



Public Financial Management Capability and Financial Performance in Municipal and Regency Public-Sector Organizations: Evidence from Bekasi, Indonesia

Pratiwi Nila Sari^{1*}, Rona Tumiur Mauli Carolin Simorangkir²

¹Bhayangkara Jakarta Raya University, Indonesia

²Mercu Buana University, Indonesia

Corresponding Author: Pratiwi Nila Sari pratiwi@ubharajaya.ac.id

ARTICLE INFO

Keywords: Public Financial Management, Budget Planning, Financial Reporting, Local Government of Bekasi, SmartPLS

Received : 27, July

Revised : 23, August

Accepted: 25, September

©2026 Sari, Simorangkir: This is an open-access article distributed under the terms of the [Creative Commons Attribution 4.0 International](https://creativecommons.org/licenses/by-sa/4.0/).



ABSTRACT

This study examines how public financial management capabilities influence financial performance among public-sector organizations in Bekasi area, Indonesia. Using a cross-sectional quantitative survey dataset of 120 respondents from twelve municipal and regency agencies. The data were processed using a SmartPLS-style composite-based modelling procedure with 5,000 bootstrap subsamples. The descriptive results show that the overall public financial management index is good ($M = 3.643$), although transparency records the lowest construct mean ($M = 3.402$). The structural model explains 28.5% of the variance in financial performance ($R^2 = 0.285$; $Q^2_{\text{predict}} = 0.215$). Budget planning ($\beta = 0.268$, $p = 0.005$) and financial reporting ($\beta = 0.232$, $p = 0.023$) significantly improve financial performance, while transparency shows an indicative effect at the 10% level ($\beta = 0.180$, $p = 0.063$). Budget implementation, accountability, and internal control do not show significant direct effects in the model. The findings highlight the strategic importance of evidence-based budget planning and timely, accurate reporting as mechanisms for strengthening public-sector financial performance in local government settings.

INTRODUCTION

Public financial management (PFM) has become a strategic issue for local governments because the quality of planning, budget execution, accountability, control, and reporting determines whether public resources are converted into measurable service outcomes. International frameworks increasingly emphasize that budget information should be comprehensive, timely, reliable, accessible, and subject to appropriate oversight (OECD, 2023); (Secretariat, 2024). In Indonesia, the national debate on budget openness and public participation also shows that transparency and oversight remain central to public-sector accountability (Partnership et al., 2024).

Bekasi City and Bekasi Regency are administratively distinct but economically interconnected local-government areas within the Greater Jakarta metropolitan system. Their public-sector organizations face similar pressures: rising service demand, administrative complexity, and the need to demonstrate accountable use of public funds. Therefore, examining financial management capability across several public agencies in both jurisdictions provides a useful empirical window into local-government financial performance.

This article addresses three research questions: (1) what is the descriptive profile of public financial management practices across selected Bekasi public-sector organizations? (2) Which dimensions of public financial management are associated with financial performance? and (3) What managerial implications can be drawn from the PLS-SEM results? The study contributes to public-sector financial management literature by combining a multi-agency local-government setting with composite-based PLS-SEM analysis, following contemporary guidance on prediction-oriented structural models (Hair, et al., 2014); (Ringle, et al., 2024).

LITERATURE REVIEW

Public Financial Management and Financial Performance

PFM refers to the set of institutional and managerial processes through which public funds are planned, allocated, spent, controlled, reported, and evaluated. In local government, financial performance is often interpreted as the ability to convert fiscal resources into program outputs, efficient budget absorption, and value for public services. Prior studies of local-government finance show that budget quality, financial ratios, reporting quality, and accountability mechanisms are relevant to explaining performance outcomes (Partnership et al., 2024); (Ríos & Guillamón, 2024)

Budget Planning

Budget planning is expected to improve financial performance because it links program needs, priorities, data, and fiscal choices before funds are implemented. Good planning reduces allocation mismatch and increases the possibility that budget realization supports strategic objectives. Therefore, H1 is proposed: Budget planning has a positive effect on financial performance.

