Optimizing Financial Performance through Enhanced Accountability, Integrity, and Competence: A Moderation Analysis in Local Government Settings

Dorika Naa[1]

[1] Hasanuddin University, Makassar, Indonesia
riantopatallefeb@gmail.com

Abstract. The significance of accountability and integrity in organizational management has become a primary focus in the context of business and finance. These two concepts not only reflect the core values of good governance principles but also have a significant impact on the financial performance of an organization. In the face of the complex dynamics of the business environment, the management of accountability and integrity has become increasingly vital as the foundation for achieving sustainable financial performance. This research aims to understand the moderating role of competence in the relationship between the management of accountability and integrity with the financial performance of an organization. Competence, encompassing the skills, knowledge, and abilities of human resources, is considered a key factor in shaping the implementation of accountability and integrity practices. The research findings indicate that accountability and integrity positively influence the financial performance of the local government. Furthermore, the competence variable moderates the relationship between accountability and integrity with financial performance, demonstrating that the level of competence strengthens the positive impact of integrity on the financial performance of the local government. This study provides new insights into the complexity of the relationship between accountability, integrity, competence, and financial performance. The implications suggest that the improvement of accountability and integrity should be accompanied by an enhancement in the competence of financial personnel to achieve optimal financial performance. These findings contribute significantly to the development of better financial governance and the attainment of regional development goals.

Keywords: Accountability, Integrity, Financial Performance, Competence, Agency Theory, Local Financial Governance.

1. Introduction

The significance of accountability and integrity in the management of an organization has become a primary concern in the context of business and finance [1]. Both concepts not only reflect the core values of good governance principles but also have a significant impact on the financial performance of a company. According to [2], Accountability refers to the organization's obligation to be responsible for the decisions and actions taken, while integrity encompasses consistency and honesty in operations.

As the dynamics of the government financial environment become increasingly complex, managing accountability and integrity becomes increasingly important as a foundation for achieving sustainable financial performance. Organizations that integrate these values in their culture and business practices tend to create transparent,

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ethical, and reliable environments [3]. Engagement in these practices can have a positive impact on stakeholder trust, increase competitiveness, and in turn, improve financial performance.

Although accountability and integrity have been the focus of previous research, there is a need to better understand the moderating role of competence in the relationship between accountability and integrity management and organizational financial performance. Competence, in this context, includes the skills, knowledge and abilities of human resources in managing and implementing accountability and integrity practices.

Previous research has highlighted the importance of accountability and integrity in improving financial performance. However, there is not much research that specifically explores how individual and organizational competence can moderate the positive impact of accountability and integrity on financial performance. Therefore, this study aims to investigate the complex dynamics between accountability and integrity management by considering the moderating role of competence in improving organizational financial performance. This research is very relevant considering the rapid developments in the global business environment and the demand to continue to increase effectiveness and efficiency in managing financial resources. According to [4] By identifying factors that can strengthen the relationship between accountability, integrity and financial performance through the moderating role of competence, the results of this research are expected to provide new insights and significant contributions to the theory and practice of business governance. sustainable.

2. Literature Review

2.1 Agency Theory

Agency theory is often employed to understand the relationship between shareholders and corporate management. According to [5], agency theory is one of the most widely used theoretical perspectives to explain the relationships within companies. In this context, accountability and integrity can be described as tools to reduce agency uncertainty and ensure that management actions align with the interests of shareholders. Consider how the management of accountability and integrity can influence incentive structures and financial performance.

2.2 Accountability

Accountability is a principle and practice that refers to an individual's or an organization's obligation to provide an account or report on actions, decisions, and the management of entrusted resources. Generally, this concept relates to responsibility, transparency, and accountability in various activities, including financial, operational, and ethical aspects.

Integrity: Integrity is a moral or ethical quality that reflects honesty, truthfulness, and consistency in an individual's or an organization's actions and behavior. Individuals or organizations with integrity are considered to uphold high moral standards, adhere to ethical principles, and act in accordance with values recognized as true and good.

2.3 Financial Performance

Financial performance is an assessment of the overall financial condition and results of operations of an entity, whether it be a company, non-profit organization, or an individual. Financial performance analysis provides an overview of the financial health and the entity's ability to achieve its goals. Some common indicators used to assess financial performance involve aspects such as revenue, net income, liquidity, solvency, and operational efficiency.

