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THE IMPLEMENTATION OF ACCOUNTABILITY AND TRANSPARENCY IN VILLAGE GOVERNMENT FINANCIAL MANAGEMENT IN BENGALON SUB-DISTRICT

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ABSTRACT

This study investigates the influence of accountability and transparency on village government financial management, with good governance as a mediating variable. A quantitative research approach was applied using Structural Equation Modeling (SEM). Data were collected through questionnaires distributed to 100 civil servants (ASN) involved in village financial administration in Bengalon Sub-District. The results indicate that accountability has a significant positive effect on financial management and good governance. Increased accountability enhances the effectiveness of village financial practices and strengthens governance quality. Transparency also shows a significant influence on both financial management and good governance. Villages with high transparency tend to manage finances better and apply good governance principles more consistently. Furthermore, good governance significantly improves financial management and partially mediates the relationships between accountability and transparency in financial management. This indicates that governance plays a key role in optimizing the impact of accountability and transparency on financial outcomes. Based on the findings, several recommendations are proposed: (1) implement transparent and accurate reporting systems with regular audits; (2) increase public access to financial information through periodic reports and community meetings; (3) promote good governance by ensuring participation, accountability, and transparency in decision-making; (4) enhance village officials' capacity through training in financial management and digital literacy; and (5) adopt digital tools to improve financial reporting accuracy and oversight efficiency.

Keywords: Accountability, Transparency, Good Governance, Village Financial Management, Structural Equation Modeling.

1. INTRODUCTION

The importance of sound financial management in village governance has grown significantly in recent years, particularly in the context of Indonesia's decentralization and fiscal autonomy policies. Since the implementation of Law No. 6 of 2014 concerning Villages, local governments at the village level have been granted substantial fiscal authority, enabling them to manage village funds independently to support development and improve community welfare. This decentralization initiative, while promising in theory, brings new challenges related to ensuring

financial accountability, transparency, and effective governance at the grassroots level.
Accountability and transparency are two core principles that underpin good governance and democratic public administration. According to Bovens (2007), accountability entails the obligation of public institutions to provide explanations for their actions and to be held responsible for performance outcomes. In the village context, accountability reflects how village officials report and justify financial decisions to both the community and higher levels of government. Transparency, on the other hand, refers to the extent to which stakeholders have access to reliable and timely information concerning public finances and decision-making processes (Hood, 2006). High levels of transparency enable communities to monitor the use of public funds, fostering public trust and reducing the risk of corruption or mismanagement.

Good governance, as conceptualized by the World Bank (1992) and later adopted by various institutions including the UNDP, encompasses several dimensions including accountability, transparency, participation, rule of law, effectiveness, and responsiveness. In village financial management, the presence of good governance mechanisms ensures that decisions regarding public resource allocation are made in an inclusive, equitable, and performance-oriented manner. Therefore, improving good governance practices in village administration can significantly enhance the quality of financial management outcomes.

While the theoretical importance of accountability and transparency in enhancing public sector performance has been widely acknowledged (Diamond, 2007; OECD, 2015), empirical evidence at the village level, especially in rural and underdeveloped areas, remains limited. Most existing studies focus on urban municipalities or provincial-level governments, leaving a gap in the literature regarding how these governance principles operate within village governments. Moreover, few studies examine the mediating role of good governance in linking accountability and transparency to financial management outcomes, particularly using a comprehensive analytical framework such as Structural Equation Modeling (SEM).

This study seeks to address that gap by investigating the relationships between accountability, transparency, good governance, and financial management in village governments within Bengalon Sub-District, East Kalimantan, Indonesia. This region was selected due to its ongoing development efforts and significant inflow of village funds, which necessitate robust financial governance mechanisms. Specifically, this research aims to:

1. Analyze the direct influence of accountability and transparency on village financial management;
2. Evaluate the influence of accountability and transparency on the implementation of good governance; and
3. Examine the mediating role of good governance in the relationship between accountability, transparency, and financial management.

To achieve these objectives, the study employs a quantitative research approach using Structural Equation Modeling (SEM) to test the proposed hypotheses. A total of 100 respondents, consisting of civil servants (Aparatur Sipil Negara/ASN) involved in village financial administration, were surveyed using structured questionnaires.

