit carried out in every use of funds is always based on applicable regulations and laws, good governance will be created, and this is also evidenced by the majority of respondents' rate strongly agree. In addition, the X2.8 indicators is also highly rated by

respondents, so it can be interpreted that if the use of budget funds is based on applicable laws and regulations, good governance will be created, and this is also evidenced by the majority of respondents assessing strongly agree. Furthermore, the vision and mission of the organization in each SKPD agree that the proposed budget reflects the vision, mission, goals, objectives and results set in accordance with the X2.6 indicators. The budget processes and procedures in each SKPD generally agree that the allocation of budget funds follows the applicable processes and procedures in accordance with indicator X2.7. The public fund accountability policy of each SKPD strongly agrees that the implementation of the policy is accountable to the local government the DPRD and the wider community, this is reflected in the X2.1 indicator. The realization of accountability for public funds of each SKPD agrees that the budget designed and determined by the regional government together with the DPRD is in accordance with its realization for the public interest as reflected in indicator X2.2. The program implementation of each SKPD agrees that the implementation of the SKPD program is truly felt by the community. The indicators that are most rated low consist of three indicators, namely the X2.1 indicator; X2.2; and X2.5 where respondents consider that the implementation of policies that are accountable to the local government to the DPRD and the wider community is still less than optimal, as is the case with the budget designed and determined by the regional government together with the DPRD in accordance with its realization for the public interest and is also less than optimal in its implementation, as well as the implementation of programs- The benefits of the APBD program have not been fully felt by the community, so it needs to be further improved to create good governance in East Luwu Regency.

This is in line with EkoSuryo (2018). This study aims to determine and analyze the effect of Understanding Accountability, Transparency, Participation, and Value for Money of Government Accounting Standards on Good Governance. Based on the results of the analysis and discussion as well as the formulation of the problem in this study, the following results were obtained: (1) From simultaneous testing that together the Understanding of Accountability, Transparency, Participation, and Value for Money has a significant influence on the Good governance variable. (2). From the partial test, the Accountability Understanding variable has a significant effect on Good Governance, while the Transparency, Participation and Value for Money variables have no significant effect on Good Governance. The results of this study are in accordance with the research of Suherman (2016), JajangBadrusaman and IrnaChairunnisa (2016), and Giantini (2018). The results showed that the implementation of SAKIP had a major effect on good governance. This result is also supported by Andriani's research (2019). SAKIP encourages the realization of good governance and is useful in improving accountable and clean governance so that it can demonstrate public accountability.

### **3. The Effect of Financial Supervision on Good Governance in the East Luwu Regency Government**

The results of this study have shown that financial supervision has a positive and significant effect on good governance. This finding is based on statistical calculations where the p-value obtained is  $<0.05$  and the cr is positive  $> 1.96$ . This shows that the better financial supervision, the better good governance, and conversely the less good financial supervision, the less good governance.

From the findings of this study, it shows that the indicator that shows the highest average answer is the X3.5 indicators, so it can be interpreted that if financial supervision has the knowledge to understand the rules related to regional financial management, good governance will be created, and this is also evidenced by the majority of respondents' rate strongly agree. In addition, the X3.10 indicators is also rated high by respondents, so it can be interpreted that if financial supervision has professional competence in carrying out audit assignments related to regional financial management, good governance will be created, and this is also evidenced by the majority of respondents agreeing. Honesty Independence Each SKPD agrees that financial supervision always has honest independence in considering various facts found according to indicator X3.1. Having high integrity, each SKPD agrees that financial supervision has a high integrity attitude in considering every fact found according to indicator X3.2. Cannot be influenced by anyone, each SKPD agrees that financial supervision is impartial and cannot be influenced by anyone in considering the facts found in the audit according to indicator X3.4. Free to communicate each SKPD agrees that financial supervision has the freedom to communicate with all parties related to regional financial management according to indicator X3.9. While the indicator that is most rated low is the indicator X3.7 where respondents consider the financial examiner to have strict freedom of objectivity without achievement in each assignment, so it needs to be further improved to create good governance in East Luwu Regency.

