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The Impact of Public Leadership on Accountability in Local Government: Evidence from Indonesia

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ABSTRACT
This study examines the influence of public leadership on local government accountability. The study employed a survey methodology, involving local government employees in seven local governments in Central Java. The data analysis was conducted using Partial Least Squares. The research results indicate that rule-following leadership has a significant positive effect on accountability and financial reporting quality. Accountability leadership plays an important role in increasing financial reporting quality. An increase in financial reporting quality can increase accountability in an organization.

INTRODUCTION

The coronavirus (COVID-19) was declared a global pandemic on March 9, 2020. From that time until December 31, 2021, the virus had spread to 205 countries and caused 5,453,004 deaths. In Indonesia, 4,262,720 people were confirmed to have tested positive for the virus, and 144,094 people died (https://www.worldometers.info/coronavirus/). By August 2022, the total number of deaths in Indonesia had reached 157,500. The three provinces with the highest number of deaths were Central Java, East Java, and West Java.

As a result of the coronavirus, global financial conditions in April 2021 were still marked by uncertainty surrounding the recovery. Financial vulnerability continued to rise in a number of sectors, in part covered up by a massive stimulus. Policymakers were faced with the challenge of trade-offs: maintaining short-term support for the global economy while preventing unwanted consequences and medium-term risk to financial stability. A long period of extreme financial conditions could trigger financial vulnerability. If allowed to continue, this vulnerability would potentially develop into a problem of structural legacy, placing medium-term growth at risk and testing the resilience of the global financial system (International Monetary Fund, 2021).

Indonesia encountered a number of difficulties in dealing with the pandemic due to the economic situation, inadequate facilities and resources, and the lack of strong human resources to tackle the problems faced. Other factors, such as population density, social homogeneity, past experiences and knowledge of managing contagious diseases, and local leadership regimes also made conditions worse (Ling et al., 2021).

Accounting played a role in supporting the government's response to handling the pandemic at a time when public entities were required to take exceptional decisions at crisis level, specifically in the situation of the pandemic. However, public sector accounting was not yet able to explore and identify the uncertainties taking place (Leoni et al., 2021). Accounting theory has shifted from new public management to the concept of publicness. For this reason, there is a growing need for research that emphasizes on public values. In this way, accounting can provide accountability and transparency in public financial reporting, including budget accountability to mitigate the impact of the pandemic (Steccolini, 2019).

In Indonesia, issues of budget transparency and accountability remain questionable, particularly because corruption continues to be the major obstacle to achieving public accountability (Fossati, 2017; Setyaningrum, 2018; Rakhman & Wijayana, 2019; Rakhman, 2019). When the coronavirus pandemic occurred, the way the pandemic was handled in Indonesia appeared to be encompassed by a black box of decision making (Ayuningtyas et al., 2021). According to Hartanto and Siregar (2021), public satisfaction was reflected in the government's response to minimize the impact of the coronavirus pandemic, and therefore, increasing public trust required greater government accountability, transparency, and responsiveness.

One effort that could be made to prevent vulnerability to the impact of the pandemic was to protect financial resilience by overseeing the national, regional, and local budget through high-quality financial reporting. Research on financial reporting quality, especially in the public sector, still leaves room for further study. Several studies have already been carried out (Brown, 2019; Ademola et al., 2020; Ball 2020; Tran, Nguyen, and Hoang 2021; Bastida et al., 2022). Research focusing specifically on the context of Indonesia has also been conducted (Adiputra et al., 2018; Effendi et al, 2018; Rakhman and Wijayana, 2019; Jatmiko et al., 2020; Ramandei et al., 2020; Furqan et al., 2021; Ratmono and Darsono, 2022). However, studies within the Indonesian context have not yet completely explained the influence of public leadership on financial reporting quality during the coronavirus pandemic. Meanwhile, in practical terms, Minister of Finance Decree Number 157 of 2020 had to be implemented in local government financial reporting.

There is an increasing need for public accountability during a global pandemic. One important thing to note is the necessity to change the accounting paradigms to capture the pandemic phenomenon. In 1980, the concept of accounting shifted from traditional accounting to New Public Management (NPM), emphasizing market-oriented values and a focus on value for money (economic, efficient, and effective), including a shift from cash basis to accrual basis. Nevertheless, NPM has not always been successfully implemented in all countries. The debate intensified when NPM was found to be unsuitable for managing crises, such as the global financial crisis shock of 2008-2012. This sparked awareness of the need for a post-NPM concept, namely a concept of publicness, which emphasizes public values, joint production, hybridity and multiplicity of logic, frugality, crisis and cybercrime, performance measurement, control, and governance, including public leadership (Steccolini, 2019).

