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THE INFLUENCE OF ACCOUNTABILITY AND PERFORMANCE-BASED BUDGETING ON FINANCIAL PERFORMANCE AT THE FIRE AND RESCUE DEPARTMENT OF MEDAN CITY

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ABSTRACT

This study aims to examine the influence of accountability and performance-based budgeting on the financial performance of the Fire and Rescue Department of Medan City. A quantitative explanatory research design was employed to investigate the causal relationships among the research variables. Primary data were collected through questionnaires distributed to 63 Civil Servants selected using purposive sampling. The data were analyzed using multiple linear regression with SPSS software. The results indicate that accountability has a positive and significant effect on financial performance. Performance-based budgeting also has a positive and significant effect on financial performance. Furthermore, accountability and performance-based budgeting simultaneously have a positive and significant influence on financial performance, with the regression model explaining ***59.2%*** *of the variation in financial performance, while the remaining variation is attributable to other factors beyond the scope of this study. These findings suggest that strengthening accountability and implementing performance-based budgeting are essential for improving the financial performance of public sector organizations, particularly institutions responsible for fire and rescue services.*

Keywords: *Accountability, Performance-Based Budgeting, Financial Performance, Public Sector Organizations, Local Government*

ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh akuntabilitas dan anggaran berbasis kinerja terhadap kinerja keuangan pada Dinas Pemadam Kebakaran dan Penyelamatan Kota Medan. Penelitian menggunakan pendekatan kuantitatif dengan jenis penelitian eksplanatori untuk menguji hubungan kausal antarvariabel. Data primer dikumpulkan melalui penyebaran kuesioner kepada 63 Aparatur Sipil Negara (ASN) yang dipilih menggunakan teknik purposive sampling. Data dianalisis menggunakan analisis regresi linier berganda dengan bantuan perangkat lunak SPSS. Hasil penelitian menunjukkan bahwa akuntabilitas berpengaruh positif dan signifikan terhadap kinerja keuangan. Anggaran berbasis kinerja juga berpengaruh positif dan signifikan terhadap kinerja keuangan. Selain itu, akuntabilitas dan anggaran berbasis kinerja secara simultan berpengaruh positif dan signifikan terhadap kinerja keuangan dengan kemampuan model menjelaskan variasi kinerja keuangan sebesar **59,2%**, sedangkan sisanya dipengaruhi oleh variabel lain di luar model penelitian. Temuan ini menunjukkan bahwa penguatan akuntabilitas dan implementasi anggaran berbasis kinerja merupakan faktor penting dalam

meningkatkan kinerja keuangan organisasi sektor publik, khususnya pada instansi yang memberikan layanan publik di bidang penanggulangan kebakaran dan penyelamatan.
Kata Kunci: Akuntabilitas, Anggaran Berbasis Kinerja, Kinerja Keuangan, Sektor Publik, Pemerintah Daerah

I. INTRODUCTION

Financial performance is an important indicator for evaluating the ability of public sector organizations to manage public resources efficiently, effectively, and responsibly. In government institutions, financial performance does not merely reflect the level of budget absorption but also indicates whether public funds have been utilized to achieve organizational objectives and improve the quality of public services. Financial performance therefore provides a basis for assessing the extent to which government institutions can manage budgets, fulfil fiscal responsibilities, and generate public value through their programs and activities (Esni, 2019; Lolowang et al., 2024).

The increasing public demand for good governance has encouraged government institutions to strengthen accountability in public financial management. Accountability requires public officials to explain and justify the policies, activities, and use of resources entrusted to them. It includes the processes of controlling, reporting, presenting, and disclosing organizational activities and performance to parties entitled to receive such information (Bahri et al., 2021). Accountability also represents an obligation for organizational leaders and public officials to provide clear and comprehensive explanations of their performance and actions (Esni, 2019). Therefore, strong accountability is essential to prevent budget misuse, improve compliance with applicable regulations, and ensure that public resources are managed in accordance with established objectives.