This is further strengthened by Freeman (2003), Sri Trisnarningsih (2007), AskamTuaskam (2010), Awio (2001), and Dunn (1999) who found that internal control is inseparable from three core factors that must be maintained by auditors, namely independence, skill and objectivity. An auditor who conducts audits in the public sector must have the ability to understand and implement these regulations in regional financial management. Likewise, the implementation of these regulations greatly affects the improvement of the quality and performance of financial management so in this study, this aspect is added as an indicator of the internal and external control variables as in the research of Jones and Pendlebury (2000) and Hendriksen et.al. (2005).

The results of this study are also in line with Husmaruddin (2020) this shows that financial supervision in the form of external/internal supervision always has honest independence in considering various facts found.

#### **4. The Effect of Budget Participation on Regional Financial Management Performance**

The results of this study have shown that budget participation has a positive and significant effect on regional financial management performance. This finding is based on statistical calculations where the p-value obtained is  $<0.05$  and the  $t$  is positive  $> 1.96$ . This shows that the better the budgetary participation, the better the performance of regional financial management, and vice versa, the poorer the budgetary participation, the less good the performance of regional financial management. This relationship also illustrates that the involvement of echelon II, III and IV officials within the scope of the East Luwu Regency Government in individual budgeting will have a positive and significant impact on improving the financial management performance of the East Luwu Regency Government.

From the findings of this study, it shows that the indicator that shows the highest average answer is the X1.1 indicator, so it can be interpreted that with the position held, employees should participate and be involved in budgeting, so that when there is involvement, the performance of regional financial management in East Luwu Regency will get better, and this is also evidenced by the majority of respondents' rate strongly agree. In addition, the X1.5 indicators is also rated highly by respondents, so it can be interpreted that if an employee can contribute to assist in the preparation of the budget, when there is a maximum contribution, the performance of regional financial management in East Luwu Regency will be better, and This is also evidenced by the majority of respondents' rate strongly agree. While the indicator that is most rated low is indicator X1.4 where respondents consider the influence they have in determining the budget as reflected in the final budget is still not optimal, so it needs to be improved to create regional financial management performance in East Luwu Regency. The application of participation also allows budget users and power users in the East Luwu Regency Government to be encouraged to help their superiors by providing information they have so that the budget prepared will be more accurate because staff have information related to organizational conditions and report it to their superiors as a form of direct participation in budgeting.

The results of this study support previous research conducted by several researchers related to this study such as; Kunwaviya (2010) and Ahmad and Fatimah (2008) found a direct and positive effect of budget participation on managerial performance, meaning that the higher the level of manager participation in budgeting, the better the performance. Then Nur Irdianto (1993) found that participatory budgeting in Indonesia has a positive effect on performance and satisfaction. Brownell (1982) and Mannes (1986), French et al (1989), and Frucot and Shearon (1991) show that budgetary participation has a positive effect on work performance. Furthermore, this research is in line with the findings of ErnriTjan (2018) that budget participation has a significant effect on regional financial management performance, indicating that the more effective the participation or synergy between the government and stakeholders in planning and budgeting activities, it will improve the performance of regional financial management, and Husmaruddin (2020). The results of the study found that the involvement of structural officials of each SKPD in the preparation of the budget individually will have a positive and significant impact on improving the performance of regional financial management.

#### **5. The Effect of Accountability on the Performance of Regional Financial Management**

The results of this study have shown that accountability has a positive and significant effect on the performance of regional financial management. This finding is based on statistical calculations where the p-value obtained is  $<0.05$  and the  $t$  is positive  $> 1.96$ . This shows that the better the budgetary participation, the better the performance of regional financial management, and vice versa, the poorer the budgetary participation, the less good the performance of regional financial management.

