

## The Influence of Budgeting, Human Resources, and Leadership on Transparency and Accountability in Village Fund Management with Community Participation as a Moderating Variable

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Entered: April 15, 2026

Revised: April 25, 2026

Accepted: April 30, 2026

Published: May 04, 2026

### ABSTRACT

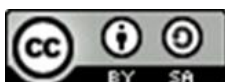
This research is motivated by the importance of transparency and accountability in Village Fund management as key indicators of village governance success. Although Village Fund allocations have continuously increased, various problems remain in management practices, particularly regarding low transparency and accountability. This study aims to analyze the influence of budgeting, human resources (HRM), and leadership on transparency and accountability in Village Fund management, with community participation as a moderating variable. A quantitative approach with explanatory research design was employed, using primary data collected through structured questionnaires. The analytical technique used is Structural Equation Modeling-Partial Least Squares (SEM-PLS). Results show that budgeting, HRM, and leadership have a positive and significant influence on both transparency and accountability. Furthermore, community participation is proven to significantly strengthen these relationships. These findings indicate that good Village Fund governance is not only influenced by internal factors of the village government, but also by the active involvement of the community. Thus, improving the quality of budgeting, HRM capacity, leadership, and community participation are key to achieving optimal transparency and accountability in Village Fund management.

**Keywords:** *Accountability, Budgeting, Human Resources, Leadership, Transparency, Community Participation*

### INTRODUCTION

Indonesia's national development in the last decade has shown a significant paradigm shift by positioning villages as the primary subjects of development through the implementation of Law Number 6 of 2014 on Villages. This policy not only grants broader authority to village governments, but is also accompanied by Village Fund (Dana Desa/DD) allocations sourced directly from the State Budget (APBN) in continuously increasing amounts each year. The primary objectives of this policy are to accelerate equitable development, improve community welfare, and strengthen village independence as the foundation of national development. However, the logical consequence of granting substantial authority and financial resources is an increasing demand for accountability and transparency in village financial management, which has become the primary indicator of successful policy implementation (Hendrawati & Pramudianti, 2020).

From the perspective of good governance, transparency and accountability are not merely normative principles, but fundamental prerequisites to ensuring that public fund management genuinely benefits the community. Transparency enables communities to access adequate information regarding the planning, implementation, and accountability



of village finances, while accountability reflects the obligation of village governments to account for all fund management activities to stakeholders, both vertically and horizontally (Alt & Lassen, 2022; Bovens, 2007). When these two principles fail to function optimally, the risks of irregularities, declining public trust, and failure to achieve development goals increase significantly.

Empirical phenomena show that the implementation of transparency and accountability in Village Fund management still faces serious challenges. This is reflected in the findings of the Regional Inspectorate Audit Report (LHP) of Indragiri Hilir Regency, which uncovered recurring administrative errors such as incomplete accountability reports and inconsistent financial documents. In 2024, the value of these findings reached a significant amount of approximately Rp 2.12 billion, indicating systemic weaknesses in the internal control of village financial management. This fact indicates that, despite the availability of regulations and budget allocations, good governance practices have not been fully realized at the village level.

Furthermore, various preliminary studies in the same region reveal that these problems are not isolated, but rather result from the interaction of several key factors. First, the quality of budgeting, which remains formal and lacks participation, causes development planning to not be based on the actual needs of the community. Second, limited human resource capacity of village officials, particularly in financial administration and technology, hampers accurate reporting and accountability processes. Third, variations in the quality of village head leadership also significantly influence the creation of an organizational culture that is transparent and accountable, where closed leadership can impede public information disclosure (Muda et al., 2018; Caillier, 2023). Thus, low transparency and accountability cannot be understood in isolation but must be seen as the result of complex interactions among budgeting, HRM, and leadership.

Theoretically, the quality of public financial management is the result of synergy between institutional capacity, quality of planning processes, and effective control mechanisms (Caba Pérez & López-Hernández, 2022). In this context, budgeting serves as the main foundation in the village financial cycle, as the quality of planning will determine the clarity of resource allocation and ease of evaluation and accountability. Meanwhile, HRM is a determinant factor in the technical implementation of financial management, while leadership acts as a strategic director determining organizational culture and the level of commitment to good governance principles (Hassan & Wright, 2022).