3. Research Methodology

The convenience sampling method was employed to determine the sample size, and data collection was carried out through a closed online questionnaire distributed to financial owners or managers of Local Government Organizations (OPD) in Sorong Regency from August to October 2023. A total of 58 financial managers from each OPD in Sorong Regency participated in filling out the research questionnaire, and all responses were deemed valid. The primary instrument used in this study was a questionnaire designed to measure variables related to accountability, integrity, financial performance, and competency. The questionnaire utilized a Likert scale to facilitate data analysis. Data analysis was conducted using multiple linear regression to examine the relationship between independent variables (accountability, integrity, competency) and the dependent variable (financial performance). Subsequently, the Method of Regression Analysis (MRA) will be employed to evaluate the extent to which competency can moderate the influence of accountability and integrity on financial performance."

4. Research Result

Hypothesis results can be seen in the following tables:

Table 1. F Test Results

ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	873,486	2	431,733	49,500	,000[b]
	Residual	1626,089	146	10,055		
	Total	2509,485	148			

a. Dependent Variable: Y
b. Predictors: (Constant), X2, X1

Source: Processed Questionnaire Results, 2023

F test analysis shows that the significance value (sig.) is 0.000, which is smaller than the significance limit of 0.05. Apart from that, the Fcount value of 49,500 also exceeds the Ftable value of 4,016. Thus, it can be concluded that simultaneously, the Accountability and Integrity variables have a significant influence on the Regional Financial Performance variable.

Table 2. Moderated Regression Analysis Test Results

Direct Effect			
Variables correlation	**R Square**	**t**	**Significance.**
X1 → Y	0,272	6,808	0,000
X2 → Y	0,301	7,379	0,000
Moderate Effect			
Variables correlation	**Direct Value**	**Moderate Value**	**Significance.**
X → Z1 → Y	0,182	**0,542**	0,000
X → Z2 → Y	0,281	**0,51**	0,000

1. The results of the T test for the influence of the Accountability variable on Regional Financial Performance show an influence of 27.2% with Tcount > Ttable 6.808 > 1.674. so that Accountability has a relationship with the Regional Financial Performance variable. Hypothesis testing shows that H1 is accepted.
2. In the Integrity variable (X2) the sig value. of 0.000, smaller than 0.05 and a T value of 7.379 which is greater than 1,674 with a coefficient of determination value of 0.301 or an influence of 30.1%. These results have met the requirements of the T test, so it can be concluded that there is a relationship between the Integrity variable and regional financial performance so that Hypothesis 2 is declared accepted
3. Based on the results between the Accountability variable on Regional Financial Performance. which is moderated by influential and significant competence with a coefficient of determination value of 0.542 or 54.2 percent. This shows that there is an increase in influence of 54.2 percent if the Accountability variable is moderated by the competency variable on Regional Financial Performance. Testing this hypothesis shows that Hypothesis 3 is accepted.
4. Then, based on the results of the table above, it shows that the Integrity variable on Regional Financial Performance which is moderated by competence has an effect of 0.510 or 51 percent. This shows an increase of 51 percent if Integrity is moderated by the competency variable on Regional Financial Performance. Based on these results, Hypothesis 4 is declared Acceptable.

5. Discussion

5.1 The Effect of Accountability on Regional Financial Performance

This research clearly shows that the implementation of Accountability regulations has a significant positive impact on Regional Financial Performance in Sorong Regency. The results of statistical analysis reveal that the higher the level of compliance with accountability rules within the regional government, the greater the regional financial performance will increase. These findings illustrate a strong causal relationship between aspects of accountability and achieving better financial results. The results of this research are in line with those carried out by [6] from the results of research carried out partially. HR accountability and competency have a significant effect on the quality of financial reports.

Implementation of Accountability rules, including transparency in financial reporting, accountability in financial management, and monitoring the effectiveness of financial policies, positively influences the ability of local governments to achieve financial and development goals. Through this mechanism, the public and stakeholders can have greater confidence in the integrity and sustainability of regional financial management.

Thus, it can be concluded that increasing accountability is not only an ethical obligation, but also a strategic investment that can provide real results in the form of superior financial performance. Public trust in regional finances can be strengthened through the implementation of accountability rules, which in turn, spur regional financial performance towards a better level of sustainability and more optimal achievement of development goals. Thus, the results of this research provide an important basis for stakeholders to consider the strategic role of accountability in designing effective regional financial management policies and practices.

