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The Effect of Performance-Based Budgeting, Transparency, and Accountability on Employee Performance at the Regional Civil Service Agency of North Sulawesi Province

Peter Kapojos, Steven Tangkuman, Olivia Sardjono
[123] Universitas Sam Ratulangi
Email peterkapojos@unsrat.ac.id
+6281320061972

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Abstract

Performance-Based Budgeting is a budgeting system that prioritizes the achievement of work results or outputs through the planning of predetermined cost allocations or inputs. Transparency refers to the openness of public information that can be accessed by the public at large without unnecessary barriers. Accountability is the obligation to provide explanations, answer questions, or address demands concerning actions and decisions taken. This study examines the effects of performance-based budgeting, transparency, and accountability on employee performance at the Regional Civil Service Agency of North Sulawesi Province. It employs a quantitative method with a survey approach and aims to determine the effects of performance-based budgeting, transparency, and accountability on employee performance. The Structural Model demonstrates relationships between indicators and variables. The data are analyzed using the Partial Least Squares approach. The results show that Performance-Based Budgeting has no effect, whereas Accountability and Transparency have significant effects on Employee Performance. This indicates that the implementation of Performance-Based Budgeting practices in the field is not yet mature, while Transparency and Accountability have been able to improve effectiveness and efficiency in public services.

Keywords Performance-Based Budgeting, Transparency, Accountability, and Employee Performance.

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INTRODUCTION

Since the era of bureaucratic reform was proclaimed in Indonesia, significant improvements in the performance of government administrators have been required to ensure high-quality, transparent, and accountable public services. The Regional Civil Service Agency (BKD) plays a strategic role in managing government human resources effectively and efficiently. However, employee performance in many agencies still faces complex challenges, such as inefficient

resource allocation, lack of work motivation, and misalignment between budget planning and the performance targets expected by the organization. This situation poses a serious problem for local governments in their efforts to improve service quality. According to Pratiwi (2018), performance measurement must align with an organization's vision and mission so that it can contribute to the organization's growth.

The budget system is designed using an approach based on work performance and is often referred to as a performance-based budgeting system. Its implementation by the government aims to respond to increasing public demands for improved service quality, transparency, and public accountability (Afriady & Rahmah, 2022). Performance-Based Budgeting (PBB) directly links financial resources to outcome targets to promote efficiency, work productivity, and a clear outcome orientation. Performance-Based Budgeting is a budgeting system that prioritizes the achievement of work results or outputs through the planning of predetermined cost allocations or inputs (Sofiani, M., & Retnani, E., 2019). Transparency refers to the openness of public information that can be accessed by the public at large without unnecessary barriers. This concept includes the availability of accurate, timely, and easily understood data for various stakeholders. In the public sector, transparency is a key pillar in preventing corruption, collusion, and nepotism (KKN), as well as enhancing government legitimacy. Transparency is not merely about publishing data; it also ensures that the information is relevant and can be used for decision-making. Accountability is the obligation to provide explanations, answer questions, or address demands concerning actions and decisions taken. This concept includes three main elements: the obligation to report, the obligation to answer (answerability), and the obligation to accept sanctions (enforcement).

In the public sector, accountability means that government officials must be able to explain the use of public resources to the community and authorized parties. Performance-Based Budgeting, Transparency, and Accountability are not merely administrative in nature, but also moral and political, requiring integrity in every decision-making process. Attention is directed not only toward knowledge sharing within organizations but also extends to inter-organizational levels (C. Wang & Hu, 2020). This emphasizes that the core of innovative inter-organizational collaboration lies in knowledge sharing and creation. Therefore, effective mechanisms must be established between organizations to facilitate the flow and

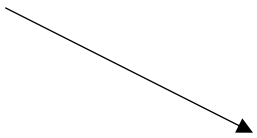
transformation of knowledge (Azeem et al., 2021). Employee performance in practice is often less than optimal due to various internal constraints, such as a lack of incentives, as well as external constraints such as complex and dynamic regulations. The Regional Civil Service Agency (BKD) has a strategic role as a vital human resource management unit in supporting government agency operations and ensuring the availability of competent talent. The effectiveness of the BKD depends greatly on its ability to manage Performance-Based Budgeting, Transparency, and Accountability appropriately and to motivate employees to achieve organizational targets.

