



## THE IMPACT OF ACCOUNTABILITY AND TRANSPARENCY ON FINANCIAL MANAGEMENT IN TOURISM VILLAGES: PARTICIPATION AS A MEDIATOR

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### Abstract

*The development of a tourist village requires support from all parties, both from the community and from village officials. One important factor for developing a tourist village is the availability of funds to support the availability of facilities and infrastructure. For this reason, the effectiveness of managing funds in tourist villages is absolute. This study intends to examine the effect of accountability and transparency on village financial management, both directly and through a mediating variable, namely community participation. Testing the hypothesis in this study used the Structural Equation Modeling (SEM) data analysis technique with the Partial Least Squares (PLS) approach, while the Sobel test method was used to test the mediating variable. The results of hypothesis testing using partial least squares (PLS) show that the seven proposed hypotheses are significant. The results of this study indicate that accountability and transparency affect the effectiveness of financial management. From these results it appears that participation is able to mediate the relationship between accountability and transparency in financial management. Based on the results of this study, it is hoped that the village government will pay attention to accountability, transparency and participation in increasing the effectiveness of village fund management.*

**Keywords:** Financial management, accountability, participation, transparency

### 1. INTRODUCTION

Sustainable tourism requires the active participation of the community in developing tourism in their respective regions. A tourism village is one example of tourism development that involves the active role of the community (Mareni et al., 2022). The establishment of a tourist village aims to empower the community as a direct actor in an effort to increase tourism potential in the community area. The community is encouraged to be

aware of the potential benefits and advantages that can arise from tourism-related activities to enhance the village's economic welfare (Machfuzhoh, 2020).

The village government is a steward that must be trusted as an institution that will act in the interests of the community (principal). According to stewardship theory, which defines a situation where management is not driven by individual objectives but instead aims at their primary results for

the good of the organization (Donaldson & Davis, 1991). Stewardship theory describes a circumstance where management works to attain their primary results for the benefit of the organization rather than being motivated by personal interests (Donaldson & Davis, 1991). Hernandez (2008) defines stewardship as attitudes and actions that prioritize the long-term interests of the group over short-term self-interest.

Based on the stewardship theory, the village government as a public servant will always run the village government effectively. In order for the village government to run effectively, the management of village funds should also be managed effectively. For effective village financial management, planning, implementation, administration, and financial reporting stages are required. Accountability, transparency, and community involvement are some of the aspects that influence how well villages manage their funds (Putra & Rasmini, 2019).

Public officials are provided with an accountability system so they can justify their decision, demonstrate moral behavior, and take responsibility for their results. (Bovens, 2007). Research by Dura (2016) states that accountability impacts the management of village fund allocations. This implies that the outcomes of this study are essentially favorable and that the higher the responsibility, the higher the quality of village financial management. Accountability and the management of village finances are closely related; according to Latrini (2017), The management of the village's finances will be better the more accountable the community is. Ultrafiah (2017) research indicates that accountability has no significant impact on the management of village finance. While accountability mechanisms have been adequately designed, according to research on financial accountability practices in the public sector done by Bovens (2007),

activity implementers frequently fail to adhere to these mechanisms.

The disclosure of information by the government to parties requesting it regarding its public resource management initiatives is known as transparency (Mardiasmo, 2021). The existence of transparency means that every member of the public has equal chances and rights to know all processes for implementing fund management that concern the interests of the community. The importance of transparency is supported by research (Nahrudin, 2014), which states that transparency works well for the management of village funds because there is information that can be accessed and good communication by village officials so that the management of village allocation funds is considered transparent. According to Sugista (2017)), the management of village finances has a good impact on village development. This demonstrates how transparency significantly improves the management of local funds. According to Latrini (2017) research, there is a very substantial correlation between the management of village funds and the application of transparency.funds, and the relationship is very strong.

Prior research (Kumalasari & Riharjo, 2016; Making & Handayani, 2021; Ngakil & Kaukab, 2020; Risyah & Nurodin, 2017; Sukmawati & Nurfitriani, 2019) has looked at the connection between responsibility and openness in village financial management. However, not many studies have examined this relationship through mediating variables. This research intends to understand the impact of accountability and transparency on village financial management either directly or through a mediating variable, namely community participation. The term "participation" refers to an individual or group's active involvement in the development process through both statements and actions, including the contribution of ideas, time, effort, knowledge, resources, and/or materials as well as participation in using

and appreciating the outcomes of development (Sumaryadi et al., 2010). Community participation is one of the success factors in the development of village communities (Yuliandari & Wulandari, 2022). Community participation is the active role of the public in programs initiated by the government that are aimed at controlling and evaluating government performance to prevent abuse of authority.

