TRANSPARENCY AND PUBLIC PARTICIPATION AS DETERMINANTS OF FINANCIAL MANAGEMENT ACCOUNTABILITY

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ABSTRACT

This study aims to analyze the influence of transparency and public participation on financial management accountability at the urban village level in Siantar Sitalasari District, Pematang Siantar City. The research employed Structural Equation Modeling Partial Least Squares (SEM-PLS) with 100 community respondents selected through purposive sampling. The findings reveal that transparency has a positive and significant effect on financial management accountability. Conversely, public participation does not have a significant effect on accountability. The R-Square value of 0.917 indicates that transparency and public participation jointly explain 91.7% of the variance in financial management accountability. Additionally, the Q² value of 0.666 demonstrates very strong predictive relevance of the model. These results confirm that transparency is the primary determinant of accountability, whereas public participation has not yet contributed meaningfully. The study highlights the need to strengthen public information disclosure and enhance community budget literacy to support accountable financial governance at the urban village level.
Keywords: Transparency, Community Participation, Accountability.

ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh transparansi dan partisipasi masyarakat terhadap akuntabilitas pengelolaan keuangan kelurahan di Kecamatan Siantar Sitalasari, Kota Pematang Siantar. Metode yang digunakan adalah Structural Equation Modeling–Partial Least Squares (SEM-PLS) dengan 100 responden masyarakat yang dipilih melalui teknik purposive sampling. Hasil penelitian menunjukkan bahwa transparansi berpengaruh positif dan signifikan terhadap akuntabilitas pengelolaan keuangan. Sebaliknya, partisipasi masyarakat tidak berpengaruh signifikan terhadap akuntabilitas. Nilai R-Square sebesar 0,917 mengindikasikan bahwa transparansi dan partisipasi masyarakat mampu menjelaskan 91,7% variasi akuntabilitas pengelolaan keuangan kelurahan. Nilai Q² sebesar 0,666 juga menunjukkan bahwa model memiliki relevansi prediktif yang sangat kuat. Temuan penelitian menegaskan bahwa transparansi merupakan determinan utama akuntabilitas, sementara partisipasi masyarakat belum memberikan kontribusi yang berarti. Implikasi penelitian ini menekankan perlunya memperkuat keterbukaan informasi publik dan meningkatkan literasi anggaran masyarakat untuk mendukung terwujudnya tata kelola kelurahan yang akuntabel.
Kata Kunci: Transparansi, Partisipasi Masyarakat, Akuntabilitas Publik

I. INTRODUCTION
Background

Good governance has become an essential foundation in strengthening public sector performance, particularly in local government units that directly interact with citizens. At the urban village level, financial management accountability serves as a crucial indicator of the integrity, transparency, and effectiveness of public resource utilization. As the lowest formal administrative entity within urban governance, urban village is responsible for managing public funds allocated for community services, environmental improvements, and local development initiatives. Therefore,

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accountability in financial management is expected to ensure that every public expenditure is transparent, efficient, and aligned with regulatory standards.

In practice, however, various monitoring results and community observations indicate that transparency in financial management at the urban village level remains suboptimal. Budget information, activity reports, and financial accountability documents are not always fully disclosed to the public or easily accessible. This lack of transparency can weaken public oversight and reduce trust in local government institutions. On the other hand, community participation—which ideally functions as a mechanism of collective oversight—often tends to be limited, procedural, or merely a formality. Many residents attend meetings such as urban village consultations but do not engage meaningfully in evaluating budgets or monitoring program implementation.

Although previous studies have examined transparency, public participation, and accountability in public financial management, most of these were conducted in village contexts. The village governance system differs significantly from that of the urban urban village in terms of institutional structure, funding sources, administrative mechanisms, and sociopolitical dynamics. Consequently, findings from desa-based studies cannot be directly generalized to urban village settings, especially in urban areas such as Pematang Siantar.

Additionally, earlier research predominantly used government officials or village apparatus as respondents. Only a limited number of studies captured community perceptions, even though citizens are the rightful evaluators of whether government financial management is genuinely transparent and accountable. Another identified gap is the limited research focusing specifically on urban urban village, whereas most studies emphasize rural settings where community cohesion and participatory culture tend to be stronger. Finally, previous studies often measured participation merely through formal attendance in meetings rather than substantive involvement in monitoring and evaluating budget implementation.

Therefore, this study aims to address these research gaps by examining the influence of transparency and public participation on financial management accountability specifically within urban village in Siantar Sitalasari District, Pematang Siantar City. By incorporating perceptions from 100 community respondents, this research provides empirical insights into the dynamics of governance at the urban village level and contributes to the broader discourse on public accountability in urban local government.

