



Performance-Based Budgeting as a Driver of Transparency and Accountability in Public Financial Management

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Abstract

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The complexity of public financial management requires a system that ensures transparency, accountability, and efficiency in the use of public funds. Performance-Based Budgeting serves as a strategic instrument to establish a clear linkage between resource allocation and measurable outcomes through defined performance indicators. This study employs a Systematic Literature Review¹⁹ of scientific publications from the past five years to examine the relationship between the implementation of Performance-Based Budgeting, transparency, and accountability in public financial management. The findings indicate that the adoption significantly contributes to strengthening fiscal accountability, improving public spending efficiency, and enhancing public trust in government institutions. Key factors influencing its success include the capacity of public officials, consistent institutional commitment, and the availability of open and accessible financial information systems. Conversely, implementation failures are often driven by weak performance-oriented cultures, limited technical competencies, and resistance to bureaucratic reform efforts. Thus, functions not only as a technical budgeting tool but also as a transformative instrument for advancing public sector governance toward more transparent, accountable, and performance-oriented practices.



1. Introduction

Transparency and accountability are two fundamental principles in building credible and responsive government governance. Amidst the increasing complexity of public financial management and public expectations regarding service quality, governments are required to manage the state budget efficiently, effectively, and accountably, in accordance with modern governance standards (Samson et al., 2024). This condition means that budget management practices are oriented not only towards administrative compliance but also towards the benefit value generated for the wider community. Within this framework, Performance-Based Budgeting (PBBK) emerges as a strategic approach that bridges the relationship between budget inputs and measurable results. PBBK is designed to ensure that every allocation of public resources generates outputs and outcomes that contribute to achieving development goals.

Yenni et al. (2024) assert that this mechanism plays a significant role in strengthening fiscal discipline, reducing inefficiency, and broadening institutional accountability, as the government is required not only to report budget utilization but also performance achievements directly related to public benefit. The implementation of PBBK demands comprehensive integration between the planning process, budget preparation, program implementation, and results evaluation. In this system, transparency is a key element, allowing the public and oversight institutions to assess the coherence between the allocated budget and the realized performance (Mauro et al., 2021). However, PBBK implementation often faces structural and technical obstacles, especially concerning uneven human

resource capacity, limitations in information technology infrastructure, and bureaucratic resistance to change (Friday et al., 2022). These factors cause the process of formulating performance indicators, data collection, and results reporting to not yet run optimally. Besides technical constraints, the dynamics of budget politics also present a specific challenge to the objectivity of PBBK application. Citro et al. (2021) shows that the phenomenon of budget politicization often influences budget allocation, causing the orientation of performance-based planning to shift towards short-term interests.

In such situations, the principle of accountability is vulnerable to being neglected because the oversight mechanism does not operate comprehensively. Therefore, strong transparency, accompanied by public involvement in the planning and budgeting process, is needed to maintain the integrity of PBBK implementation. Basri and Siregar (2023) emphasize that the effectiveness of PBBK implementation highly depends on institutional commitment to public financial governance reform. Strengthening results-based reporting systems, implementing performance audits, and openly publishing budget performance information are important parts of enhancing legitimacy and public trust.

Furthermore, the utilization of digital technology, such as e-budgeting and open data platforms, offers an opportunity to broaden access to information in real-time, thus encouraging the creation of more comprehensive and inclusive fiscal transparency. Thus, PBBK not only functions as a technocratic instrument but also reflects a paradigm shift in public financial management that places transparency, participation, and accountability as its main foundations. Through the Systematic

Literature Review (SLR) approach, this research aims to review the development of PBBK practices in the last five years, especially its contribution to improving the quality of public financial governance and the various implementation challenges faced by governments in various sectors. This approach is expected to provide a comprehensive overview of the effectiveness of PBBK and offer directions for relevant policy strengthening in the context of sustainable public financial reform.