This study examines the influence of public leadership on local government accountability. This research offers both theoretical and practical contributions. Its theoretical contribution is to expand previous research by highlighting the fact that public leadership is linked to the financial reporting quality of local governments in Indonesia. The study triggers and enriches the use of the concept of publicness in the field of public sector accounting research in Indonesia.

Indonesia is the world's fourth most populous country and the tenth largest economy in terms of purchasing power parity. In addition, Indonesia has made significant progress in poverty reduction, cutting the poverty rate by more than half since 1999 and falling below 10% before the COVID-19 pandemic outbreak in 2019. Indonesia successfully assumed the G20 presidency in 2022 and was set to serve as the rotating chair of ASEAN in 2023. This move demonstrates Indonesia's leadership in representing the interests of developing countries and its growing capacity to play a more active strategic role in working with developed countries to achieve sustainable post-pandemic recovery and resilience in the face of global uncertainty (www.worldbank.org/en/country/ econd ia/overview).

One of Indonesia's most important policies is regional autonomy, which is the manifestation of the concept of decentralization. Regional autonomy gives local governments the authority to regulate and manage the various interests of their communities independently, based on the community's aspirations. According to Minister of Home Affairs Decree Number 77 of 2020, local governments are responsible for the financial management of the local areas, including the preparation of financial reports. These reports are then audited by Audit Board of the Republic of Indonesia.

According to the Local Government Act Number 32 of 2003, local government financial reports must be prepared following the Government Accounting Standards. These standards are developed by the Governmental Accounting Standards Board, which consists of government officials, professionals, and accounting academics. The standards were issued under Presidential Decree Number 71 of 2010. The committee regularly reviews and improves the accounting standards, including the transition to accrual accounting. Government agencies were required to adopt these standards by the 2015 fiscal year (Rakhman & Wijayana, 2019).

Problems arise when the concepts for handling a pandemic, which emphasize the importance of balancing dynamics among stakeholders, fail to match public expectations. Citizens must have an accurate, real-time, and transparent understanding of information regarding the accountability of public resources during the pandemic. Between 2016 to 2019, local government financial reports in Indonesia experienced a significant improvement in reporting quality. Based on these issues, the formulation of the problem for this research was the decline in financial reporting quality of local governments, which caused a stagnancy trend in 2020. The goal of this study is to examine the factors that caused leaders to direct the use of financial reports for decision-making during the pandemic, as well as the factors that enabled local government employees to follow their leaders' instructions to use financial reports for the same purpose.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Contingency theories state that no single system can be used by an organization in various environments (Fisher, 1995). In general, the mission and program of every organization should serve as a guideline for designing its performance measurement system. Based on this perspective, each organization cannot stand alone. The environment, organizational attributes, and managerial decision-making style influence the structure and success of an organization in dealing with different situations (Gordon & Miller, 1976).

According to institutional theories, organizations tend to become homogeneous, even if they initially demonstrate a fairly high level of diversity. This process of homogenization is known as isomorphism. Isomorphism includes two primary types: competitive isomorphism and institutional isomorphism. Competitive isomorphism is related to efficiency, including technical or economic interpretation, while institutional isomorphism is developed through three mechanisms, comprising coercion, imitation, and regulation. In the concept of competitive isomorphism, there is a cheaper, better, or more efficient way to do something; competitiveness encourages organizations to adopt new methods. Hence, organizations do not compete for resources or customers but for power and legitimacy, as well as social welfare and economic outcomes (DiMaggio & Powell, 1983).

Accountability consists of both internal and external accountability within an organization (Ahyaruddin dan Akbar, 2018; Akbar et al., 2012). Ling et al (2021) expanded Ostrom's (2010) model to evaluate institutional impact during the coronavirus pandemic. The Institutional Analysis and Development model was revised into the Social-Ecological Systems (SES) model, which presents variables that interact and have an impact on outcomes, although the metric used is non-financial.