According to research by Putra & Rasmini (2019) community involvement improves the efficiency of administering village financial management. Fitria Hartami (2021) demonstrates the beneficial impact of community participation on village financial management. This means that the greater the involvement and participation of the community in managing village funds, the greater the public's trust in village fund management practices. The object of this research is Tourism Village in Bali. As far as studies relationship of accountability and transparency to village financial management. If this purpose can be confirmed in this research, it will advance our knowledge of the impacts of transparency and accountability on village financial management. The stewardship hypothesis, which depicts a situation where management is not motivated by individual ambitions but instead aims at their primary results for the benefit of the organization, serves as the theoretical basis for this research. The purpose of stewardship theory in this study is to clarify why the village government (the steward) exists as a reliable organization that upholds the public interest by performing its obligations and operating effectively for the benefit of the community (the principal).

The background description led to the following definition of the study's problem: (1) Does accountability have a positive impact on the effectiveness of financial management? (2) Does accountability have a positive impact on participation? (3) Does transparency

have a positive impact on the effectiveness of financial management? (4) Does transparency have a positive effect on participation? (5) Does participation have a positive impact on the effectiveness of financial management? (6) Is participation able to mediate the relationship between accountability and the effectiveness of financial management? (7) Does participation mediate the relationship between transparency and effectiveness of financial management.

## 2. RESEARCH METHODS

Through a mediating variable, community engagement, this study aims to understand Through a mediating variable, namely community involvement, this study aims to understand the impact of accountability and openness on village financial management, both directly and indirectly. Testing the hypothesis in this study used the Structural Equation Modeling (SEM) data analysis technique with the Partial Least Squares (PLS) approach. Meanwhile, to test the mediating variable, the Sobel test method will be used, namely testing the path coefficient of the indirect effect. The probability sampling method is used in this study. According to Sugiyono & Sutopo (2021), the definition of probability sampling is a sampling technique that provides equal opportunity for each element of the population to be selected as a member of the sample. The respondents used in this study were 86 respondents consisting of village heads, village officials, village social institutions, and community leaders who are considered to understand the meaning of accountability, transparency, and financial management of village funds in Tourism Villages, Bali Province. This study uses the SEM-PLS analysis technique where the main concept of SEM-PLS is multivariate statistical analysis which does not require normally distributed data and does not limit the

minimum amount of research data (Syahrir et al., 2020), so that the number of respondents in this study meets the requirements for testing. Based on the background, theoretical studies, and previous research, the hypotheses in this study are as follows:

- H1: Accountability has a positive impact on financial management effectiveness.
- H2: Accountability has a positive impact on participation.
- H3: Transparency has a positive impact on financial management effectiveness.
- H4: Transparency has a positive impact on participation.
- H5: Participation has a positive impact on financial management effectiveness.
- H6: Participation mediates the relationship between accountability and financial management effectiveness.
- H7: Participation mediates the relationship between transparency and financial management effectiveness.

### 3.RESULTS AND DISCUSSION

#### 3.1 Data Description

Respondents in this study were village heads, village apparatus, village social institutions, and community leaders who were considered to understand the meaning of accountability, transparency, and financial management of Tourism Village, Bali Province. The general description of respondents in this study can be seen from their gender and level of education. The number of questionnaires distributed was 100 questionnaires. However, out of 100 questionnaires, 14 were not filled out

completely, so they could not be used for the hypothesis testing process. so that the respondents used in this study were 86 respondents.