Budget implementation

Budget implementation transforms approved allocations into actual public programs. Timely execution, procedural compliance, and efficient spending are expected to increase realization quality. Studies on Indonesian regional work units emphasize that implementation quality can influence budget absorption and performance, although empirical effects vary by institutional context (Putri, et al., 2024). Therefore, H2 is proposed: Budget implementation has a positive effect on financial performance.

Transparency

Transparency strengthens accountability by making budget information accessible and traceable. Open budget information may reduce information asymmetry, improve monitoring, and increase public trust. Recent municipal research also links local-government transparency with broader public outcomes (Ríos & Guillamón, 2024). Therefore, H3 is proposed: Transparency has a positive effect on financial performance.

Accountability

Accountability ensures that budget users can justify expenditure, document transactions, comply with rules, and evaluate resource use. Public-sector accountability is central to governance because it connects authority, responsibility, reporting, and consequences. Therefore, H4 is proposed: Accountability has a positive effect on financial performance.

Internal Control

Internal control supports reliable transactions, risk monitoring, segregation of duties, and follow-up of oversight findings. Recent literature positions internal control as a mechanism to strengthen financial accountability and reduce misuse of public funds (Putri, 2025),(Setiawan & Wardi, 2024). Therefore, H5 is proposed: Internal control has a positive effect on financial performance.

Financial Reporting

Financial reporting provides timely, complete, accurate, and standards-compliant information for decision-making and accountability. High-quality reporting improves the informational basis for evaluating budget performance and public-service value (Parindingan, et al., 2024),(Adzariat & Mayasari, 2024). Therefore, H6 is proposed: Financial reporting has a positive effect on financial performance.

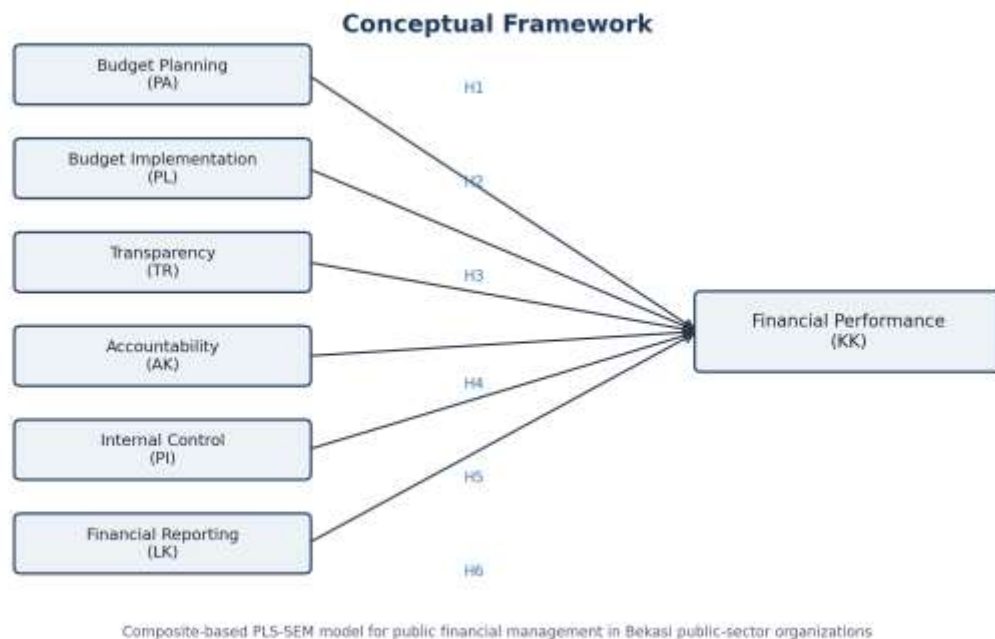


Figure 1. Conceptual Framework
Source: Data processed by Author (2026)

Figure 1 presents a six-path conceptual framework in which budget planning, budget implementation, transparency, accountability, internal control, and financial reporting are modeled as public financial management capabilities that predict financial performance.