Tran, Nguyen, and Hoang (2021) developed the understanding of institutional impact from a financial perspective by explaining that stakeholders exert coercive pressure on public entities to produce high-quality financial reports. Public resources are accounted for within the public budget. Leaders play a role in overseeing accountability, complying with applicable regulations, and motivating organizations to meet public expectations through effective leadership.

Vulnerability represents the level of exposure to shocks (Barbera et al., 2019). Thus, public financial vulnerability deserves attention, especially as it is the main dimension that leads to public financial resilience (Anessi-Pessina et al., 2020). Financial resilience can be achieved through adaptive governance. The mobility of goods and services during the pandemic experienced a drastic change, which required special leadership and governance that were inherently different from those of normal conditions. Political economy of leadership plays a vital role in adaptive governance because it has the perception of the capacity to deal with crisis by considering the availability of information and its interpretation. High-quality financial reporting of local governments can help decision-making during the pandemic, especially in terms of public budget accountability.

High-quality accrual-based financial reporting is essential for government decision-making. Greater emphasis was placed on this high quality during the pandemic (Ball, 2020; Bastida et al., 2022). This was in contrast with the approach taken by the Italian government, which used a cash basis and modified it for financial reporting during the pandemic (Padovani & Iacuzzi, 2021). In the case of the European Union, the pandemic had negative consequences for public financial reporting but encouraged the reform of public accounting (Cohen et al, 2021). The risk of financial vulnerability in public entities needs to be addressed to achieve financial resilience (Anessi-pessina et al., 2020). The findings of other research in Sweden show that only a portion of local governments reported the events of the pandemic in their annual reports. Political and institutional factors explained the choice of accounting disclosures (Donatella et al., 2021). Meanwhile, Tran, Nguyen, and Hoang (2021) state that public institutions must give their attention to developing accounting and leadership capacities.

In Indonesia, the government accounting system shifted after the issuance of Government Accounting Standards under Decree Number 24 of 2005, which replaced the single-entry system with a double-entry system on the basis of modified cash recording, marking a transition towards an accrual basis. The full implementation of an accrual basis was only enforced after the issuance of Government Regulation Number 71 of 2010. According to the International Public Sector Accounting Standards, the qualitative characteristics of public entity reporting are relevance, faithful representation, understandability, timeliness, comparability, and verifiability. Financial quality and budgets are important in the internal control system to support the reliability of public reporting (Nogueira and Jorge, 2017). In Indonesia, the four characteristics that are required to ensure that government financial reporting meets the desired quality (relevance, reliability, comparability, and understandability). It is expected that local governments, as the internal presenters and users, recognize the principles. Accountability reports for the implementation of national and regional budgets are compiled and submitted in accordance with the Government Accounting Standards.

Three key factors enable government reporting to run effectively as a public sector accountability system. First, reports are presented simply without reducing the comprehensiveness and accuracy of information. Second, reports must be based on the generally applied accounting standards. Third, members of the community must demonstrate interest by reading, understanding, and posing critical questions that require government response, at a minimum, through their representatives in the House of Representatives or the Regional Representative Council must demonstrate interest by reading, understanding, and posing critical questions that require government response. Members of the Regional Representative Council are expected to encourage local governments to produce high-quality financial reports that are easy to understand, transparent, and reflective of actual conditions (Harun & Kamase, 2012).

Rakhman and Wijayana (2019) used the data from local government financial reports of 2008-2014 and found that local governments with more experienced regents or mayors had higher quality reports. Further research shows that although an accrual basis system has already been implemented, the improvement in financial reporting quality of local governments in Indonesia remains suboptimal (Karunia et al, 2019). Other research uses non-financial information on the quality of public services as the basis for decision-making about political preferences (Furqan et al., 2021). Meanwhile, one of the findings presented by Hariani and Fakhrorazi (2022) shows that organizational commitment has a positive influence on financial reporting quality. According to Effendi et al. (2018), information that is generated through an accrual basis is not yet used by local governments for making decisions.

HYPOTHESIS DEVELOPMENT

TheThe analysis scheme discussed above was developed based on contingency theory and institutional theory. Subsequently, the hypothesis development below was formulated by taking into consideration existing theories and research. Based on contingency theory, organizations do not operate in isolation (Gordon & Miller, 1976). The accountability of an organization depends on the organizational environment (Tran, Nguyen, and Hoang 2021). Good accounting capacity can have a positive effect on the accountability of local governments (Harun and Kamase 2012). Therefore, the first hypothesis is formulated as follows.
H1: Accounting capacity has a positive effect on accountability.

