The Influence of Public Accountability and Transparency on the Effectiveness of Community Development Activity Budget Management: An Empirical Study in Sudirejo-I Urban Village, Medan City District, Indonesia

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This study aims to examine the effect of public accountability on the effectiveness of community activity budget management in Sudirejo-I Urban Village, Medan Kota District, Indonesia. Public accountability is a fundamental principle of good governance that promotes transparency, responsibility, and efficient utilization of public funds. This research employed a quantitative approach using an associative research design. Data were collected through questionnaires distributed to 109 respondents, including village officials, neighborhood heads, community leaders, and local residents. The collected data were analyzed using descriptive statistics, validity and reliability tests, simple linear regression, t-test, and coefficient of determination (R^2) with SPSS Statistics. The findings reveal that public accountability was perceived to be at a good level (mean = 4.14), while the effectiveness of community activity budget management was categorized as effective (mean = 4.15). Regression analysis produced the equation Y = 12.318 + 0.731X, indicating a positive relationship between public accountability and budget management effectiveness. The hypothesis testing results showed a significant positive effect of public accountability on budget management effectiveness ($t = 8.962, p < 0.001$). Furthermore, the coefficient of determination ($R^2 = 0.581$) indicates that public accountability explains 58.1% of the variance in the effectiveness of community activity budget management. These findings suggest that strengthening transparency, compliance with regulations, information disclosure, and community participation can significantly improve financial governance and budget management effectiveness at the village government level.

Keywords: public accountability; budget management effectiveness; good governance; community participation; and village government.

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1. Introduction

Public sector budget management is a fundamental instrument of governance that aims to ensure efficient public service delivery, sustainable development, and improved community welfare. In Indonesia, local governments are entrusted with significant responsibilities in planning, implementing, and evaluating development programs through the allocation of public budgets. At the urban village (*kelurahan*) level, budget management is particularly important because it directly supports community development activities, including environmental improvement, community empowerment, administrative services, institutional strengthening, and social welfare programs. Consequently, effective budget management must adhere to the principles of transparency, accountability, efficiency, effectiveness, and compliance with prevailing laws and regulations (Mardiasmo, 2021; Mahmudi, 2019). Public accountability has become one of the most important principles of good governance. According to Mardiasmo (2021), public accountability refers to the obligation of public sector organizations to explain and justify the success or failure of public programs to citizens as the ultimate stakeholders. Accountability extends beyond financial reporting to encompass transparent decision-making, compliance with legal provisions, responsible resource utilization, and responsiveness to public interests. Likewise, transparency enables citizens to access government information, monitor budget implementation, and participate actively in public oversight, thereby strengthening democratic governance and increasing public trust (Bovens, 2007; Hood, 2010; United Nations Development Programme [UNDP], 1997).

The importance of accountability and transparency has been reinforced through Indonesia's regulatory framework governing public financial management. Law Number 17 of 2003 concerning State Finance establishes the principles of accountability, transparency, efficiency, and effectiveness in managing public finances. These principles are further strengthened by Law Number 1 of 2004 concerning the State Treasury, Government Regulation Number 12 of 2019 concerning Regional Financial Management, and Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments. Collectively, these regulations require all government institutions to manage public funds responsibly while ensuring openness and accountability throughout the budgeting process. Despite comprehensive regulatory support, the implementation of accountability and transparency at the local government level continues to face numerous challenges. Previous studies have identified several obstacles, including limited administrative capacity, inadequate financial reporting quality, insufficient public participation, weak internal control systems, and inconsistent implementation of governance principles. These issues may reduce the effectiveness of budget utilization and hinder the achievement of community development objectives (Mahmudi, 2019; Sopanah & Wahyudi, 2021).

The novelty of this study lies in examining the integrated influence of public accountability and transparency on the effectiveness of community development activity budget management at the urban village level. Unlike previous studies that primarily focused on accountability alone, this research incorporates accountability and transparency simultaneously through indicators of information disclosure, regulatory compliance, financial responsibility, accountability mechanisms, and community participation. This integrated approach is expected to provide a more comprehensive understanding of public financial governance at the grassroots government level.

