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Developing a Model of Financial Reporting Transparency and Accountability in Municipalities

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Abstract

The purpose of the present study was to develop a model for financial reporting transparency and accountability in municipalities. In terms of its objective, this study is an applied research project, and with respect to its nature, it is a descriptive-survey study. The research was conducted in two stages using a mixed-methods approach (qualitative and quantitative) to design and explain a financial transparency model. To this end, in the qualitative phase, content analysis and a review of the theoretical foundations and previous studies were employed to propose a conceptual framework for measuring transparency. Subsequently, in order to assess and strengthen the validity of the proposed model, the opinions of academic and professional experts were collected through a questionnaire using the Delphi technique. The study sample consisted of 20 auditing experts who participated in the research. The findings indicate that the variables and components extracted from the content analysis of previous literature and those utilized in international research and studies share common elements identified as factors influencing financial transparency in municipalities and other non-governmental public organizations. The results further revealed that the dimensions and components derived from the content analysis of the literature, consistent with the views of experts and the statistical population in Iran, including the social dimension, organizational dimension, economic dimension, and political dimension, each have a significant impact on the financial reporting transparency of municipalities.

Keywords: *Model, Financial Accountability, Transparency, Municipality.*

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1. Introduction

Municipalities are among the most important public institutions responsible for delivering local services, managing urban resources, implementing development projects, and ensuring the welfare of citizens. Due to the nature of their responsibilities and the extensive financial resources entrusted to them, municipalities are expected to maintain high standards of accountability and transparency in managing public funds. Financial reporting transparency has emerged as one of the most critical mechanisms through which municipalities can demonstrate accountability, enhance public trust, and improve governance quality. Transparent financial reporting reduces information asymmetry among stakeholders, enables effective monitoring of public resource allocation, and facilitates informed decision-making by citizens, policymakers, investors, and oversight institutions. In contemporary public-sector governance, transparency is not merely a technical accounting requirement but a strategic instrument for strengthening democratic participation, improving organizational legitimacy, and increasing institutional effectiveness. The growing complexity of urban governance and the increasing expectations of stakeholders have intensified the need for transparent financial reporting systems capable of providing timely, reliable, understandable, and comprehensive information about municipal financial performance and position [1-3]. Moreover, financial transparency serves as a prerequisite for accountability because stakeholders cannot effectively evaluate managerial performance and stewardship responsibilities without access to accurate and relevant financial information. Consequently, governments and public organizations worldwide have increasingly emphasized transparency initiatives as essential components of good governance frameworks [4-6].

The concept of financial reporting transparency extends beyond the simple disclosure of accounting information and encompasses the quality, accessibility, reliability, comparability, and understandability of reported financial data. Transparent reporting allows stakeholders to evaluate the efficiency and effectiveness of public spending, assess the financial sustainability of municipalities, and identify potential risks associated with public resource management. Research in accounting and governance has consistently highlighted transparency as a fundamental determinant of organizational performance and stakeholder confidence. Financial transparency contributes to reducing agency conflicts by aligning the interests of managers and stakeholders, while simultaneously limiting opportunities for opportunistic behavior, corruption, and inefficient resource allocation. Transparent reporting environments also improve monitoring mechanisms and facilitate more effective governance structures, leading to enhanced organizational accountability and better decision outcomes [3, 7, 8]. In public-sector organizations, where the ultimate beneficiaries of services are citizens rather than shareholders, transparency becomes even more important because public trust represents a critical resource for institutional legitimacy. Citizens expect municipal authorities to demonstrate responsible stewardship over public resources and to provide sufficient information regarding financial activities, budget execution, and development initiatives. Failure to meet these expectations may result in declining public trust, reduced citizen engagement, and increased perceptions of inefficiency or corruption [4, 5, 9].

