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Managerial Performance in Village Government: Does Transformational Leadership Matter?

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ABSTRACT

This study examined how the transformational leadership strengthen the relationship between public accountability and budget participation and managerial performance in Indonesian village governments. The population of this study was the village apparatuses of the village government in Bantul Regency. Data were collected through questionnaires and analyzed using Structural Equation Modelling-Partial Leas Square (SEM-PLS) method. The results shows that transformational leadership has a quasi-moderation role. Transformational leadership strengthens the effect of budget participation on managerial performance while public accountability has no influence on managerial performance. The results also shows that public accountability has no effect towards village leader performance.

Kinerja Manajerial dalam Pemerintahan Desa: Pentingkah Kepemimpinan Transformasional?

ABSTRAK

Penelitian ini menguji peran moderasi kepemimpinan transformasional pada hubungan akuntabilitas publik dan partisipasi anggaran terhadap kinerja manajerial pada pemerintahan desa. Ini merupakan penelitian kuantitatif yang menggunakan survei kuesioner. Populasi pada studi ini adalah perangkat desa di Kabupaten Bantul dan teknik pengambilan sampel yang digunakan adalah convenience sampling. Pengujian hipotesis dilakukan dengan menggunakan metode Structural Equation Modelling-Partial Leas Square (SEM-PLS). Penelitian ini menemukan bahwa kepemimpinan transformasional bersifat quasi-moderasi. Kepemimpinan transformasional dapat memperkuat pengaruh partisipasi anggaran terhadap kinerja manajerial sedangkan akuntabilitas publik tidak dapat mempengaruhi kinerja manajerial. Hal ini menunjukkan bahwa akuntabilitas publik tidak dapat mendorong dan memotivasi perangkat desa untuk meningkatkan kinerjanya.

1. Introduction

Law No. 6 of 2014 explains that the central government allocates village funds to finance the village needs obtained from the State Budget. Therefore, Indonesia Law No. 06 2014 explains that the village government is responsible for village management, implementation, development, community development, and empowerment of rural communities, where the center gives direct responsibility through local governments, which can be called regional decentralization. In addition, the village government also has other revenues from the Village Budget, including the Regional Revenue and Expenditure Budget, village income derived from village-owned enterprises, regional taxes, and other income (Kusnadi, 2015).

Nevertheless, Abdillah (2020) stated that problems still arise in the village government, such as the management of village funds and village government services that are still not optimal, resulting in a lack of trust from the village community in the village government. By 2022, Bantul Regency had 65 independent and 10 developed villages, which has increased significantly since 2021 (Pemkab, 2022). Nonetheless Setyawan (2019), in his interview with the Chairman of the Village Consultative Board (VCB), he said that the Village Government in Bantul Regency placed an insufficient predicate related to performance and several unresolved village entangling problems, including the administration of village activities and finances and transparency of village asset management to alleged project markups. Sofyani & Ardiyanto (2022) further revealed that villages still cannot take advantage of the opportunities to improve village government performance. Meanwhile, one of the essential factors in attaining organizational performance is achieving good managerial performance (Jannah & Rahayu, 2015; Sofyani & Ardiyanto, 2022).

Managerial performance is the key to the success of village government organizations in implementing the wheels of government, and good performance will impact governance (Dewi et al., 2021). According to Sofyani et al. (2020), managerial performance is an essential framework for the village apparatus, whereas managerial performance is a program that aims to serve the community and development activities organized by the village government. The non-optimal managerial performance of village apparatuses can be seen in many cases of budget irregularities and low budget absorption due to weak village governance (Sofyani & Tahar, 2021).

Budget participation and public accountability are essential for effective governance (Singh & Slack, 2022). Budget participation involves stakeholders, including officials, community groups, and citizens (Devas & Grant, 2003), in the budgeting process to ensure that local government resources are allocated to reflect community priorities and needs (Zhang & Liao, 2011). Meanwhile, public accountability is the provision of transparent and accessible information about local government performance, finance, and decision-making processes taken by the government (da Cruz et al., 2016); thus, public accountability can be used to ensure that local officials can be held accountable for their actions and decisions. Good local government managerial performance is closely related to successful budget participation and public accountability (Kanji, 2018; Sofyani & Ardiyanto, 2022).

