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Public Management Accounting Paradigm Shift from New Public Management Efficiency Towards Public Value Creation in New Public Governance Through a Literature Review

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A B S T R A C T

This study aims to analyze the shift in public management accounting from the New Public Management (NPM) paradigm to New Public Governance (NPG) in order to map the new space for research in the search for public value. Using the Systematic Literature Review (SLR) method with content analysis, the concepts tested include budget efficiency, relational accountability, governance, and institutional barriers. The research sample consists of 10 scientific articles (2015–2025) covering the locus of regional governments, villages, ministries, and BLUDs in Indonesia. The synthesis results indicate that the failure of budget optimization in the NPM era is triggered by system limitations, human resource competencies, and a weak culture of transparency. The implication is that future accounting systems must transform their role from merely a cost control tool to a facilitator of relational collaboration and an adaptive measure of public value

INTRODUCTION

Two decades of public management accounting reform in Indonesia have been predominantly driven by the New Public Management (NPM) paradigm. Phenomenologically, this paradigm forces public sector organizations to adopt market mechanisms with a rigid focus on cost efficiency, performance-based budgeting, and compliance with formal output reporting. However, the reality on the ground shows a significant gap between regulation and implementation. Various empirical studies consistently document that public financial governance remains mired in classic problems, ranging from suboptimal budget absorption, minimal program innovation, limited human resource competency, technical ambiguity in the application of accrual accounting, to weak organizational commitment that perpetuates loopholes for fraud. Logically, this failure stems from the nature of NPM, which treats accounting information merely as an instrument of bureaucratic control and administrative fulfillment, rather than as a tool to improve the quality of public services. Amid this impasse, the dynamics of modern governance demand a radical shift toward the New Public Governance (NPG) paradigm, which emphasizes the creation of public value through complex multi-stakeholder interactions, networks, and collaboration.

This paper's main contribution to knowledge enrichment lies in three important aspects. First, theoretical enrichment is carried out by integrating Luder's Contingency Model and Institutional Theory to map why accounting innovation in the NPM era is often hampered by cultural contingency factors and social pressures. Second, a unique niche sample description is presented through this literature study by not limiting itself to one level of bureaucracy, but rather synthesizing a broad spectrum sample that includes financial governance at the smallest level such as Village Governments, Regional Apparatus Organizations (OPD), Ministry institutions, and Regional Public Service Agencies (BLUD) within the observation period of 2019 to 2025. Third, the novelty of the results offered is an alternative conceptual model that transforms the function of accounting information from a cost efficiency calculation tool to an adaptive relational facilitator instrument. Based on this background, this study aims to analyze the shift in the public management accounting paradigm from NPM efficiency to public value creation in NPG while formulating an institutional model that is adaptive to the complexity of public policy in Indonesia.

LITERATURE REVIEW

New Public Management (NPM) and New Public Governance (NPG)

The New Public Management (NPM) paradigm is a public sector governance approach that adopts private sector management practices, with a primary emphasis on efficiency, formal performance-based accountability, cost-cutting, and a focus on budget savings. In the context of public management accounting, NPM positions financial and budgetary reporting as rigid and contractual internal control instruments. Conversely, New Public Governance (NPG) emerges as a critique of the limitations of NPM, which is considered too rigid and internally oriented. NPG theory believes that today's complex public services cannot be addressed by the government alone but must be achieved through networks of cooperation and collaboration among stakeholders. Under the NPG umbrella, management accounting information has undergone a radical expansion of its role, shifting from being merely a tool for internal bureaucratic cost control to a facilitator of relational accountability and a primary instrument for measuring public value co-creation.

Institutional Theory

Institutional Theory explains how an organization adapts to external environmental pressures to gain social and political legitimacy, rather than solely to achieve internal economic efficiency. The adoption of new management accounting systems in the public sector—such as accrual accounting reforms or modern information systems—is often influenced by three types of institutional pressures: coercive isomorphism (rule enforcement), mimetic isomorphism (imitating other organizations), and normative isomorphism (demands for professionalism). This theory explains why accounting reforms in various government agencies often become merely formalities on paper (decoupling), where new systems are adopted to comply with IFAC regulations and mandates, but bureaucratic behavior within them remains unchanged due to clashes with management commitment and local organizational culture.