The importance of accountability in public administration has received substantial scholarly attention during recent decades. Accountability refers to the obligation of public officials and organizations to explain and justify their actions, accept responsibility for outcomes, and be subject to oversight and evaluation by stakeholders. Financial accountability represents one of the most visible dimensions of public accountability because it directly relates to the management and utilization of public funds. Effective accountability systems require the existence of transparent financial information, robust control mechanisms, ethical professional conduct, and independent oversight institutions capable of evaluating organizational performance. Studies have emphasized that accountability and transparency are mutually reinforcing concepts; accountability cannot be achieved without transparency, while transparency becomes meaningful only when accompanied by mechanisms that enable stakeholders to evaluate and respond to disclosed information [5, 6, 9]. In this regard, the professional ethics of auditors, financial managers, and oversight bodies play a crucial role in ensuring the credibility and reliability of financial information. Ethical standards, professional skepticism, and auditor competence contribute significantly to the quality of financial reporting and the effectiveness of accountability systems [6, 10, 11]. Therefore, understanding the factors that influence municipal financial transparency requires consideration of organizational, ethical, institutional, and governance-related dimensions.

From an economic perspective, transparency contributes to efficient resource allocation and sustainable development by reducing uncertainty and improving decision-making quality. Transparent financial information facilitates investment decisions, enhances confidence among investors and creditors, and contributes to economic growth by improving the allocation of resources across sectors. Research has demonstrated that information quality and transparency influence the cost of capital, access to financing, and organizational sustainability. Municipalities increasingly compete for financial resources, investment opportunities, and public support; consequently, transparent reporting practices can strengthen their financial position and improve stakeholder confidence [7, 8, 12]. Economic development itself is closely linked to information dissemination, knowledge creation, and institutional effectiveness. Studies examining economic growth and national development have emphasized the importance of knowledge systems, standards, innovation, and effective governance mechanisms in enhancing economic performance [13-15]. Furthermore, macroeconomic variables such as public expenditures, economic structure, unemployment, and government dependency influence organizational behavior and reporting practices. Municipalities operating under financial constraints, budget deficits, or high levels of financial dependency may face distinct transparency challenges that affect accountability and reporting quality [16-18].

A significant body of accounting literature has examined transparency through the lens of tax avoidance, corporate governance, ownership structure, and financial management practices. Although much of this research has focused on private-sector organizations, its findings provide valuable insights into the determinants of transparency and accountability. Tax avoidance strategies, for example, have been associated with reduced transparency, increased information asymmetry, and weakened stakeholder confidence. Studies have demonstrated that governance mechanisms, board independence, ownership structures, financial leverage, and debt policies influence transparency outcomes by shaping managerial incentives and monitoring effectiveness [19-21]. Research has also shown that management decisions related to tax planning, debt financing, and capital structure affect the quality of financial reporting and the extent of information disclosure [22-24]. Moreover, organizational characteristics such as life-cycle stage, management capability, corporate governance quality, and labor investment strategies influence transparency practices and accountability outcomes [25-27]. Although municipalities differ from corporations in their objectives and stakeholder structures, these studies highlight the importance of governance, managerial competence, and oversight mechanisms as critical determinants of transparency.

The public-sector context introduces additional complexities that distinguish municipal transparency from corporate transparency. Municipal governments operate within political environments characterized by multiple stakeholders, competing interests, and extensive regulatory requirements. Political accountability, citizen participation, public scrutiny, and intergovernmental relationships all influence transparency practices. The disclosure needs of citizens differ from those of investors because citizens seek information related to public service delivery, budget utilization, social welfare outcomes, and urban development initiatives. Consequently, municipal transparency requires a multidimensional framework that incorporates social, political, economic, and organizational considerations. Previous studies have identified diverse stakeholder groups and emphasized the necessity of addressing their information needs through comprehensive reporting systems [4, 5, 9]. Furthermore, developments in governance, sustainability, and environmental, social, and governance (ESG) frameworks have expanded expectations regarding transparency and accountability. Modern stakeholders increasingly demand information not only about financial performance but also about social impacts, environmental responsibility, ethical conduct, and long-term sustainability [12, 18, 27]. These evolving expectations necessitate a broader understanding of transparency that integrates financial reporting with governance and accountability objectives.