The validity test is used to determine whether a measurement instrument is valid or not. By conducting confirmatory factor analysis on 30 respondents, the loading factor value for the latent variable with indicators is greater than 0.7. Therefore, all statement items are considered valid. To test the level of reliability, Croanbach's coefficient alpha was used, which indicated how far the items in the study were positively correlated with one another. Croanbach's alpha values range from 0 to 1. The closer the Croanbach's alpha is to a value of 1.0, the better the reliability of the measuring instrument. The test results of all variables studied, including accountability, participation, effectiveness of financial management, and transparency, have an alpha value above 0.70. This means that all of these variables are reliable enough to be analyzed further without reducing the existing statement items. To test the hypothesis and produce a fit model, this study uses a variance-based or component-based approach with partial least squares (PLS). In PLS, the structural model of the relationship between latent variables is called the inner model, while the measurement model (which is reflexive or formative) is called the outer model. The results of this test can be seen in Figure 1 below.

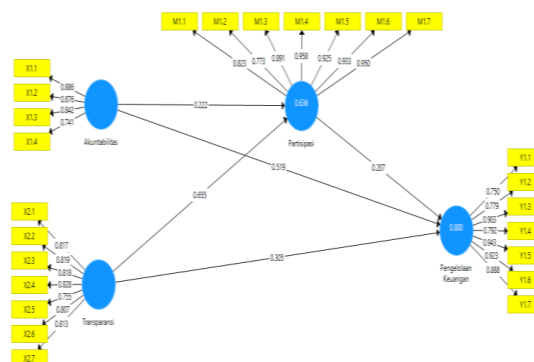


Figure 1. Outer Structural Model  
[Source: Results of data analysis]

From the figure above, it is known that the results of factor loading from the variable dimensions of entrepreneurial skill, business performance, market

innovation, process innovation, and product innovation are shown in Table 1 as follows:

Table 1. Results of Hypothesis Testing with Partial Least Square  
[Source: Results of data analysis]

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
Akuntabilitas -> Partisipasi	0.222	0.212	0.112	1.975	0.049
Akuntabilitas -> Efektivitas Pengelolaan Keuangan	0.519	0.527	0.076	6.842	0.000
Partisipasi -> Efektivitas Pengelolaan Keuangan	0.207	0.207	0.105	1.974	0.049
Transparansi -> Partisipasi	0.655	0.660	0.079	8.336	0.000
Transparansi -> Efektivitas Pengelolaan Keuangan	0.305	0.296	0.092	3.305	0.001
Akuntabilitas -> Partisipasi -> Efektivitas Pengelolaan Keuangan	0.246	0.448	0.084	2.243	0.012
Transparansi -> Partisipasi -> Efektivitas Pengelolaan Keuangan	0.354	0.357	0.087	2.956	0.003

### 3.2 Discussion

#### H1: Accountability has a positive effect on financial management effectiveness.

The PLS method of testing the hypothesis generates a path coefficient with a t-statistic value of 1.975 for the direct impact of transparency on the efficiency of financial management. These findings demonstrate that the t-statistic is greater than 1.960, and it is therefore determined that hypothesis 1, which asserts that accountability has a favorable impact on financial management effectiveness, can be accepted. This means that accountability for all activities and activities of the organization as outlined in the form of reporting by the party responsible for the fiduciary to achieve organizational goals within a certain period will increase the effectiveness of financial management. The results of this study support previous research, namely Dura (2016) research, which states that

accountability affects the management of village financial management. This implies that the outcomes of this study are significantly positive and that the quality of village financial management increases with increased accountability. The results of the study Latrini (2017) ; Pratiwi et al(2021.)also state that accountability has a very strong relationship with the management of village funds.

#### H2: Accountability has a positive effect on participation.

A path coefficient of the direct effect of accountability on participation with a t-statistic value of 6,842 is obtained when testing the hypothesis using the PLS technique. The t-statistic is greater than 1.960. Because of these findings, it is determined that hypothesis 2, which indicates that accountability has a favorable impact on involvement, can be accepted. This means that accountability

for all organizational activities and activities as outlined in the form of reporting by the party who is responsible for the giver of trust to achieve organizational goals within a certain period will increase village community participation. The results of this study confirm those of earlier research by Sugista (2017), who found that accountability has a positive effect on community participation. Likewise, Lasa & Larasati's (2018) research proves that accountability has a positive effect on community participation.