The findings of this study are expected to provide both theoretical and practical contributions. Theoretically, the study enriches the literature on governance and public financial management at the village level. Practically, it offers insights and recommendations for policymakers, local governments, and community stakeholders seeking to enhance the governance of village funds through the institutionalization of accountability and transparency practices.

2. LITERATURE

2.1 Accountability in Public Financial Management

Accountability refers to the obligation of public officials to report, explain, and be answerable for the consequences of decisions made on behalf of the public (Bovens, 2007). In the context of village government financial management, accountability emphasizes the importance of accurate financial reporting, effective internal control, and the responsible use of public resources. Studies suggest that a higher level of accountability significantly improves financial discipline, reduces misuse of funds, and enhances trust in local governance (Afiah & Azwari, 2015).

2.2 Transparency and Public Sector Governance

Transparency is defined as the openness of government activities, enabling citizens to access information that is essential to understanding and evaluating governance processes (Hood & Heald, 2006). It includes disclosing budget plans, financial reports, and the implementation of programs. Transparency is a crucial factor in improving financial performance in village governments, as it allows for better public oversight and helps to prevent corruption (OECD, 2015). Empirical evidence shows that transparent practices in rural administration promote efficiency and increase community participation in development (Nurhayati & Wulandari, 2020).

2.3 Good Governance Principles

Good governance involves the implementation of key principles such as participation, rule of law, transparency, responsiveness, equity, and accountability (World Bank, 1992). In rural financial administration, these principles serve as a framework for sound decision-making and sustainable development. Effective application of good governance improves the quality of public services, reduces administrative waste, and fosters local development (Setyaningrum et al., 2017). Several studies confirm that good governance serves as a mediating variable that strengthens the relationship between accountability/transparency and financial management outcomes (Rahayu & Martani, 2021).

2.4 Financial Management in Village Government

Village financial management encompasses the planning, budgeting, implementation, administration, reporting, and accountability of village funds by applicable laws and community needs. Law No. 6/2014 concerning Villages in Indonesia mandates that village governments manage their finances based on the principles of transparency, accountability, participation, and discipline. Empirical findings by Sari et al. (2019) emphasize that strong financial governance in villages is significantly influenced by leadership commitment, regulatory compliance, and community involvement.

2.5. Research Gap and Hypotheses

2.5.1. Research Gap

Prior research has widely emphasized the importance of accountability and transparency in improving public sector financial management (Afiah & Azwari, 2015; Nurhayati & Wulandari, 2020). Studies have also confirmed that good governance plays a central role in ensuring public trust and effective administration (Setyaningrum et al., 2017; Rahayu & Martani, 2021).

However, most of these studies focus on regional or national levels of government, with relatively limited empirical evidence from the village government context, particularly in rural areas such as the Bengalon Subdistrict, East Kalimantan.

Furthermore, although the direct effects of accountability and transparency on financial management have been widely studied, the mediating role of good governance in these relationships remains underexplored. Few studies have investigated how good governance acts as a mechanism that enhances or explains the influence of these variables on financial performance at the village level. This study addresses this gap by testing a mediated model that includes good governance as an intermediary between accountability, transparency, and village financial management performance.

2.5.2 Hypotheses

Based on the theoretical framework and previous literature, the following hypotheses are proposed:

- **H1:** Accountability has a significant positive effect on village financial management.
- **H2:** Accountability has a significant positive effect on good governance.
- **H3:** Transparency has a significant positive effect on village financial management.
- **H4:** Transparency has a significant positive effect on good governance.
- **H5:** Good governance has a significant positive effect on village financial management.
- **H6:** Good governance mediates the relationship between accountability and village financial management.
- **H7:** Good governance mediates the relationship between transparency and village financial management.

2.6. Conceptual Framework

Based on the literature review and the formulated hypotheses, a conceptual framework has been developed to guide the testing of these hypotheses. Figure 1 illustrates the proposed relationships that will be examined in this study.