Research Questions

Based on the background, the research questions are as follows:
1. Does transparency significantly influence financial management accountability?
2. Does public participation significantly influence financial management accountability?
3. To what extent do transparency and public participation simultaneously explain financial management accountability?

Research Objectives

This study aims to:
1. Analyze the effect of transparency on financial management accountability.
2. Examine the effect of public participation on financial management accountability.
3. Evaluate the combined explanatory power of transparency and public participation on accountability.

II.   THEORETICAL REVIEW

Financial Management Accountability

Accountability in the public sector essentially reflects the government's obligation to justify the use of public resources to the principal, namely the community. In the context of financial management at the village and urban-village levels, accountability is not limited to regulatory compliance; it also involves clarity of information, timeliness of reporting, and the government's ability to explain the outcomes of budget utilization to citizens. Financial management accountability

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refers to the obligation of local governments to responsibly manage public funds, present transparent reports, and justify decisions to the public (Simanjuntak, 2025).

Asmawati & Basuki (2019), in her study on village financial accountability, shows that good accountability is reflected in an orderly and traceable process of planning, implementation, administration, and reporting that can be clearly followed by the public. Recent empirical studies strengthen the view that financial accountability is a multi-dimensional phenomenon. (Evi Yuanita & Bambang Suripto, 2022) identifies several determinants of public-sector financial accountability, including the quality of human resources, the effectiveness of internal control systems, and the adequacy of financial reporting mechanisms.

Tuaty (2023) adds that accountability in managing village fund allocations has a direct impact on community welfare, indicating that accountability is not merely an administrative obligation but carries real social consequences. (Afriansyah et al., 2022) finds that village financial accountability is heavily influenced by the quality of financial reports, the clarity of information presented, and the accessibility of such reports for users. Similarly, (Faizurrahman Algifari et al., 2022) emphasizes that the public does not evaluate accountability solely based on the existence of reports, but based on how easily those reports can be accessed and understood.

At a broader level, various studies conclude that accountability cannot be separated from transparency and community participation. (Raudatuzzahra et al., 2025) demonstrate that accountability, transparency, and public participation have significant effects on village fund management in achieving good governance. Likewise, (Lussy & Utomo, 2024) finds that accountability, financial transparency, and public participation positively influence development outcomes and community welfare at the village level. These findings indicate that accountability in urban-village financial management cannot stand alone; it is strongly related to the degree of information openness and the quality of citizen involvement in the budget management cycle. In the context of this study, financial accountability at the urban-village level is understood as the extent to which the local government can justify the planning, implementation, and reporting of public finances in an honest, timely, regulation-compliant, and publicly accessible manner.

Transparency

Transparency is a fundamental principle in public financial governance that requires governments to disclose relevant and reliable information to the public. (Nurrizkiana et al., 2017) states that the transparency of local financial reporting is strongly related to the quality of financial presentation and the accessibility of such reports to stakeholders. Transparent budgeting allows society to monitor spending and evaluate government performance (Jannah et al., 2025).

More recent studies reaffirm the strategic role of transparency. (Wulandari & Al-Amin, 2025), in his research on village fund transparency, shows that villages implementing both transparency and accountability tend to have higher levels of public trust and better development outcomes, whereas poorly transparent villages are more prone to conflict and misuse of funds. (Raudatuzzahra et al., 2025) confirm that transparency, accountability, and public participation significantly influence village fund management; therefore, transparency should not be regarded merely as an administrative formality, but as an instrument to strengthen the legitimacy of public fund utilization. Similarly, (Tasuan & Manane, 2024) demonstrates that transparency in planning and implementation of village fund management enhances accountability and encourages higher community participation, indicating the functional interconnection among the three variables.

Advancements in information technology have further transformed transparency practices in public financial management. (Santoso, 2025) highlights the role of digitalization in strengthening transparency, accountability, and participation in the public sector; digital platforms allow governments to provide broader and real-time access to information. In the same vein, (Wulandari & Al-Amin, 2025) emphasizes the importance of strengthening information systems and publication mechanisms so that financial information can be easily accessed by village and urban-village residents.

In the context of urban-villages, transparency may be reflected through:

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1) providing information on budgets and activity realization via notice boards, websites, or official social media;
2) delivering clear information during public meetings; and
3) ensuring that accountability reports are available to citizens upon request.

Weak transparency at the urban-village level makes it difficult for the public to exercise oversight and may diminish trust in local government.

Fathirah et al (2024) emphasize that transparency reduces opportunities for corruption by minimizing information asymmetry. Likewise, the International Budget Partnership (IBP-Annual-Report-2021, 2021) found that subnational budget transparency in Indonesia significantly improves public trust and encourages civic engagement.