Despite the growing importance of municipal financial transparency, the existing literature reveals several gaps. Many studies have focused on isolated determinants of transparency, such as governance structures, tax policies, or reporting quality, without developing a comprehensive framework that integrates the diverse dimensions influencing municipal financial reporting transparency. Additionally, much of the evidence originates from corporate settings, limiting its direct applicability to municipalities and other public-sector organizations. The institutional, social, political, and economic characteristics of municipalities create unique transparency challenges that require context-specific investigation. In Iran, municipalities face increasing demands for accountability, efficient resource management, and public trust while simultaneously operating within complex administrative and political environments. Therefore, identifying and integrating the factors that influence municipal financial reporting transparency is essential for improving governance effectiveness, strengthening accountability systems, enhancing public confidence, and supporting sustainable urban development. Accordingly, the aim of the present study is to develop and validate a comprehensive model of financial reporting transparency and accountability in municipalities based on the identification and integration of social, economic, organizational, and political dimensions affecting municipal financial transparency.

2. Methodology

In general, in terms of its objective, the research method used in this study is applied, and in terms of its nature, it is descriptive-survey. Since the purpose of this research is to design and explain a model for financial transparency, the study designs and explains the financial transparency model through two stages of mixed-methods methodology, namely qualitative and quantitative. To collect the data required for testing the research questions, library and field methods were used as follows:

a) Reviewing the theoretical foundations and research background

At this stage, the theoretical foundations and research background related to financial transparency in public institutions, particularly municipalities, were examined. The key factors based on theoretical and empirical foundations, which in the researcher's view were compatible with the environmental characteristics of Iranian society, were extracted using content analysis. Accordingly, the key questions to be included in the questionnaire for obtaining expert opinions were designed.

b) Obtaining expert opinions

At this stage of the research, the Delphi research method, which is a valid and well-known scientific model for collecting expert opinions, was used. In this stage, the key concepts and theoretical foundations of financial reporting transparency in municipalities were identified based on expert consensus and in accordance with the conditions of Iran.

c) Content analysis

In qualitative content analysis, at the first stage, Persian and English texts, articles, and theses related to the research topic were examined line by line. Based on the keywords considered by the researcher, key sentences that directly or indirectly referred to financial transparency in municipalities and public organizations were selected. By extracting concepts from these sentences, the first cycle of coding began.

Then, through a comparative process, the similarities and differences among the concepts were examined, and similar concepts were placed in the same category. This method of continuously comparing concepts with one another is referred to as the constant comparative method or the method of continuous comparative analysis. After the coding stage, 57 codes, 48 concepts, and 8 components emerged and were identified and extracted within 4 dimensions (Table 1).

Table 1. Indicators and dimensions extracted from the texts using content analysis and factor loading coefficients: Model of factors affecting transparency

Dimension	Indicator	Variable	Symbol	Social Dimension	Economic Dimension	Organizational Dimension	Political Dimension
Social	Citizen-related information	Culture of demanding responsibility	Social11	0.435	0.107	0.3022	0.111
Social	Citizen-related information	Mean age of citizens	Social12	0.691	0.571	0.473	0.391
Social	Citizen-related information	Population size	Social13	0.823	0.681	0.563	0.465
Social	Citizen-related information	Citizens' education	Social14	0.859	0.710	0.587	0.486
Social	Citizen-related information	Average income per household	Social15	0.782	0.647	0.535	0.442
Social	Citizen-related information	Level of urbanization	Social16	0.834	0.690	0.570	0.472
Social	Citizen-related information	Income dispersion index, such as the Gini index	Social17	0.744	0.615	0.509	0.421
Social	Citizen-related information	Institutionalization of bribery and corruption	Social18	0.833	0.689	0.570	0.471
Social	Access	Timely access to financial reports	Social21	0.911	0.753	0.623	0.515
Social	Access	Existence of a website related to transparency and information disclosure	Social22	0.898	0.743	0.614	0.508
Social	Access	Citizens' access to the Internet	Social23	0.812	0.672	0.555	0.459
Economic	Financial	Municipality debt	Economic11	0.517	0.638	0.441	0.365
Economic	Financial	Municipality financial pressure	Economic12	0.589	0.726	0.502	0.415
Economic	Financial	Budget deficit	Economic13	0.637	0.786	0.544	0.450
Economic	Economic development	Level of private-sector investment	Economic21	0.607	0.749	0.518	0.429
Economic	Economic development	Financial dependence on the government	Economic22	0.659	0.812	0.562	0.465
Economic	Economic development	Dependence on duties or revenues collected from citizens	Economic23	0.736	0.908	0.628	0.520
Economic	Economic development	Unemployment rate	Economic24	0.591	0.729	0.504	0.417
Organizational	Organizational	Existence of accountability to citizens	Organ11	0.553	0.682	0.827	0.593