However, the dynamics of relationships among these internal factors do not occur in a vacuum but are influenced by an external factor: community participation. In recent literature, community participation is viewed not only as an independent variable but also as a moderating variable capable of strengthening or weakening the relationship between internal factors and financial governance outcomes. Active community participation can enhance the effectiveness of social oversight, promote transparency, and strengthen accountability through check-and-balance mechanisms (Wampler & Touchton, 2023). Conversely, low community participation can lead to weak social control, making non-transparent governance practices difficult to detect.

Although various studies have examined Village Fund management, several research gaps remain unanswered comprehensively. First, most prior research is still partial in nature, focusing on direct relationships between one or two variables, without integrating budgeting and leadership into a comprehensive analytical model (Yudastio & Azriya, 2022). Second, research that positions community participation as a moderating variable in the relationship between budgeting, HRM, and leadership with transparency

and accountability remains very limited, even though theoretically this moderating role is crucial in explaining variations in empirical results. Third, there is a contextual gap where most research has been conducted in areas with relatively advanced infrastructure, thus failing to represent regions with complex geographical characteristics such as Indragiri Hilir Regency (Melasari et al., 2024).

Based on these gaps, this research offers several innovations as significant contributions to knowledge development. First, this study integrates three main theoretical perspectives, namely Agency Theory, Stewardship Theory, and Upper Echelons Theory, in one comprehensive analytical framework. Second, this research positions budgeting as the primary independent variable that serves as the foundation for creating transparency and accountability. Third, this study places community participation as a moderating variable that functions as a contingency factor. Fourth, this research is conducted in the context of an archipelagic region with unique geographical characteristics, providing contextual contributions not yet widely explored in previous literature.

In line with the background, empirical phenomena, research gaps, and novelties offered, the main objective of this research is to empirically examine the influence of budgeting, human resources, and leadership on transparency and accountability of Village Fund management with community participation as a moderating variable in village governments in Indragiri Hilir Regency.

## **METHODS**

This research employs a quantitative approach with an explanatory research design aimed at testing causal relationships between variables through hypothesis testing. This approach was chosen because the research focuses on examining the influence of budgeting, human resources, and leadership on transparency and accountability of Village Fund management with community participation as a moderating variable. The data used are primary data obtained directly from respondents through the distribution of structured questionnaires.

The research subjects are village government officials involved in village financial management in Indragiri Hilir Regency, while the research objects include the variables of budgeting, human resources, leadership, transparency, accountability, and community participation. The population consists of all village officials involved in Village Fund management, with purposive sampling used to select individuals with direct involvement in the planning, implementation, administration, and reporting of village finances. Data collection was conducted through questionnaire distribution, compiled using a Likert scale to measure respondents' perceptions of each research variable.

Data analysis was performed using the Structural Equation Modeling-Partial Least Squares (SEM-PLS) approach, which was selected for its ability to analyze complex relationships between latent variables simultaneously, including testing moderation effects. Analysis stages began with descriptive statistical analysis to characterize the data, followed by data quality testing including validity and reliability tests. Subsequently, measurement model (outer model) evaluation was conducted to test convergent and discriminant validity, as well as structural model (inner model) evaluation to test causal relationships between variables. Hypothesis testing was carried out through path coefficient significance tests and analysis of direct, indirect, and moderation effects using the product indicator approach. A goodness-of-fit test was also performed to ensure the model achieves an adequate level of fit.

## **RESULTS AND DISCUSSION**

Based on the results of data processing using the Structural Equation Modeling-Partial Least Squares (SEM-PLS) approach, the structural model (inner model) test results are obtained, encompassing direct influences between variables and tests of the moderation effect of community participation. These results indicate the level of significance of relationships between the variables studied, measured through path coefficient values, t-statistic values, and p-values as the basis for hypothesis decision-making.