Furthermore, public accountability is an essential aspect of managerial performance (Hasibuan, 2022) as it refers to the obligation of managers to be transparent and accountable in their decision-making process and accountable for their actions to the public (Casadesús de Mingo & Cerrillo-i-Martínez, 2018). Supported by Stewardship Theory, managers are expected to act in the organization's best interests, stakeholders, and society. The concept of public accountability is closely related to managerial performance (Christensen & Lægreid, 2015; Hildebrand & McDavid, 2011) because it can influence managers' decisions and actions and impact their effectiveness and success in achieving organizational goals. Therefore, solid public accountability can help ensure that managers adhere to high-performance standards and that their decisions and actions are aligned with the needs and expectations of the public they serve (Blackman et al., 2017). However, Hasibuan (2022) and Candrakusuma & Bambang (2017) found that Public Accountability does not affect managerial performance.

Additionally, budget participation can improve an organization's managerial performance (Sofyani et al., 2020). The process involves managers in the budget decision-making process, allowing managers to set financial targets, identify priorities, and allocate resources. With the manager's involvement in this case, the village apparatus will be responsible for implementing the Village Expenditure Budget and improving the maximum performance in preparing a budget (Nugroho, 2018). In government, the relationship between budget participation and managerial performance is becoming increasingly important, as government agencies are often required to operate within tight budget constraints and provide quality services to the public (Dimitropoulos et al., 2017). Furthermore, Searfoss and Monczka (1973) explain that involving all levels of management in budgeting can increase motivation, improve decision making, and improve performance. Nevertheless, the relationship between budget participation and managerial performance in the government is not always straightforward. Some studies suggest that excessive budget participation can negatively impact performance (Kren, 2003; Leach-López et al., 2008). Leach-López et al. (2008) explain that too much involvement in the budgeting process can lead to doubts, delays, and lack of accountability due to conflicts that arise during the budgeting process. In addition, Candrakusuma & Bambang (2017) and Murtin & Rahmawati (2023) found that budget participation has no effect on managerial performance.

The inconsistent results indicate that there is a gap in research on the relationship between public accountability and budget participation in managerial performance. Departing from this, the researcher promotes the role of the leader as a moderator. Leaders contribute more benefits to the workplace than other human resources (Aboramadan & Dahleez, 2020). Thus, leadership can influence employee performance, satisfaction, and effectiveness (Turner & Müller, 2005) and promote positive employee attitudes (Bhal & Ansari, 2007). Consequently, a leader’s leadership spirit is vital to an organization (Bhal & Ansari, 2007). Andersen (2016) explains that transformational leaders can stimulate, mobilize, and inspire employees to achieve desired goals. Judge & Piccolo, (2004) imply that transformational leadership can influence employee attitudes and behaviors.

Previous research (see Candrakusuma & Bambang, 2017; Murtin & Rahmawati, 2023; Pratiwi et al., 2019; Sofyani & Ardiyanto, 2022; Yanida et al., 2013) generally only tested determinants of factors affecting Managerial Performance. However, the role of leadership has not been sufficiently explored, particularly in the village government research context. In addition, there are inconsistencies in the empirical results on the effect of public accountability and budget participation on managerial performance. To address these gaps, this study aims to examine the role of transformational leadership in moderating the influence of public accountability and budget participation on the managerial performance of village governments.

The results of this study provide both theoretical and practical contributions. This study provides insights into how transformational leadership functions as a moderating variable. In addition, this study provides empirical evidence on whether Goal-Setting Theory and Stewardship Theory explain the managerial performance of village apparatus in the village government. Next, the results of this study provide valuable insights for village apparatuses to increase their leadership capability, particularly transformational leadership, because they lead, manage, and organize the village government. Thus, village apparatuses can use their leadership to enhance their performance as managers in the village government.

