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Literature Review

Implications of Budget Transparency on Public Trust in Management Budget in Government: A Systematic Literature Review

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Abstract

This study examines the implications of budget transparency on public trust in government budget management. This study uses the Systematic Literature Review (SLR) approach by reviewing relevant articles from various sources, such as ResearchGate, OpenKnowledge, and the Publish and Perish application. The results show that budget transparency has a positive and significant impact on public trust, increases accountability, reduces information gaps, and strengthens the government's image. Public participation in the budget process, supported by easy access to budget information, also plays an important role. In addition, open government data transparency (OGD) and participatory budgeting were identified as effective ways to increase public trust. The study also highlights obstacles to the implementation of budget transparency, such as the lack of formal structures in civil society and the lack of community involvement as equal partners. In conclusion, the government needs to continue to improve budget transparency, expand access to information, and strengthen the role of civil society to build public trust and government legitimacy.

Keywords: Budget Transparency, Government Budget Management, Public Trust.

1. Introduction

The budget is a crucial element in public financial management that functions to allocate state resources to achieve development goals. Through the budget, the government can set priorities for development, allocate funds for strategic programs, and adjust fiscal policies to encourage economic growth and improve people's welfare. In Indonesia, in the midst of various development challenges such as poverty, social inequality, and uneven infrastructure, an effective and efficient budget is needed to achieve long-term development goals. In addition, good budget management ensures that public resources are used wisely and predetermined development targets can be achieved (Hafel & Ibrahim, 2024).

The government functions as a representative of the people or the community, who is entrusted to carry out its duties. When the government implements this mandate well, the public will put their trust in the government. Public satisfaction and trust are very important aspects of state life, because without the support of the community, the government cannot carry out its duties effectively. If the government's performance is good, then the public will give high trust; On the other hand, if the government's performance is poor, public trust will decrease. Thus, the government's performance has a direct impact on the level of public trust (Andayani et al., 2024).

People tend to experience a decline in trust in the government and state supervisory institutions, some even reveal that they do not feel the need for public authority. The difference between individual expectations for government implementation and actual government performance is one factor that can reduce the level of public trust in the government (Azizah & Kholifah, 2023). At the regional level, issues such as corruption, lack of transparency, and budget misuse are often the main factors that erode public trust. In this context, transparency is a key element in maintaining public trust. Without adequate openness and accessibility of information, people will be more likely to doubt the integrity of the government in managing public resources (Nita & Kwarto, 2024). Transparency in public budget management has been identified as one of the important solutions to increase public trust in the government (Hamzah et al., 2024).

A government budget is a plan that details the allocation and use of funds that have been approved through legal procedures, as well as determining the scope and direction of government activities for the year. It is also related to the national economy and the needs of society in general (Hu et al., 2020). Budget transparency is not only related to the provision of budget information to the public, but also ensures that the information is easily accessible, understandable, and accurate. Openness in budget management provides an opportunity for the public to be more effective in monitoring the use of public funds, thereby reducing the possibility of budget misuse and increasing government responsibility (Grimmelikhuijsen et al., 2013). Some studies have shown that simply providing information is not enough to increase public trust if the information is not presented clearly or irrelevant to the needs of the community. Bauhr & Grimes (2017) argues that procedural or formal transparency does not always directly increase public trust if it is not supported by good understanding and active participation of the community in the decision-making process. In addition, if the information conveyed is difficult to understand or irrelevant to the daily interests of the community, then transparency may not have a meaningful influence on the community's views.

This article is focused on finding out the implications of budget transparency with public trust in budget management in the Government using a literature review study. In the context of decentralization in Indonesia, the importance of increasing budget transparency is increasingly felt to ensure that the management of public resources is carried out in an open and accountable manner, so as to strengthen public trust in the government.

2. Methods

This research method uses the Systematic Literature Review (SLR) approach to analyze the relationship between budget transparency and public trust in budget management in government. The use of the SLR method was chosen because of its structured and systematic nature, which facilitates more efficient and accurate data collection. SLR is a comprehensive, organized, and transparent literature review method, with the aim of analyzing various scientific works, generating in-depth understanding, conducting critical reflection, and determining future research directions and questions (Massaro et al., 2016).

The research begins by identifying relevant literature through a systematic search using platforms such as ResearchGate, OpenKnowledge, and the Publish or Perish application. The search process was carried out with keywords such as "budget transparency", "public trust", and "budget management". Furthermore, inclusion and exclusion criteria are set to determine which articles to review. Articles that meet inclusion criteria, such as discussing budget transparency in the context of governance and published in the last 11 years, will be considered. Meanwhile, articles that are irrelevant, published more than 11 years ago, or have no clear empirical basis will be issued. Selection is made based on titles, abstracts, and keywords before the article is reviewed more deeply to assess its relevance. The collected data was then analyzed thematically to explore the relationship between budget transparency and public trust, in order to show how transparency in government budget management can increase public trust.

