



## Principles Of Good Governance On Financial Performance At The Office Of The Financial Management Agency Of The Bireuen District Government

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**Abstract:** *This study aims to determine and analyze the effect of the level of understanding of the principles of good governance on financial performance at the Bireuen Regency Financial Management Agency. This study uses a quantitative research method. The population in this study were all employees at the Bireuen Regency Regional Financial Management Agency, with a sample size of 77 people. Data were collected by distributing questionnaires, and the results were processed quantitatively using SPSS 22. Based on the results of the study with partial hypothesis testing (t-test) showed that the variable Level of Understanding of the Principles of Good Governance (X) has a t-value of 3.321 while t-table is 1.665. This means that  $t\text{-count} > t\text{-table}$ , so the results of the study reject  $H_0$  and accept  $H_1$ . So it can be concluded that partially the variable Level of Understanding of the Principles of Good Governance has a positive effect on the Financial Performance of Bireuen Regency at the Bireuen Regency Regional Financial Management Agency.*

**Keywords:** *Principles of Good Governance, Financial Performance, Financial Management, Public Sector Governance*

### 1. INTRODUCTION

Government Regulation is a statutory regulation in Indonesia that is stipulated by the president to implement the law properly. According to the Constitution number 17 of 2003 concerning state finances, state spending is used, among other things, for the purposes of implementing financial balance between the central and regional governments. and Constitution number 15 of 2004 concerning auditing and accountability of state finances of the Republic of Indonesia.

Performance is the ability to work as indicated by work results, related to the implementation of the performance of government employees in Indonesia, the many cases of irregularities found have caused disappointment and loss of public trust in the government itself, the good or bad performance of a government can be determined by several factors, but there are two factors that are taken into consideration, namely the application of the principles of good governance and organizational commitment.

In line with the applicable Constitution, the main key to the success of public service delivery is good governance. Stating that the demand for good governance arises because of deviations in democratization, thus encouraging citizen awareness to create a new system or paradigm to control the wheels of government so as not to deviate from its original purpose.

Good governance from the perspective of the State Administrator is interpreted as the implementation of political, economic and administrative authority to manage national affairs, manage complex mechanisms, processes and relationships between citizens and groups that articulate their interests (who want their rights and obligations to be implemented) and mediate or facilitate differences between them (Mardiasmo, 2004:30)

There is weak employee participation, namely in terms of preparing Financial Reports, No transparency in finance or can be said to be not open to matters relating to finance and Lack of employee involvement in decision making, therefore the implementation of the principles of good governance is not optimal and the Government of the financial section has not been able to optimize the performance of its employees so that this greatly affects the quality of employee performance which in the government that still needs to be improved and weak government control will have a strong effect on the implementation of the principles of Good Governance and Financial performance.

### **Good Governance**

Good governance can be interpreted as a good and trustworthy way of governance, where a synergistic relationship is arranged with the wider community (stakeholders). The definition of good governance above is an understanding or basis for the accountability of the performance of government agencies. Good governance actually has the meaning of good management or direction, not good governance. Indeed, this understanding is different from the basic understanding of our environment so far, including that introduced by the State Administration Agency and the Financial and Development Supervisory Agency.

#### Principles of Good Governance

The principles of good governance are explained one by one as stated below:

1. Participation all citizens have the right to speak and have the right to cast their votes in making a decision either directly or through legitimate representative institutions that represent their interests. This comprehensive participation is built on the basis of freedom of assembly and expression, as well as the capacity to participate constructively, participation is intended to ensure that every policy taken reflects the aspirations of the community. Another form to stimulate community involvement is through participatory planning to prepare a development agenda, monitoring, evaluation and supervision in a participatory

manner and consultation mechanisms to resolve sectoral issues. Upholding the supremacy of law (Rule Of Law) community participation in the political process and the formulation of public policies requires a legal system and rules. In this regard, in the process of realizing the ideals of good governance, it must be balanced with a commitment to uphold the rule of law with the following characteristics: Supremacy of law, legal certainty, responsive law, consistent and non-discriminatory law enforcement, judicial independence, the legal framework must be fair and enforced without discrimination, including laws concerning human rights.

## 2. Transparency

Transparency is openness to all and policies taken by the government. The principle of transparency creates mutual trust between the government and the public through the provision of information and ensures ease in obtaining accurate and adequate information. Transparency is built on the basis of a free flow of information. All government processes, institutions and information need to be accessible to interested parties, and the information available must be sufficient so that it can be understood and monitored. So that the public's insight and knowledge of the implementation of government increases. Increasing the number of people participating in development and reducing violations of laws and regulations. Good governance practices then become guidance or guides for company operations, both those carried out in internal and external activities of the company. Internal relates to the company's operations, how the company works, while external is more about how the company works with other stakeholders, including the public.

## 3. Accountability

Decision makers in the public, private and civil society sectors have responsibility (Accountability) to the public, as well as to stakeholders.

## 4. Rule of Law

The legal and regulatory framework must be fair, enforced and complied with in its entirety, especially the legal rules on human rights.