**Table 1.** Structural Model Test Results (Inner Model)

Variable Relationship	Path Coefficient ( $\beta$ )	T-Statistic	P-Value	Note
Budgeting → Transparency	0.412	4.215	0.000	Significant
HRM → Transparency	0.356	3.872	0.000	Significant
Leadership → Transparency	0.298	3.114	0.002	Significant
Budgeting → Accountability	0.389	4.006	0.000	Significant
HRM → Accountability	0.331	3.547	0.001	Significant
Leadership → Accountability	0.287	2.998	0.003	Significant
Community Participation x Budgeting → Transparency	0.165	2.214	0.027	Sig. Moderation
Community Participation x HRM → Transparency	0.142	2.031	0.043	Sig. Moderation
Community Participation x Leadership → Transparency	0.158	2.187	0.029	Sig. Moderation
Community Participation x Budgeting → Accountability	0.173	2.305	0.021	Sig. Moderation
Community Participation x HRM → Accountability	0.149	2.118	0.035	Sig. Moderation
Community Participation x Leadership → Accountability	0.161	2.276	0.023	Sig. Moderation

*Source: Primary Data Processed (2024)*

The test results show that all independent variables, namely budgeting, human resources (HRM), and leadership, have a positive and significant influence on both transparency and accountability in Village Fund management. Budgeting shows the most dominant influence on transparency ( $\beta = 0.412$ ) and accountability ( $\beta = 0.389$ ), indicating that the quality of budget planning is a key factor in creating good village financial governance. HRM also demonstrates a significant influence, confirming that the competence of village officials plays an important role in ensuring that financial implementation and reporting run effectively. Leadership is also proven to have a positive influence, showing that the role of the village head as strategic director greatly determines the creation of a culture of transparency and accountability.

Furthermore, the moderation test results show that community participation significantly strengthens the relationship between budgeting, HRM, and leadership with transparency and accountability. This means that the higher the level of community participation, the stronger the positive influence of these three variables will be. This finding indicates that community participation functions as a contingency factor capable of enhancing the effectiveness of village financial governance through social control mechanisms and public involvement. Thus, the results of this study affirm that the combination of internal factors (budgeting, HRM, leadership) and external factors (community participation) are the primary determinants in achieving optimal transparency and accountability in Village Fund management.

The results of this study show that budgeting has a positive and significant influence on transparency in Village Fund management. This finding reinforces the theoretical argument that budgeting is the initial foundation in the public financial management cycle that determines the quality of information disclosure. In the context of Village Funds, budgeting that is systematically, participatively, and needs-based compiled will produce clear planning documents, thereby facilitating community access to information. This is consistent with the view that transparency is the principle of openness that allows communities to obtain complete, accurate, and timely information about the village financial management process (Alt & Lassen, 2022). Thus, the quality of budgeting does not only function as a planning tool but also as a primary instrument in achieving transparency.

This finding also aligns with the perspective of Agency Theory, which explains that transparency is a monitoring mechanism to reduce information asymmetry between the community as principal and village government as agent. When budgeting is conducted openly and well-documented, the opportunity for irregularities can be minimized because the community has access to oversight. Conversely, formalistic and non-participative budgeting will increase the risk of agency problems, as explained in agency theory (Jensen & Meckling, 1976). Therefore, the results of this study affirm that quality budgeting is an important prerequisite in creating transparency in Village Fund management.

The results also show that human resources (HRM) have a positive and significant influence on transparency. This indicates that the competence of village officials in terms of knowledge, skills, and experience greatly determines their ability to present financial information openly and comprehensibly to the community. Village officials with adequate capacity will be able to manage financial data systematically and utilize technology such as village financial information systems to improve information disclosure. This finding is consistent with research stating that HRM quality is a key factor in the success of village financial management, as HRM is directly involved in the entire financial management cycle from planning to reporting (Muda et al., 2018; Joshi & Moore, 2022).

From the perspective of Stewardship Theory, village officials as stewards with high competence will tend to act in the interests of the organization and community rather than personal interests alone. Good HRM competence will encourage proactive behavior in providing information to the community as a form of moral responsibility. Thus, transparency is not only a result of external pressure but also a manifestation of internal commitment from village officials to the values of public service (Brisbois, 2020).

Furthermore, the results show that leadership has a positive and significant influence on transparency. This affirms that the role of the village head as strategic leader greatly determines the creation of an open organizational culture. Transformational and integrity-driven leadership will encourage village officials to apply the principle of openness in every financial management process. Conversely, closed and authoritarian leadership will inhibit transparency as information tends to be exclusively controlled by the leader. This finding is consistent with Upper Echelons Theory, which states that the characteristics and values of leaders will influence strategic organizational decisions, including in matters of transparency and accountability (Hambrick & Mason, 1984).