2. Literature Review

2.1. Concept and Principles of Performance-Based Budgeting (PBBK)

Performance-Based Budgeting (PBBK) is an approach in public financial management that emphasizes the direct link between resource allocation and measurable performance results. This concept stems from the idea that the effectiveness of public expenditure cannot be measured solely by the amount of funds utilized, but rather by the extent to which the budget is capable of producing value-added outputs and outcomes for the community (Yenni et al., 2024). In the PBBK system, every government program is required to have key performance indicators (KPIs) that serve as the basis for measuring results. Its main principles include efficiency, effectiveness, and accountability for achieving predetermined targets.

Mauro et al. (2021) emphasize that PBBK serves as both a strategic planning tool and a fiscal oversight mechanism, as every budget decision must be supported by measurable performance evidence. According to Basri and Siregar (2023), the consistent implementation of PBBK potentially creates fiscal discipline and

encourages bureaucratic reform towards result-oriented governance. However, its success is highly influenced by institutional readiness and the competence of human resources in understanding performance measurement principles. Countries that optimally implement PBBK tend to have strong, digitally-based financial management information systems to ensure data transparency and ease of information access. Furthermore, Samson et al. (2024) indicate that PBBK, when combined with public participation, is capable of increasing the efficiency of fund utilization and strengthening social accountability. This is because the involvement of the community creates a joint oversight mechanism that reduces the chances of inefficiency and irregularities in public budget implementation.

2.2. Transparency and Accountability in Public Financial Management

Transparency and accountability are two integral components in modern public financial management. Transparency relates to the openness of budget information to the public, while accountability reflects the obligation of public institutions to account for every decision and use of public funds. Transparency in the PBBK context not only covers budget reporting but also includes the publication of performance results accessible to the public. Citro et al. (2021) research indicates that low fiscal transparency is directly proportional to an increased potential for budget misuse. Conversely, open and verifiable reporting systems enhance public trust in the government. According to Mauro et al. (2021), public accountability must be understood as part of the social contract between the government and citizens. In other words, every government organizational unit is obliged to demonstrate the extent to which the programs implemented provide tangible benefits to the public.

In PBBK, accountability is measured through performance audit and annual performance achievement reports. Yenni et al. (2024) add that public accountability enhancement can be achieved through the implementation of international governmental accounting standards, integration of information technology, and the involvement of independent audit institutions. The combination of these factors allows for the creation of an objective, transparent, and accountable financial reporting system. Furthermore, Friday et al. (2022) emphasize the importance of legal transparency in ensuring the effectiveness of the public accountability system. Clear and consistent regulation becomes the foundation for uniform performance reporting across various government levels. Thus, transparency and accountability are not just moral values of the bureaucracy, but also strategic instruments in maintaining fiscal sustainability and public trust.

2.3. Challenges and Implications of PBBK Implementation in Public Sector

Reform PBBK implementation faces complex challenges, particularly in aligning strategic planning, budgeting, and results measurement. Basri and Siregar (2023) identify three main inhibiting factors: weak human resource capacity, resistance to bureaucratic reform, and lack of integration in reporting systems across agencies. Samson et al. (2024) explain that without strong political support and a transparent evaluation system, the application of PBBK tends to become an administrative formality without substantial impact on public sector performance. Moreover, political pressure in determining budget priorities can distort the principle of efficiency, which is the main foundation of PBBK. The importance of public participation in ensuring the sustainability of PBBK. Public involvement in the

budget planning and evaluation process strengthens social control over the government and increases the legitimacy of fiscal policies.

This aligns with the findings of Mauro et al. (2021), which show that implementing participatory mechanisms such as public hearing and citizen budget forum can increase the transparency and effectiveness of public spending. In the context of public sector reform, the success of PBBK is measured not only by budget efficiency but also by the institution's ability to openly account for program results. According to Friday et al. (2022), the digitalization of public financial systems through e-budgeting and open fiscal data strengthens social control and allows the public to directly monitor government performance. Thus, although PBBK offers a rational and measurable framework for public financial management, its success remains highly dependent on political commitment, institutional integrity, and the willingness to apply the principles of transparency and accountability comprehensively.