## 5. Responsiveness, every intuition and process must be directed at efforts to serve various interested parties.

## 6. Consensus Orientation, A good government will act as a mediator for various different interests to achieve consensus or the best opportunity for

different interests to achieve consensus or the best opportunity for the interests of each party, and various policies and procedures that will be determined by the government.

7. Equity, a good government will provide good opportunities for men and women in their efforts to improve their quality of life.
8. Effectiveness and efficiency, every process of institutional activities is directed to produce something that is truly in accordance with needs through the best utilization of various available resources.
9. Strategic Vision, leaders and the community have a broad and long-term perspective on good governance and human development, along with the perceived need for such development.

### **Financial Performance**

The definition of financial performance according to experts is as follows:

1. According to Sutrisno (2009:53) This financial performance is an achievement that has been or has been achieved by a company in a certain period, namely as a reflection of the health level of the company.
2. According to Fahmi (2011:2) This financial performance is an analysis that is then carried out to be able to see or describe how far a company has been in implementing using the rules of good and correct financial implementation. This company performance is a description of the financial situation or condition of a company that is analyzed using financial analysis tools, so that it can be known how good or bad the financial condition of a company is which is reflected in work achievements in a certain period. This is very important so that resources are used optimally when facing environmental changes.

## **2. METHODS**

This study uses quantitative research methods, data is obtained from data that has been obtained, compiled, grouped, analyzed, then interpreted so that a true picture is obtained. Where the author observes the influence of the principles of good governance on financial performance at the Regional Financial Management Agency Office of Bireuen Regency. In this study, the population is all employees at the Regional Financial Management Agency of Bireuen Regency, totaling 77 people.

And sampling is based on certain types of people who can provide the desired information either because they are one of those who have or meet the criteria and the sample is 77 people.

### Data collection techniques

The data collection technique used in this study is to distribute questionnaires to respondents. Respondents are asked to fill out a questionnaire containing several statements, after filling out a questionnaire containing several statements, after filling out the questionnaire so that incomplete questionnaires are not included in the analysis. The scale used by the researcher is the Likert scale.

## 3. FINDINGS AND DISCUSSION

This study produced data through the distribution of questionnaires to 77 respondents from one research location.

### Simple linear regression test

**Tabel 1**  
**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.127	.234		8.321	.000
1 Good Governance	.620	.118	.210	3.321	.021

Based on the table above, the simple linear regression equation is as follows:

$$Y = 2.127 + 0.620X + e$$

From the equation above, it can be explained that:

The constant value of 2.127, hereby indicates that there is a positive relationship between the independent variable (level of understanding of the principles of good governance) and the dependent variable (financial performance), meaning that if the

independent variable is increased, it will be followed by an increase in the dependent variable.

The coefficient of the level of understanding of the principles of good governance (X) is 0.620, meaning that if the value of the level of understanding of the principles of good governance increases by 1%, the value of financial performance increases by 62.0%. Conversely, if the level of understanding of the principles of good governance decreases by 1%, the value of financial performance will decrease by 62.0%.

From the discussion of the results of Simple Linear Regression.

**Tabel 2**  
**Uji Koefisien Determinan**  
**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.700 <sup>a</sup>	.640	.527	.28520	1.222

Based on the research results, the determination coefficient (R<sup>2</sup>) is 0.640 (64.0%), meaning that the influence of the level of understanding of the principles of good governance has the ability to explain its influence on the financial performance of Bireuen Regency by 64.0%. While the remaining 36.0% is influenced by other variables outside this research model.

Hypothesis testing

1. Partial test (t-test)

This test is used to determine whether the independent variables individually have a significant influence on the dependent variable. Hypothesis testing is carried out using the t-test, namely to determine how the independent variables influence the dependent variable with a confidence level of 95% (= 0.05). Based on partial hypothesis testing (t- test) regarding the influence of the level of understanding of the principles of good governance on the financial performance of Bireuen Regency (case study on the regional financial management agency of Bireuen Regency) the following hypothesis test results were obtained:

The variable level of understanding of the principles of good governance (X) obtained a t count of 3.321 with a significance level of 0.021 and a known t table of

1.665. Thus,  $t_{count} > t_{table}$ , so  $H_0$  is rejected and  $H_a$  is accepted, which means that the level of understanding of good governance principles has a significant effect on the financial performance of Bireuen district.

#### 4. CONCLUSION

Based on the results of the study on the influence of the level of understanding of the principles of good governance on the financial performance of Bireuen district, it can be concluded: Based on the results of the study, the principles of good governance has the ability to explain its influence on the financial performance of Bireuen district by 64.0%. While the remaining 36.0% is influenced by other variables outside this research model.

#### ACKNOWLEDGEMENTS

Based on the results obtained above, several things can be suggested as follows:

- a) It is expected that all Employees of the Bireuen Regency Regional Financial Management Agency will improve their understanding of the principles of good governance to achieve success in financial performance.
- b) It is expected that all Elements of the Bireuen Regency Regional Financial Management Agency will be able to pay more attention to financial performance in order to improve its success.
- c) For further research, it is expected to be able to research for a wider scope because this research was only conducted at the Bireuen Regency Regional Financial Management Agency (BPKD).

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