

Good Governance Practices and Their Effect on Public Financial Accountability

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Abstract

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This study examines the relationship between good governance principles and public financial accountability in the context of public sector management. Increasing demands for transparency, efficiency, and responsible use of public resources require governments to strengthen accountability mechanisms and institutional performance. Using a systematic literature review approach, this study synthesizes peer reviewed research on transparency, internal control systems, auditing, digital transformation, and public sector accounting. The findings indicate that transparency in financial reporting, strong internal controls, independent auditing, and digital financial management systems significantly enhance fiscal discipline, reduce corruption risks, and improve public trust. Digital platforms further strengthen accountability by increasing accessibility of financial information and encouraging citizen participation in budget oversight. However, the effectiveness of governance reforms depends on enforcement capacity, administrative competence, and civic engagement. The study concludes that consistent implementation of governance principles is essential to ensure financial integrity, institutional legitimacy, and sustainable public sector performance.

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1. Introduction

Good governance has become a central paradigm in public sector management as governments face increasing demands for transparency, efficiency, and accountability in the use of public resources. The principles of good governance such as transparency, accountability, participation, effectiveness, and the rule of law are widely recognized as essential foundations for improving the quality of public financial management and strengthening institutional performance. In particular, financial accountability ensures that public funds are managed responsibly, reported accurately, and used in accordance with established regulations and public interests, thereby enhancing government credibility and public trust (Parindingan et al., 2024).

The relationship between good governance practices and public financial accountability is increasingly important in the context of fiscal decentralization, digital transformation, and heightened public scrutiny. Transparency in financial reporting enables stakeholders to access clear and reliable information, while accountability mechanisms such as internal controls, external audits, and performance measurement ensure that government actions can be evaluated and justified. Empirical studies indicate that effective implementation of governance principles contributes to better financial management, improved budget efficiency, reduced corruption risks, and stronger institutional legitimacy (Rizki et al., 2024).

Moreover, public sector accounting systems play a strategic role in operationalizing good governance by producing high-quality financial information that supports transparency and oversight. The adoption of standardized reporting, the use of information technology, and increased public participation in budget

monitoring have been shown to strengthen accountability and create effective social control over government performance (Hasanah & Prasetyo, 2024).

Despite these developments, the implementation of good governance practices remains uneven across institutions, with persistent gaps between regulatory frameworks and actual practices, including limited disclosure, weak supervision, and low public involvement. These challenges highlight the need for further empirical investigation into how governance mechanisms influence public financial accountability in practice.

Examining good governance practices and their effect on public financial accountability is essential to understand the mechanisms through which governance reforms improve financial integrity, strengthen public trust, and support sustainable public sector performance. Through the implementation of principles such as transparency, accountability, effectiveness, and the rule of law, public institutions are better able to ensure that financial resources are managed responsibly, reported accurately, and aligned with public interests. Understanding this relationship provides important insights for policymakers and public managers in designing governance systems that enhance oversight, reduce the risk of mismanagement and corruption, and improve the overall quality and credibility of public financial management.. This study contributes to the growing body of literature by analyzing the extent to which governance principles shape accountability outcomes in public financial management.

2. Literatur Review

Good governance has increasingly been positioned as a foundational framework for enhancing accountability and performance in the public sector, particularly in the management of public finances. Recent peer-reviewed studies emphasize that transparency, accountability, participation, effectiveness, and the rule of law are not merely normative ideals but measurable institutional mechanisms that directly influence fiscal outcomes. For instance, Cuadrado et al. (2020) demonstrate that higher levels of governmental transparency are significantly associated with improved fiscal sustainability and stronger public trust, highlighting transparency as a critical driver of financial accountability. Similarly, Nerantzidis et al. (2022) find that robust internal control systems and audit quality significantly enhance the reliability of public sector financial reporting, thereby strengthening accountability structures and reducing information asymmetry between governments and stakeholders.