Based on the contingency theory, organizational attributes are one of the elements that influence an organization's ability to survive in a particular situation (Gordon & Miller, 1976). Accounting capacity refers to an accountant's ability to support quality financial reporting. Changes in the accounting profession are often driven by evolving regulations and standards. Accountants need to develop their skills continuously in order to acquire new information. Accounting capacity is a combination of knowledge, skills, and abilities needed, such as communication skills, interpersonal skills, general business knowledge, accounting knowledge, problem-solving skills, information technology skills, personal attitude and aptitude, and computer skills (Palmer et al., 2004). Previous research has found that accounting capacity has a positive effect on the financial reporting quality of public organizations (Tran, Nguyen, and Hoang 2021). Therefore, the second hypothesis is proposed.
H2: Accounting capacity has a positive effect on financial reporting quality.

Based on institutional theory, coercive isomorphism occurs when an organization receives external pressure that forces it to comply with regulations to achieve economic goals (DiMaggio & Powell, 1983). Within this framework, accountability leadership means that leaders encourage their subordinates so that their actions can be explained to stakeholders (Tummers & Knies, 2016). The findings of previous research (Tran, Nguyen, and Hoang, 2021) disclose that accountability leadership positively influences financial reporting quality. In contrast, political loyalty leadership means that leaders encourage their employees to align their political interests, even though there may be cost consequences (Tummers & Knies, 2016). Therefore, the next hypotheses are projected.
H3a: Accountability leadership has a positive effect on accountability.

H3b: Accountability leadership has a positive effect on financial reporting quality.
H3c: Political loyalty leadership has a negative effect on accountability.
H3d: Political loyalty leadership has a negative effect on financial reporting quality.

Institutional isomorphism, as explained in institutional theory, is the effort of an organization to spread its influence over the area where the organization exists (DiMaggio & Powell, 1983). Rule-following leadership means that leaders offer motivation to their subordinates to ensure their actions are in line with government rules and regulations (Tummers & Knies, 2016). Leaders are expected to create conditions that encourage their followers to adhere to government rules and regulations. The government plays a central role in the accounting reform taking place in public organizations, and ensures the commitment to generating high-quality and accurate accounting information as a part of accountability implementation (Tran, Nguyen, and Hoang 2021). Hence, the subsequent hypotheses are derived.
H4a: Rule-following leadership has a positive effect on accountability.
H4b: Rule-following leadership has a positive effect on financial reporting quality.

Network governance leadership, a type of leadership that encourages employees to build networks with relevant stakeholders actively, has a positive impact on financial reporting quality (Tummers & Knies, 2016). Local leaders with more experience are associated with higher financial reporting quality (Rakhman & Wijayana, 2019). Based on these insights, the following hypotheses are proposed.
H5a: Network governance leadership has a positive effect on accountability.
H5b: Network governance leadership has a positive effect on financial reporting quality.

Based on institutional theory, public entities face pressure (coercive isomorphism) to comply with regulations (DiMaggio & Powell, 1983), such as the applicable accounting report standards. The most relevant aspects of public sector reform in New South Wales (NSW) are increasing accountability, functionally streamlining public sector organizations, controlling assets, and highlighting productivity and economy (Christensen, 2002). Steccolini (2004) notes that local governments aim to improve financial reporting quality to increase accountability. Meanwhile, the findings of Tran, Nguyen, and Hoang (2021) indicate that financial reporting quality is considered important as a determinant of the effectiveness of the accountability of public organizations. Therefore, the sixth hypothesis is formulated.
H6: Financial reporting quality has a positive effect on accountability.

RESEARCH METHODS

A survey or an independent survey is the primary method used for collecting data by asking questions to respondents (Hair Jr et al., 2014). The survey in this research used a questionnaire to communicate with the respondents. The research population was local government officials in Indonesia responsible for preparing financial reports. The sample was selected through purposive sampling. Primary data were collected through an online survey using Google Forms, as also employed by Tran, Nguyen, and Hoang (2021) and manual distribution. The quantitative data were obtained using the unit of analysis of local government officials in seven local governments in Central Java. The data were gathered by distributing questionnaires to local government officials. The survey was conducted from August to November 2024. Of the 565 questionnaires distributed, 339 were returned and deemed valid for analysis.