In the context of agency theory, the relationship between government institutions and the public can be understood as a principal–agent relationship. The public, as the principal, delegates authority to government officials, as agents, to manage public resources and provide public services. However, differences in interests and information asymmetry may create agency problems that affect budget management and financial performance. Accountability mechanisms are therefore necessary to ensure that government officials act in accordance with public interests and can be held responsible for the authority and resources entrusted to them. Through transparent reporting, supervision, and performance evaluation, accountability can reduce information asymmetry and strengthen the alignment of interests between principals and agents (Tarigan et al., 2024).

In addition to accountability, the implementation of performance-based budgeting is expected to improve public sector financial performance. Performance-based budgeting is a budgeting system that links the allocation of public resources to an organization’s vision, mission, strategic objectives, outputs, and expected outcomes (Bastian, 2020). Unlike conventional budgeting, which tends to emphasize inputs and expenditure items, performance-based budgeting focuses on measurable results. Accordingly, each expenditure should be associated with specific outputs, outcomes, and performance targets. This system is intended to encourage government institutions to allocate resources more efficiently, improve budget discipline, and ensure that expenditures contribute to the achievement of organizational goals.

Performance-based budgeting also provides a framework for evaluating whether public expenditures have produced adequate benefits for citizens. A budget should not merely function as a financial plan but also as a tool for planning, coordination, motivation, supervision, and organizational control (Bastian, 2021). When properly implemented, performance-based budgeting can direct government institutions toward more efficient and targeted spending because budget allocations are linked to measurable programs and expected performance. It may therefore contribute to improved financial performance by ensuring that public funds are used effectively and in accordance with predetermined priorities (Sahri, 2016).

In Indonesia, public sector accounting and financial management reforms have emphasized transparency, accountability, and efficiency in managing government finances. Government Regulation

Number 71 of 2010 concerning Government Accounting Standards requires government financial management and reporting to be conducted transparently, accountably, and in accordance with generally accepted government accounting principles. Nevertheless, regulatory requirements alone do not automatically guarantee effective financial performance. The quality of implementation depends on the ability of public organizations to apply accountability mechanisms and integrate performance considerations into their budgeting processes.

The Fire and Rescue Department of Medan City is a local government institution responsible for fire prevention, emergency response, rescue operations, and public protection services. In addition to responding to fires, the department conducts various non-fire rescue activities, including disaster evacuation, animal rescue, and the handling of hazardous materials. The operational characteristics of this institution require rapid decision-making, adequate facilities, competent personnel, and effective financial resource allocation. Consequently, strong accountability and appropriate budgeting practices are essential to maintain the continuity and quality of its public services.

However, the department's expenditure budget realization indicates that its budget implementation has not consistently reached the predetermined targets. The realization rate was 95.23% in 2022, increased to 96.64% in 2023, and subsequently decreased to 94.49% in 2024. The difference between the allocated budget and actual expenditure amounted to IDR 2.39 billion in 2022, IDR 1.70 billion in 2023, and IDR 2.16 billion in 2024. These fluctuations indicate that budget realization has not been fully optimal and raise questions regarding the effectiveness and efficiency of financial management within the department.

Although budget realization below 100% does not necessarily indicate poor financial performance, persistent differences between budget targets and actual realization may reflect challenges in planning, implementation, procurement, operational coordination, or performance achievement. Effective budget management therefore requires appropriate supervision to ensure that planned expenditures are implemented efficiently, effectively, and in accordance with organizational objectives (Bastian, 2020). In an emergency public service institution, weaknesses in budget implementation may have broader consequences because delays or inefficiencies in resource allocation may affect the institution's operational readiness and service delivery.

Previous studies have examined the relationship between accountability, budgeting practices, and public sector financial performance. Several studies found that accountability had a positive and significant effect on financial performance (Esni, 2019; Karim & Mursalim, 2019; Ifada, 2023; Lolowang et al., 2024; Lolu et al., 2024; Mattoasi & Jainuddin, 2024; Mercilia & Robinson, 2024). These findings indicate that clear responsibility, reliable reporting, legal compliance, and effective supervision can improve the management of public resources and organizational performance. Nevertheless, the broader literature on public financial governance has produced inconsistent findings. Some studies reported that transparency positively affected financial performance (Amin et al., 2022; Lolowang et al., 2024), while others found insignificant or negative relationships (Oktari et al., 2024; Pera et al., 2023; Mercilia & Robinson, 2024). These differences suggest that the disclosure of financial information alone may not be sufficient to improve financial performance. Transparent information must be accompanied by clear responsibility, effective control, and the use of performance information in budget planning and implementation. Accountability and performance-based budgeting may therefore provide complementary mechanisms through which financial information is translated into responsible actions and measurable performance.