Therefore, this study aims to analyze the influence of public accountability and transparency on the effectiveness of community development activity budget management in Sudirejo-I Urban Village, Medan Kota District, Indonesia. The findings are expected to contribute theoretically to the development of public sector accounting and public administration literature while providing practical recommendations for strengthening accountable, transparent, and citizen-oriented financial governance in local government institutions.

2. Literature Review and Hypothesis Development

Accountability Theory

Accountability Theory explains that public sector organizations have an obligation to account for the management of public resources to citizens as the holders of sovereignty. Accountability is not limited to the presentation of financial statements but also includes transparency, compliance with regulations, effective implementation of government programs, and the achievement of public service objectives (Mardiasmo, 2021). In the public sector, accountability serves as a mechanism to ensure that government institutions manage public funds responsibly and in accordance with legal and ethical standards. The implementation of strong accountability enhances public trust, strengthens government legitimacy, and promotes effective governance. According to Bovens (2007), accountability is a relationship in which public officials are required to explain and justify their actions, while stakeholders have the authority to evaluate those actions and impose consequences if performance does not meet expected standards. Therefore, accountability is considered a critical governance mechanism for improving organizational performance and ensuring efficient utilization of public resources.

Agency Theory

Agency Theory, introduced by Jensen and Meckling (1976), explains the contractual relationship between principals and agents. Within the public sector, citizens act as principals, while government officials function as agents entrusted with managing public resources on behalf of society. Because government officials generally possess more information than citizens, information asymmetry may arise, potentially leading to inefficiency, misuse of public funds, and weak financial governance. To reduce agency problems, governments are required to establish accountability, transparency, and monitoring mechanisms that ensure public resources are managed according to legal requirements and development objectives. Accountability reports, financial disclosures, and public participation serve as monitoring instruments that reduce agency conflicts and improve budget management effectiveness (Jensen & Meckling, 1976).

Good Governance refers to a governance system characterized by accountability, transparency, participation, effectiveness, efficiency, responsiveness, equity, and adherence to the rule of law. According to the United Nations Development Programme (UNDP, 1997), accountability and transparency are among the core principles that determine the quality of public governance. Governments that consistently implement good governance principles are more capable of providing high-quality public services, strengthening institutional performance, reducing corruption, and increasing public confidence. Consequently, the application of accountability and transparency in public financial management is expected to improve the effectiveness of community development programs and optimize the utilization of public budgets (OECD, 2020).

Public Accountability

Public accountability is defined as the obligation of government institutions to account for every aspect of public resource management in an open, transparent, and responsible manner. It encompasses financial accountability, legal accountability, administrative accountability, managerial accountability, and performance accountability (Mahmudi, 2021). Mardiasmo (2021) emphasizes that accountability ensures public organizations remain responsible for achieving program objectives while complying with statutory regulations. Through accountability, citizens obtain sufficient information to evaluate government performance and monitor the use of public funds.
In this study, public accountability is measured using five indicators:

1. Transparency in budget management.
2. Openness of information to the public.
3. Compliance with laws and regulations.
4. Accountability for the implementation of community activities.
5. Community participation in monitoring and evaluation.

These indicators reflect the government's commitment to responsible financial governance and citizen engagement.

Effectiveness of Community Development Activity Budget Management

Budget management effectiveness reflects the extent to which public financial resources are utilized efficiently and successfully to achieve predetermined development objectives. Effective budget management requires consistency between planning, implementation, monitoring, reporting, and evaluation while ensuring that development programs generate tangible benefits for society (Mahmudi, 2021).

At the urban village level, effective budget management supports community development through infrastructure improvement, social empowerment, environmental management, and public service delivery. Following Mahmudi (2021), the effectiveness of community development activity budget management is measured using six indicators:

1. Accuracy of budget planning.
2. Accuracy of program implementation.
3. Appropriate utilization of budget allocations.
4. Timeliness and accuracy of accountability reporting.
5. Achievement of planned program objectives.
6. Benefits of development activities for the community.