From the findings of this study, it shows that the indicator that best shows the highest average answer is the indicator X2.9, so it can be interpreted that if the compliance audit carried out in every use of funds is always based on applicable regulations and laws, then the performance of regional financial management in East Luwu Regency will get better, and this is also evidenced by the majority of respondents' rate strongly agree. In addition, the X2.8 indicators is also rated high by respondents, so it can be interpreted that if the use of budget funds is based on applicable laws and regulations, then the performance of regional financial management in East Luwu Regency will be better, and this is also evidenced by the majority respondents rate strongly agree. While the indicators that are rated the lowest consist of three indicators, namely the X2.1 indicator; X2.2; and X2.5 where respondents consider that the implementation of policies that are accountable to the regional government to the DPRD and the wider community is still less than optimal, as is the case with the budget that is designed and determined by the regional government together with the DPRD in accordance with its realization for the public interest and is also less than optimal in its implementation, as well as the implementation of programs- The benefits of the APBD program have not been fully felt by the community, so



it needs to be further improved so that the performance of regional financial management in East Luwu Regency is getting better.

The results of the study show that the achievement of performance targets in each SKPD agrees that the performance of regional financial management is reflected in the achievement of performance targets for each activity produced. Each SKPD within the scope of the East Luwu Regency Government in preparing its annual budget is always based on performance targets for each program/activity. And to measure the success of achieving performance targets, all SKPDs are required to make an annual report in the form of a government agency performance report (LAKIP) and the report is evaluated by the Planning and Development Agency of East Luwu Regency to be adjusted to the targets set in the budget implementation document (DPA). ). Furthermore, the results of the LAKIP are also checked by the Inspectorate as the agency responsible for the implementation of financial management activities, to ensure that the goals and targets that have been set have been achieved efficiently and effectively.

This research is in line with research conducted by Laurence, et al (2019), Bharata (2019) and Saputra, et al (2018) which states that accountability has a significant effect on the performance of government agencies. This research is also in line with the theory expressed by the State Administration Institute (1999) that accountability is the obligation to provide accountability and explain the performance and actions of a person/legal entity/collective leader of an organization to those who have rights. Accountability is the mandate of laws and regulations that must be implemented, and there is an assessment of the accountability carried out by the public and supervisory institutions that have legal consequences, the government implementing apparatus will try to apply the concept of accountability as best as possible. Implementation of accountability is believed to be able to improve the performance of government organizations (Audyta, Husaini and Lismawati, 2017). In other words, the higher the accountability of the government apparatus, the better the performance of government agencies will be.

## **6. The Effect of Financial Supervision on Regional Financial Management Performance**

The results of this study have shown that financial supervision has a positive and significant effect on the performance of regional financial management. This finding is based on statistical calculations where the p-value obtained is  $<0.05$  and the cr is positive  $> 1.96$ . This shows that the better the financial supervision, the better the performance of regional financial management, and vice versa, the poorer the financial supervision, the poorer the performance of regional financial management.

From the findings of this study, it shows that the indicator that shows the highest average answer is the X3.5 indicators, so it can be interpreted that if financial supervision knows to understand the rules related to regional financial management, then the performance of regional financial management in East Luwu Regency will get better, and this is also evidenced by the majority of respondents' rate strongly agree. In addition, the X3.10 indicators is also rated high by respondents, so it can be interpreted that if financial supervision has professional competence in carrying out audit assignments related to regional financial management, then the performance of regional financial management in East Luwu Regency will be better, and this also evidenced by the majority of respondents' rate agree. While the indicator that is most rated low is indicator X3.7 where respondents consider the financial examiner to have strict freedom of objectivity without achievement in each assignment, so it needs to be further improved so that the performance of regional financial management in East Luwu Regency will be better.

The regional government of East Luwu Regency has provided space, especially SKPD, during the preparation of the Regional Revenue and Expenditure Budget (APBD), which is the responsibility of each SKPD as executor in accordance with their duties and responsibilities to make plans in accordance with the vision and mission of the SKPD by not forgetting the vision and mission targets. the mission of the East Luwu Regency Government in general is to be further submitted to the DPRD in the context of a joint discussion between the executive and the legislature, from the results of the joint discussion it will produce a legal product in the form of a Regional Budget. Furthermore, the regional government of East Luwu Regency has established a harmonious and serious relationship by fostering mutual understanding and trust with the DPRD in dealing with current and potential obstacles that the regional government will face in the future. This is evidenced by the determination of the APBD every year is always on time. The results of this study are not in line with ErniTjan (2018) and Husmaruddin (2018), financial supervision has a positive and insignificant effect on the performance of local government financial management.