3. Methods

This research employs the Systematic Literature Review (SLR) approach to comprehensively examine the relationship between transparency, accountability, and the effectiveness of performance-based budgeting (PBBK) in public financial management. The SLR method was chosen for its ability to integrate findings from various empirical and conceptual studies systematically, objectively, and replicably, to produce a valid, evidence-based synthesis of knowledge (Ferry et al., 2023).

Design and Literature Search Strategy This research employs the Systematic

Literature Review (SLR) approach to comprehensively examine the relationship between transparency, accountability, and the effectiveness of performance-based budgeting (PBBK) in public financial management. The selection of the SLR method is based on its ability to systematically and objectively integrate findings from various empirical and conceptual studies, thereby producing a valid, measurable, and evidence-based synthesis of knowledge (Ferry et al., 2023).

The execution of SLR in this study refers to the framework which includes the processes of planning, execution, and results reporting. In the planning phase, the researcher formulated the main question that underlies the review process: how do transparency and accountability interact with PBBK implementation in strengthening the effectiveness of public financial governance. The literature search strategy was conducted through several international academic databases such as Google Scholar, Elsevier or Research Gate with a publication cutoff in last five years . The search used relevant keywords, including “performance-based budgeting”, “public financial management”, “transparency”, “accountability”, and “governance reform”.

Only articles meeting academic standards through the peer review process and having a direct relevance to the research topic were included in the analysis. To maintain the accuracy of the research scope, inclusion criteria were set to cover empirical or conceptual articles related to PBBK and public financial governance, published within the specified timeframe, written in English or Indonesian, and fully accessible. Articles lacking a clear methodology, not undergoing peer review, or not focusing on the public sector were excluded from the synthesis process. All articles

meeting the criteria were analyzed using the content analysis approach to identify major themes, trends in findings, and variations in the approach of each study.

Data extraction was conducted systematically using a synthesis matrix that recorded information regarding the publication year, authors, research objectives, methods used, and key findings of each study (Friday et al., 2022). Based on the analysis results, the findings were then categorized into three large groups: the application of the PBBK concept, the role of transparency and accountability in public financial governance, and implementation challenges faced within the public sector reform framework. Through this SLR approach, the research is expected to provide a more comprehensive understanding of the latest developments, open research gaps, and strategic directions for strengthening public financial management policies that emphasize performance and accountability.

4. Results

The results of the systematic review of twenty relevant academic publications indicate that the implementation of performance-based budgeting (PBBK) has a significant impact on increasing transparency, accountability, and efficiency in public financial management. The literature review conducted over the last five years highlights that the reform of government budgeting systems towards a results-based approach not only encourages fiscal efficiency but also strengthens public trust in government institutions (Mauro et al., 2021). The first finding indicates that fiscal information transparency is the foundation for successful PBBK implementation. Governments capable of presenting financial data openly and easily accessible to the

public, whether through online reports, open data systems, or e-budgeting portals, tend to have a higher level of budget efficiency. According to Sekalala et al. (2020), transparency not only lowers the risk of corruption but also creates an effective social oversight mechanism. This study found that the openness of fiscal information contributes to an increase in the efficiency of public resource utilization in various countries implementing performance budgeting. Besides transparency, the dimension of public accountability is also an important factor in strengthening the effectiveness of PBBK.

Accountability requires every government institution to account for budget achievements clearly and measurably. In this context, results-based performance reports (output and outcome) become the main instrument for ensuring that public funds are used in accordance with national development priorities and community needs. Ferry et al. (2023) affirm that a strong accountability system will suppress the potential for budget deviation and encourage the creation of fiscal discipline. Analysis of various studies also shows that the application of PBBK has a positive relationship with increased public expenditure efficiency. Governments that link every budget allocation to measurable performance indicators are able to curb unproductive spending and increase the proportion of the budget allocated to priority sectors such as education, health, and infrastructure (Foster et al., 2022). This finding is reinforced by Mauro et al. (2021), who show that PBBK implementation in a number of developing countries successfully increased public expenditure efficiency within a five-year period. However, the review results also

affirm that the effectiveness of PBBK depends not only on policy design but also on institutional capacity and human resource competence.