2. Theoretical framework and hypotheses development

In this study, Goal-Setting Theory and the Stewardship Theory are employed to examine the relationship between public accountability, budgetary participation, and managerial performance of village governments, as well as the reinforcing effect of transformational leadership. Locke (1975) states that objectives that are identified, realized, and recognized by employees within an organization trigger a higher level of achievement when accompanied by the acceptance of established goals. Goal-setting theory not only discusses financial goal setting but also non-financial goal setting (Sholihin et al., 2011). Goal-setting theory explains the relationship between planning and performance. Furthermore, Locke & Latham (2013) also stated that having clear goals and objectives can reduce ambiguity and the lack of direction for organizational personnel. One of the core doctrines of goal-setting theory is the separation of learning and performance goals (Locke & Latham, 2002). Next, the Stewardship theory, put forward by (Donaldson & Davis, 1991), describes a situation which management is not driven or motivated by personal interest but rather by the organization's primary goal. Stewardship theory is appropriate for research in the public sector because in the public sector, there is more emphasis on public interests rather than individual interests (Rouault & Albertini, 2022).

Public accountability and managerial performance

Public accountability can be interpreted as openness and transparency in government tasks and managing public resources (Casadesús de Mingo & Cerrillo-i-Martínez, 2018) including using village funds (Sofyani & Ardiyanto, 2022). Theoretically, village apparatuses, as village government leaders, must be able to account for all their actions and decisions following applicable regulations. Meanwhile, government managerial performance refers to the ability of an apparatus to manage resources and perform government tasks well (Putu et al., 2015). Furthermore, in good public accountability practices, village governments can reinforce supervision, transparency, and community participation in village fund management and implement policies (Hildebrand & McDavid, 2011). This can enhance the public's trust in the village government and strengthen its legitimacy in the community's judgments. Therefore, public accountability can enhance government managerial performance by increasing the efficiency and effectiveness of village fund management. With good public accountability, village fund management can be more efficient and effective (Sofyani & Ardiyanto, 2022). This is in line with stewardship theory, which describes stewards, or in the context of this study, as a village apparatus not motivated by personal interests but rather fixated on maximizing organizational interests (Donaldson & Davis, 1991). This view motivates them to serve the community and work optimally (Amani & Halmawati, 2022). It can be concluded that the better the public accountability, the managerial performance will also get better.

H1: Public accountability positively affects managerial performance.

Budget participation and managerial performance

Chong & Chong (2002) explain that budgeting participation involves middle and lower-level managers in preparing organizational budgets. Employee participation in the budgeting process will foster higher responsibility in these employees (Sofyani & Tahar, 2021). Therefore, when budgets are designed to be participatory, employees will internalize organizational goals with a sense of responsibility (Yanida et al., 2013). In the context of the village government, budgeting participation reaches the village apparatus and involves the village community through its figures (Sofyani et al. 2020). The involvement of all levels of management in the village government in planning, executing, and evaluating the budget is an essential mechanism for village officials to serve the community through their participation in Village Fund budgeting. This is in line with Stewardship Theory (Donaldson & Davis, 1991), which describes a situation in which the village apparatus is not driven or motivated by personal goals but by its primary goal, namely the community's interests. When a village administrator participates in the preparation of the village budget, it creates a sense of influence on the village government (Candrakusuma & Bambang Jatmiko, 2017). With the feeling of having a hand in the village government, there will be organizational commitment or encouragement to achieve village goals, excluding personal interests. This is in line with Goal-Setting Theory. The goal setting can affect the performance of employees who are required to achieve goals that have been planned and set; then, employees will have the responsibility to achieve these goals. Therefore, the higher the level of budget participation, the better is the managerial performance.

H2: Budget participation positively affects managerial performance.

The reinforcing effect of transformational leadership

Transformational leadership tends to be open, transparent, and facilitative. Theoretically, with more open communication, the public and stakeholders can easily monitor and obtain information about budget management. This can increase village government accountability in budget management and strengthen community trust in the government (Sofyani & Tahar, 2021). Furthermore, by providing inspiration and a strong vision, transformational leaders can motivate employees and stakeholders to participate in decision making (Turner & Müller, 2005), including planning, implementing, and evaluating budgets. Furthermore, Pradhan & Pradhan (2015) found that transformational leaders tend to drive employee and organizational development through a strong vision and inspiration and provide support and motivation to achieve goals. Therefore, transformational leadership can support accountability and budget participation through a more open communication process and can improve managerial performance through inspiration and support provided by a leader, because an organizational leader can motivate all components of the organization to achieve organizational goals (Aboramadan & Dahleez, 2020). In line with goal-setting theory (Locke, 1975), clear and specific goals can help village officials focus their efforts, increasing their commitment to achieving organizational goals, motivating employees, and improving performance. In addition, it is supported by the Stewardship Theory (Donaldson & Davis, 1991), where the Village Apparatus is not driven or motivated by personal goals but by its primary goal, namely, the organization's interests. Therefore, transformational leadership reinforces the effects of budget participation and public accountability on managerial performance.