Organizational	Organizational	Accountability to the city council and other higher-level institutions	Organ12	0.548	0.601	0.729	0.523
Organizational	Organizational	Implementation of city Islamic council resolutions	Organ13	0.563	0.599	0.726	0.521
Organizational	Organizational	Frequent change of the mayor	Organ14	0.560	0.691	0.837	0.600
Organizational	Organizational	Existence of administrative ranking	Organ15	0.617	0.761	0.922	0.661
Organizational	Organizational	Implementation of resolutions and guidelines prepared by the Ministry of Interior	Organ16	0.532	0.656	0.795	0.570
Organizational	Organizational	Provision of appropriate infrastructures such as the Internet	Organ17	0.551	0.679	0.823	0.590
Organizational	Organizational	Existence and provision of complete and appropriate guidelines	Organ18	0.616	0.760	0.921	0.660
Organizational	Organizational	Existence of precise policies and procedures	Organ19	0.524	0.646	0.873	0.561
Organizational	Organizational	Accurate implementation of accrual accounting	Organ110	0.617	0.761	0.922	0.661
Organizational	Personnel	Existence of active personnel with high productivity	Organ21	0.484	0.596	0.723	0.518
Organizational	Personnel	Number of financial personnel	Organ22	0.560	0.691	0.837	0.600
Organizational	Personnel	Personnel education	Organ23	0.612	0.755	0.915	0.656
Organizational	Personnel	Personnel expertise	Organ24	0.523	0.645	0.782	0.561
Organizational	Personnel	Motivation	Organ25	0.493	0.608	0.737	0.528
Organizational	Personnel	Organizational culture and commitment	Organ26	0.638	0.786	0.953	0.683
Organizational	Personnel	Extensive work experience	Organ27	0.572	0.705	0.855	0.613
Organizational	Personnel	Mayor’s gender	Organ28	0.477	0.588	0.713	0.511
Organizational	Personnel	Age of the municipality	Organ29	0.567	0.700	0.848	0.608
Organizational	Supervisory structure	Auditing by an independent auditor selected by the city council	Organ31	0.486	0.577	0.699	0.501
Organizational	Supervisory structure	Existence of an internal audit committee in the municipality	Organ32	0.457	0.563	0.683	0.490
Organizational	Supervisory structure	Speed and accuracy in examination and review	Organ33	0.637	0.785	0.952	0.683
Organizational	Supervisory structure	Follow-up of violations by independent institutions	Organ34	0.562	0.693	0.840	0.602
Organizational	Supervisory structure	Application of sanctions and incentives to increase transparency	Organ35	0.623	0.768	0.931	0.668
Political	Political	Existence of the right to demand accountability from budget-receiving institutions	Political11	0.410	0.506	0.613	0.857
Political	Political	Political alignment of the mayor with the governor	Political12	0.449	0.553	0.671	0.938
Political	Political	Political alignment of the mayor with members of the city Islamic council	Political13	0.491	0.485	0.588	0.822
Political	Political	Political alignment of the mayor with the representatives of the Islamic Consultative Assembly of that city	Political14	0.452	0.419	0.508	0.711

3. Findings and Results

Table 2 presents the descriptive statistics and demographic characteristics of the respondents, including age, gender, education, and work experience. The inferential statistics are examined subsequently.