Furthermore, several previous studies were conducted within broad local government settings or general public sector institutions (Esni, 2019; Radiansyah et al., 2023; Mercilia & Robinson, 2024). Empirical evidence relating specifically to emergency public service organizations remains relatively limited. Fire and rescue departments possess distinctive operational characteristics, including unpredictable service demands, high operational risks, continuous readiness requirements, and direct responsibility for public safety. These characteristics may influence how accountability and performance-based budgeting contribute to financial performance.

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Despite the growing body of literature on public sector financial management, empirical evidence regarding the combined influence of accountability and performance-based budgeting on financial performance within emergency public service organizations remains limited. Most previous studies have focused on general local government institutions, whereas organizations providing emergency response services possess distinctive operational characteristics that may influence financial management practices and organizational performance. Therefore, this study investigates whether accountability and performance-based budgeting significantly influence the financial performance of the Fire and Rescue Department of Medan City, both individually and simultaneously. By addressing this issue, the study seeks to provide empirical evidence that contributes to the public sector accounting literature while offering practical insights for strengthening financial accountability, improving budget implementation, and enhancing financial performance within local government institutions responsible for emergency public services.

II. THEORITICAL FOUNDATION AND HYPOTHESES

Agency Theory

Agency theory explains a contractual relationship in which a principal delegates authority to an agent to perform particular activities on the principal's behalf. Jensen and Meckling (1976) argue that agency problems may arise because principals and agents can have different interests and unequal access to information. These conditions may encourage agents to make decisions that do not fully represent the interests of the principals. Consequently, monitoring, reporting, control, and accountability mechanisms are required to reduce information asymmetry and align the interests of both parties.

In the public sector, citizens may be regarded as principals who delegate authority to government officials as agents to manage public resources and deliver public services. Government institutions are therefore responsible for explaining how public funds are planned, allocated, used, and evaluated. Legislative bodies also represent the public in supervising government policies, budget implementation, and financial performance. The original study applies this principal–agent relationship to local government financial management, in which government officials are expected to account for the authority and budgetary resources entrusted to them.

Agency problems in government may emerge through information asymmetry, conflicting interests, weak monitoring, or the ineffective use of public budgets. Accountability can reduce such problems by requiring government officials to report and justify their decisions and actions. Performance-based budgeting can also function as an agency-control mechanism because it links the resources delegated to public officials with measurable targets, outputs, and outcomes. Accordingly, agency theory provides the theoretical basis for explaining how accountability and performance-based budgeting may improve financial performance.

Accountability

Accountability refers to the obligation of an individual or institution entrusted with authority and resources to report, explain, and justify its activities and performance to parties entitled to receive such information. In public sector organizations, accountability includes control, reporting, presentation, and disclosure of organizational activities and results (Bahri et al., 2021). Esni (2019) further describes accountability as the obligation of organizational leaders to provide clear explanations regarding their performance and actions to interested parties. Public accountability is not limited to preparing formal financial reports. It also requires government officials to demonstrate that public resources have been managed lawfully, responsibly, efficiently, and in accordance with established objectives. Accountability therefore encompasses compliance with laws and regulations, the reliability of administrative processes, the achievement of program objectives, and responsibility for public policies. The thesis operationalizes accountability through four dimensions: honesty and legal accountability, process accountability, program accountability, and policy accountability.

Honesty and legal accountability relate to preventing budget misuse and complying with applicable regulations. Process accountability concerns the adequacy of procedures, administrative processes, and financial responsibility. Program accountability evaluates whether organizational objectives have been achieved and whether benefits have been optimized at reasonable costs. Policy accountability refers to the government's responsibility for explaining and justifying its policies to legislative institutions and the public.