H3a: Transformational leadership strengthens the role of public accountability in managerial performance.

H3b: Transformational leadership strengthens the role of budget participation in managerial performance.

The research model is presented in Figure 1, based on the theoretical framework and hypotheses developed above.

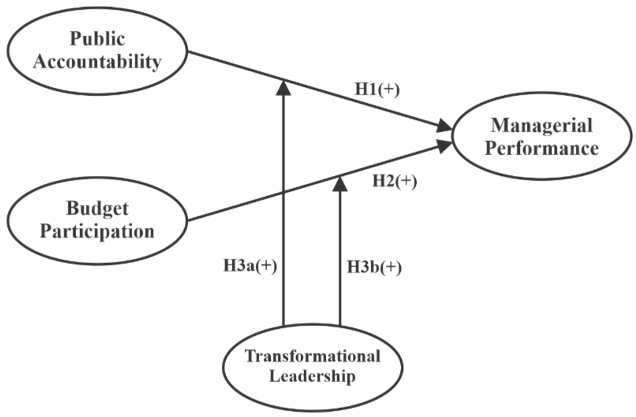

Figure 1. Research model

3. Research method

This research was conducted in Village Governments located in the Bantul Regency, Yogyakarta, Indonesia. The area of the Bantul Regency is 508.85 km^2. The percentage of the area of Bantul Regency in the Special Region of Yogyakarta Province was 15.91%. By 2022, Bantul Regency had 65 independent and ten developed villages, which has increased significantly since 2021 (Pemkab Bantul, 2022). Therefore, Bantul Regency is appropriate as a research location because of the good managerial capabilities of villages in Bantul Regency, which can be seen from the increase in developed and independent villages in Bantul Regency. Bantul Regency consists of 17 subdistricts and 75 villages.

The management of villages that become the population of this study is the village top management apparatus in Bantul Regency; then the respondents were 1) the Village Secretary, 2) the Head of Financial Affairs, 3) the Head of Planning Affairs, and 4) the Head of the Welfare Section. These respondents were chosen because they are the leaders of the village apparatus and are aligned with Sofyani et al. (2020). Convenience sampling was used in this study as the determination of respondents was based on the ease of obtaining data. Convenience sampling has several advantages, such as being cheap, efficient, and simple to implement. On the other hand, convenience sampling lacks clear generalizability. This research data was obtained through a survey method, giving questionnaires directly to respondents. The respondents answered the printed questionnaire, and the time given to them to answer was seven days in October 2021. We used clusters to identify the villages in which they would be distributed in the questionnaire. From 75 villages in 17 sub-districts, we chose the most developed in each sub-district and then took the proportional number of villages regarding the number of villages inside the sub-districts. Finally, 30 villages were used in the study. The number of questionnaires distributed to respondents was 120, of which 112 (93.3 %) were successfully returned. The number of questionnaires that did not return amounted to 8 or 6.6%. As many as 112 questionnaires (93.3 %) were required for successful questionnaires to be returned and processed.

Table 1. The definition of operational and measurement variable

Code	Variable	Definition	Measurement	Source
MP	Managerial performance	The level of ability or proficiency of a village head related to the implementation of activities related to planning, investigation, coordination, evaluation, supervision, staff selection, negotiation, and representation.	• Planning, • Investigation, coordination, • Evaluation, Supervision, • Staff management, Negotiation, • Representation.	(Pratiwi et al., 2019)
TL	Transformational Leadership	The leadership type that can stimulate, mobilize, and inspire their employees to achieve desired goals transformational leadership style, thus transformational provides moral values to the leader's subordinates to increase their awareness of their job responsibilities.	• Inspirational Motivation, • Ideal influence, • Intellectual stimulation, • Individual attention.	(Abdillah, 2020)
BP	Budget Participation	The process of evaluating individual performance, setting rewards for achievable goals, and individual participation and influence related to budgeting.	• Involvement in the preparation, • Influence on the budget setting, • The importance of budget proposals,	(Putu et al., 2015; Sofyani et al., 2020)

