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The Influence of Performance-Based Budget Management and Budget Transparency on The Effectiveness of Regional Spending

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Abstract. This study aims to analyze the effect of performance-based budget management and budget transparency on the effectiveness of regional spending at the Regional Revenue Agency (BAPENDA) of Pesawaran Regency. This study employs a quantitative approach with an associative method. The sample consisted of 77 employees ($n = 77$) involved in the budget planning, implementation, and control processes, selected using a saturated sampling technique. Data were collected through structured questionnaires and analyzed using multiple linear regression analysis. The results show that performance-based budget management has a positive and significant effect on regional spending effectiveness ($\beta = 0.532$; $p < 0.001$), while budget transparency also has a positive and significant effect ($\beta = 0.345$; $p < 0.001$). Simultaneously, both variables significantly influence regional spending effectiveness. These findings suggest that strengthening the linkage between budget allocation and measurable performance indicators, along with enhancing transparency in budget information, contributes to more effective and accountable regional budget utilization.

Keywords: Performance-Based Budget Management, Budget Transparency, Effectiveness of Regional Spending

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1. Introduction

Regional financial management is a strategic instrument in supporting the achievement of development goals and improving the quality of public services. Local governments are not only required to absorb the budget but also to ensure that expenditures are effective, well-targeted, and provide tangible benefits to the community. From the perspective of modern public sector management, the effectiveness of regional spending is one of the primary indicators of the success of results-oriented regional financial governance (Mahmudi, 2019).

The concept of regional spending effectiveness aligns with the Value for Money (VfM) approach, which emphasizes the use of budgets in an economical, efficient, and effective manner. Effectiveness occupies a central position because it reflects the extent to which budget allocations generate outputs and outcomes consistent with predetermined objectives (Mardiasmo, 2018). This principle is reinforced in Government Regulation Number 12 of 2019, which mandates that regional financial management be conducted transparently, accountably, and in a performance-oriented manner.

One of the primary instruments for improving the effectiveness of regional spending is the implementation of performance-based budgeting. This approach represents the application of the New Public Management (NPM) paradigm, which emphasizes results orientation, performance



measurement, and accountability in budget utilization (Hood, 1995). Performance-based budgeting links budget allocations to measurable output and outcome indicators, transforming the budget from merely a list of expenditures into a managerial tool for achieving organizational performance (Mardiasmo, 2018). Several studies have demonstrated that the implementation of performance-based budgeting positively influences the effectiveness of regional spending (Fitriani & Muttaqin, 2022; Hans, 2025).

In addition to performance-based budget management, budget transparency is another crucial factor in enhancing regional spending effectiveness. Budget transparency enables public access to information regarding budget planning, implementation, and accountability, thereby strengthening public oversight mechanisms. From the perspective of Agency Theory, transparency reduces information asymmetry between the government as the agent and the public as the principal and minimizes the potential for opportunistic behavior (Jensen & Meckling, 1976). Previous studies have found that budget transparency positively affects regional spending effectiveness by promoting accountability and accuracy in budget use (Sari & Nugroho, 2021; Yuliana, 2020).

However, although prior research has examined the individual effects of performance-based budgeting and budget transparency on financial performance, limited empirical studies have simultaneously investigated the combined influence of these two variables on regional spending effectiveness, particularly at the level of specific regional apparatus organizations. Moreover, most previous studies have focused on provincial or broader local government contexts, leaving a gap in understanding how these mechanisms operate within revenue-generating agencies such as the Regional Revenue Agency (BAPENDA). This gap highlights the need for empirical investigation at the organizational level to better understand the interaction between internal performance mechanisms and external transparency practices.

This study contributes to the literature in two main ways. First, it provides empirical evidence on the simultaneous effect of performance-based budget management and budget transparency on regional spending effectiveness within a specific regional apparatus organization. Second, it extends public sector accounting research by examining these relationships in the context of a local revenue agency, thereby offering more context-specific insights for improving regional financial governance practices. Based on the theoretical framework and previous empirical findings, the hypotheses of this study are formulated as follows:

H1: Performance-Based Budget Management positively affects Regional Spending Effectiveness.

H2: Budget Transparency positively affects Regional Spending Effectiveness.

Based on these hypotheses, this study aims to analyze the influence of performance-based budget management and budget transparency on the effectiveness of regional spending at the Regional Revenue Agency (BAPENDA) of Pesawaran Regency. The findings are expected to provide both theoretical contributions to public sector accounting literature and practical implications for improving regional financial governance.