This study adopted scales from previous studies to measure key variables in the model. The research model consisted of four main research concepts, with a total of 43 observed variables. First, the accounting capacity scale was adapted based on the research by Palmer et al. (2004) and Tran, Nguyen, and Hoang (2021) with 11 observed variables.

Second, the leadership scale included 12 items and was adopted from Tummers and Knies (2016). As a notable feature of financial reporting during the pandemic, an additional specific question was included related to government regulations that the mayor ensures employees strictly follow the rules and procedures, as well as can provide information on incidents of compliance and non-compliance,

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under the Republic of Indonesia's Minister of Finance Regulation Number 157 of 2020. Third, the quality of financial reporting refers to the qualitative characteristics of the information contained in financial statements that render the information useful to users, as outlined in Decree Number 71 of 2010, with nine observed variables. Finally, the accountability scale in the current research was adapted from Tran, Nguyen, and Hoang (2021) with 11 observed variables.

The latent variables were measured using the five-point Likert scale, and the respondents were asked to assess the quality of government financial reports. The constructs and items of accounting capacity (Palmer et al., 2004), public leadership (Tummers & Knies, 2016), and accountability used (Ahyaruddin & Akbar, 2018; Tran, Nguyen, and Hoang 2021). The implementation of Government Accounting Standards followed accrual-based and accounting information quality was adjusted with the Regulation of the Minister of Finance during the pandemic. A validity test is usually conducted to show the extent to which a test instrument can measure what it is supposed to measure. A test is valid if it accurately measures what it is intended to measure. If a measuring instrument is not valid, it means the results deviate from the intended objective, which is regarded as measurement error or variance. Reliability demonstrates the accuracy and precision of the measuring instrument. An instrument is considered reliable if it consistently produces accurate and consistent results. Consistency implies that repeated measurements of the same subject yield similar results. One commonly used technique to assess reliability is Cronbach's Alpha, which shows how well the items in a group correlate positively with each other. A Cronbach's Alpha value greater than 0.70 indicates that a scale has acceptable internal consistency, while a value above 0.80 is considered good. A value between 0.60 and 0.70 may still be acceptable. In contrast, an alpha value below 0.60 is categorized as poor. A value between 0.60 and 0.70 is generally regarded as acceptable. Values between 0.70 and 0.80 indicate satisfactory reliability, while values above 0.80 are considered good (Hair Jr et al., 2014). The data obtained from the survey method in this research was analyzed with the Partial Least Squares (PLS) method.

RESULTS AND DISCUSSION

The majority of respondents came from a higher education background. A total of 15.93% of respondents had completed a Master's degree, indicating the presence of a group of respondents with higher academic qualifications. In terms of their field of study, 30.7% of the respondents studied accounting, while 69.3% had a non-accounting educational background. This suggests that the research involved participants from diverse academic disciplines, although there was a notable focus on individuals with an accounting background. Regarding the work experience, the majority of the respondents had a fairly long work experience, which may have influenced their understanding and perspective on the issues studied. Finally, in the context of experience in the accounting field, 45.13% of the respondents had less than one year of experience, and 31.56% had between one and five years of experience. The number of respondents with five to 10 years of experience was 6.49%, while the respondents with more than 10 years of experience reached 13.27%. Meanwhile, 3.54% of respondents reported having no experience in the field of accounting. These data specify that most respondents were relatively new to the field of accounting, which may have influenced their perceptions of the financial reporting quality of local governments. The details are presented in Table 1 below.

Table 1. Respondent Characteristics

	Number of Respondents	%
Final Education		
Senior High School/Vocational High School	66	19.47%
Diploma	57	16.81%
Bachelor's Degree	162	47.79%
Master's Degree	54	15.93%

Table 1. (continued)

	Number of Respondents	%
Educational Background		
Accounting	104	30.7%
Non-Accounting	235	69.3%
Length of Time Working		
Less than 3 years	73	21.53%
3-5 years	36	10.62%
6-10 years	51	15.04%
More than 10 years	179	52.80%
Experience in the Field of Accounting		
None	12	3.54%
Less than 1 year	153	45.13%
1-5 years	107	31.56%
5-10 years	22	6.49%
More than 10 years	45	13.27%

Source: Processed secondary data

Table 2 presents the results of the outer model using PLS to examine the reliability and validity of the constructs in this research, including accountability, accounting capacity, accountability leadership, and financial reporting quality variables. Overall, the results of the outer model show that the constructs in this research have good reliability and convergent validity, indicating a strong representation of the variables measured.