From the perspective of agency theory, accountability reduces information asymmetry by requiring agents to disclose how delegated resources have been used. Clear reporting and responsibility facilitate monitoring by principals and limit opportunities for misuse, inefficiency, and decisions that prioritize private interests. Strong accountability can also improve internal control, promote compliance, and direct public officials toward organizational objectives. Accordingly, accountability is expected to contribute positively to the financial performance of public institutions.

Performance-Based Budgeting

Performance-based budgeting is a budgeting approach that links public expenditure to organizational objectives, programs, outputs, outcomes, and measurable performance indicators. Bastian (2020) defines performance-based budgeting as a system closely connected to an organization's vision, mission, and strategic plan, with particular emphasis on the outputs generated by organizational activities. Unlike traditional budgeting, which primarily focuses on expenditure inputs and line items, performance-based budgeting emphasizes what an organization is expected to accomplish through the resources allocated to it. The implementation of performance-based budgeting requires a clear relationship between financial inputs, activities, outputs, and expected outcomes. Each budget allocation should be accompanied by performance targets that allow management and stakeholders to evaluate whether public spending has produced the intended results. This approach encourages government institutions to allocate resources based on priorities, assess program effectiveness, and identify deviations between plans and actual implementation.

Performance-based budgeting also reinforces the managerial functions of public budgets. A public budget serves as a planning instrument, a coordination mechanism, a means of communication, an internal control tool, and an instrument for motivating organizational units to achieve predetermined objectives (Bastian, 2021). Through these functions, performance-based budgeting can improve budget discipline and encourage more efficient and effective use of public resources.

The relevance of performance-based budgeting is particularly strong in public service institutions whose operations depend on the availability and timely allocation of financial resources. Linking expenditures to measurable outputs helps public managers assess whether spending supports operational readiness and service delivery. Sahri (2016) states that performance-based budgeting directs budget use toward measurable and efficient achievements, thereby supporting more targeted financial management. The study's conceptual framework similarly positions performance-based budgeting as a system that prioritizes strategic objectives and evaluates outputs and results.

From an agency perspective, performance-based budgeting reduces ambiguity regarding the use of delegated resources. Performance indicators establish clearer expectations for agents and provide principals with a basis for evaluating whether budget implementation has achieved its intended purposes. Therefore, effective performance-based budgeting is expected to strengthen financial control, improve resource allocation, and enhance financial performance

Financial Performance

Financial performance in the public sector reflects the ability of a government institution to manage financial resources effectively and efficiently in carrying out governmental responsibilities and delivering public services. Esni (2019) defines financial performance as an indicator of an institution's ability to manage regional revenue and expenditure to finance government activities and public services. Sahri (2016) describes it as an achievement associated with budget use that can be measured in terms of both quality and quantity. Public sector financial performance should not be interpreted solely as the extent to which an organization spends its budget. High budget absorption does not automatically indicate effective performance, particularly when expenditure does not produce the expected outputs or

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public benefits. Financial performance should therefore be evaluated by considering the relationship between resources used and results achieved.

One approach commonly applied in the public sector is the concept of value for money. Mardiasmo (2021) explains that value for money assesses whether expenditure produces maximum benefits at the lowest reasonable cost. This concept comprises economy, efficiency, and effectiveness. Economy concerns acquiring resources at an appropriate cost and quality; efficiency concerns maximizing outputs from available inputs; and effectiveness concerns the extent to which organizational objectives are achieved. The thesis uses these dimensions as the foundation for assessing public sector financial performance. In this study, financial performance therefore represents the institution's ability to manage and utilize its budget economically, efficiently, and effectively while supporting the achievement of organizational objectives and the delivery of public services.