Public Participation

Public participation involves community engagement in the processes of planning, implementation, monitoring, and evaluation of local development (Putra, 2023). Active participation improves policy responsiveness and strengthens social accountability (Kurhayadi, 2023). However, (Masse & Ilyas, 2024) highlight that participation varies by urban context—urban communities often show lower participation intensity due to mobility and limited time. Community participation is defined as the active involvement of citizens in decision-making, implementation, and oversight of public policies, including financial management. According to Setianingsih (2022), community participation in managing village funds ensures that empowerment programs align with local needs and economic objectives.

Raudatuzzahra et al (2025) demonstrate that public participation, together with accountability and transparency, positively influences village fund management and supports the realization of good governance at the local level. (Putri & Hasbi, 2025), examining the influence of community participation and transparency on the preparation of the Village Revenue and Expenditure Budget, finds that meaningful participation leads to more responsive and accountable budgeting processes. (Tasuan & Manane, 2024) adds that community participation goes beyond physical attendance in meetings; it also involves contributing feedback, monitoring program implementation, and evaluating outcomes, ultimately enhancing transparency and accountability.

Maryono et al (2023) emphasizes the importance of transparency and public participation in overseeing village fund management; higher community involvement strengthens social control over budget utilization. Other studies also note that active participation reduces the potential for fraud and misuse of public funds, while increasing citizens' sense of ownership over development programs. In urban-village contexts, community participation often faces challenges such as limited citizen time, social heterogeneity, and low awareness of financial management mechanisms. Therefore, the quality of participation should not be assessed solely through physical presence in meetings but through the extent to which residents engage in providing input, monitoring program implementation, and evaluating budget accountability. Previous studies indicate that substantive participation—rather than mere attendance—contributes significantly to improved public financial accountability

Good Governance

Suwanda & Tjenreng (2025) emphasizes that the implementation of good governance principles in the public sector has a positive impact on improving the quality of services and overall government performance. (Sjachrawy et al., 2025) shows that the consistent application of good governance—particularly transparency, accountability, and public participation—is a key factor in enhancing the quality of local public services. Similarly, (Mozin et al., 2025) highlights that good governance requires strong transparency, accountability, public participation, and law enforcement to ensure an effective and integrity-driven public administration system.

Agency Theory

Agency theory explains the relationship between the government (agent) and society (principal). When information is not transparent, the agent may engage in opportunistic behavior (Amelia & Hidajat, 2025). Transparency reduces information asymmetry and allows the principal to monitor the agent more effectively. Public participation enhances control mechanisms by enabling

community oversight of financial processes (Aisyah, 2021). Thus, agency problems at the urban village level can be mitigated through open reporting, participatory planning, and accessible financial documents (Fathirah et al., 2024).

Previous studies

Several studies have examined transparency, participation, and accountability in Indonesia: Transparency significantly increases financial accountability (Fathirah et al., 2024). Public participation improves governance quality, though the effect is stronger in rural contexts (Putra, 2023; Kurhayadi, 2023). Participation in urban settings tends to be more formalistic and less substantive (Ibrokhimovna, 2022; Masse & Ilyas, 2024). (Raudatuzzahra et al., 2025) found that transparency, accountability, and community participation significantly influence village fund management in South Lampung. (Tasuan & Manane, 2024) investigated community participation, transparency, and accountability in the management of village funds and concluded that stronger participation and improved transparency reinforce the accountability of village financial management. Similarly, (Putri & Hasbi, 2025) found that public participation and transparency in village fund management significantly affect the budgeting process for the Village Revenue and Expenditure Budget. The gap in existing literature shows that studies regarding transparency and participation at the urban village level in small-to-medium Indonesian cities (such as Pematang Siantar) remain limited.