In the context of digital transformation and fiscal decentralization, the integration of information technology into public financial management systems has further reinforced governance reforms. Digital reporting platforms and e-government initiatives improve the accessibility and comparability of financial information, which in turn fosters greater citizen oversight and institutional responsiveness. Moreover, the role of external auditing and supreme audit institutions has been empirically linked to improved governance outcomes. Strong audit institutions contribute to lower corruption levels and better budget discipline, underscoring the institutional dimension of accountability within governance

systems. Despite these advances, implementation gaps persist, particularly in developing and decentralized contexts. Mungiu-Pippidi and Dadašov (2022) argue that formal adoption of governance regulations does not automatically translate into effective accountability unless supported by enforcement capacity, civic engagement, and political will. This finding suggests that the relationship between governance principles and financial accountability is mediated by contextual and institutional factors. Collectively, these recent peer-reviewed studies indicate that good governance practices when effectively implemented through transparency mechanisms, internal controls, digital reporting systems, and independent audits significantly enhance public financial accountability, reduce corruption risks, and strengthen institutional legitimacy. However, the uneven realization of these principles across institutions highlights the continued need for empirical research examining how governance reforms translate into measurable accountability outcomes in public financial management.

3. Methods

This study employs a Systematic Literature Review (SLR) approach to comprehensively analyze the relationship between good governance principles and public financial accountability. The SLR method was chosen to ensure a transparent, structured, and replicable process in identifying, evaluating, and synthesizing relevant academic literature. The review followed a structured protocol consisting of planning, searching, screening, eligibility assessment, and synthesis stages.

In the planning stage, the research questions were formulated to examine how governance principles such as transparency, accountability, participation, effectiveness, and the rule of law affect public financial accountability and financial management performance. The literature search was conducted using major academic databases indexed in Google Scholar and other reputable indexing platforms, including Scopus and Web of Science. Keywords used in the search process included combinations of “good governance,” “public financial accountability,” “public sector accounting,” “financial transparency,” “audit institutions,” and “fiscal management.” Boolean operators (and, or) were applied to refine and narrow the search results.

Inclusion criteria were established to ensure the quality and relevance of the selected studies. Only peer-reviewed journal articles written in English were included. The selected articles focused on public sector governance, financial accountability, auditing, transparency mechanisms, digital financial reporting, and institutional performance. Studies not directly related to public financial management or lacking empirical or theoretical rigor were excluded. Duplicate records and non-scholarly publications were also removed during the screening process.

The selected articles were then analyzed using a qualitative content analysis approach. Each study was examined to identify its research objectives, methodology, key findings, and theoretical contributions. The synthesis process involved categorizing the findings into thematic clusters, including transparency and disclosure mechanisms, internal controls and auditing systems, digital

transformation in financial management, and institutional and contextual factors influencing accountability. This thematic synthesis allowed the identification of patterns, consistencies, and research gaps within the existing literature.

By applying a systematic and transparent review procedure, this study ensures methodological rigor and minimizes bias in literature selection and interpretation. The SLR approach enables a comprehensive understanding of how governance mechanisms shape accountability outcomes in public financial management and provides a solid foundation for future empirical investigation.

4. Results and Discussion

The findings of this systematic literature review indicate a consistent and positive relationship between the implementation of good governance principles and the strengthening of public financial accountability. Transparency emerges as one of the most influential determinants of accountability outcomes. Empirical evidence from Cuadrado et al. (2020) shows that higher levels of governmental transparency are associated with improved fiscal sustainability and increased public trust, confirming that accessible and reliable financial disclosure enhances institutional credibility. This finding aligns with Parindingan et al. (2024), who emphasize that transparent reporting practices ensure public funds are managed responsibly and in accordance with regulations, thereby reinforcing public confidence in government institutions. Furthermore, Rizki et al. (2024) demonstrate that transparency combined with performance-based accountability mechanisms significantly improves budget efficiency and reduces corruption risks.