**H3: Transparency has a positive effect on financial management effectiveness.**

The PLS method of testing the hypothesis generates a path coefficient with a t-statistic value of 1.974 for the direct impact of transparency on the efficiency of financial management. These findings indicate that the t-statistic is greater than 1.960, indicating that hypothesis 3, which indicates that transparency has a favorable impact on financial management effectiveness, can be accepted. This indicates that openness in sharing information about public resource management activities with those that require it will improve financial management effectiveness. The results of this study support the findings of previous studies, namely research Latrini (2017) revealed in their research that there is a connection—a very significant one, in fact—between the application of openness and the management of village finances. Kisnawati et al (2018) states that transparency, when viewed from the planning and implementation aspects, has a good effect on the management of village funds. Research by Sugiharti & Hariani (2021) also claims that the management of villages funds in Ponorogo Regency is much benefited through transparency.

**H4: Transparency has a positive effect on participation.**

The direct relationship between transparency and involvement is tested using the PLS method, which yields a path coefficient with a t-statistic value of 8,336. Since the t-statistic is greater than 1.960 based on these findings, it is determined that hypothesis 4, which states that transparency has a favorable impact on participation, can be accepted. This means that openness in providing information related to public resource management activities to parties who need it will increase village community participation. The results of this study support the findings of previous research, namely Sugista (2017)), who found that transparency has a positive effect on community participation. Likewise, Sugiharti & Hariani, (2021) research proves that transparency has a positive effect on public participation.

**H5: Participation has a positive effect on financial management effectiveness.**

A path coefficient of the direct impact of involvement on financial management effectiveness is obtained using the PLS technique, and it has a t-statistic value of 3.305. These findings demonstrate that the t-statistic is greater than 1.960, and it is inferred that hypothesis 5, which indicates that involvement has a favorable impact on financial management effectiveness, can be accepted. This means that the active role of the community in programs held by the village will increase the effectiveness of financial management. The results of this study support previous studies conducted by Putra & Rasmini (2019) which reported that community participation positively influences the effectiveness of village finances management, and Fitria Hartami (2021) reveals the beneficial impact of community involvement on the administration of village finances.

**H6: Participation mediates the relationship between accountability and the effectiveness of financial management.**

A path coefficient for the direct impact of product innovation on performance is produced by testing the hypothesis using the PLS technique, and it has a t-statistic value of 2.243. Given these findings and the fact that the t-statistic is higher than 1.960, it is determined that hypothesis 6, which indicates that participation mediates the relationship between accountability and financial management effectiveness, can be accepted. The direct effect of accountability on the effectiveness of financial management shows the t-statistic above 1.96 (proven by testing hypothesis 1). The direct effect of accountability is shown by showing the t-statistic above 1.96 (proven in testing hypothesis 2). The direct effect of participation on the effectiveness of financial management shows the t-statistic above 1.96 (proven by testing hypothesis 5). According to the analysis's findings, responsibility and financial management efficiency are related in a way that is partially mediated by participation. This means that the community's active role in programs held by the village is able to mediate accountability relationships with the effectiveness of financial management.

**H7: Participation mediates the relationship between transparency and financial management effectiveness.**

The PLS method of testing the hypothesis provides a path coefficient with a t-statistic value of 2.956 for the influence of moderating entrepreneurial skills on the relationship between market innovation and performance. These findings demonstrate that the t-statistic is greater than 1.960 (t table), and it is inferred that hypothesis 7, which claims that participation mediates the relationship between openness and financial management effectiveness, can be

accepted. The direct effect of transparency on the effectiveness of financial management shows the t-statistic above 1.96 (proven by testing hypothesis 3). The direct effect of transparency on participation shows the t-statistic above 1.96 (proven by testing hypothesis 5). The direct effect of participation on the effectiveness of financial management shows the t-statistic above 1.96 (proven by testing hypothesis 5). The results of the analysis indicate that participation partially mediates the relationship between transparency and the effectiveness of financial management. This means that the community's active role in programs held by the village is able to mediate the relationship between transparency and the effectiveness of financial management.

**4. CONCLUSION**

The results of this study provide support for the stewardship theory in which village fund management is influenced by accountability and transparency as a form of service performed by the village government. According to the findings of this study, accountability and transparency have an impact on how well finances are managed. So this study recommends that accountability and transparency can be a concern for the village government. One way to increase accountability and transparency is through reporting on the use of village funds. This study also finds that participation strengthens the effect of accountability and transparency on the effectiveness of managing village funds. So the results of this study recommend the village government to increase community participation. Future research is expected to develop and add other independent variables that will affect the effectiveness of financial management variables.

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