Conceptual Framework and Hypotheses

Based on the theoretical review and previous empirical studies, the conceptual framework of this research can be formulated as follows: Transparency in urban village financial management (X_1) enhances accountability by providing open access to financial information, strengthening public oversight, and reducing opportunities for irregularities. Meanwhile, public participation (X_2) in the planning, implementation, and monitoring of urban village programs reinforces social control and encourages local governments to be more responsible in managing public funds. Financial management accountability (Y) is therefore viewed as the outcome of the synergy between information openness and the active involvement of the community throughout the financial management cycle.
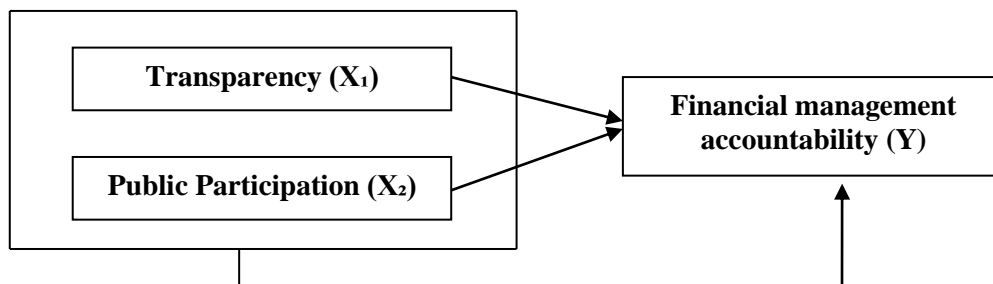

Figure 1 Conceptual Framework
Source: Processed by the researcher, 2025

From this conceptual framework, the proposed hypotheses are as follows:

H1: Transparency has a positive effect on financial management accountability.
H2: Public participation has a positive effect on financial management accountability.
H3: Transparency and public participation jointly have a positive effect on financial management accountability.

III. RESEARCH METHOD

Research design

This study is a quantitative research employing an explanatory approach, aiming to examine the influence of independent variables on the dependent variable through an analysis of relationships

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among constructs (Sugiyono, 2019). This approach is chosen because the research seeks to explain the causal relationships between transparency (X_1), public participation (X_2), and financial management accountability (Y) at the urban village level. The analytical method used in this study is Structural Equation Modeling Partial Least Squares (SEM-PLS) with the assistance of SmartPLS 3.0 software. SEM-PLS is selected because it is capable of simultaneously analyzing both the structural model and the measurement model, and is suitable for medium-sized samples as well as non-normally distributed data.

Population & sample

The population in this study consists of community members residing in several urban village within Siantar Sitalasari District, Pematangsiantar City, who are involved in or have knowledge of public service activities and programs implemented by the urban village government. The research sample comprises 100 respondents, selected using a purposive sampling technique, which determines participants based on specific criteria relevant to the research objectives. The criteria for selecting respondents include the following: being at least 18 years old; residing within the administrative area of Siantar Sitalasari District; having knowledge of public services or development programs carried out by the urban village; and having participated in, or at minimum being aware of, urban village consultation forums, budget information disclosures, or financial accountability reports. With this sampling approach, the study is expected to obtain community perceptions that are relevant and representative regarding transparency, public participation, and financial management accountability at the urban village level.

Variables & indicators

This study consists of two independent variables and one dependent variable, namely:

Table 1 Operational definitions

No	Variable	Definition	Indikators	Ratio
1.	Transparency (X_1)	Describes the extent to which urban village financial information is disclosed openly, completely, and in a manner that is easily accessible to the community.	1. Urban village budget information is easily accessible to the public. 2. Activity realizations are published periodically. 3. Information is presented clearly and is easy to understand. 4. Financial accountability reports can be obtained by the community when needed.	Scale
2.	Public Participation (X_2)	Describes the level of community involvement in the planning, implementation, and monitoring of urban village financial management.	1. The community participates in urban village consultation meetings. 2. The community provides input on activity planning. 3. The community helps monitor program implementation. 4. The community assesses or evaluates program outcomes.	Scale
3.	Financial Management Accountability (Y)	Describes the urban village government's ability to account for the use of public funds transparently, accurately, and in accordance with regulations	1. Urban village financial reports are prepared on time. 2. Financial reports are prepared in accordance with regulatory standards. 3. The contents of reports are reliable and presented completely. 4. Budget utilization aligns with initial planning. 5. Reports can be accessed by community members who require them.	Scale

Source: Processed by the researcher, 2025

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Research Instrument and Data Collection Techniques

Data were collected using a structured, closed-ended questionnaire developed based on the indicators of each research variable. The questionnaire was created in Google Form format and distributed to residents in the selected urban village. Content validity was assessed through expert review, in which subject-matter experts evaluated the relevance, clarity, and alignment of the questionnaire items with the theoretical constructs being measured.

Data Analysis Technique

This study employs the Structural Equation Modeling–Partial Least Squares (SEM-PLS) method using SmartPLS 3 software. SEM-PLS is chosen because it is capable of analyzing causal relationships among latent variables while simultaneously evaluating both the measurement model (outer model) and the structural model (inner model). The SEM-PLS procedure includes evaluating the outer model, evaluating the inner model, and conducting significance testing through the bootstrapping technique (Hair Jr et al., 2021).