Conceptual Framework

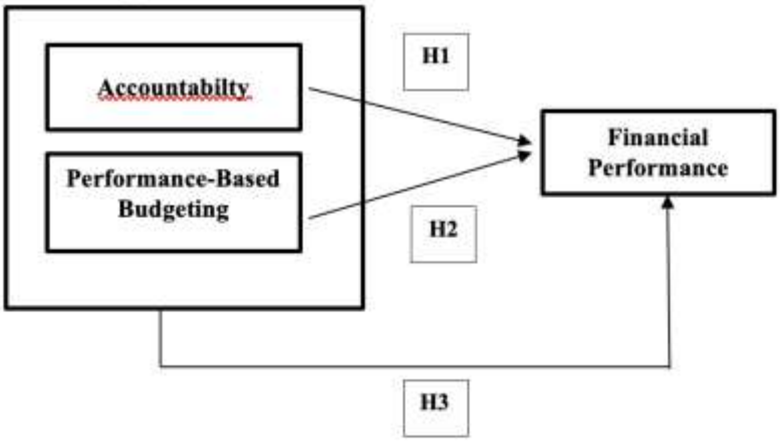

Figure 1. Conceptual Framework

Figure 1 illustrates the proposed relationships among the variables in this study. Accountability (X_1) is hypothesized to have a positive effect on financial performance (Y) (H1), while performance-based budgeting (X_2) is also expected to positively affect financial performance (H2). Furthermore, accountability and performance-based budgeting are proposed to simultaneously influence financial performance (H3).

III. RESEARCH METHODOLOGY

This study employed quantitative research using an explanatory research design to examine the causal relationships between accountability, performance-based budgeting, and financial performance. The study was conducted at the Fire and Rescue Department of Medan City, Indonesia. The study adopted a quantitative approach because it enables the measurement of relationships among variables using statistical analysis. The population consisted of 128 Civil Servants (ASN) working at both the main office and the Technical Implementation Units (UPT) of the Fire and Rescue Department of Medan City. Using a purposive sampling technique, 63 respondents who were directly involved in financial management and budget implementation were selected as the research sample.

The research utilized primary data collected through a structured questionnaire distributed to the respondents. The questionnaire employed a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree), to measure accountability, performance-based budgeting, and financial performance. The measurement indicators were adapted from previous studies and adjusted to the context of public sector financial management.

Data were collected through questionnaire surveys administered directly to respondents. Prior to hypothesis testing, the research instrument was evaluated using validity and reliability tests to ensure the quality of the collected data. The collected data were analyzed using SPSS statistical software.. The

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analysis included descriptive statistics, classical assumption tests (normality, multicollinearity, and heteroscedasticity), multiple linear regression analysis, hypothesis testing using t-tests and F-tests, and the coefficient of determination (R^2) to evaluate the explanatory power of the regression model. The regression equation employed in this study is expressed as follows:

$$Y = a + \beta\ 1x1 + \beta\ 2x2 + e$$

where Y represents financial performance, X_1 represents accountability, X_2 represents performance-based budgeting, α is the constant, β_1 and β_2 are the regression coefficients, and ε denotes the error term.

Table 1. Operational Definition of Variables

Variable	Indicators	References
Accountability (X_1)	(1) Honesty and legal accountability; (2) Process accountability; (3) Program accountability; (4) Policy accountability	Esni (2019)
Performance-Based Budgeting (X_2)	(1) Budget planning based on performance targets; (2) Performance measurement; (3) Performance evaluation; (4) Efficiency and effectiveness of budget implementation	Bastian (2020)
Financial Performance (Y)	(1) Economy; (2) Efficiency; (3) Effectiveness	Mardiasmo (2021); Sahri (2016)

IV. RESULTS AND DISCUSSION

The respondents consisted of 63 Civil Servants working at the Fire and Rescue Department of Medan City and its Technical Implementation Units. Respondents were classified according to educational background and length of service. The length-of-service profile is presented in Table 1.

Table 1. Respondent Characteristics Based on Length of Service

Length of Service	Frequency	Percentage
2–6 years	3	4.8%
7–11 years	2	3.2%
12–16 years	8	12.7%
17–21 years	32	50.8%
22–26 years	7	11.1%
27–31 years	9	14.3%
32–36 years	2	3.2%
Total	**63**	**100.0%**

Table 1 shows that most respondents had worked for 17–21 years, accounting for 32 respondents or 50.8% of the sample. This indicates that the majority of respondents had substantial organizational experience and were therefore considered capable of assessing accountability, performance-based budgeting, and financial performance within the institution.