Table 2. Outer Model

Variable	Indicator	Loadings	CR	AVE
Accountability (ACC)	ACC1	0.737		
	ACC2	0.785		
	ACC3	0.833		
	ACC4	0.710		
	ACC5	0.788		
	ACC6	0.795	0.935	0.567
	ACC7	0.814		
	ACC8	0.628		
	ACC9	0.664		
	ACC10	0.781		
	ACC11	0.720		
Accounting Capacity (AC)	AC1	0.723		
	AC2	0.480		
	AC3	0.680		
	AC4	0.739		
	AC5	0.777		
	AC6	0.789	0.921	0.518
	AC7	0.784		
	AC8	0.687		
	AC9	0.729		
	AC10	0.715		
	AC11	0.765		

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Table 2. (continued)

Variable	Indicator	Loadings	CR	AVE
Accountability Leadership (AL)	AL1	0.772		
	AL2	0.777		
	AL3	0.682	0.900	0.600
	AL4	0.838		
	AL5	0.768		
	AL6	0.800		
Financiale Reporting Quality (FRQ)	FRQ1	0.749		
	FRQ2	0.806		
	FRQ3	0.830		
	FRQ4	0.818		
	FRQ5	0.826		
	FRQ6	0.776		
	FRQ7	0.768	0.942	0.644
	FRQ8	0.855		
	FRQ9	0.786		
Rule-following Leadership (RL)	RL1	0.843		
	RL2	0.864	0.916	0.732
	RL3	0.884		
	RL4	0.829		

Source: Processed secondary data

The evaluation of discriminant validity using the criteria of Fornell-Larcker shows adequate results. The criteria of Fornell-Larcker require the square root of the Average Variance Extracted (AVE) for each construct to be greater than its correlation with the other constructs (Table 3).

Table 3. Fornell Larcker's Discriminant Validity

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1) Accountability	0.753						
(2) Accounting capacity	0.474	0.720					
(3) Accountability leadership	0.609	0.445	0.774				
(4) Political loyalty leadership	-0.010	0.126	0.127	1.000			
(5) Rule-following leadership	0.591	0.377	0.612	-0.034	0.855		
(6) Network governance leadership	0.481	0.294	0.614	0.000	0.525	1.000	
(7) Financial reporting quality	0.781	0.463	0.705	0.089	0.605	0.567	0.802

Source: Processed secondary data

This analysis is important for ensuring that the constructs in the model are clearly differentiated and do not significantly overlap. The results of the Fornell-Larcker analysis confirm that all the constructs in the model have adequate discriminant validity, with AVE square root values for each construct consistently greater than their correlation with the other constructs (Hair et al., 2017)by Hair, Hult, Ringle, and Sarstedt, provides a concise yet very practical guide to understanding and using PLS structural equation modeling (PLS-SEM. This demonstrates that every construct has characteristics that distinguish it from the other constructs in the model, which is important for ensuring the overall validity of the model in the research (Table 3).

Since the data were collected from a single source, common method bias had to be considered as it might affect the validity of the findings (Podsakoff et al., 2003). The Harman's single-factor test was performed using SPSS 22 software to test for common method bias. The results indicated that the Harman's single-factor accounted for only 37.13% of the total variance extracted from the entire model, which was smaller than the threshold of 50.00%. Therefore, common method bias was not a severe problem in this study (Podsakoff et al., 2003).

