

THE INFLUENCE OF BUDGET TRANSPARENCY AND PUBLIC PARTICIPATION ON THE EFFECTIVENESS OF BUDGET MANAGEMENT POLICIES

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Abstract

This study aims to investigate the effect of budget transparency and public participation on the effectiveness of budget management policies in Palopo City, with the hope that the findings will provide insights that can be used to strengthen public financial management practices in other similar areas. This research method uses a quantitative method by using the Slovin formula to determine the sample of respondents selected. Data was collected through questionnaires covering the variables of Budget Transparency, Public Participation, and Budget Management Policy Effectiveness. The sample in this study was 130 respondents/samples. The data analysis technique was carried out using the Statistical Package for the Social Sciences (SPSS) version 29 application. The results of this study indicate that budget transparency has a significant effect on the effectiveness of budget management policies, and community participation has a significant effect on the effectiveness of budget management policies.

Keywords: Budget Transparency; Public Participation; Policy Effectiveness; Budget Management.

1. Introduction

In an organisation, the budget plays an important role where the budget is a financial plan that is prepared systematically in supporting the implementation of an organisation's activity program. Along with the demands of the public for transparency and public accountability, demanding every government organisation to improve and improve its performance in order to be oriented towards the creation of good public and good governance.

As stated in Law Number 32 of 2004 article 2 paragraph (2) that local governments regulate and manage their own government affairs according to the principles of autonomy and assistance tasks. Since the enactment of the law, it has brought consequences for the regions in the form of accountability for the allocation of funds owned in an effective manner. The importance of the effectiveness of budget management starts from the process of making work plans, pouring them into budget execution documents, monitoring their realisation, recording in the government accounting system and preparing the budget within one year. The effectiveness of budget management also has an impact on government accountability, in connection with the government's function in providing services to the community Nst & Nurlaila, (2023).

In the context of public financial management, budget transparency and public participation are two important pillars that support the effectiveness of budget policies. Transparency in public budget management is defined as the disclosure of information about how public funds are planned, managed and allocated. Public participation refers to the involvement of citizens in the budget planning and monitoring process, which helps ensure that government policies reflect the needs and priorities of citizens OECD, (2019).

With transparency in place, the public can assess government actions, recognise the reasons behind behaviours and judge them against the norms set by the current system; this will lead to improved civic duty. When there is a lot of transparency and accountability, it encourages the community to take part in managing village finances. This is because if the community is not involved in the management of village funds, the funds are likely to be used for improper purposes (Hasundutan et al., 2023).

In previous research, community participation is often considered as one homogeneous entity. However, there are many different types of public participation, from passive to active. This study identifies and evaluates different types of public participation, providing a

better understanding of how public participation in its various forms can influence the effectiveness of budget management policies.

The purpose of this study is to investigate how budget transparency and community participation affect the effectiveness of budget management policies in Palopo City, with the hope that the findings will provide insights that can be used to strengthen public financial management practices in other similar areas.

2. Literature Review

Budget Transparency

Transparency Theory

In addition, transparency provides financial information openly and honestly to the public. This is based on the fact that the public has the highest authority and sovereignty in the country, so they have the right to know openly and thoroughly about how the government manages the resources entrusted to it and complies with current legal regulations. Permendagri No. 20/2018 on Village Financial Management stipulates transparency in the management of finances provided to village governments in an open manner. This is done because the finances managed are public goods or belong to the people, so the people have rights in this matter. Bela & Utama, (2019).

According to Law No. 14/2008 on Public Information Disclosure, government transparency includes the principles, conditions, and results of state administration that guarantee broad, convenient, timely, and efficient access for everyone.

According to Sri et al. (2023) transparency also means that the management of public sector organisations can find out about the activities, programs, and policies implemented by the resources used.

A study conducted by Hikmah, (2020) found that transparency improves regional financial management.

Community Participation

According to Totok and Poerwoko, community participation shows the community's awareness and concern for the importance of development with the aim of improving the quality of their lives. In other words, community participation shows that the community is really aware that development is one of the activities that provide benefits or positive impacts for the community which then really needs to be considered by the community and the government in the area. It is not only an obligation that must be fulfilled by government officials themselves, but also requires community participation to improve their quality of life. If the community realises how important it is to be involved in an activity, they will participate. This is especially true for activities involving the government because government activities are carried out for the benefit of the community.