Instrument Testing

Instrument testing was conducted on 30 respondents outside the main research sample. The questionnaire comprised 27 items, consisting of 10 accountability items, 11 performance-based budgeting items, and 6 financial performance items. All questionnaire items had significance values below 0.05 and were therefore declared valid.

The reliability test results are presented in Table 2.

Table 2. Reliability Test Results

Variable	Cronbach's Alpha	Number of Items	Result
Accountability	0.876	10	Reliable
Performance-Based Budgeting	0.853	11	Reliable
Financial Performance	0.759	6	Reliable

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As shown in Table 2, the Cronbach's Alpha values for all variables exceeded 0.70. Therefore, the research instrument demonstrated satisfactory internal consistency and was considered reliable for further statistical analysis.

Descriptive Statistical Analysis

Descriptive statistics were used to summarize the distribution of the research data. The results are presented in Table 3.

Table 3. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Standard Deviation
Accountability	63	33	50	41.60	5.050
Performance-Based Budgeting	63	34	55	44.65	6.014
Financial Performance	63	19	30	24.75	3.483

The accountability variable had a mean score of 41.60, with scores ranging from 33 to 50. Performance-based budgeting recorded the highest mean score of 44.65, with a minimum score of 34 and a maximum score of 55. Financial performance had a mean score of 24.75, ranging from 19 to 30. The standard deviations were lower than their respective mean values, indicating that the responses were relatively concentrated around the mean and did not display excessive dispersion.

Classical Assumption Tests

Before estimating the regression model, normality, multicollinearity, and heteroscedasticity tests were conducted.

Table 4. Classical Assumption Test Results

Test	Indicator	Result	Conclusion
Normality	Kolmogorov–Smirnov significance	0.188	Residuals were normally distributed
Multicollinearity—Accountability	Tolerance / VIF	0.890 / 1.124	No multicollinearity
Multicollinearity—Performance-Based Budgeting	Tolerance / VIF	0.890 / 1.124	No multicollinearity
Heteroscedasticity—Accountability	Glejser significance	0.389	No heteroscedasticity
Heteroscedasticity—Performance-Based Budgeting	Glejser significance	0.110	No heteroscedasticity

The Kolmogorov–Smirnov significance value was 0.188, which exceeded 0.05, indicating that the regression residuals were normally distributed. Both independent variables had tolerance values of 0.890 and VIF values of 1.124. Since the tolerance values were above 0.10 and the VIF values were below 10, the regression model did not exhibit multicollinearity. Furthermore, the Glejser significance values for accountability and performance-based budgeting were 0.389 and 0.110, respectively. Both values exceeded 0.05, indicating the absence of heteroscedasticity. Thus, the regression model satisfied the classical assumptions required for multiple linear regression analysis.

Multiple Linear Regression Analysis

The results of the multiple linear regression analysis are presented in Table 5.

Table 5. Multiple Linear Regression Results

Variable	B	Standard Error	Standardized Beta	t-value	Sig.
Constant	-1.008	2.779	—	-0.363	0.718
Accountability	0.336	0.060	0.487	5.570	0.000
Performance-Based Budgeting	0.264	0.051	0.456	5.214	0.000

Dependent variable: Financial Performance

Where (Y) represents financial performance, (X_1) represents accountability, and (X_2) represents performance-based budgeting. The accountability coefficient of 0.336 indicates that a one-unit increase in accountability is associated with a 0.336-unit increase in financial performance, assuming that performance-based budgeting remains constant. Similarly, the performance-based budgeting coefficient

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of 0.264 indicates that a one-unit increase in performance-based budgeting is associated with a 0.264-unit increase in financial performance, holding accountability constant.

Both regression coefficients were positive, indicating that improvements in accountability and performance-based budgeting were associated with improvements in financial performance. The standardized coefficient for accountability was 0.487, slightly higher than the coefficient for performance-based budgeting of 0.456. This suggests that accountability had a marginally stronger relative contribution to financial performance in the estimated model.