Luder's Contingency Model

Luder's Contingency Model is a specific theory of public sector accounting innovation that states that the success or failure of accounting reforms is heavily influenced by the complex interaction of various contingent factors within the government environment. This model rests on four main pillars: external stimuli (stimuli such as financial crises or demands for stock exchange transparency), characteristics of the political administration or information provider (individual competencies, skills, and organizational communication), social structural variables of information users (culture of transparency and public participation), and implementation barriers (regulatory ambiguity, system constraints, and technological limitations). This theory is used to explore at a macro level how accounting innovations spread beyond local government organizations to other public institutions such as universities and customs agencies.

Conceptual Framework (Research Mind Map)

As a qualitative research approach, the following is a mind map depicting the integrative and conceptual thought process of public management accounting transformation in Indonesia based on the clustering of the 10 scientific articles analyzed:

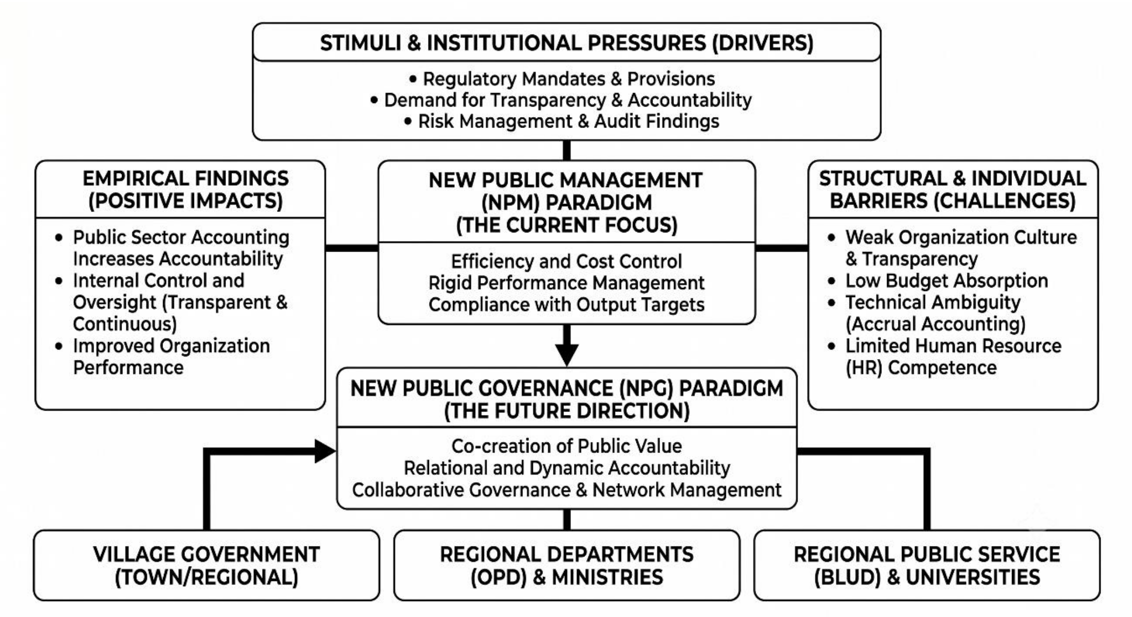

Figure 1. Conceptual Framework

METHODOLOGY

This research employs a descriptive qualitative approach, employing the Systematic Literature Review (SLR) method. This method was chosen to comprehensively, structured, and in-depth synthesize the transition and paradigm shift in public management accounting in Indonesia from the New Public Management (NPM) era to New Public Governance (NPG). Through this method, the researcher identified, evaluated, clustered, and interpreted all scientific findings relevant to the topic.