2. Methods

Research Design

This study employs a quantitative approach with an explanatory research design. An explanatory design was selected because the study aims to examine the causal relationship between performance-based budget management and budget transparency on regional spending effectiveness. The research focuses on the Regional Revenue Agency (BAPENDA) of Pesawaran Regency, which serves as one of the regional apparatuses with a strategic role in regional financial management.

Research Materials and Tools

The primary data used in this study were obtained directly from respondents through the distribution of questionnaires. The research instrument was developed based on the indicators of each variable, referring to the theories of performance-based budgeting, budget transparency, and regional spending effectiveness, and was adapted to the context of regional financial management.

Respondents' answers were measured using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). All collected data were processed and analyzed using the Statistical Package for the Social Sciences (SPSS).

Population and Sampling Techniques

The population of this study consists of all employees working at the Regional Revenue Agency (BAPENDA) of Pesawaran Regency. These employees include Civil Servants (PNS), employees of the Regional Technical Implementation Unit (UPTD), as well as contract workers who are involved in financial and budget management activities. Based on Table 1, the total population in this study consists of 77 employees. Given the relatively small population size, a saturated sampling technique was employed, in which all members of the population were included as research respondents. The use of this technique aims to provide a more comprehensive and accurate understanding of the influence of performance-based budget management and budget transparency on the effectiveness of regional spending at the Regional Revenue Agency (BAPENDA) of Pesawaran Regency.

Table 1. Research Population

No	Employment Status	Number of Employees
1	Civil Servant	30
2	UPTD Employee	13
3	Contract Worker	34
	Total	77

Research Variables and Measurement Methods

This study employs three types of variables: independent variables, a dependent variable, and no moderating variable (if no moderator is used, you may remove that term to avoid inconsistency). The first independent variable is performance-based budget management (X_1), measured using indicators of performance planning, the establishment of output and outcome indicators, alignment between the budget and performance targets, and the implementation of monitoring and evaluation activities.

The second independent variable is budget transparency (X_2), measured through indicators such as the availability of budget information, ease of access to budget documents, and openness of information to the public. The dependent variable is regional spending effectiveness (Y), measured through indicators including the alignment between planned and actual budgets, the achievement of program outputs and outcomes, and the accuracy of spending targets. All variables were measured using questionnaire statements based on a five-point Likert scale.

Research Procedure

The research was conducted in several stages. The first stage involved the development of the research instrument, followed by data quality testing through validity and reliability tests. The second stage consisted of collecting primary data through the distribution of questionnaires to respondents. The next stage involved data processing, including coding and tabulating the collected data. The final stage was data analysis and drawing conclusions based on the results of hypothesis testing.

Data Analysis Method

The data analysis methods used in this study include descriptive statistical analysis, data quality testing, classical assumption testing, and multiple linear regression analysis. Descriptive statistical analysis was used to describe respondents' characteristics and the distribution of research data based on the mean, minimum, maximum, and standard deviation values. This stage provides an overview of respondents' perceptions regarding performance-based budget management, budget transparency, and regional spending effectiveness. Data quality was assessed through validity and reliability tests. The validity test was conducted to ensure that each questionnaire item accurately measured the intended variable, while the reliability test was performed to assess the consistency of the research instrument. The instrument was considered reliable if the Cronbach's Alpha value exceeded 0.70, indicating good internal consistency.

Before conducting hypothesis testing, classical assumption tests were performed, including tests of normality, multicollinearity, and heteroscedasticity. The normality test was conducted to ensure that the data were normally distributed. The multicollinearity test aimed to identify high correlations among independent variables, while the heteroscedasticity test was performed to verify that the residual variance was constant. Meeting these classical assumptions ensures that the regression model satisfies the BLUE (Best Linear Unbiased Estimator) criteria. Hypothesis testing

was conducted using multiple linear regression analysis to examine the effect of performance-based budget management and budget transparency on regional spending effectiveness, both partially and simultaneously. Partial effects were tested using the t-test, while simultaneous effects were examined using the F-test. All statistical tests were conducted at a significance level of 5 percent ($\alpha = 0.05$). The regression equation model used in this study is as follows:

Simple Linear Regression Model

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \epsilon$$

Description:

Y	= Effectiveness of Regional Spending
X1	= Performance-Based Budget Management
X2	= Budget Transparency
α	= Constant
β_1, β_2	= Regression coefficient
ϵ	= error

3. Results and Discussion

Result

Based on Table 2, the composition of respondents by gender is relatively balanced between male and female employees. This indicates that the implementation of tasks and organizational functions within the Regional Revenue Agency (BAPENDA) of Pesawaran Regency involves employees from diverse gender backgrounds in a proportional manner. Therefore, the perceptions gathered in this study can be considered to reflect the overall condition of the organization.