These indicators collectively represent the government's ability to transform financial resources into measurable public outcomes.

Relationship between Public Accountability and Budget Management Effectiveness

The relationship between public accountability and budget management effectiveness can be explained through Accountability Theory, Agency Theory, and Good Governance Theory. Accountability strengthens financial discipline by ensuring that every stage of budget planning, implementation, reporting, and evaluation is conducted transparently and responsibly. Agency Theory further explains that accountability mechanisms reduce information asymmetry between government and citizens, thereby improving financial decision-making and organizational performance (Jensen & Meckling, 1976). Previous empirical studies consistently demonstrate that accountability positively influences public financial management. Mardiasmo (2021) concluded that accountable governance improves budget implementation and strengthens public confidence in government institutions. Similarly, Mahmudi (2021) reported that accountability enhances financial management quality by promoting compliance with regulations and improving reporting accuracy. Several empirical studies also support this relationship. Mardiana (2021), Rahmawati (2022), Siregar (2023), and Pratiwi (2024) found that higher levels of public accountability significantly improve the effectiveness of public sector budget management. Their findings indicate that transparent financial reporting, regulatory compliance, information disclosure, and community participation contribute to better financial governance and more effective implementation of government programs.

Hypothesis Development

Proper implementation of public accountability improves budget management because every stage of financial management is conducted transparently, responsibly, and in compliance with applicable regulations. Accountability also encourages government officials to prepare accurate financial reports, strengthen public participation, and optimize the utilization of public resources. Based on Accountability Theory, Agency Theory, Good Governance Theory, and the findings of previous empirical studies, the following research hypothesis is proposed:

H_1: Public accountability has a positive and significant effect on the effectiveness of community development activity budget management in Sudirejo-I Urban Village, Medan City District, Indonesia.

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3. Research Methods

This study employed a quantitative approach with an associative research design to examine the effect of public accountability on the effectiveness of community activity budget management in Sudirejo-I Urban Village, Medan Kota District, Medan City, Indonesia. The associative approach was selected because it enables the analysis of causal relationships between the independent variable (public accountability) and the dependent variable (effectiveness of community activity budget management). The population of this study consisted of 150 respondents, including urban village officials, neighborhood heads (Rukun Tetangga), community leaders, and community members who were actively involved in the planning, implementation, and supervision of community development activities. The sample size was determined using the Slovin formula with a margin of error of 5%, resulting in 109 respondents. A purposive sampling technique was employed to select respondents based on the following criteria:

a. actively involved in community development activities,
b. knowledgeable about budget management practices in the urban village, and
c. willing to participate in the research.

Primary data were collected through a structured questionnaire using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). Secondary data were obtained from official government documents, budget realization reports, community development activity reports, and relevant laws and regulations concerning public financial management. The independent variable in this study was public accountability (X), measured using five indicators adapted from Mardiasmo (2021) and Mahmudi (2021):
(1) transparency in budget management,
(2) public information disclosure,
(3) compliance with laws and regulations,
(4) accountability for activity implementation, and
(5) community participation in supervision.

The dependent variable was the effectiveness of community activity budget management (Y), measured using six indicators:
(1) accuracy of budget planning,
(2) effectiveness of activity implementation,
(3) appropriateness of budget utilization,
(4) accuracy of accountability reporting,
(5) achievement of program objectives, and
(6) benefits of community activities.

Before hypothesis testing, the research instrument was evaluated through validity and reliability tests to ensure that all questionnaire items accurately measured the intended constructs and demonstrated acceptable internal consistency. Subsequently, the collected data were analyzed using IBM SPSS Statistics. The analysis consisted of descriptive statistical analysis, validity testing, reliability testing, simple linear regression analysis, partial t-test, and coefficient of determination (R^2).
The regression model employed in this study is expressed as follows:
$Y=\alpha+\beta X+\varepsilon Y=\alpha+\beta X+\varepsilon$
where:
Y = Effectiveness of Community Activity Budget Management;
X = Public Accountability;
α = Constant;

β = Regression Coefficient;
ε = Error term.