Table 2. Descriptive statistics and demographic characteristics of respondents

Variable	Category	Frequency
Gender	Male	8
Gender	Female	12
Age	Under 30 years	2
Age	31 to 35 years	4
Age	36 to 40 years	9
Age	Over 40 years	5
Education	Master’s degree	16
Education	Doctorate	4
Work experience	Less than 5 years	1
Work experience	5 to 10 years	4
Work experience	11 to 15 years	6
Work experience	16 to 20 years	6
Work experience	More than 20 years	3

After identifying and extracting the dimensions, components, and variables of financial transparency in municipalities and public organizations through qualitative content analysis, the findings were made available to experts and educated members of the statistical population through a questionnaire. The results obtained from the distribution, collection, and analysis of the questionnaire data are presented separately below.

First, the social, economic, organizational, and political dimensions of municipal financial transparency were questioned. The responses were classified using a 5-point Likert scale, ranging from the lowest impact, with a score of 1, to the highest impact, with a score of 5. The mean responses were highest for the economic dimension and then for the organizational dimension; accordingly, the majority of respondents considered these dimensions among the four dimensions to be more influential than the other dimensions. In the second stage, the indicators related to each dimension were examined. The majority of responses had means higher than 4, indicating that the indicators extracted from the texts were confirmed by the educated participants and experts of the research statistical population.

The quality of the measurement model is calculated using the communality index with cross-validated redundancy (Q^2). To examine the overall measurement model, the mean of this index is calculated, and if it is positive, the overall measurement model has appropriate quality.

Table 3. Assessment of the convergent validity of the research model: Latent components

Components / Latent Variables	Cronbach’s Alpha	rho_A	CR	AVE	Q^2
Citizen-related information	0.746	0.815	0.823	0.635	0.739
Access	0.812	0.844	0.861	0.746	0.744
Financial	0.756	0.721	0.849	0.561	0.766
Economic development	0.852	0.829	0.914	0.620	0.7496
Economic	0.623	0.793	0.824	0.576	0.764
Organizational	0.866	0.840	0.944	0.711	0.722
Personnel	0.749	0.896	0.931	0.789	0.638
Supervisory structure	0.774	0.881	0.892	0.725	0.796

The value of this index indicates the desirable and high quality of the measurement model. The Fornell–Larcker method is used to examine discriminant validity in such a way that the main diagonal of this matrix represents the square root of the AVE values related to each dimension.

Structural model testing

In testing the structural model, the latent variables and the relationships among them are determined by examining the significance coefficients of t, as well as R Square and the Q^2 criterion.

One of the first and most fundamental criteria for assessing the fit of the confirmatory factor analysis model is the significance coefficients of t, or the t-values.

As shown in Figure 1, significant relationships exist among all variables of the model, because the t-values for all variables are greater than 1.96.