1. Evaluation of the Measurement Model (Outer Model)

    The outer model is used to assess the relationship between latent variables and their indicators. The evaluation includes tests of convergent validity, discriminant validity, and construct reliability.

a. Convergent Validity

    Convergent validity assesses the extent to which indicators of a given construct are correlated with one another. Two key measures are used:

    1) Outer Loading

        Indicators are considered to meet the convergent validity criterion if they have an outer loading value greater than 0.70. However, values between 0.60–0.70 may still be accepted for exploratory research.

    2) Average Variance Extracted (AVE)

        A construct is considered valid if the AVE value exceeds 0.50, indicating that the construct explains more than 50% of the variance in its indicators.

        If all indicators meet these criteria, the construct is deemed to have good convergent validity.

b. Discriminant Validity

    Discriminant validity ensures that each construct is truly distinct from other constructs. Two approaches are used:

    1) Fornell–Larcker Criterion

        A construct demonstrates discriminant validity when the square root of its AVE is greater than the correlations between that construct and other constructs.

    2) Cross Loadings

        Discriminant validity is satisfied if each indicator loads highest on its corresponding construct compared to its loadings on other constructs.

        If both criteria are met, each latent variable is considered capable of distinguishing itself from others.

c. Construct Reliability

    Construct reliability measures the internal consistency of indicators within a construct. Two reliability measures are used:

    1) Composite Reliability (CR)

        A CR value greater than 0.70 indicates good internal consistency.

    2) Cronbach's Alpha

        A Cronbach's Alpha value greater than 0.70 indicates high reliability.

        If both CR and Alpha exceed the threshold, the construct is considered reliable and the measurement instrument is trustworth.

2. Evaluation of the Structural Model (Inner Model)

    The inner model illustrates the hypothesized relationships among latent variables. Evaluation of the structural model includes the following indicators:

a. Path Coefficients

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The R² value indicates how much the independent variables explain the dependent variable. The interpretation is 0.75 = substantial, 0.50 = moderate, 0.25 = weak. A higher R² indicates stronger predictive power of the model.

b. Path Coefficients

Path coefficients reflect the direction and strength of the relationships among latent variables. A positive coefficient indicates a direct relationship, while a negative coefficient indicates an inverse relationship. Significance of path coefficients is evaluated through bootstrapping.

c. Effect Size (f²)

Effect size assesses the contribution of each independent variable to the dependent variable. The interpretation is: 0.02 = small, 0.15 = medium, 0.35 = large. This value helps determine the relative importance of each independent variable within the model.

d. Predictive Relevance (Q²)

Predictive relevance is obtained through the blindfolding procedure. A model is considered to have predictive relevance if: Q² > 0 This indicates that the model is capable of accurately predicting observed data.

e. Significance Testing (Bootstrapping)

The bootstrapping technique is used to test the significance of relationships among constructs using 5,000 subsamples. A relationship is considered statistically significant when: t-statistic > 1.96, or p-value < 0.05 indicating that the hypothesis is accepted at the 95% confidence level.

IV. RESULTS AND DISCUSSION
Descriptive Analysis of Respondents

This study involved 100 community respondents residing in several urban village within the Siantar Sitalasari District, Pematang Siantar City. The age distribution of respondents is presented below:

Table 2. Respondents' Age Group Distribution

Age Group	Number of Respondents	Percentage
18–25 years	18	18%
26–35 years	27	27%
36–45 years	24	24%
46–55 years	19	19%
> 55 years	12	12%
Total	**100**	**100%**

Source: Processed by the researcher, 2025

The majority of respondents have completed senior high school (39%) and undergraduate education (22%), reflecting a relatively good level of urban literacy, which supports their ability to understand urban village services and public financial information.

Table 3. Level of Community Involvement

Level of Involvement	Number of Respondents	Percentage
Rarely involved	22	22%
Occasionally involved	41	41%
Actively involved in urban village activities	26	26%
Highly active (frequently attends meetings or development activities)	11	11%
Total	**100**	**100%**

Source: Processed by the researcher, 2025

Most respondents fall into the categories of "occasionally involved" (41%) and "actively involved" (26%), indicating that community members demonstrate a reasonably good level of

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participation in urban village activities such as consultation meetings, communal work, and budget oversight.

Outer Model Evaluation (Measurement Model)

The outer model was evaluated through convergent validity, discriminant validity, and construct reliability.

Convergent Validity

All loadings exceed 0.70, indicating strong convergent validity. The AVE values also meet the >0.50.