METHODOLOGY

This study uses a quantitative explanatory design with a cross-sectional survey dataset. The unit of analysis is the individual respondent working in selected public-sector organizations in Bekasi City and Bekasi Regency. The attached spreadsheet contains 120 observations distributed equally across twelve public agencies, including BPKAD, Bappeda, Health Office, Education Office, Transportation Office, Public Works/Spatial Planning Office, Environmental Office, and Social Office.

All constructs were measured using Likert-type indicators on a scale from 1 to 5. Budget planning, budget implementation, transparency, accountability, internal control, financial reporting, and financial performance were each represented by four indicators. The structural model was processed using a SmartPLS-style composite-based PLS-SEM workflow. Because the independent constructs represent managerial capability composites rather than strictly interchangeable reflective indicators, the outer model is interpreted using composite relevance and collinearity diagnostics. For transparency, auxiliary reliability indices are also reported, but the primary criteria are VIF below conventional thresholds and theoretical relevance of each indicator (Hair, et al., 2014); (Ringle, et al., 2024).

The structural model was evaluated through collinearity diagnostics, coefficient of determination (R^2), predictive relevance ($Q^2_{predict}$), effect size (f^2), and bootstrapped path coefficients using 5,000 resamples. A 5% significance level was used for hypothesis decisions, while p-values below 0.10 were interpreted as indicative effects for exploratory discussion.

RESEARCH RESULT

Table 1. Respondent profile

Dimension	Category	Frequency	Percentage
Area	Bekasi City	60	50.0%
Area	Bekasi Regency	60	50.0%
Position	Finance Staff	37	30.8%
Position	Treasurer	24	20.0%
Position	Budget Analyst	21	17.5%
Position	Kasubbag Keuangan	18	15.0%
Position	PPK	11	9.2%
Position	Auditor/Internal Control	9	7.5%
Education	S1	89	74.2%
Education	S2	19	15.8%
Education	D3	12	10.0%
Years of service	2–5 years	41	34.2%
Years of service	6–10 years	38	31.7%
Years of service	<2 years	22	18.3%
Years of service	>10 years	19	15.8%
Gender	Women	69	57.5%
Gender	Men	51	42.5%

Source : Data processed by Author (2026)

Table 1 shows that the dataset is balanced by jurisdiction, with 60 respondents from Bekasi City and 60 from Bekasi Regency. Most respondents hold undergraduate degrees, and the sample includes finance staff, treasurers, budget analysts, financial sub-division heads, commitment-making officials, and internal control/audit personnel. This profile supports the relevance of the respondents for evaluating public financial management practices.

Table 2. Descriptive statistics of research constructs

Code	Construct	N	Mean	Std. Dev.	Min.	Max.	Interpretation
PA	Budget Planning	120	3.758	0.425	2.750	4.750	Good
PL	Budget Implementation	120	3.610	0.401	2.500	4.750	Good
TR	Transparency	120	3.402	0.381	2.500	4.500	Moderate
AK	Accountability	120	3.800	0.351	3.000	4.750	Good
PI	Internal Control	120	3.571	0.386	2.750	4.500	Good
LK	Financial Reporting	120	3.721	0.410	2.500	4.750	Good
KK	Financial Performance	120	3.638	0.395	2.250	4.750	Good

Source: Data processed by Author (2026)

Table 2 indicates that most constructs fall in the “Good” interval. Budget accountability records the highest mean, followed by budget planning and financial reporting. Transparency has the lowest mean and is close to the “Moderate” boundary, suggesting that information disclosure and communication of budget changes require more attention than procedural accountability.