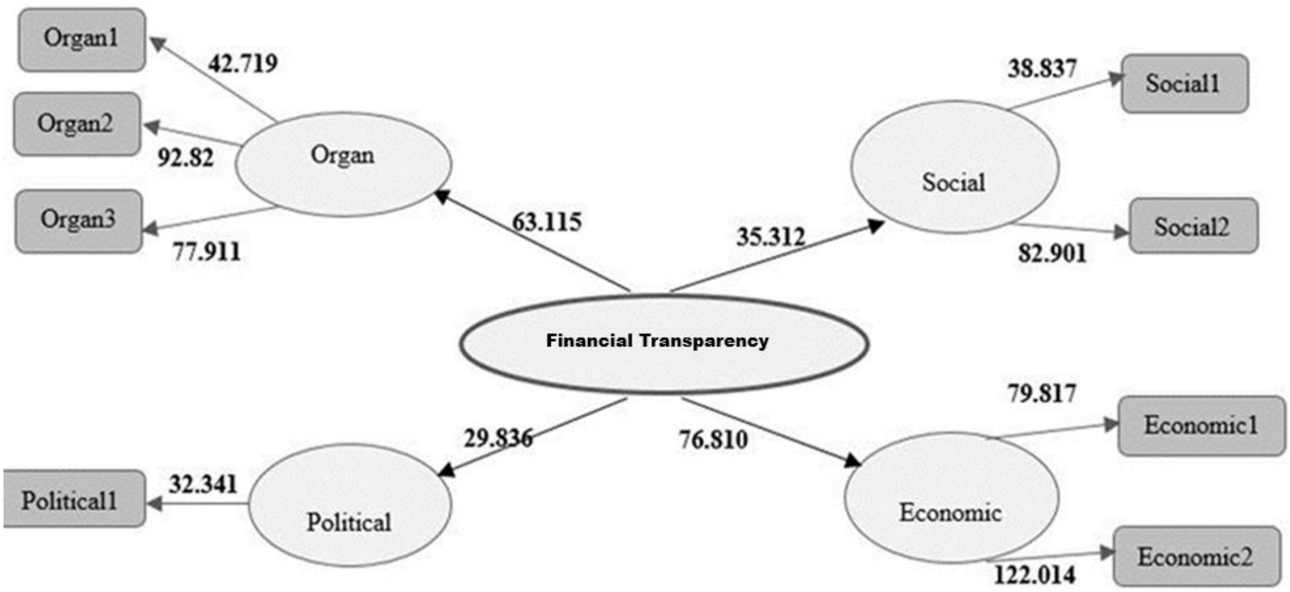

Figure 1. Relationships among all variables of the model

In this study, the root mean square error of approximation, as a highly important index, was used to evaluate the confirmatory factor analysis model. For the model, the value of this index was 0.089, which is lower than 0.10. Therefore, it can be stated that the model has appropriate fit, and the data of this study fit properly with the factor structure and the theoretical foundation of the research.

Table 4. Assessment of R Square, Q^2, and the overall GOF criterion

Relationship within the Research Model	Dimension	R^2	SSO	SSE	1 - SSE/SSO	Communality
Dimensions of financial transparency	Social dimension	0.621	429	251.048	0.41493	0.428
Dimensions of financial transparency	Economic dimension	0.548	781	520.372	0.33419	0.654
Dimensions of financial transparency	Organizational dimension	0.482	543	379.014	0.30202	0.519
Dimensions of financial transparency	Political dimension	0.519	339	268.022	0.20943	0.627
Dimensions of financial transparency	Mean	0.527	—	—	—	0.557

The R Square criterion is used to connect the measurement section and the structural section of the model and indicates the effect that an exogenous or independent variable has on an endogenous or dependent variable. According to Table 4, the R^2 value for all dependent variables of the model is at a strong level, and based on the benchmark value, the appropriate fit of the structural model is confirmed. Furthermore, the Q^2 criterion determines the predictive power of the model and specifies the effect size of each dimension on financial transparency in municipalities. As can be observed, among the research dimensions, the social dimension has the greatest effect on the financial reporting transparency of municipalities, with a Q^2 value of 41%. In the next ranks, the economic, organizational, and political dimensions affect transparency with Q^2 values of 33%, 30%, and 20%, respectively.

The GOF criterion is related to the overall section of structural models. Based on this criterion, after assessing the fit of the measurement section and the structural section of the research model, the researcher can also evaluate the fit of the overall section. Since 0.36 has been introduced as a strong value for the GOF criterion, the obtained result, derived from Table 4, which shows a mean GOF value of 0.54, indicates the appropriate fit of the model. This value is obtained from the square root of the product of the mean Communality and R Square values:

$$GOF = \sqrt{(Communality \times R\ Square)} = 0.541$$

Communality indicates the mean communality values of each endogenous variable in the model.