According to Isbandi, community participation is the involvement of the community in the process of identifying problems with all the things or possibilities that happen to the community, choosing and making decisions about options in problem solving, making efforts to solve problems, and assessing the changes that occur. Community involvement is not only regulated by the government, but also involved in finding solutions to development problems when they face problems (Ndraha & Uang, 2022).

Research conducted by Ivan Ramadhan et al. found that community participation does not affect the knowledge of Board members about the budget, which has an impact on local financial supervision.

Public participation has the ability to change the structure of economic development by prioritising the interests of community groups. In other words, community participation can influence development planning factors to encourage social change in society. (Muchammad Satrio Wibowo & Belia, 2023).

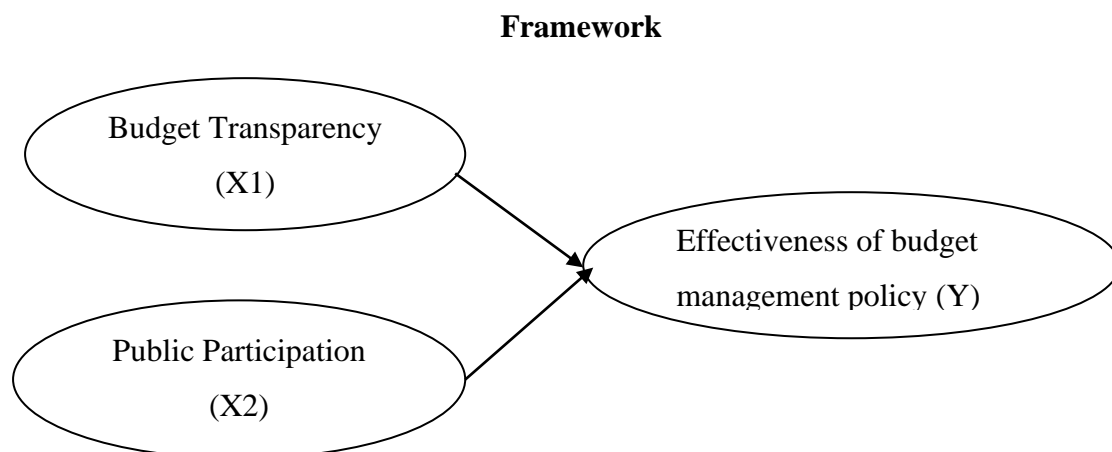
Effectiveness of Budget Management Policies

Planning, monitoring and controlling the expenditure of an organisation or individual is called budget management. In budget management, resources are organised and controlled effectively to achieve goals. Arti, (2020).

Enabling organisations or individuals to manage their finances well and make better financial decisions are the reasons why budget management is so important. Lubis, (2021).

Budget management is important to avoid financial problems such as overspending, underfunding, and excessive debt. Budget management also helps organisations or individuals manage their resources properly and effectively, and forecast future funding needs. Organisations or individuals can avoid these financial problems and maintain long-term financial stability with good budget management. Mubyarto, (2021).

To meet the needs of the organisation from stakeholders such as investors, creditors, and the government, budget management is also important. Budget management not only focuses on controlling expenditure, but also pays attention to strategies to improve the efficiency and effectiveness of expenditure. Rosmini, (2021).



Gambar 1. Framework

H1: Budget transparency has a positive influence on the effectiveness of budget management policies.

H2: Public participation has a positive influence on the effectiveness of budget management policies.

H3: Budget transparency and public participation simultaneously have a positive influence on the effectiveness of budget management policies.

3. Research Methods

This study uses a quantitative approach to analyse the relationship between the independent variable and the dependent variable. In this study, the sample used was 130 respondents consisting of local government employees and the general public who participated in budget management in Palopo City. The sampling technique used is using the Slovin formula, which is a data collection method to determine the size or number of samples with a relatively large population.

$$n = \frac{N}{1 + Ne^2}$$

Notes:

N = Sample size

N = Population size

e = The significance level refers to the threshold of tolerable error in the sample.

$$n = \frac{195}{1 + (195 \times 0,05)^2}$$

$$n = \frac{195}{1 + 0,05}$$

$$n = 130$$

In this study, the type of data used is primary data. Primary data is data collected directly from the source for specific research purposes. Data collection was carried out using a questionnaire distributed directly to respondents using Likert scale measurements with a scale of 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree. Data analysis was carried out using IBM SPSS Version 29 software, chosen for its informative ability to facilitate interpretation of results with a high degree of accuracy.