3. Results and Discussion

In the realm of government, budget transparency is one of the main factors that affect the level of public trust in the management of the state budget. Various studies and literature show a close relationship between budget transparency and public trust, particularly related to accountability and integrity of public fund management. Therefore, it is very important to conduct a comprehensive literature review to understand the impact of budget transparency on public trust and identify elements that can strengthen these relationships.

Based on research conducted by Lingtias & Yamin (2024), it was found that there was a positive and significant influence of transparency, participation, and budget clarity on public views. The results of this study show that the easier it is to access information about the budget, the higher the community participation in village financial management, and the clearer the budget objectives, the more positive the public perception will be. These findings affirm the importance of accountability and participation in village fund management, and provide direction for village governments to manage finances in a transparent, participatory, and accountable manner. This research also has implications for the development of new agency theories and public management practices in the public sector, especially in government organizations.

Research conducted by Ballesteros & Bisogno (2022) revealed that budget transparency has a crucial role in increasing public trust in government financial management and supporting financial sustainability. By using the Open Budget Index (OBI) as a measuring tool, budget transparency provides accurate, timely, and easily accessible fiscal information to the public. In addition, the results of the study show that budget transparency has a positive relationship with financial sustainability, such as the government's ability to manage debt, maintain tax stability, and encourage economic growth.

Then, research by Hu et al. (2020) shows that budget transparency has a significant role in increasing public trust through improving accountability mechanisms, reducing information gaps, and strengthening the government's image. The results of empirical research show that the quality of budget information, the way the public accesses the information, and the level of public participation are the main factors that affect public perception of the quality of budget transparency.

Moreover, Vinogradova (2022) shows that budget transparency has a significant effect on increasing public trust in government financial management. One of the main ways to increase transparency is through participatory budgeting, where the community is directly involved in decision-making related to budget policies. This step not only builds public trust, but also ensures that budget policies are in accordance with their needs and priorities. However, the study also noted several obstacles, such as the lack of formal structures in civil society, the low effectiveness of community institutions, and the lack of community involvement as equal partners by the government. To overcome these constraints, the government is advised to expand the implementation of participatory budgeting, increase access to budget information, and strengthen the role of civil society in supporting more transparent and responsible budget management.

Another research done by Dracea et al. (2024) shows that budget transparency, measured through the Open Budget Index (OBI), is closely related to good governance and community welfare. A study in 14 EU countries (2006-2021) found that increased budget transparency supports corruption control, improves regulation, and increases accountability and public trust. Governance indicators such as governance effectiveness and rule of law also contribute positively to transparency. This relationship confirms that budget transparency not only improves governance, but also plays a role in human development through more efficient management of public resources, as well as lowering the perception of corruption by providing clear information on the allocation and expenditure of public funds. Increasing budget transparency has a significant impact on improving governance.

Meanwhile, Almuqrin et al. (2022) shows that transparency of open government data (OGD) is related to the level of public trust. The results indicate that public perception of data and service quality has a significant impact on public trust in OGD. DeLone and McLean's information systems success model was used to analyze this relationship, and it was found that service quality is a key factor in building trust. Services that are responsive and meet the needs of the community increase a positive view of data. In addition, the quality of data and systems is also important in building public trust. This research emphasizes the importance of providing high-quality data, systems, and services to increase public trust, as well as community participation through positive feedback in using the OGD platform.

By providing open and easy-to-understand fiscal information, budget transparency increases government accountability, so that the public can oversee the use of public funds. This further increases public trust in the government. Conversely, a lack of transparency has the potential to create a fiscal illusion, reducing pressure on public officials to act responsibly. Agency and legitimacy theories support that transparency plays a role in reducing conflicts, improving the government's reputation, and ultimately strengthening public trust (Alegre et al., 2013).

Birskyte (2019) opined that there is a significant and positive correlation between budget transparency and the level of public trust in government budget management. Budget transparency, characterized by open, complete, relevant, timely, and easy-to-understand fiscal information, contributes to increased government accountability. This allows the public to oversee how public funds are used, which in turn increases their trust in the government. Conversely, a lack of transparency can create a fiscal illusion, where government costs appear to be lower than they really are, thereby reducing pressure on public officials to act responsibly. Theories such as agency theory and legitimacy theory also support the view that transparency plays a role in reducing conflicts between society and politicians and improving the reputation of governments, which ultimately strengthens public trust.

Then, Ríos et al. (2016) indicated that by providing open and easy-to-understand fiscal information, transparency contributes to increasing government accountability, so that the public can monitor the use of public funds. This leads to an increase in public trust in the government. In addition, the researchers also highlight that public participation is essential to increase budget transparency, which creates a mutually reinforcing cycle between transparency and trust. Moreover, Research by Reddick et al. (2017) shows that with Open Government Data (OGD), the government provides budget data that is easily accessible and relevant so that the public can understand and monitor public finances. This transparency allows the public to play an active role in providing input and evaluating policies, thereby supporting effective policies and increasing public trust. In addition, transparency reduces information inequality and narrows the opportunities for corruption.