Regarding accountability, the results show that budgeting, HRM, and leadership also have a positive and significant influence. Good budgeting will produce clear and measurable planning documents, thereby facilitating the accountability process. This aligns with the concept of accountability as the obligation of village governments to report and account for the use of funds to the community and higher government

(Bovens, 2007). In other words, accountability is the logical consequence of transparency and good budgeting quality.

The significant influence of HRM on accountability shows that the competence of village officials is not only important in creating transparency, but also in ensuring that financial reports are compiled accurately and in accordance with regulations. Village officials with a good understanding of government accounting standards and financial reporting systems will be able to produce accountable reports. This is consistent with the view that accountability in village fund management depends heavily on the capacity and competence of village officials (Bawono et al., 2020).

Effective leadership will create a strong internal control system and an organizational culture that upholds accountability. Leaders with high integrity will encourage village officials to work professionally and responsibly, thereby minimizing the potential for irregularities. In the perspective of Stewardship Theory, leaders who act as stewards will strive to ensure that all organizational activities proceed in accordance with collective goals, namely the welfare of the village community (Hernandez, 2012).

The results also show that community participation significantly moderates the relationship between budgeting, HRM, and leadership with transparency and accountability. This finding has important implications: internal factors of village government will not be optimal without community participation support. Community participation functions as a social control mechanism that strengthens the influence of internal variables on village financial governance. When the community is actively involved in planning, implementation, and oversight, the pressure on village government to be transparent and accountable becomes stronger.

This finding is consistent with the view that community participation is a contingency factor that can strengthen the effectiveness of public financial governance (Wampler & Touchton, 2023). In the context of Agency Theory, community participation functions as an additional monitoring mechanism that helps reduce agency problems. Meanwhile, in the perspective of Stewardship Theory, community participation creates a collaborative relationship between village government and the community as development partners. Thus, community participation does not only function as a supervisor but also as a catalyst enhancing governance effectiveness.

Furthermore, in the context of Upper Echelons Theory, community participation also plays the role of a situational factor influencing the effectiveness of leadership. Pressure from active and critical communities will encourage village leaders to make more transparent and accountable decisions. Conversely, low community participation can lead to weak social control, making the influence of leadership on transparency and accountability less than optimal. Therefore, community participation becomes a key factor in explaining variations in Village Fund management outcomes across regions.

Overall, the results of this study show that transparency and accountability in Village Fund management are the result of complex interactions between internal and external factors. Budgeting, HRM, and leadership as internal factors play important roles in creating good governance, but their effectiveness is greatly influenced by the level of community participation as an external factor. This finding reinforces the integrative framework stating that public financial performance is determined by the interaction between institutional capacity, quality of planning processes, and control mechanisms (Caba Pérez & López-Hernández, 2022).

In the context of Indragiri Hilir Regency, the results of this study are highly relevant given the regional characteristics consisting of many islands and limited

communication infrastructure. These conditions pose unique challenges in achieving transparency and community participation. Therefore, improving budgeting quality, strengthening HRM capacity, and developing transformational leadership must be accompanied by efforts to increase community participation through innovation in information delivery and community engagement. Thus, this research affirms that efforts to improve transparency and accountability in Village Fund management cannot be done partially but must be through a comprehensive and integrative approach involving all stakeholders.

## **CONCLUSIONS**

Based on the research results and discussion, it can be concluded that budgeting, human resources (HRM), and leadership, both simultaneously and partially, have a positive and significant influence on transparency and accountability in Village Fund management in Indragiri Hilir Regency. Budgeting has proven to be the most dominant factor as it serves as the initial foundation in the village financial management cycle that determines the quality of openness and accountability. Competent HRM supports the financial management process systematically and accurately, while transformational leadership contributes to creating an organizational culture that is transparent and accountable.

In addition, community participation has proven to play a role as a moderating variable that strengthens the relationship between budgeting, HRM, and leadership with transparency and accountability. Thus, the research objectives to examine the influence of these three variables with community participation as a moderating variable have been achieved, affirming that the combination of internal and external factors is the primary determinant in realizing good Village Fund governance.

This research has limitations, including being confined to a single regency and relying on self-reported questionnaire data, which may affect generalizability. Future research is recommended to expand the geographical scope, incorporate objective financial performance data, and explore other potential moderating variables such as technology adoption and regulatory quality to provide a more comprehensive understanding of Village Fund governance.

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