4.Result & Discussion

Based on the data presented in Table 1, most of the respondents were female as many as 70 people or around 53.4%, while the rest were male as many as 60 people or around 46.6%.

Table 1. Percentage of Respondents

Gender	Total	Percentage
Women	70	53,4 %
Men	60	46,6 %
TOTAL	130	100 %

Source: Primary data processed with SPSS Ver. 29

Descriptive Data Analysis Test

Table 2. Data Descriptive Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
Budget Transparency	130	6,00	25,00	18,5231	2,84541
Public Participation	130	7,00	25,00	18,2769	2,59999
Effectiveness of budget Management policy	130	5,00	25,00	18,6000	2,50457
Valid N (listwise)	130				

Source: Primary data processed with SPSS Ver. 29

Budget Transparency (X1) ranges from 6.00 to 25.00, with an average of about 18.5231 and a standard deviation of 2.84541. This shows that Budget Transparency tends to be relatively high.

Public Participation (X2) has a value between 7.00 and 25.00 with an average of about 18.2769 and a standard deviation of 2.59999 reflecting a relatively high level of public participation. Budget Management Policy Effectiveness (Y) ranges from 5.00 to 25.00 with an average of approximately 18.6000 and a standard deviation of 2.50457 indicating a relatively stable level of income..

Data Quality Test

Table 3. Validity Test Results

Research Variable	Instrument Codes	Pearson Correlation	Description
Budget Transparency (X1)	X1.1	0,777	Valid
	X1.2	0,709	Valid
	X1.3	0,785	Valid
	X1.4	0,740	Valid
	X1.5	0,643	Valid
Public Participation (X2)	X2.1	0,708	Valid
	X2.2	0,806	Valid
	X2.3	0,761	Valid
	X2.4	0,616	Valid
	X2.5	0,732	Valid
Effectiveness of budget management policy (Y)	Y.1	0,699	Valid
	Y.2	0,743	Valid
	Y.3	0,647	Valid
	Y.4	0,627	Valid
	Y.5	0,799	Valid

Source: Primary data processed with SPSS Ver. 29

Based on the table above, all statement items or variables are declared valid because they are in accordance with the validity test provisions using a significance level of 0.05.

Table 4. Reliability Test Results

Research Variable	Cronbach's Alpha Value	Description
Budget Transparency (X1)	0,782	Reliable
Public Participation (X2)	0,776	Reliable
Effectiveness of budget management policy (Y)	0,744	Reliable

Source: Primary data processed with SPSS Ver. 29

From the table above, it can be explained that all questionnaire statement items in this study are declared reliable because the X1 value is 0.782 greater than 0.60, for the X2 value is 0.776 greater than 0.60 and the Y value is 0.744 greater than 0.60.