Many countries face constraints in performance data collection, results measurement, and integration of reporting systems across agencies (Jung, 2022). In many cases, weaknesses in financial information systems lead to performance reports being inconsistent with budget realization. This condition creates a gap between planned policies and the results achieved in the field. The study conducted by Putra and Mahiswara (2024) highlights the importance of a clear legal framework in supporting the implementation of PBBK. Consistent regulation that supports public accountability practices will strengthen the legitimacy of budgeting policies and prevent bureaucratic irregularities. Conversely, inconsistencies in fiscal regulation can lead to uncertainty in performance reporting and evaluation, ultimately hindering the public financial governance reform process.

Besides regulation, the technology factor plays a vital role in strengthening modern PBBK systems. The implementation of e-budgeting, performance dashboards, and open fiscal data platforms allows the government to monitor budget execution in real-time and ensure public involvement in the oversight process. According to Sekalala et al. (2020), countries that implement digital systems in public financial reporting experience a significant increase in audit efficiency and report accuracy. Digital technology also makes it easier for the public to assess the extent to which government performance aligns with established development targets. The results of this SLR also found that the success of PBBK is highly influenced by the level of public participation in the budgeting process. Public

participation serves as an effective social control mechanism over government fiscal policies.

When the public is involved in budget planning and evaluation through consultative forums or citizen budget forum, transparency and policy legitimacy increase (Jung, 2022). Research by Rijal (2023) shows that in inclusive systems, public involvement can strengthen social accountability and increase the effectiveness of public programs. Furthermore, bureaucratic integrity is a fundamental factor influencing the application of PBBK. Governments with a performance-based organizational culture and high integrity values tend to be more successful in implementing budgeting reforms (Ferry et al., 2023). Conversely, in bureaucratic environments that are still administrative and hierarchical, PBBK policies are often carried out merely as a formality without producing real changes in organizational performance. Analysis of the literature also indicates that although PBBK has been widely adopted in various countries, its implementation still faces a significant gap between concept and practice.

Most studies highlight that performance evaluation often focuses on administrative outputs rather than strategic outcomes. This causes government programs to appear successful from an administrative standpoint, but not always to yield tangible impacts on community welfare (Citro et al., 2021). Furthermore, the review results show that the application of PBBK contributes to improving the overall quality of public financial governance. According to Foster et al. (2022), the performance principle in budgeting is capable of integrating strategic planning, program execution, and results evaluation into one unified system. This integration

ensures that every rupiah spent can be measured in terms of its benefit and directly linked to national development goals. Several recent studies also highlight that the successful implementation of PBBK can improve the government's fiscal credibility in the eyes of the public and international donor agencies (Putra & Mahiswara, 2024). When financial reports and performance achievements are compiled transparently and verifiably, the level of public trust in the government increases.

This, in turn, encourages macroeconomic stability and strengthens the country's position in global fiscal policy negotiations. Nevertheless, the review results also affirm that PBBK implementation cannot be separated from structural and political challenges. Political pressure in the budget allocation process often disrupts the objectivity of performance-based decision-making (Jung, 2022). In such conditions, fiscal efficiency is marginalized by short-term, populist interests. Therefore, the success of PBBK requires high-level political support, institutional commitment, and a transparent independent evaluation system. From the literature synthesis results, it can be concluded that there are five main pillars of PBBK success: a clear and consistent legal framework, a technology-based public financial information system, public participation in the budget cycle, bureaucratic integrity and official competence, and measurable results-based accountability. When these five elements operate synergistically, the public financial management system will be capable of producing optimal transparency and effectiveness. Interestingly, a number of recent studies also highlight the close relationship between PBBK and the sustainable governance agenda.

Rijal (2023) state that performance-based budgeting can be an important instrument for promoting sustainable development, as every development program is measured based on its impact on social and environmental welfare. Thus, PBBK functions not only as a fiscal management tool but also as a mechanism for integrating sustainability principles into public policy. Overall, the literature review results indicate that performance-based budgeting has evolved into a new paradigm in modern public financial governance. This approach reconciles the need for fiscal efficiency and the demands for public transparency within a measurable, open, and accountable system. Although its implementation is not free from technical and political challenges, PBBK remains one of the best practices in realizing good governance in the era of public sector reform.