Table 4. Results of Structural Model

	Direct Hypothesis	Expected Sign	Coefficient Beta	t-stat	Sig	Decision
1	Accounting capacity -> Accountability	$H_{1=}$ (+)	0.127	2.308	0.011	Positive effect
2	Accounting capacity -> Financial reporting quality	$H_{2=}$ (+)	0.151	2.989	0.001	Positive effect
3	Accountability leadership -> Accountability	$H_{3a}^{=}$ (+)	0.049	0.793	0.214	No effect
4	Accountability leadership -> Financial reporting quality	$H_{3b=}$ (+)	0.401	5.744	0.000	Positive effect
5	Political loyalty leadership -> Accountability	$H_{3c=}$ (-)	(0.081)	1.963	0.025	Negative effect
6	Political loyalty leadership -> Financial reporting quality	$H_{3d=}$ (-)	0.026	0.737	0.231	No effect
7	Rule-following leadership -> Accountability	$H_{4a=}$ (+)	0.145	2.619	0.004	Positive effect
8	Rule-following leadership -> Financial reporting quality	$H_{4b\,=}$ (+)	0.219	3.625	0.000	Positive effect
9	Network governance leadership -> Accountability	$H_{5a=}$ (+)	(0.01)	0.158	0.437	No effect
10	Network governance leadership -> Financial reporting quality	$H_{5b=}$ (+)	0.162	3.737	0.000	Positive effect
11	Financial reporting quality -> Accountability	$H_{6=}$ (+)	0.613	10.94	0.000	Positive effect

Source: Processed secondary data

The results of structural model analysis are illustrated in Table 4 and provide notable insight about the following dynamics. Accounting capacity was found to have a significant positive effect on accountability (t-stat = 2.308), thus supporting H1. This result reinforces the theory that high-quality accounting staff can improve accountability by increasing reporting quality. This is in line with the findings of Tran, Nguyen, and Hoang (2021), that accounting capacity contributes to increasing the financial reporting quality of public organizations.

Accounting capacity has a significant positive effect on financial reporting quality (t-stat = 2.989), which indicates that an increase in accounting capacity contributes to an improvement in financial reporting quality. This finding supports H2. This aligns with the idea that adequate accounting skills and knowledge are the key factors in producing high-quality financial reports (Raseed and Robinson 2005; Tran, Nguyen, and Hoang 2021).

Accountability leadership does not show any significant effect on accountability (tstat = 0.793), but has a strong positive effect on financial reporting quality (tstat = 5.744). This result support H3b, indicating that this variable plays an important role in increasing financial reporting quality. This is in line with the findings of Tran, Nguyen, and Hoang (2021). However, the result does not support H3a, which suggests that accountability leadership may not directly improve accountability. The results of this study differ from the expectations of Tummers and Knies (2016). During the COVID-19 pandemic, local governments faced extraordinary public health problems in their respective regions, so they focused on preventing flu transmission in each local government, and they did not need to explain all their actions to stakeholders.

The results of this study show that political loyalty leadership has a negative effect on accountability (tstat = 1.963). Political loyalty leadership does not have any significant effect on financial reporting quality (tstat = 0.737). These results support H3c, but do not support H3d. These findings reinforce the theory that when leadership is overly focused on political loyalty, it can decrease organizational accountability.

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Rule-following leadership has a positive effect on accountability (tstat = 2.619) and financial reporting quality (tstat = 3.625). These results support H4a and H4b. These findings are consistent with institutional isomorphism (DiMaggio & Powell, 1983) and align with the results of previous research (Tran, Nguyen, and Hoang 2021). These results designate that leadership, which focuses on compliance with rules and regulations, has a positive impact on these two aspects.

Network governance leadership does not show any significant effect on accountability (tstat = 0.158) but it has a significant positive effect on financial reporting quality (tstat = 3.737). The results do not support H5a but support H5b. This indicates that although this type of leadership may not directly improve accountability, it plays an important role in increasing financial reporting quality.

The results also show financial reporting quality has a very significant positive effect on accountability (tstat = 10.94), which supports the theory that an increase in financial reporting quality can improve accountability in an organization. The public sector faces coercive isomorphism, which pressures to be accountable for public financial reports (DiMaggio & Powell, 1983). The results of this research support the sixth hypothesis. This is in line with the findings of prior studies (Tran, Nguyen, and Hoang 2021); Steccolini 2004). The research results confirm that public entities must meet the quality of financial reports based on the government accounting standards, particularly to fulfill specific objectives of accountability.