Classical Assumption Test

Table 5. Normality Test Results

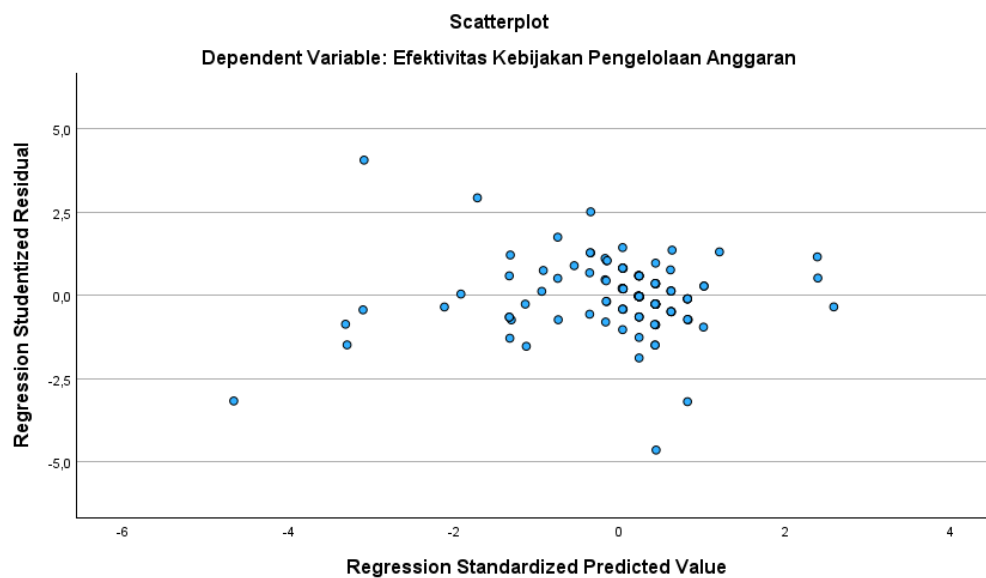
One Sample Kolmogorov-Smirnov Test

Kolmogorov-Smirnov	Non-standardised residue
N	130
Asymp.Sig. (2-ekor)	,200c,d

Source: Primary data processed with SPSS Ver. 29

From the table above, it can be concluded that the significance value of 0.200 exceeds the significance level of 0.05. This shows that the data used in this study follow a normal distribution.

Figure 2. Heteroscedasticity Test Results



Source: Primary data processed with SPSS Ver. 29

From the figure above, in the multiple linear regression model x_1 and x_2 on y there is no problem regarding heteroscedasticity so that it fulfils the classic heteroscedasticity assumption test.

Table 6. Multicollinearity Test Results

Variable	Tolerance	VIF
Budget Transparency	0,426	2,349
Public Participation	0,426	2,349

Source: Primary data processed with SPSS Ver. 29

From the analysis results above, it shows that the two independent variables, namely x1 and x2, show a tolerance value exceeding 10% and a VIF (Variance Inflation Factor) value of less than 10. The test results show that there is no multicollinearity in the research data.

Hypothesis Test

Table 7. F Test Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	471,074	2	235,537	88,468	<,001b
	Residual	338,126	127	2,662		
	Total	809,200	129			

Source: Primary data processed with SPSS Ver. 29

The table above shows the results of the F test with a value of 88.468 and a significance level of 0.001. Because the probability value (0.001) is smaller than 0.05, it can be said that the variables of Budget Transparency and Community Participation together have a significant effect on the variable Effectiveness of Budget Management Policy.

Table 8. T-Test Results

Model		Unstandardized Coefficients B	Std.Err or	Standardized Coefficients Beta	t	Sig.
1	(Constant)	4,817	1,053	0,419	4,576	<,001
	Budget Transparency	0,369	0,077	0,395	4,765	<,001
	Public Participation	0,380	0,085		4,493	<,001

Source: Primary data processed with SPSS Ver. 29

The Budget Transparency variable (X1) has a t value of 4.765 with a significance level of <.001 below the significance of 0.05 (5%). Thus, the calculated t value > t table value, or 4.765 > 1.978. These results indicate that hypothesis H1 is accepted which indicates that Budget Transparency has a positive effect on the Effectiveness of Budget Management Policies.

The Community Participation variable (X2) has a tcount value of 4.493 with a significance level of <.001 below the significance of 0.05 (5%). With the t value > t table value or 4.493 > 1.978, the H2 hypothesis is accepted which states that Community Participation has a positive effect on the Effectiveness of Budget Management Policy.

5. Conclusions, Implications and Recommendations

Conclusion

The results showed that budget transparency has a positive and significant influence on the effectiveness of budget management policies. High budget transparency allows the public to access information related to budget management openly and honestly, which in turn increases accountability and efficiency in the use of public budgets.

This study also found that public participation has a positive and significant influence on the effectiveness of budget management policies.

When budget transparency and public participation were analysed simultaneously, the study found that the two variables together made a significant contribution to the effectiveness of budget management policies. With information disclosure and public involvement complementing each other and ensuring that budgets are used effectively and efficiently in accordance with public needs.

Implications

- Local governments are advised to continue to improve transparency in budget management by providing easy and complete access to information to the public, including through the use of information and communication technology (ICT).
- Local governments need to adopt more inclusive participatory mechanisms in the budgeting process, such as public consultation forums and development planning meetings (musrenbang), to gather input from various community groups.
- Collaboration between government and non-governmental organisations (NGOs) can improve transparency and public participation in budget management, ensuring that public funds are managed accountably and in line with community needs.

Recommendations for future research

- Future research could use a longitudinal approach to see how budget transparency and public participation affect the effectiveness of budget management policies over the long term.
- Conduct comparative studies across different regions or countries to understand how local contexts influence the relationship between budget transparency, public participation, and budget management policy effectiveness.
- Using a mixed methods approach that combines quantitative and qualitative analyses to gain a more comprehensive understanding of the dynamics and mechanisms behind the influence of budget transparency and public participation on budget management.

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