## **7. The Effect of Good Governance on the Performance of Regional Financial Management**

The results of this study have shown that good governance has no positive or significant effect on the performance of regional financial management. This finding is based on statistical calculations where the p-value obtained is  $> 0.05$  and the cr is positive  $> 1.96$ . This shows that the poorer the good governance is, the worse the performance of regional financial management is, and vice versa, the better good governance, the

better the performance of regional financial management. The results of this study illustrate that good governance cannot contribute to the financial management performance of the East Luwu Regency Government. In the context of this research, it has been explained that good governance is measured using the:

a) The principle of justice that good local government administration must be oriented to the principles of justice by maintaining a commitment to service. This means that the rule of law must be fair and implemented indiscriminately to affect the performance of regional financial management, the more equitable the legal framework will improve the performance of governance and financial performance. The results showed that most of the respondents realized that the existence of the principles of justice would shape governance in relation to improving financial management performance in East Luwu Regency.

b) Transparency that good local government administration must be oriented to the principles of transparency by providing information that can be accessed by the public. This means that more transparent local governments in providing information related to the public interest will be able to improve the performance of regional financial management. The results of this study indicate that in general, respondents strongly agree that the transparency of information related to the interests of the community will form good governance in relation to the performance of local government financial management. The East Luwu Regency Government in governance as a manifestation of transparency has provided a website to the public that can be accessed via <https://luwu Timur Kota.go.id> to provide information related to development activities and policies of the East Luwu Regency government.

c) Accountability is generally stated that in the practice of implementing accountability for regional financial management, regional heads regulate and implement internal control systems within regional governments, as regulated in Article 313 of the Regulation of the Minister of Home Affairs Number 13 of 2006 concerning Guidelines for Regional Financial Management. The results show that the respondents strongly agree that higher internal control over regional financial management through good governance will have a direct impact on the performance of regional financial management. The East Luwu Regency Government in implementing the internal control system has implemented accountability practices, where every year all capital expenditure activities of each SKPD and activities involving third parties are all inspected by the East Luwu Regency Inspectorate, as an internal institution responsible for internal control in the scope of the Regional Government, and the results are submitted directly to the Mayor of East Luwu Regency in the form of an inspection report (LHP).

d) Responsibility is a concept related to professional standards and technical competencies possessed by administrators (public bureaucracy) in carrying out their duties. State administration is considered responsible if the perpetrators have a high standard of professionalism or technical competence. While the concept of responsiveness (responsiveness) is the responsibility of the side that receives the service (the community). How far do they see that the state administration (public bureaucracy) is more responsive to their problems, needs, complaints and aspirations? The results showed that in general, respondents strongly agreed that if the local government responded quickly to the main needs of the community, it was realized that it would have an impact on the performance of regional financial management. The East Luwu Regency Government is implementing responsibility for government administration through responsive and fast public services, the Col Center 112 program has been implemented which is a service to people who need services for sick people to be picked up and immediately taken to the Andi Makkasau District General Hospital. East Luwu, this program has led the East Luwu Regency Government to get an award from the central government as one of the local governments that has innovation in basic community services.

e) Fiscus Autonomy, that good local government administration is oriented to the principles of fiscus autonomy, which is the creation of efficiency and effectiveness in the management of PAD which can improve the performance of regional financial management. The higher the efficiency and effectiveness of PAD, the better the performance of local government financial management will be. The results of this study indicate that most of the respondents agree and realize that efficiency and effectiveness will form good governance in relation to the performance of regional financial management. The East Luwu Regency Government to increase PAD revenue, a strategy implemented to approach taxpayers through socializing the importance of public participation in the form of awareness to pay taxes and regional retribution, and the result is that PAD revenue increases every year.