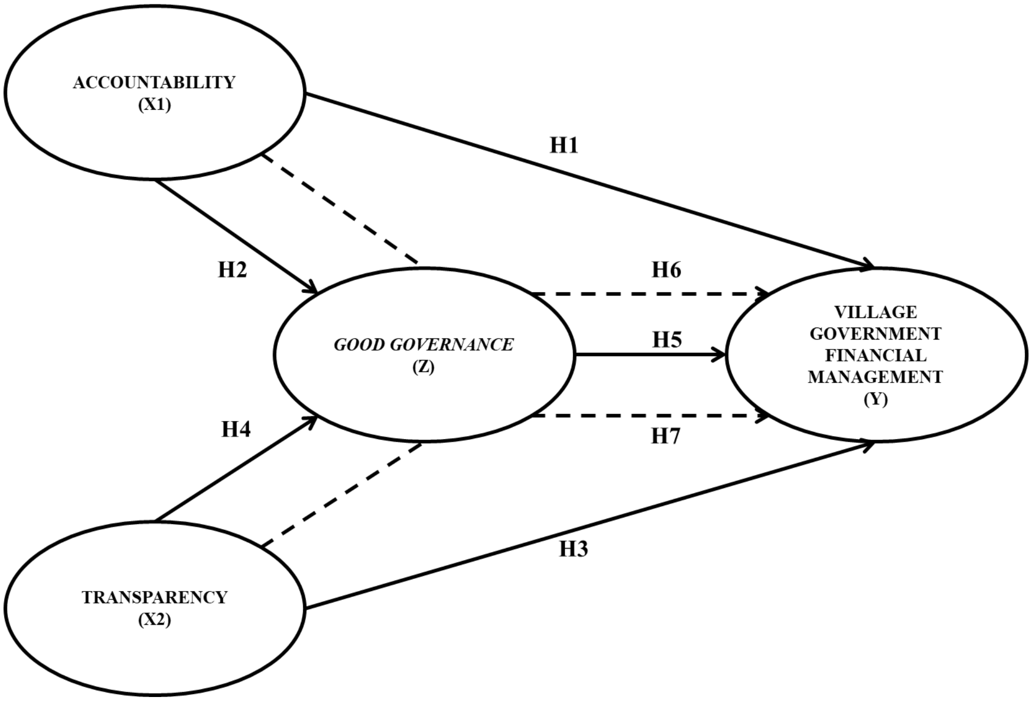


Figure 1. Conceptual Framework

3. MATERIALS AND METHODS

3.1 Study Area

This study was conducted in the Bengalon Subdistrict, located in East Kalimantan Province, Indonesia. Bengalon is a predominantly rural area characterized by its agricultural and mining activities, with a population that relies heavily on village governance for local development and service delivery. The subdistrict consists of several villages, each managed by a local village government responsible for the administration of public services, including financial management. Bengalon's village governments face unique challenges such as limited human resources, infrastructure constraints, and increasing demands for transparency and accountability from the community and higher government levels. These factors make Bengalon an ideal location for examining how accountability, transparency, and good governance influence the management of village finances.

The choice of Bengalon Subdistrict as the study area aims to provide relevant insights into the practical implementation of governance principles in rural Indonesian settings, contributing to the broader discourse on decentralization and community empowerment.

3.2 Research Approach and Design

This study employs a quantitative research approach to examine the relationships among accountability, transparency, good governance, and village financial management. Quantitative methods are appropriate for testing hypotheses and measuring the strength and significance of the relationships between variables based on numerical data (Creswell, 2014).

A cross-sectional survey design was utilized to collect data from village government officials in the Bengalon Subdistrict. This design allows the researchers to capture a snapshot of perceptions and practices regarding financial management, accountability, transparency, and governance principles at a specific point in time (Bryman, 2016).

Data collection was conducted using structured questionnaires consisting of standardized scales adapted from previously validated instruments in public sector governance studies. The questionnaire included items measuring the degree of accountability, transparency, implementation of good governance principles, and the quality of financial management in village administration.