5.2 The Influence of Integrity on Regional Financial Performance

This research reveals significant findings regarding the positive influence between integrity and regional financial performance in Sorong Regency. Statistical analysis shows that the higher the level of integrity implemented in regional financial management practices, the greater the regional financial performance will increase. These results provide a strong picture of how integrity can be a driver of better financial performance at the regional level. According to (Yulianti et al., 2020) Integrity is one of the attitudes that employees must have when carrying out assignments so that they can provide objective services.

Integrity as an ethical and moral foundation in financial management has strong implications for policy, decision-making processes and implementation of financial practices at the regional level [7]. These positive findings reflect that integrity practices, such as honesty, accountability, and transparency, are not only considered an ethical imperative, but also have a real positive impact on achieving regional financial goals. By having public and stakeholder trust in the integrity of regional financial management, confidence can be strengthened that financial resources are used efficiently, fairly and in accordance with moral principles. Implementing integrity can be a solid foundation for building a clean financial culture, which in turn can create an environment where financial performance can be improved in a sustainable manner.

5.3 The Effect of Accountability on Regional Financial Performance. which is moderated by competence

This research presents interesting findings regarding the influence of Accountability on Regional Financial Performance which is moderated by the Competency variable. The research results show that the Competency variable can play a significant moderating role in linking Accountability with Regional Financial Performance.

Statistical analysis reveals that the relationship between Accountability and Regional Financial Performance becomes more complex when considered with the presence of the Competency variable as a moderator. This positive finding illustrates that the level of competency in regional financial management is able to strengthen or weaken the influence of accountability on regional financial performance. In this context, competency is defined as the expertise and skills possessed by regional financial practitioners [8]. With high competency, financial practitioners can more effectively apply the principles of accountability in financial management, thereby improving overall financial performance. Conversely, a low level of competency can be an obstacle in optimizing the benefits of Accountability practices.

These results provide an important contribution to our understanding of the dynamics between Accountability, Competence and Regional Financial Performance. The implication is that regional governments need to pay attention to and increase the capacity and skills of regional financial personnel, along with strengthening the accountability system. This will help create a supportive environment, where integrity, accountability and competence work together to achieve optimal and sustainable regional financial performance.

Overall, these findings provide a basis for stakeholders to design appropriate policies and training programs, with the aim of increasing the ability of regional financial personnel to apply the principles of accountability and optimize regional financial performance.

5.4 The Influence of Integrity on Regional Financial Performance moderated by competence.

This research provides important insight into the influence of Integrity on Regional Financial Performance, which can apparently be moderated by the Competency variable. The research results show that the Competency variable has a significant role in forming the relationship between Integrity and Regional Financial Performance. Statistical analysis reveals that competence, as a moderating variable, is able to strengthen or weaken the impact of Integrity on Regional Financial Performance. These findings enrich our understanding of the complex dynamics between integrity, competence and regional financial performance.

The Competency variable, which reflects the quality and skills of personnel in managing regional finances, is key in shaping the extent to which integrity can produce a positive impact on regional financial performance. [9]. According to [10] A high level of competency can strengthen the effectiveness of implementing the principles of integrity, creating an environment where financial resources are managed accountably, fairly and transparently.

The results of this research provide practical implications that local governments should not only focus on increasing integrity in financial management, but also pay attention to increasing the competence of related personnel. Strengthening competence can maximize the benefits of integrity, so that regional financial performance can be optimized.

As a result, stakeholders, including local governments, are expected to be able to design human resource development strategies that focus on increasing competence in financial management. This increase is expected to make a significant contribution to achieving better and more sustainable regional financial performance.

6. Conclusion

In conclusion, this research provides a rich and detailed picture of the relationship between the variables Accountability, Integrity and Regional Financial Performance, taking into account the moderating role of the Competency variable. The research results show that Accountability and Integrity have a positive influence on Regional Financial Performance, and the Competency variable moderates this relationship. A high level of competency can strengthen the positive impact of integrity on regional financial performance. The implication is that increasing accountability and integrity needs to be accompanied by increasing the competency of regional financial personnel so that financial performance can be optimized effectively and sustainably. These findings provide an important contribution in directing local government efforts to build better financial governance and achieve regional development goals optimally.

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