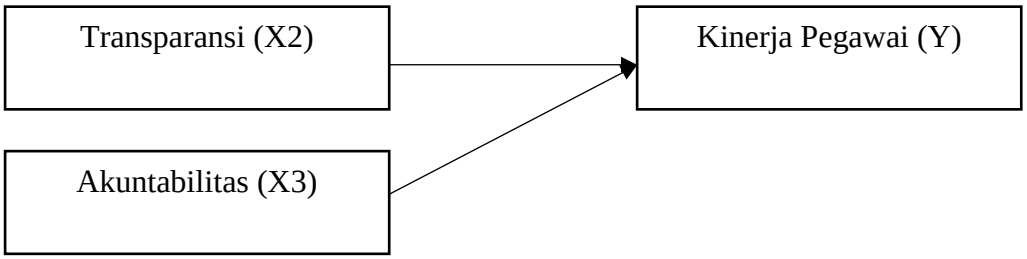
METHODS

This study employed a quantitative research method with a survey approach. It aimed to determine the effects of performance-based budgeting, transparency, and accountability on employee performance in North Sulawesi Province. Types of Data: This study used both qualitative and quantitative data. The qualitative data consisted of documentation, including the organizational structure, duties and responsibilities, and interview results obtained directly from the research object. The quantitative data consisted of Budget Implementation Documents (DPA). Data Sources: The data sources used in this study were primary and secondary data. The population comprised all active and registered employees serving as government officials within the Regional Civil Service Agency of North Sulawesi Province. Data were collected by distributing and subsequently retrieving the questionnaires. The questionnaires were then subjected to a non-response bias test. The Structural Model demonstrated the relationships between indicators and variables. The data were analyzed using the Partial Least Squares approach.

The conceptual framework of this study is presented in the figure below:

Figure 1. Conceptual Framework





Agency Theory explains that New Public Management is used to control employees so that they do not deviate from organizational objectives and serves as a monitoring and incentive tool to reduce information asymmetry between leaders and employees. Legitimacy Theory explains that when New Public Management succeeds in improving performance, the organization gains legitimacy, which in turn motivates employees to maintain that performance (a long-term impact). Legitimacy Theory explains the Performance-Based Budgeting variable by asserting that good employee performance is evidence of organizational legitimacy. In addition, a legitimate work environment increases employee commitment. Alfriady and Rahmah (2022) and Pratiwi (2018) indicate that the higher the implementation of Performance-Based Budgeting, the better the performance of local government officials.

H1: Performance-Based Budgeting affects Employee Performance.

The Effect of Transparency on Employee Performance

In Agency Theory, transparency is the primary instrument for reducing information asymmetry. From the perspective of New Public Management, transparency is a fundamental NPM principle for ensuring public accountability. NPM requires "Open Government." Transparency enables more efficient resource allocation (with no leakage). Previous studies have shown that transparency has a significant effect on the performance of local government employees. Novianti (2019), Ulya and Astuti (2020), and Jatmiko (2020) concluded that the higher the level of transparency among state officials, the better the performance of government employees.

H2: Transparency affects Employee Performance.

The Effect of Accountability on Employee Performance

The Role of Accountability: Accountability demonstrates responsibility to stakeholders (the public and the government). The relationship between Legitimacy Theory and performance is evident when an organization is considered legitimate (because of its high level of accountability), making employees feel proud and secure. This psychological security and pride improve performance. In relation to New Public Management Theory, accountability concerns results (performance-based), not merely compliance with rules. Regarding performance, New Public Management uses accountability to improve efficiency. Previous studies have shown that accountability affects the performance of local government employees. Novianti (2019), Ulya and Astuti (2020), and Jatmiko (2020) concluded that the higher the accountability of government officials, the better the performance of government agencies.

H3: Accountability affects Employee Performance.

FINDINGS AND DISCUSSION

Description of the Performance-Based Budgeting Variable

	N	Min	Max	Mean	Std. Dev.
ABK1	49	3	5	3,95	.762
ABK2	49	3	5	3,85	.677
ABK3	49	3	5	3,85	.816
ABK4	49	3	5	4,12	.780
Valid N	49				

Description of the Transparency Variable

	N	Min	Max	Mean	Std. Dev.
TS1	49	3	5	4,02	.749
TS2	49	3	5	4,06	.774
TS3	49	3	5	3,95	.762
TS4	49	3	5	4,06	.801
TS5	49	3	5	3,85	.790
Valid N	49				

Description of the Accountability Variable

	N	Min	Max	Mean	Std. Dev.
AK1	49	1	5	4,10	.895
AK2	49	2	5	4,16	.745
AK3	49	3	5	4,02	.721
AK4	49	2	5	3,97	.853
Valid N	49				

Description of the Employee Performance Variable

	N	Min	Max	Mean	Std. Dev.
KP1	49	3	5	4,59	.895
KP2	49	3	5	4,57	.745
KP3	49	3	5	4,28	.721
KP4	49	3	5	4,53	.853
Valid N	49				

Data Quality Testing

The validity test results showed that each questionnaire item had a correlation coefficient of >0.364; therefore, all tested questionnaire items were declared valid.
The reliability test results showed that Cronbach's Alpha values for all questionnaire items were >0.70; therefore, all tested data were considered reliable.