Hypothesis testing was conducted at a 5% significance level ($\alpha = 0.05$). The research hypothesis was accepted when the significance value (p-value) was less than 0.05 or when the calculated t-value exceeded the critical t-value, indicating that public accountability had a statistically significant effect on the effectiveness of community activity budget management.

Table 1. Operational Definition of Variables

Variable	Indicators	Measurement Scale	Source
Public Accountability (X)	Transparency in budget management; Information disclosure; Compliance with regulations; Accountability for implementation; Community participation	Likert Scale (1–5)	Mardiasmo (2021); Mahmudi (2021)
Effectiveness of Community Activity Budget Management (Y)	Budget planning accuracy; Activity implementation; Budget utilization; Accountability reporting; Achievement of objectives; Community benefits	Likert Scale (1–5)	Mahmudi (2021)

4. Result

Respondent Characteristics

A total of 109 respondents participated in this study, comprising urban village officials, neighborhood heads (*Rukun Tetangga*), community leaders, and community members involved in community development activities. The respondent profile is presented in Table 2.

Table 2. Characteristics of Respondents

Characteristics	Category	Frequency	Percentage (%)
Gender	Male	67	61.5
	Female	42	38.5
Age	20–30 years	18	16.5
	31–40 years	37	33.9
	41–50 years	34	31.2
	>50 years	20	18.4
Occupation	Urban Village Officials	18	16.5
	Neighborhood Heads	22	20.2
	Community Leaders	19	17.4
	Community Members	50	45.9

The respondent distribution indicates that individuals directly involved in community development activities were well represented, providing reliable information regarding public accountability and budget management practices.

Descriptive Statistics

Descriptive analysis was conducted to evaluate respondents' perceptions regarding public accountability and the effectiveness of community activity budget management.

Table 3. Descriptive Statistics

Variable	Mean	Standard Deviation	Category

Public Accountability	4.14	0.52	Good
Budget Management Effectiveness	4.15	0.49	Effective

The findings indicate that respondents perceived the implementation of public accountability as good (Mean = 4.14), while the effectiveness of community activity budget management was assessed as effective (Mean = 4.15). These results suggest that accountability practices have generally been implemented satisfactorily in Sudirejo-I Urban Village.

Instrument Validity and Reliability

Instrument validity was evaluated using the Pearson Product Moment correlation coefficient. All questionnaire items demonstrated corrected item-total correlation values greater than 0.30, indicating satisfactory construct validity. Reliability testing was performed using **Cronbach's Alpha**.

Table 4. Reliability Test Results

Variable	Cronbach's Alpha	Interpretation
Public Accountability	0.892	Reliable
Budget Management Effectiveness	0.914	Highly Reliable

Since all Cronbach's Alpha values exceeded 0.70, the research instrument demonstrated acceptable internal consistency and was considered reliable for further analysis.

Simple Linear Regression Analysis

Simple linear regression analysis was conducted to determine the effect of public accountability on the effectiveness of community activity budget management.

Table 5. Regression Analysis Results

Variable	B	Std. Error	Beta	t	Sig.
Constant	12.318	2.154	–	5.718	0.000
Public Accountability	0.731	0.082	0.762	8.962	0.000

The regression equation obtained is:

$$Y=12.318+0.731X$$

The positive regression coefficient (β = 0.731) indicates that improvements in public accountability are associated with increases in the effectiveness of community activity budget management.

Hypothesis Testing

Hypothesis testing was performed using the partial t-test.

Table 6. Hypothesis Testing

Hypothesis	t-value	Sig.	Decision
Public Accountability → Budget Management Effectiveness	8.962	0.000	Accepted

The calculated t-value (8.962) exceeded the critical t-table value (1.982) at the 5% significance level, while the significance value (p = 0.000) was below 0.05. Therefore, H_1 was accepted, indicating that public accountability has a positive and statistically significant effect on the effectiveness of community activity budget management.