## **V. Research Findings**

As stated in the previous section, this research is theoretically expected to find a causal relationship between the variables of budget participation, accountability, financial control on good governance and the performance of regional financial management in East Luwu Regency as follows:

1. Budget participation has a positive and significant effect on good governance in East Luwu Regency. This finding indicates that the higher a person's position in budget participation will affect good governance.

2. Accountability has a positive and significant effect on good governance in East Luwu Regency. This finding indicates that the more frequent compliance audits on the use of funds are carried out based on the provisions of laws and regulations, the better good governance will be.

3. Financial Supervision has a positive and significant effect on good governance. This finding indicates that the wider the knowledge of financial supervisors in the field of regional financial management, the greater the influence on good governance.

4. Good governance has a positive and significant effect on the performance of regional financial management. The results of this study indicate that the better the implementation of good governance, the better the performance of regional financial management.

## **VI. Conclusion**

1. There is a positive and significant influence on budget participation with good governance, meaning that the higher the level of participation of structural officials in the budgeting process, the better the implementation of good governance in the East Luwu Regency Government.

2. Financial Accountability has a positive and significant influence on good governance. This finding shows that the more frequent compliance audits on financial management are carried out, the better the implementation of good governance within the East Luwu Regency Government will be.

3. Financial supervision has a positive and significant influence on good governance in the Government of East Luwu Regency. This finding shows that the wider the knowledge of the examiners in this case the Inspectorate in the field of financial management, the better good governance will be.

4. There is a positive and significant influence on budget participation with regional financial management performance, meaning that the high level of participation of structural officials in the budgeting process can improve financial management performance in the East Luwu Regency Government.

5. Financial Accountability has a positive and significant influence on the performance of regional financial management. These findings indicate that better the implementation of accountability can improve the performance of regional financial management in the East Luwu Regency Government

6. Financial Supervision has a positive and significant influence on the performance of regional financial management in the Government of East Luwu Regency. This finding indicates that better quality of financial supervision will improve the performance of regional financial management in the East Luwu Regency Government.

7. Good governance has a positive and significant effect on the performance of regional financial management in the East Luwu Regency Government. This finding shows that better implementation of good governance will be able to improve the performance of regional financial management in East Luwu Regency.

## **VII. Suggestion**

1. To researchers, especially those who are interested in researching budget participation, accountability and financial supervision of good governance and regional financial management performance, it is recommended to continue in other areas within the South Sulawesi Provincial Government, where the locus of this research is only limited to the scope of the East Luwu Regency Government, so that research results can be compared with different respondents.

2. It is hoped that the East Luwu Regency Government in the process of preparing the budget for each SKPD to involve all staff, structural and functional officials by holding annual work meetings, which will be carried out in the appropriate fiscal year, to discuss programs and activities for the next fiscal year that will reflect the achieving the vision and mission of the SKPD to support the achievement of the vision and mission of the East Luwu Regency Government.

3. To the Inspectorate of East Luwu Regency to be more proactive in conducting compliance audits on the implementation of each program and activity in the SKPD to encourage the implementation of better good governance in improving financial management performance, so that it will have a positive impact on the opinion of BPK RI on the results of the audit of the Government's financial statements. East Luwu Regency every year.

4. To the Regional Development Planning Agency, the Regional Finance Agency and the East Luwu Regency Inspectorate, to synergize in building the quality of human resources, especially increasing knowledge of financial supervision in the field of financial management, so that each individual can contribute to good governance and improve regional financial management performance.

5. It is hoped that the East Luwu Regency Government will encourage increased involvement of all parties in budgeting participation, to improve the performance of regional financial management.

6. It is hoped that the East Luwu Regency Government will carry out accountability in each SKPD to continue monitoring through inspections by the Government's Internal Supervisory Apparatus, in this case, the

East Luwu Regency Inspectorate so that the performance of regional financial management will be better and improve.

7. It is hoped that the East Luwu Regency Government will encourage the improvement of human resources within the scope of the SKPD which has the main task in the field of financial supervision so that the performance of regional financial management will be better and improve.

8. It is hoped that the East Luwu Regency Government will continue to maintain and maintain the implementation of good governance to improve the performance of regional financial management.

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