Table 3. Public-sector organization summary by total index

Region	Organization	N	Total Index	Financial Performance	Transparency	Category
Bekasi City	Bappeda Bekasi City	10	3.875	3.875	3.550	Good
Bekasi City	Public Health Office Bekasi City	10	3.786	3.800	3.625	Good
Bekasi Regency	BPKAD Bekasi City	10	3.739	3.825	3.500	Good
Bekasi City	BPKAD Bekasi City	10	3.721	3.850	3.600	Good
Bekasi Regency	Bappeda Bekasi Regency	10	3.675	3.650	3.475	Good
Bekasi City	Education Authorities Bekasi City	10	3.646	3.675	3.500	Good
Bekasi City	Environmental Agency Bekasi City	10	3.636	3.600	3.425	Good
Bekasi Regency	Education Authorities Bekasi Regency	10	3.593	3.625	3.275	Good
Bekasi Regency	PUPR Agency Office Bekasi Regency	10	3.575	3.450	3.325	Good
Bekasi Regency	Public Health Office Bekasi Regency	10	3.571	3.600	3.175	Good
Bekasi City	Department of Transportation Bekasi City	10	3.504	3.500	3.175	Good
Bekasi Regency	Social Affairs Agency Bekasi Regency	10	3.393	3.200	3.200	Moderate

Source: Data processed by Author (2026)

Table 3 ranks the twelve organizations by the overall financial management index. Bappeda Kota Bekasi shows the strongest total index, while Dinas Sosial Kabupaten Bekasi records the lowest index and is categorized as “Moderate.” The ranking implies that differences across agencies are not only jurisdictional but also organizational, especially in the transparency and performance dimensions.

Table 4. Composite measurement diagnostics

Code	Construct	Indicator relevance range	Max indicator VIF	Alpha*	CR*	AVE*	Decision
PA	Budget Planning	0.561-0.677	1.168	0.481	0.720	0.393	Acceptable for composite model; no collinearity
PL	Budget Implementation	0.515-0.716	1.163	0.460	0.711	0.384	Acceptable for composite model; no collinearity
TR	Transparency	0.556-0.634	1.071	0.378	0.683	0.350	Acceptable for composite model; no collinearity
AK	Accountability	0.470-0.607	1.040	0.232	0.635	0.305	Acceptable for composite model; no collinearity
PI	Internal Control	0.527-0.639	1.089	0.329	0.667	0.335	Acceptable for composite model; no collinearity
LK	Financial Reporting	0.506-0.654	1.122	0.355	0.676	0.344	Acceptable for composite model; no collinearity
KK	Financial Performance	0.512-0.648	1.128	0.437	0.703	0.374	Acceptable for composite model; no collinearity

Source: Data processed by Author (2026)

Table 4 reports outer diagnostics. All maximum indicator VIF values are far below 3.3, indicating no harmful multicollinearity among indicators. The auxiliary alpha, CR, and AVE values are reported for transparency but are not used as strict reflective exclusion criteria because the constructs are treated as managerial capability composites. The relatively low AVE values suggest that future studies should refine or expand the item pool if a purely reflective model is intended.

Table 5. Explanatory and predictive power of the structural model

Endogenous construct	R ²	Adjusted R ²	Q ² predict	RMSE	MAE
Financial Performance (KK)	0.285	0.247	0.215	0.351	0.272

Source: Data processed by Author (2026)

Table 5 shows that the model explains 28.5% of the variance in financial performance. The positive Q²predict value indicates that the model has predictive relevance compared with a naive benchmark. The RMSE and MAE

values provide out-of-sample prediction-error information for the financial performance composite.

Table 6. Inner VIF and effect size

Predictor	Inner VIF	f ²	Effect size
Budget Planning	1.254	0.080	Small
Budget Implementation	1.395	0.007	Negligible
Transparency	1.569	0.029	Small
Accountability	1.349	0.009	Negligible
Internal Control	1.274	0.001	Negligible
Financial Reporting	1.488	0.050	Small

Source: Data processed by Author (2026)

Table 6 confirms that all inner VIF values are below 3.3, meaning that structural-path estimates are not distorted by severe collinearity. Budget planning and financial reporting have small but meaningful effect sizes, transparency has a small borderline effect, while budget implementation, accountability, and internal control show negligible direct effect sizes in this model.