Hypothesis Testing

Partial Test

The partial effects of the independent variables were examined using the t-test. The hypothesis-testing results are summarized in Table 6.

Table 6. Partial Hypothesis Test Results

Hypothesis	Relationship	Coefficient	t-value	Sig.	Decision
H1	Accountability → Financial Performance	0.336	5.570	0.000	Supported
H2	Performance-Based Budgeting → Financial Performance	0.264	5.214	0.000	Supported

The accountability variable produced a t-value of 5.570 and a significance value of 0.000. Since the significance value was below 0.05, accountability had a positive and significant effect on financial performance. Therefore, H1 was supported.

Performance-based budgeting produced a t-value of 5.214 and a significance value of 0.000. Since the significance value was also below 0.05, performance-based budgeting had a positive and significant effect on financial performance. Therefore, H2 was supported.

Simultaneous Test

The simultaneous influence of accountability and performance-based budgeting was tested using the F-test

Table 7. Simultaneous Test Results

Source	Sum of Squares	df	Mean Square	F-value	Sig.
Regression	445.095	2	222.547	43.517	0.000
Residual	306.842	60	5.114	—	—
Total	751.937	62	—	—	—

The F-test produced an F-value of 43.517 with a significance value of 0.000. Since the significance value was below 0.05, accountability and performance-based budgeting simultaneously had a significant effect on financial performance. Therefore, H3 was supported.

Coefficient of Determination

The explanatory power of the regression model is presented in Table 8.

Table 8. Model Summary

R	R Square	Adjusted R Square	Standard Error of the Estimate
0.769	0.592	0.578	2.261

The coefficient of determination was 0.592, indicating that accountability and performance-based budgeting jointly explained 59.2% of the variation in financial performance. The remaining 40.8% was attributable to other factors not included in the model, such as internal control, employee competence, leadership commitment, organizational culture, budget participation, information-system quality, and financial supervision. The adjusted R^2 value of 0.578 indicates that, after adjustment for the number of independent variables and observations, the model explained 57.8% of the variation in financial performance.

Discussion

The Effect of Accountability on Financial Performance

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The results demonstrate that accountability has a positive and significant effect on financial performance. This finding means that stronger accountability is associated with better financial performance at the Fire and Rescue Department of Medan City. Accountability requires public officials to explain and justify how financial resources are planned, used, controlled, and reported. When such responsibilities are implemented consistently, the risks of budget misuse, procedural violations, and inefficient expenditure can be reduced. This result supports Agency Theory, which explains that accountability mechanisms reduce information asymmetry between government officials as agents and the public as principal. Government officials possess more detailed information concerning budget implementation and operational decisions. Without adequate accountability, principals may find it difficult to assess whether resources have been used in accordance with approved objectives. Clear reporting, legal compliance, program responsibility, and policy justification improve monitoring and align the conduct of agents with public interests.

The positive coefficient also indicates that accountability is not merely an administrative reporting requirement. It contributes to financial performance by strengthening control, clarifying responsibility, and encouraging budget managers to use public resources economically, efficiently, and effectively. In the context of an emergency service institution, these accountability practices are particularly important because ineffective financial management may affect operational readiness and the quality of services provided to the public.

The result is consistent with the findings of Esni (2019), Karim and Mursalim (2019), Ifada (2023), Lolowang et al. (2024), Lolu et al. (2024), Mattoasi and Jainuddin (2024), and Mercilia and Robinson (2024), which reported that accountability positively influences public sector financial performance. Collectively, these studies suggest that financial performance improves when responsibility, reporting, supervision, and legal compliance are effectively implemented.

The Effect of Performance-Based Budgeting on Financial Performance

Performance-based budgeting was also found to have a positive and significant effect on financial performance. This result indicates that financial performance improves when budget allocations are more closely linked to programs, activities, outputs, and measurable performance targets. Performance-based budgeting shifts attention from the amount of money spent toward the results achieved through that expenditure. In this system, budget implementation is assessed not only on the basis of absorption but also on the extent to which spending produces the planned outputs and outcomes. Such an approach encourages managers to prioritize activities, evaluate program performance, and improve the efficiency and effectiveness of resource allocation.