Table 4. Outer Loadings

Variable	Indicator	Loading	Interpretation
Transparency (X_1)	X1.1	0.921	Valid
	X1.2	0.788	Valid
	X1.3	0.833	Valid
	X1.4	0.926	Valid
Public Participation (X_2)	X2.1	0.906	Valid
	X2.2	0.866	Valid
	X2.3	0.879	Valid
	X2.4	0.869	Valid
Accountability (Y)	Y1.1	0.851	Valid
	Y1.2	0.908	Valid
	Y1.3	0.845	Valid
	Y1.4	0.857	Valid
	Y1.5	0.822	Valid

Source: Processed by the researcher, 2025

Based on the results of the outer model evaluation, all indicators for each construct have outer loading values above 0.70, indicating that they are valid in reflecting their respective latent variables. The transparency construct shows loading values ranging from 0.788 to 0.926, public participation ranges from 0.866 to 0.906, and financial management accountability ranges from 0.822 to 0.908. Therefore, all indicators meet the criteria for convergent validity, consistent with the guidelines of (Hair Jr et al., 2021), which require outer loading values greater than 0.70.

Table 5. Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Financial Management Accountability (Y)	0,909	0,911	0,933	0,735
Public Participation (X_2)	0,903	0,911	0,932	0,775
Transparency (X_1)	0,891	0,904	0,925	0,755

Source: Processed by the researcher, 2025

The results of the construct reliability and validity test indicate that all constructs in this study have Cronbach's Alpha, rho_A, and Composite Reliability values above the minimum threshold of 0.70. The Composite Reliability values for Transparency (0.925), Public Participation (0.932), and Financial Management Accountability (0.933) demonstrate that all constructs possess excellent internal consistency.

The Average Variance Extracted (AVE) values for all constructs also exceed the minimum standard of 0.50, with Transparency at 0.755, Public Participation at 0.775, and Accountability at 0.735. These results indicate that each construct explains more than 75% of the variance in its indicators, confirming that the convergent validity requirement is very well fulfilled.

The improvement in construct validity, particularly for the Transparency variable, suggests that all indicators within the construct are now optimally reflecting the dimensions of transparency—including indicator X1.4, which previously exhibited a lower loading value. After data refinement, the

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increased AVE value substantially strengthens the overall structural integrity of the Transparency construct.

Discriminant Validity (Fornell-Larcker)

Each construct's square root of AVE is greater than its correlations with other constructs, confirming adequate discriminant validity.

Table 6 Fornell-Larcker Criterion

	Financial Management Accountability (Y)	Public Participation (X₂)	Transparency (X₁)
Financial Management Accountability (Y)	0,857		
Public Participation (X₂)	0,899	0,880	
Transparency (X₁)	0,957	0,929	0,869

Source: Processed by the researcher, 2025

According to the Fornell–Larcker Criterion, discriminant validity is considered adequate when the square root of the AVE for each construct is greater than its correlations with other constructs. In this study, the diagonal values ($\sqrt{AVE}$) are higher than the off-diagonal correlation values, indicating that each construct is empirically distinct from one another.

2. Inner Model Evaluation (Structural Model)
Path Coefficient Interpretation

Table 7. Path Coefficients

	Financial Management Accountability (Y)	Public Participation (X₂)	Transparency (X₁)
Financial Management Accountability (Y)			
Public Participation (X₂)	0,073		
Transparency (X₁)	0,890		

Source: Processed by the researcher, 2025

The results of the path coefficient analysis show that the Transparency variable has a very strong effect on Financial Management Accountability, with a coefficient value of 0.890. This finding indicates that the higher the level of information openness within the urban village, the higher the level of financial management accountability perceived by the community.
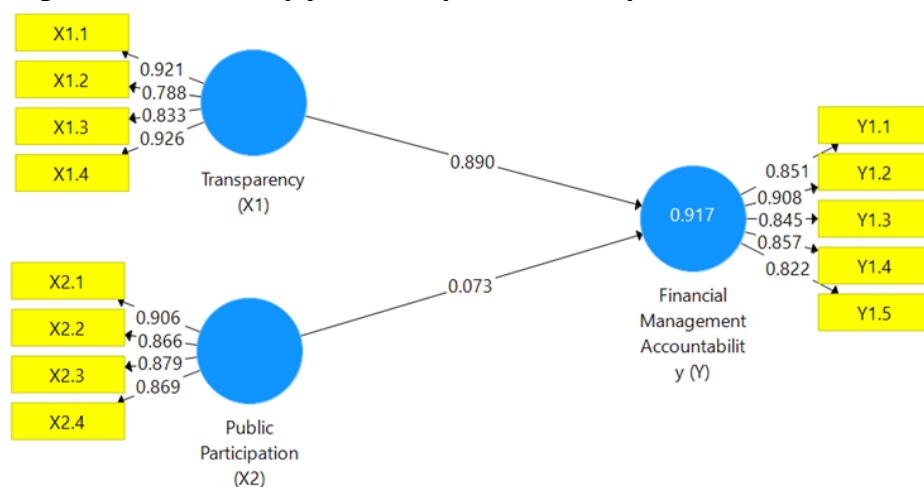