			• Logic in budgets.	
PA	Public Accountability	The obligation by the government that carries out the mandate to provide accountability, disclose, present, and report all activities that have been carried out to the party who gives the trust (principal) who has the right and authority to hold accountable	• Policy accountability. • Program accountability. • Process accountability. • Legal accountability.	(Candrakusuma & Bambang, 2017)

Data analysis was performed using a structural equation model (SEM) and partial least squares regression (PLS). Research with a smaller sample, but the nature of the population, determines the situation where the sample size is small and acceptable, and PLS-SEM can be used to analyze data (Hair et al., 2021; Rigdon, 2016). PLS is a latent variable modeling technique that combines several dependent constructs and explicitly acknowledges measurement error (Fornell & Larcker, 1981). Therefore, this study uses SmartPLS 3 software to analyze data. Hair et al. (2010) stated that the minimum sample size for research using the PLS-SEM technique is ten times greater than the variable with the highest number of indicators in the model. The most variable indicator in this study is Public Accountability (PA), which had nine indicators. Thus, the minimum sample size was 90 (9 × 10). This study has 112 respondents. As a result, this study met the sample size requirements.

This study used path analysis. The model developed in this study follows the following hypothesis.

$$MP = \alpha + \beta_1 BP + \beta_2 PA + \beta_3 TL + \varepsilon \quad \ldots\ldots\ldots\ldots 1$$

$$MP = \alpha + \beta_1 BP + \beta_2 PA + \beta_3 TL + \beta_4 BP * TL + \beta_5 PA * TL + \varepsilon \quad \ldots\ldots\ldots$$

4. Results and discussion

To ascertain whether the participants understood managerial performance in the village government, they had to indicate how long they had worked in their current institution. Table 2 shows that most participants (39.3%) have worked in their current institution for over ten years, while 32.1% and 28.6% have under five years and 6-10 years of work experience, respectively).

Demographic information, including age, sex, and educational level, was also collected. Most respondents (81.3%) were male, almost half of the respondents (45.4%) were over 40 years old, and most of the respondents had an undergraduate degree (59.8%).

Table 2. Respondent demographics

	N	Percentage
Total respondents	112	100.00
Gender		
Male	91	81.30
Female	21	18.70
Age		
25 – 30 years old	12	10.70
31 – 35 years old	8	7.10
36 – 40 years old	30	26.80

More than 40 years old	62	45.40
Work Experiences		
< 5 years	36	32.10
5-10 years	32	28.60
> 10 years	44	39.30
Education Level		
Senior High School	25	22.30
Vocational degree	18	16.10
Undergraduate degree	67	59.80
Master's degree	2	1.80

In survey studies, there is a possibility of normative bias called the Common Method Bias (CMB). Common Method Bias (CMB) may pose a risk to study consistency. In this study, Hermann's one-factor test was used to determine the threat of CMB. The test signifies that all elements can be characterized into five factors, and the first factor explains only 19.52% of the inconsistencies, which is much smaller than the 50%. These results indicated that CMB was not a serious problem in this study.

Table 3. Outer loading

Construct	Indicator	Item	Loadings
Public Accountability	PA1	Policy implementation is accountable to the village government, Village Consultative Body, and the wider community.	0.770
	PA2	The village government designed and determined the budget with Village Consultative Body following its realization for the public interest.	0.786
	PA3	Budget programs are designed with the principle of efficiency in mind that public funds produce maximum output.	0.714
	PA4	The community feels the implementation of Village Budget programs.	0.845
	PA5	Budget programs are designed considering the principle of effectiveness, that the use of budgets achieves targets or objectives of the public interest.	0.824
	PA6	The proposed budget reflects the vision, mission, objectives, and outcomes.	0.754
Managerial Performance	MP1	I play a role in goal-setting, and activity plan policies such as work scheduling, budgeting, and program preparation	0.703
	MP2	I play a role in the collection and preparation of information which	0.809