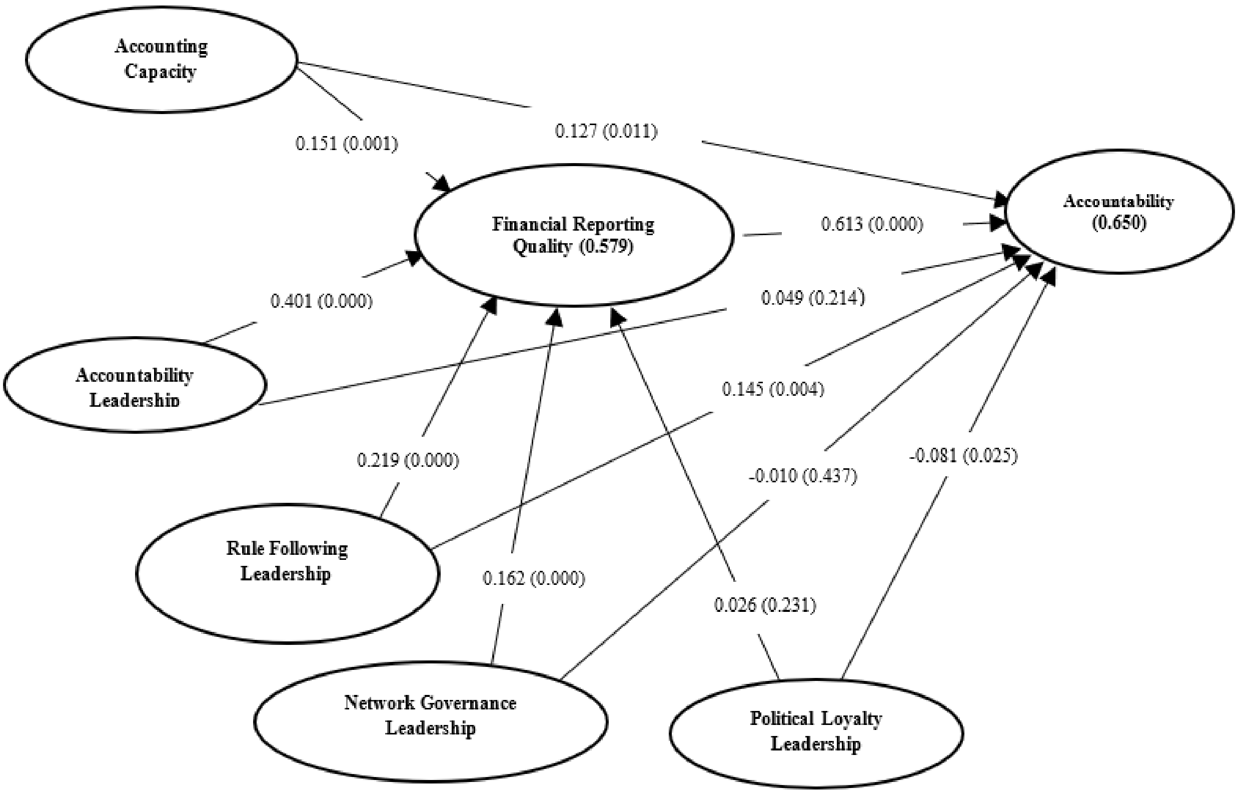

Fig 1. Results of Structural Model

Figure 1 presents the results of the structural model. Overall, the outcomes of this research confirm the importance of accounting capacity and various forms of public leadership in increasing the quality of financial reporting and accountability in an organization, and demonstrate the complexity of the relationships among these factors.

CONCLUSION

Accounting capacity contributes to increasing the quality of financial reporting, which means it has a positive effect on accountability. There is a positive effect of rule-following leadership on both accountability and financial reporting quality. Network governance leadership does not show any significant effect on accountability but does have a significant positive effect on financial reporting quality. Political loyalty leadership has a negative effect on accountability but has no significant effect on financial reporting quality. Accountability leadership may not directly improve accountability but this variable plays an important role in increasing financial reporting quality. An increase in financial reporting quality can improve accountability in an organization.

The practical implications of this research highlight that an increase in accounting capacity and rule following leadership are two important variables for increasing the financial reporting quality and accountability of local governments during the pandemic. In times of crisis such as a pandemic, leaders should refrain from emphasizing political commitments or debt because this undermines the decision-making process.

This research has certain limitations. It primarily explains direct hypotheses, while the indirect hypotheses are presented in the supplementary material. Network governance leadership, rule-following leadership, accountability leadership, and accounting capacity have a significant positive influence on accountability through the quality of financial reports. Meanwhile, political loyalty leadership does not have a significant influence on accountability through the quality of financial reports. Another limitation lies in the geographical scope of the study, which is restricted to local governments in Central Java. Future research is recommended to extend the analysis to local governments outside Central Java or beyond Java Island.

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