Figure 2. Path Coefficient
Source: Processed by the researcher, 2025

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Conversely, Public Participation shows a very weak influence on accountability, with a coefficient value of only 0.073. This indicates that the level of community involvement in urban village activities is not strong enough to significantly improve accountability. This condition is consistent with the characteristics of public participation in urban areas, which tends to be formalistic, occasional, and lacking substantive involvement in monitoring and oversight processes.

Coefficient of Determination (R^2)

The R^2 value for Financial Management Accountability (Y):

Table 8. R-Square

	R Square	R Square Adjusted
Financial Management Accountability (Y)	0,917	0,916

Sumber: Diolah peneliti, 2025

The structural model results show that Transparency (X_1) and Public Participation (X_2) collectively explain 91.7% of the variance in Financial Management Accountability (Y) ($R^2 = 0.917$). According to the classification of (Hair Jr et al., 2021), an R^2 value above 0.75 indicates substantial predictive power. Therefore, this model demonstrates a very strong ability of the independent variables to predict the dependent variable. The Adjusted R^2 value of 0.916 further confirms the stability and robustness of the model, as it is almost identical to the original R^2 value. This indicates that the model does not suffer from overfitting and that the included variables transparency and public participation serve as the key determinants of financial management accountability in urban village within Siantar Sitalasari District. The remaining 8.3% of variance is influenced by other variables not included in this study, such as leadership quality, administrative capacity, technological support, or regulatory enforcement mechanisms.

T-statistic and p-value Test (Bootstrapping)

The following are the results of T-statistic and p-value Test:

Table 7. t-Test Results

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Transparency (X_1) -> Financial Management Accountability (Y)	0,890	0,895	0,070	12,694	0,000
Public Participation (X_2) -> Financial Management Accountability (Y)	0,073	0,068	0,071	1,023	0,306

Source: Processed by the researcher, 2025

The results of the bootstrapping procedure show that Transparency (X_1) has a highly significant influence on Financial Management Accountability (Y), with a t-statistic of 12.694 and a p-value of 0.000. These values far exceed the significance threshold of 0.05, indicating that the hypothesis stating that transparency positively affects accountability is accepted. In contrast, Public Participation (X_2) yields a t-statistic of 1.023 and a p-value of 0.306, which means it is not significant at the 95% confidence level. Therefore, the hypothesis stating that public participation affects accountability is rejected. This result indicates that the level of community involvement in urban village activities is not strong enough to influence financial management accountability.

Effect size (f^2)

The following are the results of the effect size (f^2) test:

Table 8. Effect Size (f^2)

	Financial Management Accountability (Y)	Public Participation (X_2)	Transparency (X_1)
Financial Management			

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Accountability (Y)			
Public Participation (X$_2$)	0,009		
Transparency (X$_1$)	1,319		

Source: Processed by the researcher, 2025

Based on the effect size (f²) results, Transparency (X$_1$) has an f² value of 1.319, indicating a very large effect on Financial Management Accountability (Y). This value far exceeds the threshold for a large effect (0.35), as suggested by (Hair Jr et al., 2021). Thus, transparency is confirmed as the most dominant factor explaining variations in accountability. Conversely, Public Participation (X$_2$) has an f² value of 0.009, which is below the minimum threshold of 0.02. This indicates that public participation has a very small effect and provides no meaningful contribution to improving accountability. This finding is consistent with the path coefficient and significance test results, which also showed that public participation does not have a significant impact on financial management accountability.

Q² (Predictive relevance)

Table 9. Q² (Predictive Relevance)

	SSO	SSE	Q² (=1-SSE/SSO)
Financial Management Accountability (Y)	500,000	166,874	0,666

Source: Processed by the researcher, 2025

The predictive relevance of the model was assessed using the Blindfolding procedure, which produced a Q² value of 0.666 for the Financial Management Accountability (Y) variable. This value is well above the 0.35 threshold, indicating that the research model possesses very strong predictive relevance. This implies that the combination of Transparency and Public Participation is capable of accurately predicting financial management accountability at the urban village level. These results reinforce earlier findings showing that the structural model has excellent predictive capacity and is suitable for drawing both theoretical and practical conclusion.