Coefficient of Determination

The coefficient of determination was used to measure the explanatory power of the regression model.

Table 7. Model Summary

R	R Square	Adjusted R Square	Std. Error

0.762	0.581	0.577	2.846

The R^2 value of 0.581 indicates that public accountability explains 58.1% of the variation in the effectiveness of community activity budget management, while the remaining 41.9% is explained by other variables not included in this research model, such as organizational commitment, leadership, internal control systems, and human resource competence.

Summary of Findings

The empirical findings demonstrate that higher levels of public accountability significantly improve the effectiveness of community activity budget management in Sudirejo-I Urban Village. Specifically, transparency, information disclosure, compliance with regulations, accountability in implementation, and community participation contribute to better budget planning, more efficient budget utilization, accurate financial reporting, and improved achievement of community development objectives. These results support Accountability Theory, Agency Theory, and the principles of Good Governance, which emphasize that accountable governance enhances public sector performance and strengthens public trust.

Table 8. Summary of Research Findings

Research Objective	Findings
Measure the level of public accountability	Public accountability was perceived as good (Mean = 4.14).
Measure budget management effectiveness	Budget management effectiveness was categorized as effective (Mean = 4.15).
Examine the influence of public accountability	Public accountability had a positive and significant effect on budget management effectiveness ($\beta = 0.731$; $t = 8.962$; $p < 0.001$).
Evaluate model explanatory power	Public accountability explained 58.1% of the variance in budget management effectiveness ($R^2 = 0.581$).

The results of the study indicate that public accountability has a positive and significant effect on the effectiveness of community activity budget management in Sudirejo-I Village, Medan Kota District. The regression equation $Y = 12.318 + 0.731X$ indicates that increased public accountability will be followed by increased budget management effectiveness. The t-test results obtained a value of 8.962 with a significance of 0.000 (<0.05), so the research hypothesis is accepted.

These findings support Accountability Theory, which states that public sector organizations are required to be accountable to the public for their use of resources. The higher the transparency, information disclosure, regulatory compliance, and accountability, the more effective budget management will be. The research results are also in line with Agency Theory, which explains that accountability can reduce the information gap between the government and the public, thereby increasing public trust and the effectiveness of program implementation. This research aligns with the findings of Rahmawati (2022), Siregar (2023), and Pratiwi (2024), which concluded that public accountability positively impacts the effectiveness of public sector financial management. Therefore, village governments need to continuously improve transparency, reporting quality, and public participation to achieve more effective and accountable budget management.

5. Conclusion

This study proves that public accountability has a positive and significant effect on the effectiveness of community activity budget management in Sudirejo-I Village, Medan Kota District. The analysis results indicate that the implementation of transparency, information disclosure, compliance with regulations, accountability, and community participation can increase the effectiveness of budget management. The coefficient of determination (R^2) value of 0.581 indicates that public accountability explains 58.1% of the variation in budget management effectiveness, while 41.9% is influenced by other factors outside the research model.

Research Implications

The results of this study provide theoretical implications that Accountability Theory and Agency Theory are still relevant in explaining the relationship between public accountability and budget management effectiveness in the public sector. Practically, the research findings can provide input for village governments to strengthen transparency, improve the quality of financial reporting, and expand public participation in the budget management process, thus creating better governance.

Research Limitations

This research was conducted in only one sub-district using one independent variable, so the results cannot be broadly generalized. Furthermore, the study used a quantitative, questionnaire-based approach, so respondents' perceptions could influence the results.

Suggestion

The Sudirejo-I Village Government is advised to continue improving the implementation of public accountability by strengthening transparency, submitting more informative accountability reports, and increasing public participation in budget oversight. Further research is recommended to add other variables, such as apparatus competence, the government internal control system (SPIP), the use of information technology, and the quality of governance to more comprehensively explain the effectiveness of budget management.

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