Table 7. Bootstrapped path coefficients and hypothesis decisions

Hyp.	Path	β	STDEV	t-stat.	p-value	CI 2.5%	CI 97.5%	Decision
H1	Budget Planning → Financial Performance	0.268	0.096	2.803	0.005	0.068	0.447	Supported
H2	Budget Implementation → Financial Performance	0.083	0.093	0.891	0.373	-0.098	0.263	Not supported
H3	Transparency → Financial Performance	0.180	0.097	1.856	0.063	-0.005	0.374	Indicative at 10%
H4	Accountability → Financial Performance	-0.093	0.087	-1.077	0.281	-0.270	0.074	Not supported
H5	Internal Control → Financial Performance	0.022	0.088	0.247	0.805	-0.165	0.181	Not supported
H6	Financial Reporting → Financial Performance	0.232	0.102	2.268	0.023	0.026	0.423	Supported

Source: Data processed by Author (2026)

Table 7 shows that H1 and H6 are supported at the 5% level. Budget planning and financial reporting significantly strengthen financial performance. H3 is not significant at 5% but is indicative at the 10% level, suggesting that transparency may matter when information disclosure becomes more

operationally embedded. H2, H4, and H5 are not supported, meaning their direct effects are not statistically distinguishable from zero in this sample after controlling for the other predictors.

Table 8. Construct correlation matrix

Construct	PA	PL	TR	AK	PI	LK	KK
PA	1.000						
PL	0.331	1.000					
TR	0.313	0.408	1.000				
AK	0.359	0.408	0.362	1.000			
PI	0.217	0.298	0.379	0.264	1.000		
LK	0.303	0.349	0.506	0.298	0.388	1.000	
KK	0.393	0.295	0.390	0.177	0.238	0.414	1.000

Source: Data processed by Author (2026)

Table 8 provides construct-level correlations. Financial performance correlates most strongly with financial reporting, budget planning, and transparency. The pattern supports the structural-model finding that planning and reporting are the most salient predictors of financial performance in the current dataset.

Table 9. Regional comparison between Bekasi City and Bekasi Regency

Region/Test	N	Total Mean / t	Total SD / p	KK Mean	KK SD
Kota Bekasi	60	3.695	0.258	3.717	0.346
Kabupaten Bekasi	60	3.591	0.251	3.558	0.428
Welch t-test: Total Index difference		2.231	0.028		

Source: Data processed by Author (2026)

Table 9 compares Bekasi City and Bekasi Regency. Bekasi City records a slightly higher total financial-management index than Bekasi Regency, and the Welch test indicates a statistically significant difference at the 5% level. However, the practical gap is modest; therefore, agency-level practices remain important for interpreting performance differences beyond a simple city-versus-regency distinction.