Classical Assumption Tests

The normality test results showed a significance value of >0.05. Therefore, it can be concluded that the residual normality assumption in this regression model was met.
In the multicollinearity test, Performance-Based Budgeting had a tolerance value of

0.689 and a VIF of 1.450; Transparency had a tolerance value of 0.616 and a VIF of 1.624; and Accountability had a tolerance value of 0.689 and a VIF of 1.450. Thus, it can be concluded that this model is free from multicollinearity.
The heteroscedasticity test calculation yielded a significance value of >0.05, indicating that heteroscedasticity was not present.

Multiple Linear Regression Analysis

Model	B
ABK	.120
Transparansi	.311
Akuntabilitas	.313

Regression Equation: Y = 2.936 + 0.120X1 + 0.311X2 + 0.311X3

Coefficient of Determination Test

Model	R	RSquare	Adjusted	Std Er
1	.694a	.482	.448	1.479

1. The R (Multiple Correlation) value of 0.694 indicates a fairly strong relationship between Performance-Based Budgeting, Transparency, and Accountability and Employee Performance.
2. The R Square (Coefficient of Determination) value of 0.482 means that 48.2% of the variation can be explained by the three independent variables, while the remaining 51.8% is influenced by other factors outside the model.
3. The Adjusted R Square value of 0.448 is used to correct the R Square value after adjustment. The model still explains 44.8% of the variation in Employee Performance.
4. The standard error of the estimate of 1.479 indicates the standard error in this regression, with an average difference of 3.404 units between the actual and predicted values of the Employee Performance variable.

t-Test of Hypotheses

Model	B	Std Er	Beta	t	Sig
ABK	.120	.136	.114	.885	.381
Transparansi	.311	.117	.363	2.654	.011
Akuntabilitas	.313	.114	.353	2.730	.009

H1: rejected
H2: accepted
H3: accepted

Discussion

The Performance-Based Budgeting variable does not have a significant effect on Employee Performance, with a regression coefficient of 0.120, a t-value of 0.885, and a significance value of 0.380 (>0.05). Thus, X1 does not have a significant effect on Y, and H1 is rejected. Theoretically, New Public Management and the research literature of Pratiwi (2018) and Widodo (2017) state that Performance-Based Budgeting should improve employee performance because it links funding to organizational targets or outputs and promotes efficiency and accountability. However, the results of this study show otherwise. This result is consistent with the study by Indra Maulya et al. (2024). One possible cause is that the implementation of Performance-Based Budgeting in practice is not yet mature, although the average indicator scores are moderately high. Several studies indicate that institutional readiness, human resource capacity, and operational understanding are not yet optimal.

The Transparency variable has a significant effect on Employee Performance, with a regression coefficient of 0.311, a t-value of 2.654, and a significance value of 0.001 (<0.05). This finding is consistent with New Public Management Theory, which positions Transparency as an important pillar for improving public-sector performance. It is also consistent with Hood (1991) and Osborne and Gaebler (1992).

The Accountability variable was found to have a significant effect on Employee Performance, with a regression coefficient of 0.313, a t-value of 2.730, and a significance value of 0.009 (<0.05). This finding is consistent with New Public Management Theory, which emphasizes the importance of accountability in improving the effectiveness and efficiency of public services. The study by Ulya and Astuti (2020) shows that good accountability can improve budgetary control and minimize irregularities, which in turn contribute to better performance.

CONCLUSION

1. Performance-Based Budgeting does not show a significant effect on Employee Performance. Although this system has been implemented, challenges and obstacles remain in practice, thereby hindering its effectiveness in improving individual performance.

2. Transparency has been proven to have a significant effect on Employee Performance. This indicates that a high level of openness in budget management provides a foundation and motivation for employees in carrying out their work.

3. Accountability has a significant effect on Employee Performance. Employees with a high level of awareness of their responsibilities tend to be more disciplined.

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