		usually takes the form of notes and reports.	
	MP3	I play a role in exchanging information within the organization to coordinate and customize reports.	0.813
	MP4	I evaluate and assess work plans, performance reports, and work observed in my units/sub-units.	0.766
	MP5	I play a role in directing, leading, and developing subordinates in my unit / sub-unit.	0.685
	MP9	I evaluate performance and performance goals thoroughly.	0.616
Budget Participation	BP1	I participated and was involved in the preparation of all budgets	0.714
	BP2	I think a budget revision makes sense.	0.720
	BP6	My leader often asks subordinates for their opinions in the budgeting process.	0.797
Transformational Leadership	TL1	As a leader, I pay great attention to and value the work of my subordinates.	0.720
	TL3	As a leader, I encourage my subordinates so that they can get the job done.	0.760
	TL4	As a leader, I motivate my subordinates to be able to do more than what I previously expected	0.699
	TL7	As a leader, I can think about old problems in a new way for my subordinates.	0.614
	TL8	As a leader, I listen attentively to input from my subordinates.	0.835
	TL9	As a leader, I can guide, build, and advise my subordinates wisely.	0.772

The reliability test results were also determined using the rule of thumb (Table 4); Cronbach's alpha and composite reliability values were more than 0.6 and 0.7, respectively (Chin et al., 2003). Before conducting the hypothesis test, this study first tested the research model. The outer model assessment standard consists of validity and reliability tests.

Table 4. Construct reliability and validity

	CA	CR	AVE
Public Accountability	0.878	0.905	0.614
Transformational Leadership	0.830	0.876	0.542
Managerial Performance	0.829	0.875	0.541
Budget Participation	0.609	0.788	0.554

The validity test consisted of convergent and discriminant validity tests. Convergent validity uses outer loading values, with each indicator having a value greater than 0.5. The composite reliability of the dimensions was higher than 0.7, and the Average Variance Extracted (AVE) was higher than 0.5.

Table 5. Discriminant validity

	BP	**TLxBP**	**TLxBP**	**TL**	**MP**	**BP**
BP	0.783					
TLxBP	0.039	1.000				
TLxBP	0.024	0.223	1.000			
TL	-0.113	-0.086	-0.014	0.737		
MP	-0.132	-0.113	-0.330	0.429	0.736	
BP	0.215	0.028	0.046	0.074	-0.190	0.744

The validity of the discriminant indicates that the correlation value in the indicator with the item itself is higher than that for other items (see Table 5). Hair et al. (2017) established Discriminant Validity; each AVE construct square root must be greater than its correlation with other constructs (see Table 1 for AVE values and Table 4 for discriminant validity values). The validity of this study's discriminant can be established based on Tables 2 and 3. Next, the research hypothesis was tested after the reliability and validity test model in the PLS model measurements.

The results of the structural model assessment (Table 6) indicated that the model with moderation had a higher adjusted R^2 value (0.301) than that without moderation of TSF (0.213). This finding reveals that a moderated model is better and has practical implications (Chin, 1998). This justification was also improved by the value of f^2, indicating that the effect size of the moderator variable was moderate (0.276). Furthermore, the model proposed in this study met the goodness of fit as the SMRM value (0.091) was less than 0.10 (Sarstedt et al., 2014).

Table 6. Summary of structural model assessment results

Hypothesis	**Without Moderation**		**With Moderation**	
		P-Value		P-Value
PA → MP (H_1)	0.395	0.347	0.331	0.370
BP → MP (H_2)	2.406	0.008**	2.737	0.017**
TL → MP (NH)	0.443	0.000***	0.438	0.000***
TLxPA → MP (H_{3a})			4.267	0.482
TLxBP → MP (H_{3b})			2.135	0.003**
Adjusted R2		0.213		0.301
F2 (Effect size) of TSF as Moderator				0.2760
SRMR (model fit)				0.091

NH: Not Hypothesized

The hypothetical test results are presented in Table 6. Based on the path analysis test, H2 and H3b are supported at a significance level of 0.05, while H1 and H3a are not supported. The results show that Public Accountability does not affect Management Performance. Therefore, the managerial performance of the village government in the Bantul Regency is not influenced by high or low public accountability. This result is in line with the findings of Amril 2014) and Diyanto et al. (2014), who show that public accountability does not affect management performance. However, this result contradicts (Melia & Sari, 2019; Murtin & Rahmawati, 2023), who found that public accountability can improve managerial performance. Thus, public accountability motivates managers to improve their performance. Supported by Melia & Sari (2019) that, public accountability can enhance managerial performance because the higher the level of accountability for all activities carried out, the better the performance in achieving organizational goals.