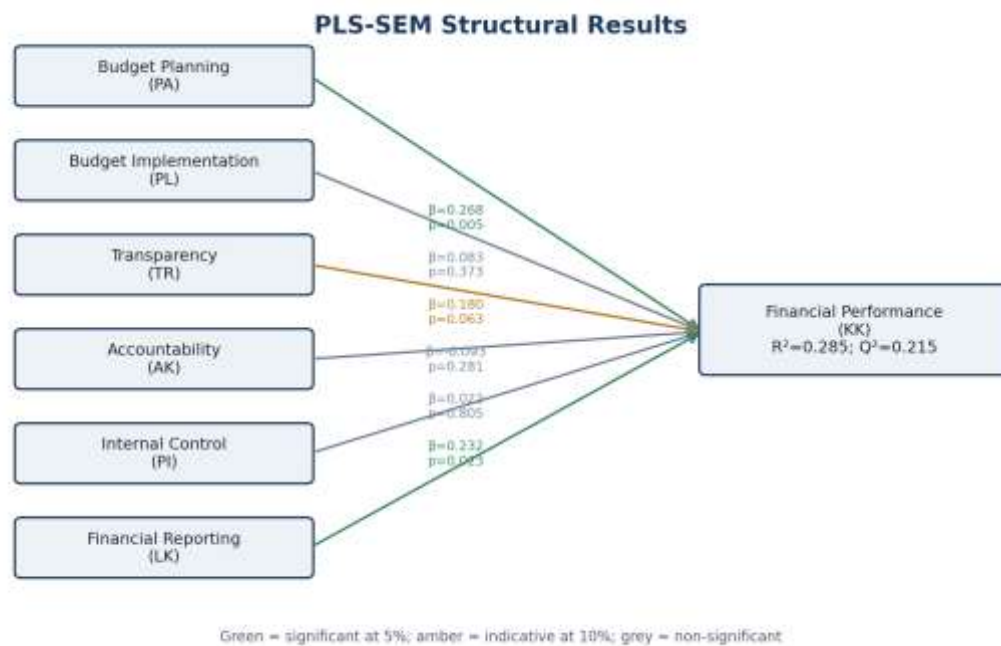


Figure 2. PLS-SEM structural results

Source: Data processed by Author (2026)

Figure 2 visualizes the structural model results. Significant positive paths are shown for budget planning and financial reporting, while transparency appears as an indicative positive path. The result emphasizes that upstream planning quality and downstream reporting quality are the strongest direct levers in the dataset.

DISCUSSION

The first important finding is the significant effect of budget planning on financial performance. This supports the argument that financial performance begins before budget execution: agencies with better need-based planning, cross-unit participation, priority alignment, and supporting data are better positioned to translate budgets into program outcomes. In the Bekasi context, this suggests that planning documents should not be treated as administrative formalities but as strategic financial instruments.

The second significant finding is the effect of financial reporting on financial performance. Timely, complete, accurate, and standards-compliant reports provide the information infrastructure for decision-making, evaluation, and accountability. This result is consistent with recent public-sector reporting literature, which positions report quality as a key component of transparent and accountable governance (Parindingan, et al., 2024),(Adzariat & Mayasari, 2024).

Transparency has an indicative positive effect. Although transparency has the lowest descriptive mean, its coefficient is positive and close to conventional significance. This pattern suggests that public agencies may have formal transparency mechanisms but still need stronger operational disclosure, clearer allocation traceability, and better communication of budget changes. Transparency may therefore become more influential when it is integrated with

digital reporting, stakeholder communication, and performance review routines.

Budget implementation, accountability, and internal control do not show significant direct effects in the full model. This should not be interpreted as evidence that these dimensions are unimportant. Rather, the non-significant results may indicate that implementation procedures, accountability documentation, and control routines are already standardized across agencies; consequently, their variance is insufficient to explain differences in financial performance after planning and reporting are controlled. Another explanation is that their effects may be indirect, for example through reporting quality, organizational learning, or reduced budget-risk exposure.

The agency-level ranking also has practical implications. The differences between organizations suggest that local-government improvement programs should be targeted at specific agencies and dimensions rather than based only on jurisdiction. Agencies with weaker transparency and total-index scores may benefit from technical assistance in budget disclosure, dashboard-based monitoring, and clearer budget-change communication.

CONCLUSIONS AND RECOMMENDATIONS

This study provides a quantitative PLS-SEM-based analysis of public financial management in selected public-sector organizations in Bekasi City and Bekasi Regency. The overall index indicates good financial management practice, but transparency remains the weakest dimension. The structural model demonstrates that budget planning and financial reporting are the strongest significant predictors of financial performance, while transparency has an indicative positive effect. Budget implementation, accountability, and internal control are not significant direct predictors in the full model. The results suggest that local governments should prioritize data-based planning and high-quality reporting while strengthening transparency as a practical, not merely formal, governance mechanism. Future research should expand the sample, include objective financial indicators such as budget absorption ratios and audit findings, and test mediation paths among internal control, accountability, reporting quality, and performance.