The finding is relevant to the operational characteristics of the Fire and Rescue Department of Medan City. The institution requires adequate funding for equipment, personnel, maintenance, emergency response, and other public safety activities. A budget that is linked to performance indicators helps ensure that financial resources support operational readiness and public service targets. It also provides a basis for evaluating whether expenditure has generated the expected organizational benefits. From the perspective of Agency Theory, performance-based budgeting establishes measurable expectations for agents and provides principals with a clearer basis for evaluating budget implementation. It therefore reduces ambiguity regarding the purpose of expenditure and strengthens performance monitoring.

This result supports the findings of Sahri (2016), Esni (2019), and Radiansyah et al. (2023), which concluded that performance-based budgeting positively and significantly affects public sector financial performance. These findings confirm that linking budget allocations to measurable performance contributes to better financial discipline, improved resource allocation, and stronger organizational outcomes.

The Simultaneous Effect of Accountability and Performance-Based Budgeting on Financial Performance

The simultaneous test confirms that accountability and performance-based budgeting jointly have a positive and significant effect on financial performance. This result indicates that financial

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performance is more effectively improved when the organization combines clear responsibility with a budgeting system oriented toward measurable results. The two variables perform complementary functions. Performance-based budgeting specifies the objectives, targets, outputs, and outcomes expected from public expenditure, whereas accountability requires officials to explain and justify the implementation and results of those expenditures. A performance-based budget without accountability may become a formal planning document that is not adequately monitored. Conversely, accountability without clearly defined performance indicators may generate extensive reporting without providing an adequate basis for evaluating the effectiveness of expenditure.

The combined implementation of these mechanisms strengthens public financial management. Accountability promotes compliance and responsibility, while performance-based budgeting promotes efficiency, effectiveness, and results-oriented resource allocation. Together, they help reduce information asymmetry, improve supervision, and encourage the appropriate use of public funds.

The model explained 59.2% of the variation in financial performance, demonstrating that accountability and performance-based budgeting are important determinants of the department's financial performance. Nevertheless, the remaining unexplained variation indicates that financial performance is also influenced by factors beyond the scope of the present study. Future research may therefore consider internal control, employee competence, leadership commitment, organizational culture, budget participation, and financial supervision as additional explanatory variables.

V. CONCLUSION AND SUGGESTION

This study examined the effects of accountability and performance-based budgeting on the financial performance of the Fire and Rescue Department of Medan City. The findings indicate that accountability has a positive and significant effect on financial performance, suggesting that stronger accountability mechanisms contribute to more responsible and effective financial management. Similarly, performance-based budgeting positively and significantly influences financial performance by promoting the efficient allocation of resources and emphasizing the achievement of measurable organizational outcomes. Furthermore, accountability and performance-based budgeting jointly have a significant positive effect on financial performance, indicating that the integration of responsible governance practices and results-oriented budgeting strengthens financial management within public sector organizations.

These findings support Agency Theory by demonstrating that accountability and performance-based budgeting function as governance mechanisms that reduce information asymmetry, strengthen organizational control, and improve the effectiveness of public financial management. The study also contributes to the public sector accounting literature by providing empirical evidence from an emergency public service institution, which has received relatively limited attention in previous studies.

Practical Implications

The findings suggest that local government institutions should strengthen accountability mechanisms through transparent reporting, effective supervision, and compliance with financial regulations. In addition, the implementation of performance-based budgeting should be continuously enhanced by aligning budget allocations with measurable performance indicators and organizational objectives. Strengthening these governance mechanisms may improve financial performance and support the delivery of more efficient and effective public services, particularly within emergency response organizations.

Limitations and Future Research

This study was limited to a single local government institution and examined only two independent variables, namely accountability and performance-based budgeting. Therefore, the findings may not be fully generalizable to other public sector organizations with different institutional characteristics. Future studies are encouraged to include additional variables, such as internal control systems, organizational commitment, leadership, employee competence, organizational culture, and

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budget participation, while expanding the research setting to multiple local government institutions to obtain more comprehensive evidence regarding the determinants of public sector financial performance.

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