Table 2. Respondents by gender

Gender	Amount	Percentage
Man	41	53,25%
Woman	36	46,75%

Based on Table 3, the majority of respondents hold a Bachelor's degree. This relatively high level of education is expected to enhance employees' understanding of performance-based budget management and budget transparency concepts, as well as contribute to improving the effectiveness of regional spending.

Table 3. Respondents Based on Last Education

Types of Education	Amount	Percentage
High School/Vocational School	18	23,38%
Associate Degree	9	11,69%
Bachelor's Degree	44	57,14%
Master's Degree	6	7,79%
Total	77	100%

Based on Table 4, the majority of respondents fall within the 30–39 age range, indicating that most employees are in their productive years. This condition reflects a workforce that is relatively mature, stable, and capable of performing organizational tasks effectively, including supporting the effective implementation of the budget.

Table 4. Respondents by Age Group

Age Type	Amount	Percentage
< 30	14	18,18%
30-39	26	33,77%
40-49	22	28,57%
≥ 50	15	19,48%
Total	77	100%

Based on Table 5, the majority of respondents have a tenure of 5–10 years, indicating that they possess sufficient work experience to understand the organizational processes and mechanisms. The presence of employees with medium and long tenures contributes positively to organizational stability and enhances the effectiveness of program and activity implementation.

Table 5. Respondents Based on Length of Service

Length of Service	Number (of People)	Percentage (%)
< 5 years	16	20,78%
5–10 years	27	35,06%
11–15 years	18	23,38%
> 15 years	16	20,78%
Total	77	100%

Based on the results of the descriptive statistical analysis, the performance-based budget management variable received relatively high ratings from respondents. The statement that obtained the highest score was related to the alignment between budget planning and output and outcome performance indicators, indicating that respondents perceived the implementation of performance-based budgeting as quite effective. This suggests an adequate understanding and application of results-oriented budgeting principles. Regarding the budget transparency variable, the statement with the highest score was associated with the openness of budget information and the ease of access to budget documents. These findings indicate that respondents assessed the level of budget transparency within the Regional Revenue Agency (BAPENDA) of Pesawaran Regency as good, particularly in terms of information availability and the utilization of information technology.

Meanwhile, the regional spending effectiveness variable also received relatively high ratings, particularly on indicators related to the alignment between budget planning and realization, as well as the achievement of program and activity targets. This reflects respondents' positive perceptions of the quality of regional spending implementation. The results of the validity test indicated that all questionnaire items had correlation coefficients greater than the *r*-table value, confirming that all indicators were valid. Furthermore, the reliability test results showed that each variable had a Cronbach's Alpha value exceeding 0.70, indicating that the research instrument demonstrated good internal consistency and reliability. The classical assumption tests, including normality, multicollinearity, and heteroscedasticity tests, indicated that the data met the requirements of the regression model. The data were normally distributed, no high correlations were found among the independent variables, and no signs of heteroscedasticity were detected. Therefore, the regression model used in this study is considered appropriate for further hypothesis testing.

As presented in Table 6, the regression results show that the constant value is 5.833. This indicates that when Performance-Based Budget Management and Budget Transparency are assumed to be zero, the Regional Spending Effectiveness score would be 5.833. The regression coefficient for Performance-Based Budget Management (X_1) is 0.532 and is positive. This means that for every one-unit increase in performance-based budget management, assuming other variables remain constant, Regional Spending Effectiveness will increase by 0.532 units. Similarly, the regression coefficient for Budget Transparency (X_2) is 0.345 and is also positive. This indicates that a one-unit increase in budget transparency will lead to an increase of 0.345 units in Regional Spending Effectiveness.

Therefore, both independent variables have a positive effect on Regional Spending Effectiveness. Furthermore, the results of the simultaneous test (*F*-test), as shown in Table 6, indicate that Performance-Based Budget Management and Budget Transparency collectively have a significant effect on Regional Spending Effectiveness. This finding suggests that the integration of a performance-oriented budgeting system with a high level of budget transparency contributes to improving the overall effectiveness of regional spending.