ADVANCED RESEARCH

This study is limited by the cross-sectional survey design, the use of perception-based Likert indicators, and the sample size of 120 respondents. The composite measurement specification is suitable for prediction-oriented analysis, but the auxiliary reflective reliability values indicate that future studies should refine indicators if the constructs are intended to be modeled reflectively. Future research may also compare Bekasi with other metropolitan local governments and integrate secondary financial data from APBD realization, audit reports, and service-output indicators.

ACKNOWLEDGMENT

The researchers/authors expresses their deepest gratitude to all their fellow lecturers and structural staff in Management Study Program at the

Faculty of Economics, University of Bhayangkara Jakarta Raya who were involved in the process until the completion of this scientific article, as follows:

1. Dr. Dovina Navanti, as Dean of the Faculty of Economics, Universitas Bhayangkara Jakarta Raya
2. Dr. Dewi Sri Wulandari, as the Head of Management Study Program at Universitas Bhayangkara Jakarta Raya
3. The whole fellows management lecturers who cannot be mentioned one by one.

REFERENCES

- Adzariat, N., & Mayasari, I. (2024). A cashless government: an essential internal control system to halt cultural fraud. *Enrichment: Journal of Management*.
- Hair, J., Hult, G., Ringle, C., & Sarstedt, M. (2014). *A Primer On Partial Least Squares Structural Equation Modeling (PLS-SEM)*. SAGE Publication, Inc.
- OECD. (2023). SME and Entrepreneurship Outlook 2023. *Paris: OECD Publishing*. <https://doi.org/https://doi.org/10.1787/9789264293181-en>
- Parindingan, F. Y., Haliah, H., & Nirwana, N. (2024). Evaluation of Transparency and Accountability of Regional Government Financial Reports in the Digitalization Era. *Journal of Accounting and Finance Management*, 5(5), 1051–1058.
- Partnership, I. B., Wheeler, A., Kotler, P., Kartajaya, H., & Setiawan, I., Nilasari, A., Wardi, A., Hair, J. F., Hult, G. T. M., Ringle, C. M., Sarstedt, M., Mayasari, R., Ringle, C. M., Sarstedt, M., Sinkovics, N., Sinkovics, R. R., Bank, W., Parindingan, F. Y., Haliah, Nirwana, OECD, ... Tafesse, W., & Wien, A. (2024). Designing brand identity: A comprehensive guide to the world of brands and branding. *Journal of Marketing Management*, 34(9–10), 732–749. <https://doi.org/10.1016/j.jbusres.2019.11.069>
- Putri, N. A., Widyastuti, T., Maidani, M., & Nilasari, P. (2024). Pengaruh pengendalian internal, sistem informasi akuntansi, dan audit internal terhadap upaya pencegahan fraud siklus persediaan. *SENTRI: Jurnal Riset Ilmiah*, 3(2), 720–739. <https://doi.org/https://doi.org/10.55681/sentri.v3i2.2323>
- Putri, N. (2025). Analisis sistem pengendalian intern kas. *Jurnal Al-Kalam*, 12(2), 94–100.
- Ringle, C. M., Wende, S., & Becker, J.-M. (2024). *SmartPLS 4 [Computer software]*. SmartPLS GmbH.
- Ríos, A.-M., & Guillamón, M.-D. (2024). The influence of local government transparency on the implementation of the sustainable development goals in municipalities. *Journal of Public Budgeting, Accounting & Financial Management*, 36(4), 417–444. <https://doi.org/10.1108/JPBAFM-12-2023-0229>
- Secretariat, P. (2024). *To what extent do public financial management systems support fiscal transparency and public accountability?* PEFA.
- Setiawan, M. A., & Wardi, J. (2024). Pengaruh Moralitas Individu dan Pengendalian Internal Terhadap Kecenderungan Kecurangan Akuntansi Dalam Pengelolaan Keuangan Badan Usaha Milik Daerah (BUMD). *Jurnal Rujukan Kajian Ilmu Manajemen*.