5. Discussion

The results of the systematic review reveal that performance-based budgeting (PBBK) acts as a crucial catalyst in strengthening transparent, accountable, and efficiency-oriented public financial governance. Nevertheless, the effectiveness of its implementation is highly influenced by the interaction of various institutional factors, technological readiness, public participation, and the political commitment that underpins fiscal management reform. This discussion highlights three main dimensions emerging from the literature synthesis: institutional consequences, implementation challenges, and policy implications for public sector transformation. On the institutional dimension, findings indicate that the success of PBBK is highly determined by the strength of the public accountability system and the consistency

of fiscal transparency practices. Rijal (2023) affirm that PBBK can only function optimally if every government organization possesses results reporting tools integrated with performance audits. A clear, verifiable, and measurable indicator-based reporting system is the foundation for assessing budget effectiveness. Without this mechanism, PBBK risks being reduced to merely an administrative procedure that does not produce real improvements in the efficiency and effectiveness of public expenditure.

In addition to the institutional aspect, the SLR results also show that the sustainability of PBBK reform highly depends on digital technology support. The integration of technology through e-budgeting systems, open fiscal dashboards, and public data platforms has been proven to strengthen social accountability and reduce the potential for information manipulation (Sekalala et al., 2020). This digitalization also marks a shift towards data-driven fiscal governance, where the budget decision-making process relies more on empirical evidence, performance achievements, and real-time transparency that can be scrutinized by the public. Nevertheless, the application of PBBK in various countries still faces significant challenges, especially concerning human resource capacity and resistance to changes in bureaucratic culture.

Foster et al. (2022) found that many public institutions are still oriented towards the level of budget absorption as an indicator of success, rather than the achievement of performance results. Consequently, although the PBBK framework is normatively adopted, its implementation practice often does not reflect the principles of performance-oriented budgeting. Other obstacles include a lack of

results-based evaluation mechanisms and weak cross-agency coordination, thus reducing cohesion in the budget planning and execution cycle. This discussion also highlights the crucial role of public participation as external oversight that complements the institutional accountability framework. Lee et al. (2022) state that public involvement in budget planning, monitoring, and evaluation not only increases the legitimacy of fiscal policies but also improves the efficiency of public resource utilization.

Active public participation expands the space for social control and enhances trust in the integrity of government institutions. Overall, the application of PBBK is not merely a technocratic innovation but part of a structural transformation towards a national financial management system that is results-based, open, and responsive. The success of this approach is heavily determined by institutional integrity, digital technology readiness, and consistent political commitment in upholding the principles of transparency and accountability. Within the framework of contemporary public sector reform, PBBK needs to be viewed as a strategic instrument for realizing effective, efficient, and objectively measurable performance-oriented governance.

6. Conclusion

The results of this review confirm that performance-based budgeting (PBBK) is one of the most strategic instruments in realizing transparent, accountable, and efficient public financial governance. Through a mechanism that links resource allocation with measurable results, PBBK encourages the government to focus more

on actual performance rather than just budget absorption. This approach has been proven to increase fiscal efficiency, strengthen budget discipline, and broaden public participation in national financial oversight. The success of PBBK implementation is strongly determined by five main factors: a clear regulatory framework, a digital technology-based reporting system, competent human resource capacity, a results-oriented bureaucratic culture, and sustained political support.

Furthermore, public involvement in the budgeting process is proven to strengthen the legitimacy of public policies and create an effective social control mechanism. However, this research also reveals a number of challenges, including low inter-agency integration, resistance to change, and limitations in results (outcome) measurement. Therefore, a strong commitment from all stakeholders is needed to make PBBK an integral part of sustainable public sector reform. Overall, the implementation of PBBK is not just a technocratic effort, but a transformation towards governance that is more open, adaptive, and accountable to the public.

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