The collected data were analyzed using Structural Equation Modeling (SEM) with the Partial Least Squares (PLS) approach. SEM-PLS is suitable for complex models involving mediating variables and small to medium sample sizes (Hair et al., 2017). This technique enables simultaneous testing of direct and indirect effects among the latent constructs of the research model.

This research design ensures rigorous testing of theoretical relationships and provides empirical evidence on the role of good governance as a mediator between accountability, transparency, and village financial management performance.

3.3 Population and Sampling

The population for this study comprises all village government officials responsible for financial management in Bengalon Subdistrict, East Kalimantan Province. These officials include village heads, treasurers, secretaries, and other administrative staff involved in the planning, execution, and reporting of village financial activities.

Due to the manageable size of the population, a census sampling technique was employed, where all relevant officials in the villages of Bengalon Subdistrict were invited to participate in the survey. This approach ensures comprehensive data coverage and enhances the representativeness of the findings.

In cases where the population was too large or inaccessible, a purposive sampling method was applied, selecting participants who directly handle financial management and have sufficient knowledge regarding accountability, transparency, and governance practices in their respective villages.

The final sample size consisted of 100 respondents, which is adequate for Structural Equation Modeling (SEM) analysis, meeting the minimum threshold suggested by Hair et al. (2017) for model reliability and validity.

This sampling strategy aims to provide reliable data that reflect the real conditions and perceptions of village officials in the Bengalon Subdistrict regarding financial governance.

3.4 Data Analysis

The collected data were analyzed using Structural Equation Modeling (SEM) with the Partial Least Squares (PLS) approach, implemented through the SmartPLS software. SEM-PLS was chosen due to its suitability for analyzing complex models involving multiple constructs and mediating variables, as well as its robustness with relatively small sample sizes (Hair et al., 2017).

The data analysis process involved several steps. First, the measurement model was evaluated to ensure the reliability and validity of the constructs. Reliability was assessed using Cronbach's alpha and composite reliability, with values exceeding the recommended threshold of 0.7 indicating acceptable internal consistency (Nunnally, 1978). Validity was tested through convergent validity, measured by Average Variance Extracted (AVE), and discriminant validity, ensuring that constructs are distinct from each other (Fornell & Larcker, 1981).

Next, the structural model was analyzed to test the hypothesized relationships among accountability, transparency, good governance, and village financial management. Path coefficients, t-statistics, and significance levels were examined to determine the strength and significance of each relationship. The mediating effect of good governance was tested following the procedures outlined by Baron and Kenny (1986) and supported by bootstrapping techniques to assess indirect effects.

Model fit indices and the coefficient of determination (R^2) were also evaluated to assess the explanatory power of the model. A higher R^2 indicates greater variance explained in the dependent variable by the independent variables.

This comprehensive data analysis approach ensures robust testing of the research hypotheses and provides empirical insights into the dynamics of financial governance in village administration.

In addition to these indices, Quality Indices based on Kock (2010, 2014, 2015) were applied to assess the reliability and validity of the SEM model. These indices helped ensure that the model adequately represented the data and the hypothesized relationships among the variables. The hypotheses were tested at a significance level of $p < .01$.

3.5 Ethical Considerations

This study strictly adhered to ethical standards throughout the research process to ensure the rights, privacy, and well-being of all participants. Before data collection, informed consent was obtained from each respondent after explaining the purpose of the study, the voluntary nature of participation, and the confidentiality of the information provided.

Participants were assured that their responses would be used solely for academic purposes and that personal identifiers would not be disclosed in any reports or publications. The anonymity of respondents was maintained by assigning unique codes instead of using names or other personal data.
Furthermore, the study complied with institutional and national ethical guidelines for research involving human subjects. Data security measures were implemented to protect the data from unauthorized access.

No physical or psychological harm was posed to participants during the study, and respondents had the right to withdraw at any stage without any consequences.