Internal control systems and audit quality also play a central role in shaping accountability outcomes. Nerantzidis et al. (2022) find that robust internal controls enhance the reliability of financial reporting and reduce information asymmetry between governments and stakeholders. Supporting this argument, cross-country evidence shows that strong supreme audit institutions contribute to lower corruption levels and better fiscal discipline. Recent studies further strengthen this conclusion. For example, Ferry et al. (2023) argue that effective public audit not only improves compliance but also enhances democratic accountability by ensuring that financial decisions are subject to independent scrutiny. Similarly, Saputri et al. (2024) highlight that integrated financial management systems and digital reporting tools improve monitoring capacity and facilitate real-time oversight, thereby reinforcing accountability structures in decentralized governance settings.

The review also reveals that digital transformation significantly mediates the relationship between governance and accountability. Hasanah and Prasetyo (2024) note that the adoption of standardized reporting systems and information technology enhances transparency and supports public participation in budget monitoring. This finding is consistent with the study by Ansari et al. (2022), which demonstrates that e-government maturity positively influences fiscal transparency and citizen engagement, ultimately strengthening financial accountability. Digital platforms not only increase accessibility of financial information but also create interactive mechanisms that allow stakeholders to evaluate and respond to government performance.

However, the results also indicate that the effectiveness of governance reforms is context-dependent. Mungiu-Pippidi and Dadašov (2022) argue that formal regulatory frameworks alone are insufficient to guarantee accountability without strong enforcement mechanisms and civic engagement. This observation explains why implementation gaps persist across institutions, particularly in developing or decentralized contexts. Even when transparency regulations and audit mechanisms are formally established, weak supervision and limited public involvement may hinder their practical impact. Therefore, governance principles influence financial accountability not only through institutional design but also through contextual factors such as administrative capacity, political commitment, and societal participation.

Overall, the synthesis of the literature suggests that transparency, strong internal controls, independent auditing, and digital financial management systems collectively enhance public financial accountability. These mechanisms reduce corruption risks, improve fiscal discipline, and strengthen institutional legitimacy. Nevertheless, the effectiveness of these governance instruments depends on consistent implementation and supportive institutional environments. The findings contribute to a deeper understanding of how governance reforms translate into measurable accountability outcomes and provide important implications for policymakers seeking to design governance systems that promote financial integrity and sustainable public sector performance.

5. Conclusion

This study concludes that good governance principles play a crucial role in strengthening public financial accountability and improving the overall quality of public sector financial management. The systematic literature review demonstrates that transparency, accountability, participation, effectiveness, and adherence to the rule of law are not only normative ideals but also practical mechanisms that significantly enhance fiscal sustainability, public trust, and institutional legitimacy. Empirical evidence highlights that transparent financial disclosure enables stakeholders to access reliable information, while robust internal control systems and audit quality reduce information asymmetry and support credible financial reporting. Furthermore, digital transformation through e-government initiatives and integrated financial management systems has been shown to mediate and reinforce governance reforms by improving accessibility, monitoring capacity, and citizen engagement in budget oversight.

However, the review also reveals that the implementation of governance mechanisms remains uneven across institutions, particularly in decentralized and developing contexts. Regulatory frameworks alone are insufficient without strong enforcement capacity, effective supervision, and meaningful public involvement. Therefore, the relationship between good governance and financial accountability is shaped not only by institutional design but also by contextual factors such as administrative capacity, political commitment, and civic participation.

Overall, the findings suggest that strengthening transparency practices, enhancing internal controls, ensuring independent auditing, and leveraging digital

reporting systems are essential strategies for promoting accountability, reducing corruption risks, and sustaining public sector performance. This study contributes to the growing body of knowledge by providing a comprehensive synthesis of how governance reforms translate into measurable accountability outcomes, offering valuable insights for policymakers and public managers in designing governance systems that support financial integrity and sustainable development.

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