Discussion

The Influence of Transparency on Financial Management Accountability

The findings of this study indicate that transparency has a positive and significant effect on financial management accountability at the urban village level, with a path coefficient of 0.890 and a t-statistic of 12.694. This means that the easier it is for citizens to access information regarding budgets, activity realizations, and financial accountability reports, the higher the level of accountability perceived by the community.

This result is consistent with the findings of (Suwanda & Tjenreng, 2025), (Sjachrawy et al., 2025), and (Mozin et al., 2025), who emphasize that transparency is a fundamental pillar of good governance. These scholars argue that public information disclosure enables community oversight and strengthens governmental integrity. The results are also aligned with (Lussy & Utomo, 2024), who found that public access to financial information plays an important role in enhancing public trust and ensuring accountability in budget management.

The consistency between this study and previous research suggests that transparency is a stable and robust predictor of accountability across different governance contexts—whether at the village level, urban village level, or in broader regional government settings. This finding also reinforces agency theory, which posits that when information is openly available, citizens as principals are better able to minimize potential moral hazard by government actors as agents, thereby enhancing accountability.

Thus, this study confirms that transparency is the primary determinant of financial management accountability in urban village governance, and that strengthening public information disclosure mechanisms is a strategic step toward building more accountable local governance.

The Influence of Public Participation on Financial Management Accountability

The results further show that public participation does not have a significant effect on financial management accountability, as indicated by the coefficient value of 0.073, t-statistic of 1.023, and p-value of 0.306. This means that although citizens may participate in urban village activities such as consultation forums or community programs, such involvement has not been strong enough to significantly enhance accountability.

This finding contrasts with studies (Lussy & Utomo, 2024; Putri & Hasbi, 2025) and several village-level studies, which found that public participation significantly influences accountability. In rural contexts, participation tends to be more intense, rooted in strong social cohesion and the tradition of collective action, resulting in greater community engagement in budget oversight.

However, the present study aligns with (Raudatuzzahra et al., 2025) who explains that community participation in urban urban village is often low and largely ceremonial. Factors such as residents' busy schedules, high population mobility, and social heterogeneity contribute to limited interest or capacity to engage in meaningful budget monitoring.

In urban urban village such as those in Siantar Sitalasari, participation is often limited to attendance at consultation meetings without active involvement in reading, understanding, or evaluating financial documents. As a result, community participation is not strong enough to influence financial accountability.

Therefore, this study contributes important evidence that the influence of public participation on accountability is contextual, and in urban environments, participation has not yet become a determining factor of accountability as it typically is in rural areas.

Theoretical and Practical Implications
Theoretical Implications

This study reinforces both good governance theory and agency theory, which identify transparency as a central element of public accountability. However, it also reveals that public participation in urban contexts does not always produce significant impacts, diverging from findings common in village-level studies. This highlights the need to consider contextual factors when examining the relationship between participation and accountability.

Practical Implications

The results emphasize the need for urban village governments to: Strengthen digital transparency systems, Improve real-time publication of reports, and Enhance citizen budget literacy so that community members can more effectively participate in monitoring financial management.

V. CONCLUSION AND RECOMMENDATIONS
Conclusion

Based on the data analysis using SEM-PLS on 100 community respondents from several urban village in Siantar Sitalasari District, Pematang Siantar City, several conclusions can be drawn:
1. Transparency has a positive and significant effect on financial management accountability.
2. Public participation does not have a significant effect on financial accountability.
3. Simultaneously, transparency and public participation explain 91.7% of the variability in urban village financial management accountability ($R^2 = 0.917$), indicating that the model has very strong explanatory power. Although both variables contribute to the model collectively, the only significant predictor is transparency, while public participation does not provide a meaningful contribution to enhancing accountability

Recommendations

Based on the research findings, several recommendations can be proposed:
1. The urban village government should strengthen transparency practices.
   Recommended actions include: publishing activity reports and budget realizations through urban village media channels (such as notice boards, websites, and social media), and improving mechanisms for disseminating public information in accordance with transparency principles.
2. Improve the quality of public participation to make it more substantive.

Current participation remains mostly formalistic. Therefore, efforts should include: actively involving the community in planning, monitoring, and evaluation processes; providing training or workshops on urban village budget literacy; and strengthening consultation forums to ensure decisions are aligned with community needs.

3. The Pematang Siantar City Government should develop a digital transparency system for urban village.

A digital platform could be used for publishing budget documents, reporting activities in real-time, and providing channels for complaints and feedback. Digitalization would enhance accountability and facilitate greater citizen involvement.

4. Future research may incorporate additional variables.

Variables such as apparatus capacity, information technology utilization, public service quality, and internal supervision may provide valuable contributions in explaining financial management accountability.

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