Moreover, the effect remains insignificant when transformational leadership moderates the relationship between public accountability and managerial performance. This finding can be explained and supported by Agency Theory, where village officials may have different interests, so that public accountability cannot affect the managerial performance of the village government. Therefore, acting authorities need to find ways to motivate village officials to act in the public interest to achieve the goals of the village government. In addition, public accountability also requires clear consequences in the case of violations or noncompliance (Hall, 2005). However, if there are no apparent consequences, the village apparatus may feel that it can be exacerbated if the surveillance system is weak; public accountability requires a robust surveillance system (Lindquist & Huse, 2017) to ensure that village officials are held accountable for their actions. However, village apparatus can easily evade accountability if the existing surveillance system is not sufficiently strong. Consequently, public accountability does not affect managerial performance.

Furthermore, the study's results show that budget participation positively affects managerial performance. This result aligns with Putu et al. (2015) and Sofyani & Ardiyanto (2022), who find that budget participation can improve managerial performance. As supported by the Goal-Setting Theory, managers who participate in budgeting are more likely to understand the organization's goals and objectives. They can contribute their insights and knowledge to set realistic and challenging targets that align with the overall strategy. This goal-setting involvement enhances commitment and ownership toward achieving these goals.

Furthermore, this study revealed that transformative leadership can strengthen the influence of budget participation on the managerial performance of village governments. Transformational leaders provide inspiration and a solid vision to motivate employees and stakeholders to participate in decision-making, including planning, implementing, and evaluating budgets, which is supported by finding of (Turner & Müller, 2005). In addition, transformational leaders tend to drive employee and organizational development through strong vision and inspiration and provide support and motivation to achieve goals (Pradhan & Pradhan, 2015). Therefore, transformational leadership can support budget participation through a more open communication process and can improve managerial performance through inspiration and support provided by a leader.

This study has theoretical and practical implications. This study found that transformational leadership is a quasi-moderation variable; therefore, future research on managerial performance can focus on transformational leadership factors as interaction variables. In addition, public accountability cannot affect the performance of village officials; improving their performance may indicate that agency problems may arise within the village government, as supported by some studies (Saunders, 2022; Tyson, 2018), which revealed that agency problems also arise in the public sector, more specifically in the government sector. Furthermore, Randa & Tangke (2015) revealed that accountability from the agent side, or in this study, is a village device, only seen as numbers and ratios for budget realization and not on the output dimension perceived as beneficial by the public as principals. Sometimes, the government claims that these indicators have been met, but the community, as a principal, considers it not under expectations. Thus, output accountability indicators such as program budget realization do not guarantee government performance (Ferraz & Finan, 2011; Randa & Tangke, 2015). Therefore, the practical implication of this study is that a person with strong transformational leadership should govern the village government. To achieve this objective, the procedure for selecting village heads needs to be designed in such a way, for example, by including a leadership style test in the registration selection. In addition, villagers also need to be educated to consider leadership styles before choosing their preferred candidate during the village election.

5. Conclusions

The results show that transformational leadership strengthened the influence of budget participation on the managerial performance of village governments. Furthermore, transformational leadership is a quasi-moderation variable because it is not only able to moderate but also directly affects managerial performance. It can be interpreted that the higher the budget participation and support by excellent transformational leadership, the higher the managerial performance of the village government. However, this study has also shown that accountability does not affect managerial performance. Thus, neither high nor low public accountability can spur village officials to improve their performance.

The leader is a crucial actor in an organization to achieve its goals, so the implication, according to the result, is that the procedure for selecting village heads needs to be designed in such a way that villagers also need to be educated so that they consider the leadership style of the candidate before choosing during the village election. There are limitations in this study, among others; the scope of research is carried out on the village government. Consequently, the results may be distinct for other types of governments. Therefore, the researcher suggests conducting similar studies at various levels of government. In addition, many leadership styles possessed by a leader and other leadership styles can be moderation variables or control for independent variables. Based on these limitations, further research can add interaction variables that can mediate between public accountability for managerial performance and add factors that can affect the managerial performance of village governments, as well as consider other leadership styles and expand the study population.

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