Table 6. Multiple Linear Regression Test Results

Model		Coefficients ^a			t	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta		
1	(Constant)	5,833	3,746		1,557	0,124
	Performance-Based Budget Management	0,532	0,111	0,460	4,788	<,001
	Budget Transparency	0,345	0,084	0,392	4,087	<,001

Discussion

The results of this study indicate that performance-based budget management has a positive and significant effect on the effectiveness of regional spending at the Regional Revenue Agency (BAPENDA) of Pesawaran Regency. These findings suggest that the stronger the linkage between budget planning and output and outcome indicators, the higher the level of achievement of regional spending objectives. Conceptually, these results support the Value for Money approach, particularly in terms of effectiveness, where budget performance is assessed not only by the absorption rate but also by its ability to generate outcomes in accordance with predetermined targets. The implementation of performance-based budgeting encourages each work unit to plan and execute activities in a more measurable manner, thereby making regional spending more targeted and results-oriented.

These findings are consistent with the studies conducted by Fitriani and Muttaqin (2022) and Hans (2025), which demonstrate that performance-based budgeting improves fiscal discipline and strengthens the alignment between planning and expenditure realization. Furthermore, the results of this study reinforce the New Public Management (NPM) paradigm, which emphasizes a results-oriented approach—focusing on outputs and outcomes—as the primary indicator of public sector performance (Hood, 1995). With clearly defined performance indicators and a structured evaluation mechanism, regional expenditure at BAPENDA of Pesawaran Regency is no longer merely administrative in nature but is directed toward achieving organizational goals and improving public services.

Moreover, the findings reveal that budget transparency has a positive and significant effect on regional spending effectiveness. This suggests that the openness of budget information, ease of access to budget documents, and the utilization of information technology play crucial roles in enhancing the quality of spending management. From the perspective of Agency Theory, transparency helps reduce information asymmetry between the government as the agent and the public as the principal (Jensen & Meckling, 1976). When budget information is openly accessible, the potential for irregularities can be minimized, and the government is encouraged to utilize the budget in a more accountable and effective manner.

These findings are also consistent with prior research by Yuliana (2020), Sari and Nugroho (2021), and Rahmawati and Susanto (2023), which concluded that budget transparency strengthens public oversight and enhances the achievement of spending outputs and outcomes. Transparency reinforces the principles of good governance by enabling the public and other stakeholders to evaluate the alignment between planning, implementation, and budget realization. Consequently, regional spending not only fulfills regulatory compliance requirements but also generates tangible benefits for both the organization and the community.

Furthermore, the results of the simultaneous testing indicate that performance-based budget management and budget transparency jointly have a positive and significant effect on regional spending effectiveness. This finding suggests a complementary relationship between internal control mechanisms, represented by performance-based budgeting, and external oversight mechanisms, represented by budget transparency. Performance-based budgeting ensures that expenditures are aligned with performance targets, while budget transparency ensures that the budgeting process can be publicly monitored and held accountable.

These findings support the study by Sari and Nugroho (2021), which emphasized that regional spending effectiveness is optimized when performance-based budget management is accompanied by a high level of transparency. Within the Value for Money framework, the synergy

between these two variables strengthens the achievement of effectiveness, as the budget is not only implemented according to plan but also subject to open monitoring, thereby maximizing its benefits. Therefore, this study confirms that improving regional spending effectiveness at BAPENDA of Pesawaran Regency requires the consistent implementation of performance-based budgeting alongside adequate budget transparency.

4. Conclusion and Recommendation

Conclusion

Based on the results of the analysis and discussion, this study concludes that performance-based budgeting has a positive and significant effect on the effectiveness of regional spending at the Regional Revenue Agency (BAPENDA) of Pesawaran Regency. A strong alignment between budget planning, performance indicators, and the achievement of outputs and outcomes enhances the quality of regional spending implementation, making it more targeted and results-oriented. Furthermore, budget transparency has also been shown to have a positive and significant effect on regional spending effectiveness. The openness of budget information, ease of access to documents, and the utilization of information technology contribute to greater accountability and oversight, thereby improving the effectiveness of budget utilization.

Simultaneously, performance-based budget management and budget transparency positively influence regional spending effectiveness. These findings confirm that spending effectiveness is determined not only by a performance-oriented budgeting system but also by the level of transparency that enables the budgeting process and expenditure implementation to be monitored and held accountable. The synergy between performance-based budgeting and budget transparency is therefore a key factor in achieving effective and accountable regional spending.

Recommendation

Based on the findings of this study, it is recommended that the BAPENDA of Pesawaran Regency, as well as other local government institutions, strengthen the implementation of performance-based budgeting by ensuring a clear linkage between planning, output and outcome indicators, and continuous performance evaluation. In addition, budget transparency should be enhanced through the provision of comprehensive and easily accessible budget information, supported by the effective utilization of information technology to reinforce accountability and public oversight. Future research is also encouraged to expand the scope of study by involving multiple regional apparatus organizations or different regions to obtain more generalizable findings and to explore additional variables that may influence regional spending effectiveness.

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