The population in this study is all scientific articles published in accredited national and international journals that discuss public sector accounting, government management control systems, and bureaucratic reform in Indonesia. The sampling technique used a purposive sampling method based on specific inclusion criteria, namely articles that explicitly examine public management accounting, published within the observation period of 2019 to 2025, and provide rich empirical or reflexive data. Based on these criteria, a niche sample was obtained in the form of 10 selected scientific journal articles that represent a broad spectrum of public organizations, including the Village Government (Sei Rotan Village), Regional Apparatus Organizations (OPD/Bapenda of North Toraja Regency), national Ministry/Institution institutions, to Regional Public Service Agencies (BLUD) such as Universities.

The data analysis tools and techniques used in this literature study are qualitative content analysis. The data analysis process is assisted by an artificial intelligence-based mapping instrument, namely the typeset.io tool (SciSpace) to objectively review, extract, and contextualize the abstract content and key findings from 10 sample journals. The data analysis steps include three main stages: first, data reduction by coding the text based on Luder's Contingency Model variables (structural factors, political administration, social, and individual) and Institutional Theory (isomorphism pressure); second, data presentation (data display) in the form of a comparative synthesis matrix between private and inter-locus; and third, conclusion drawing to formulate a

RESEARCH RESULT

This qualitative research based on a Systematic Literature Review (SLR) was completed through four systematic steps. The first step was text data extraction from 10 sample journal articles (period 2019–2025) using typeset.io to isolate the problem focus, method, locus, and main findings. The second step was qualitative coding to group the data into two large clusters: the New Public Management (NPM) era obstacle cluster and the New Public Governance (NPG) era opportunity cluster. The third step was cross-tabulation based on organizational locus (niche sample) to observe the consistency of phenomena from the village to the ministry level. The fourth step was weighting the frequency of issue narratives using a qualitative adaptation of the Three-Box Method to determine the level of urgency of the problem in the field.

To measure the level of urgency of public management accounting barriers found in the 10 sample journals, the researchers adapted qualitative scoring criteria by weighting the percentage of indicator meaning occurrences in the total literature sample. The formula for determining the qualitative issue weighting index in this study is as follows:

$$\text{Issue Urgency Index} = \frac{\sum \text{Articles Discussing the Indicator}}{\sum \text{Total Sample Articles}}$$

Based on the mathematical calculations from formula (1), the qualitative scoring results are grouped into classifications of problem urgency levels using the criteria in Table 1.

Table 1. Qualitative Issue Urgency Criteria Based on the Three-Box Method

Score	**Criteria**
00,00% – 40,00%	Low Urgency
41,00% – 70,00%	Medium Urgency
71,00% – 100,00%	High Urgency

By applying the criteria in Table 1, the results of the codification and synthesis of the content of the 10 journal articles that were thoroughly evaluated are presented in a concise and structured manner in Table 2.

Table 2. Summary of Findings on the Characteristics of Barriers and Paradigms of Public Sector Accounting

No	Conceptual Indicators Tested	Literature Frequency	Final Score (%)	Urgency Classification (Three-Box Method)	Main Locus of Organizational Impact
1	Information System Limitations & Technical Constraints	7 Article	70,00%	Medium	Regional Government, Village, BLUD
2	Rigid Performance Measurement (Output Compliance)	8 Article	80,00%	High	Regional Government, Village, BLUD
3	Limited Human Resource Competence & Training	6 Article	60,00%	Medium	Regional Government Organizations, Village Government, Regional Government
4	Fraud Risk & Performance Accountability Weaknesses	9 Article	90,00%	High	Regional Revenue Agency (Bapenda), Village, Ministry, IDX
5	Regulatory Ambiguity & Regulatory Isomorphism Pressures	5 Article	50,00%	Medium	Ministry, University, BLUD
6	Need for Relational Collaboration & Public Value	10 Article	100,00%	High	All Levels of the Public Sector