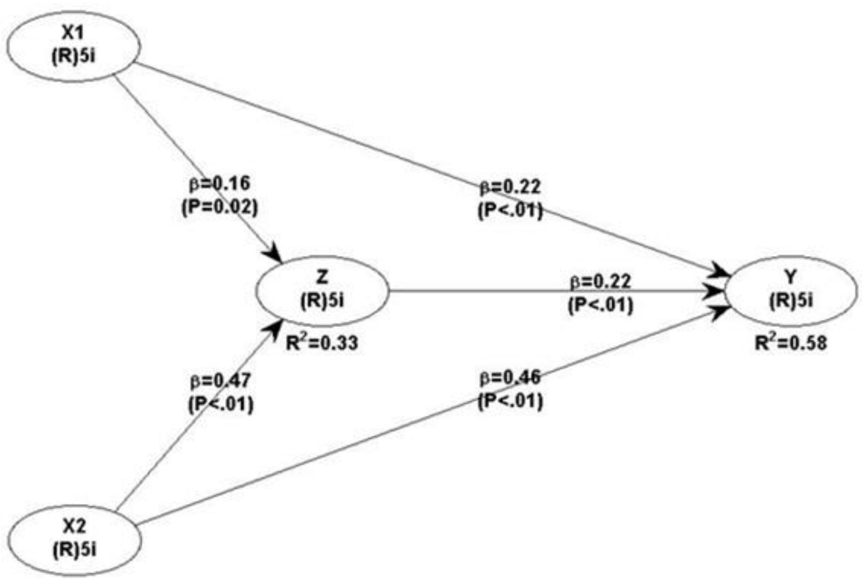
These ethical protocols aimed to foster trust and transparency, thereby ensuring the integrity and credibility of the research findings.

4. RESULTS FINDINGS AND DISCUSSION

4.1 Analysis Results

4.1.1. Model Fit and Quality Indices

• Average path coefficient (APC)=0.387, P<0.001
• Average R-squared (ARS)=0.287, P=0.003
• Average adjusted R-squared (AARS)=0.273, P=0.004
• Average block VIF (AVIF)=1.039, acceptable if <= 5, ideally <= 3.3
• Average full collinearity VIF (AFVIF)=1.978, acceptable if <= 5, ideally <= 3.3
• Tenenhaus GoF (GoF)=0.442, small >= 0.1, medium >= 0.25, large >= 0.36
• Sympson's paradox ratio (SPR)=1, acceptable if >= 0.7, ideally = 1
• R-squared contribution ratio (RSCR)=0.927, acceptable if >= 0.9, ideally = 1
• Statistical suppression ratio (SSR)=1.000, acceptable if >= 0.7
• Nonlinear bivariate causality direction ratio (NLBCDR)=1.000, acceptable if >= 0.7



Notation
X1: Accountability X2: Transparency
Z: Good Governance
Y: Financial Management in Village Government

5. CONCLUSION AND RECOMMENDATION

This study provides empirical evidence that accountability and transparency significantly influence the financial management of village governments in the Bengalon Subdistrict. The

findings reveal that higher levels of accountability and transparency are associated with better financial management practices. Additionally, good governance plays a crucial mediating role, enhancing the positive effects of accountability and transparency on financial management. Villages with good governance structures tend to have more effective and efficient financial management systems, contributing to improved public service delivery and community welfare.
These results underscore the importance of integrating good governance principles into village administration to optimize financial management and promote sustainable development at the grassroots level.

Based on the study findings, the following recommendations are proposed for local governments and village administrations in Bengalon Subdistrict:

1. Enhance Accountability in Financial Management
Village governments should implement transparent and accurate financial reporting systems and conduct regular audits to strengthen accountability.
2. Strengthen Transparency in Governance
Access to financial information should be made readily available to the public through periodic publication of financial reports and community meetings.
3. Promote the Implementation of Good Governance Principles
Village officials are encouraged to apply the principles of participation, accountability, and transparency in all decision-making processes to improve governance quality.
4. Improve Capacity Building for Village Apparatus
Training and technical assistance on financial management, regulatory compliance, and information technology should be provided to enhance the competency of village officials.
5. Leverage Technology for Financial Management
The adoption of digital tools for financial recording and reporting can increase efficiency, accuracy, and ease of monitoring by stakeholders.

Implementing these recommendations can help foster better governance practices and more effective financial management, ultimately improving the welfare of communities in Bengalon Subdistrict.

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