Budget transparency plays an important role in building and maintaining public trust in how the government manages the budget. The importance of citizen involvement in the budget process also cannot be ignored. With transparency, the public is encouraged to participate in budget planning, implementation, and supervision. This participation strengthens the relationship between the government and the community, as the community feels they have a stake in determining how public funds are used for the common good. Thus, budget transparency not only increases public trust, but also strengthens the legitimacy of the government and the participation of the community in public financial management (Ott et al., 2018).

Online budget transparency at the local level (OLBT) has an impact on public trust in Croatia and Slovenia. Budget transparency and citizen participation are considered essential for the efficiency of public services, government accountability, and citizen trust, especially at the local government level, and are seen as principles of good governance. This research refers to the principal-agent theory, which states that the information gap between citizens and the government hinders effective public participation. Transparency plays an important role in reducing this gap, allowing citizens to understand the management of public budgets, so they can better assess government performance and increase their trust (Ott et al., 2019).

Research by Sedmihradská (2019) demonstrate budget transparency innovations in Czech local governments through the use of budget explorers, which are interactive tools that allow people to search their budgets in depth. In this regard, budget transparency is seen as an important democratic value to ensure trusted, well-performing, and accountable governance. Disclosure of budget information helps the public understand how the government works and maintain its integrity. In addition, budget transparency plays a role in reducing fiscal illusions, which are conditions in which people are not aware of the total tax burden or the full cost of government borrowing, so they believe the benefits of public spending are greater than the actual costs. With transparency, voters can understand the budget better and encourage politicians to be fiscally responsible. However, transparency does not only depend on the disclosure of information, it requires an audience that is able to understand and use the information. Therefore, it is important to develop a method of delivering budget information that is attractive and easy to understand by the wider community.

Budget transparency is crucial because it allows the public and related parties to see how public funds are allocated and used. With transparency, government accountability increases and the potential for corruption or budget abuse can be minimized. This in turn can increase public trust in the government as well as the public financial management system. The researchers found that while budget transparency could theoretically increase public trust, its implementation on the ground could face a variety of obstacles. If budget information is not presented clearly and easily understood, or if there are problems in capacity and coordination between relevant parties, then the benefits of transparency in increasing public trust may be diminished (Vian & Bicknel, 2014). Study of Harrison & Sayogo (2013) shows that budget transparency has a positive and significant relationship with public trust in government budget management. The government, by presenting fiscal information in an open, accurate, timely, and easy-to-understand manner, increases its accountability, so that the public can supervise the use of public funds. This then increases public trust in the government. Further, the researcher emphasized that transparency, participation, and accountability are key cornerstones for ensuring that the day-to-day practices of governance reflect the essence and true look of democracy.

Although some studies that have been previously presented show that budget transparency has a positive influence on public trust, there are also studies that find the opposite, namely that budget transparency does not have a significant effect on public trust. In addition, the level of budget transparency in some regions is still relatively low, as in the research by Pratolo et al. (2022), it shows that budget transparency does not have a significant effect on public trust in the management of COVID-19 response funds by village governments. On the contrary, the quality of service in handling the pandemic is the main factor that increases public trust (Patwa et al., 2023). The results of the study revealed that the accountability of pandemic fund management has a direct negative relationship with public trust, but can change positively if mediated by the quality of service. This shows that the public values quality service more than accountability reports. During the pandemic, the public's focus was more on concrete results than formal transparency. This research emphasizes the importance of the quality of public services as a mediator between accountability and public trust, as well as a strategic component in strengthening the legitimacy of the government in the midst of a crisis.

Lastly, research by Yandra et al. (2024) found that budget transparency in Riau Province and its districts/cities is still low, especially in forest and land governance. The Public Information Disclosure Index (IKIP) shows that only Indragiri Hulu is "quite open", while most others are "not open". Budget transparency related to planning, implementation, and reporting of TKHL has not been optimal, with a lack of proactive initiatives from the regions. Obstacles include lack of political support, weak archive management, and low awareness of information disclosure. This research emphasizes the need to increase budget transparency to build public trust and good governance through policy reform, IT infrastructure improvements, and adequate budget allocation.

4. Conclusion

The study highlights that budget transparency is closely related to the level of public trust in how the government manages the state budget. Transparency increases accountability, reduces information gaps, strengthens the government's image, and supports good governance. By providing fiscal information that is open, complete, relevant, timely, and easy to understand, the public can oversee the use of public funds, thereby increasing their confidence. Public participation in the budget process, supported by easy access to information, is also critical. Public involvement in budget planning, implementation, and oversight strengthens the relationship between government and society and increases government legitimacy. Open Government Data (OGD) transparency and participatory budgeting are effective ways to increase public trust.

However, the implementation of budget transparency faces obstacles such as a lack of formal structure in civil society, low effectiveness of community institutions, and lack of community involvement as equal partners. The government needs to expand the implementation of budget transparency, increase access to information, and strengthen the role of civil society to support more transparent and responsible budget management. Thus, budget transparency not only increases public trust, but also strengthens the legitimacy of the government and public participation in public financial management.

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