Based on the data summary in Table 2, the qualitative test results prove that public management accounting research in Indonesia is currently at a very high level of urgency (High Urgency of 100.00%) to shift away from the rigidity of NPM. Empirical findings from quantitative research clusters (such as in North Toraja Regency and the Indonesia Stock Exchange) confirm that strengthening formal accountability does have a positive effect on performance, but fails to mitigate the risk of under-absorption of budgeting. Meanwhile, findings from qualitative clusters (such as in Sei Rotan Village and the macro analysis of Luder's theory) confirm that without the collaborative network space promoted by the NPG paradigm, the accounting system will only end up as an administrative compliance document without being able to create real value for the wider community.

DISCUSSION

Based on the qualitative mapping results, the high level of urgency in fraud risk indicators and the rigidity of performance measurement confirm that the implementation of public management accounting in Indonesia is currently trapped within the boundaries of administrative formality. This phenomenon can be explained academically through the perspective of Institutional Theory, specifically the concept of decoupling. Many public sector organizations, from the Regional Government level such as the Regional Revenue Agency to the Ministry level, adopt performance-based budgeting systems and accrual accounting reforms solely driven by coercive isomorphism pressures to comply with national regulations and international mandates. As a result, the utilization of these management accounting systems is substantively suboptimal. Budgets and financial reports are only treated as formal compliance documents to gain legitimacy in the form of a good audit opinion, but fail to be transformed into innovative strategic decision-making instruments. This is in line with the reality on the ground, which shows low budget absorption due to bureaucratic fear of administrative errors and minimal room for creativity in the preparation of public work programs.

This dilemma is exacerbated by the interaction of various internal organizational contingency factors. According to Luder's Contingency Model, political administration in Indonesia is still characterized by limited individual competency and a lack of integrated training for public sector employees. This weakness in human resources creates massive technical ambiguity in interpreting complex management accounting information. Furthermore, weak organizational communication and a low culture of transparency make it difficult to achieve an open and sustainable management control function. This is evident even in the smallest government units, such as Village Offices, where the use of management accounting to build public accountability and increase public trust is often hampered by the minimal active participation of employees and local residents. When management accounting information is controlled exclusively by a handful of bureaucratic elites without transparent internal oversight, the efficiency envisioned by the New Public Management (NPM) paradigm turns into a new vulnerability that triggers fraud and manipulation of financial statements in entities dealing with the public.

Facing these various structural barriers, the results of this study confirm that the novelty of public management accounting research for the future lies in accelerating the shift towards the New Public Governance (NPG) paradigm. Within the NPG framework, governance success is no longer measured rigidly based on internal economic efficiency or compliance with formal outputs, but rather on the organization's ability to create public value. This shift in perspective demands a radical expansion of the role of management accounting information. Management accounting should no longer limit its function to merely an internal cost control tool, but rather must be transformed into a facilitator of relational collaboration capable of bridging complex multi-stakeholder cooperation and networks.

As a conceptual illustration, when the government launches macro policies involving cross-sectors, conventional NPM-based management accounting systems tend to trigger fragmentation because each agency will only focus on its own budget compliance. In contrast, through the NPG framework, accounting and performance reporting systems are redesigned to be adaptive, relational, and able to capture the social value generated from interactions and collaborations between government agencies, the private sector, and the wider community. This new space also encourages the development of public sector accounting research beyond the rigid boundaries of conventional local government organizations to macro policies in broader public institutions, such as the institutional governance of Regional Public Service Agencies (BLUD) in universities, the formulation of tax policies, and the evaluation of customs reporting. Thus, the synchronization between the management control system and the NPG paradigm is expected to give birth to a new administrative model in Indonesia that is not only formally transparent, but also substantially responsive and accountable in realizing sustainable public welfare.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of a content analysis and in-depth synthesis of ten selected scientific journal articles (period 2019–2025), this study concludes that the implementation of public management accounting in Indonesia, which has been dominated by the New Public Management (NPM) paradigm, has reached a structural impasse. The NPM approach, which is too rigid, internally oriented, and focuses only on cost efficiency and compliance with formal outputs, has proven incapable of substantively optimizing public sector financial governance. Chronic problems in the field—such as low budget absorption, limited human resource competency, technical ambiguity in accrual accounting, and weak organizational culture—have caused the public management accounting system to often become trapped merely as a document to fulfill regulatory legitimacy (decoupling), rather than as an instrument for strategic decision-making. This condition ultimately creates vulnerabilities in the form of fraud risks and reduces the effectiveness of public organizations from the village government level to the ministry.

As a conceptual innovation for 2026, this study concludes that the Indonesian government finance ecosystem requires a radical paradigm shift toward New Public Governance (NPG). Under the NPG framework, the role of management accounting information is significantly expanded: from being merely a budget control calculation tool (NPM era), it transforms into a facilitator of relational accountability, a supporter of multi-stakeholder network collaboration, and a key instrument in measuring public value co-creation that adapts to the complexities of contemporary public policy.

Based on the conclusions above, several recommendations and tactical implementation steps that can be proposed for policymakers and further research are as follows:

1. Redesigning the Organizational Performance Measurement System: Government agencies, from the Regional Government (OPD) level, ministerial institutions, to Regional Public Service Agencies (BLUD), are advised to begin integrating qualitative and relational public value indicators into their management accounting systems, so that performance evaluation is no longer trapped solely in formal budget absorption.
2. Strengthening Technical Competence and Communication Culture: Continuous, contemporary management accounting training programs and strengthening transparent internal oversight are needed. This step is crucial for eliminating technical ambiguity at the operational level (especially in village governments) while strengthening management commitment to mitigating opportunities for fraud.
3. Empowering Information Technology for Collaboration: The government needs to develop an integrated, cross-sector management accounting information system to support collaborative macro policy needs. Technology should be directed to facilitate multi-stakeholder network communication, not simply as a tool for recording internal bureaucratic cost transactions.
4. Future Directions for Public Sector Accounting Research: For future researchers, it is recommended to empirically test this NPG conceptual model in broader and more specific public organization loci, such as in evaluating the effectiveness of macro social protection programs, customs institutional governance, or the formulation of tax policies that involve active public participation.

ADVANCED RESEARCH

Every study has certain limitations that must be acknowledged to provide context for interpreting the synthesis results. The main limitation in this study lies in the method used, namely the Systematic Literature Review (SLR), which relies purely on secondary data in the form of ten selected scientific journal articles as the basis for conceptual analysis. Although the niche sample used covers a broad spectrum of organizations from the village government level to the ministry level over the observation period of 2019 to 2025, this study has not conducted direct empirical verification in the field using primary data. Consequently, the transformation model from the New Public Management (NPM) paradigm to New Public Governance (NPG) formulated in this study remains at the conceptual framework level and requires further testing to gauge the level of readiness and acceptability of bureaucratic practitioners in Indonesia.

Based on the limitations outlined, several specific suggestions for further research are as follows:

1. Empirical Application of Mixed or Quantitative Methods: Future research is recommended to test this NPG conceptual framework using a quantitative or mixed-methods approach. Primary data collection through wide-scale

questionnaire distribution or in-depth interviews with financial policymakers is essential to empirically validate this model.

2. Expanding the Research Locus and Focus: Future researchers can expand the scope of the research to public sector entities with specific characteristics, such as Regional Public Service Agencies (BLUDs) in the health sector, military institutions, or evaluate the impact of NPG-based management accounting on the efficiency of national strategic programs at a macro level.
3. Exploring Behavioral and Cultural Variables: It is recommended to include more specific organizational psychology variables and cultural contingencies, such as employee information technology readiness, political leadership commitment (political will), and cultural resistance of the local bureaucracy, to identify the most significant key determinants in driving the success of the public management accounting paradigm shift in Indonesia.

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