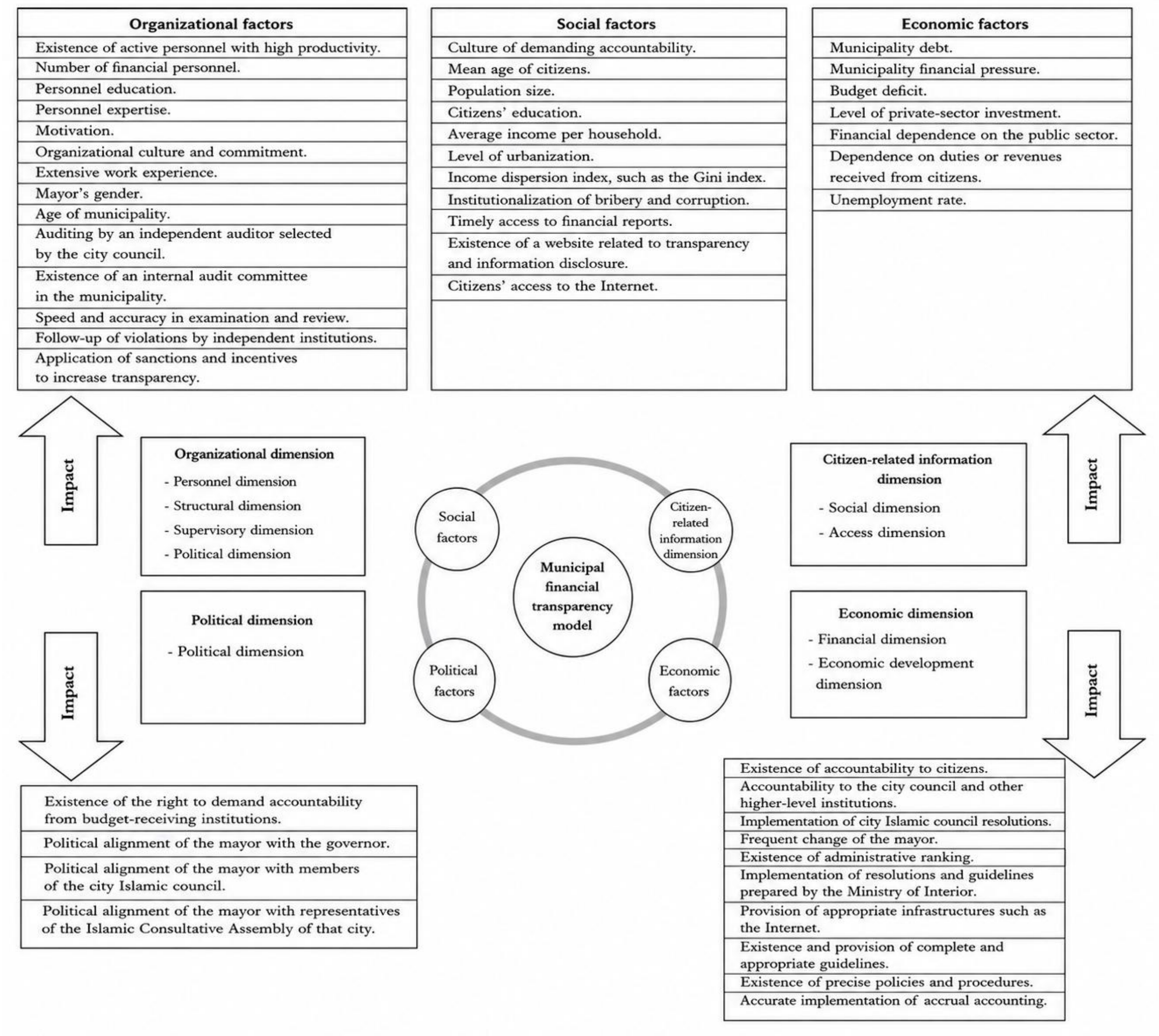

Figure 2. Municipal financial transparency model.

4. Discussion and Conclusion

The findings of the present study led to the development and validation of a multidimensional model of financial reporting transparency and accountability in municipalities consisting of four principal dimensions, namely social, economic, organizational, and political factors. The content analysis phase resulted in the identification of 57 codes, 48 concepts, and 8 components categorized within these four dimensions. The results of the Delphi process demonstrated that all extracted dimensions and indicators were confirmed by experts, with the majority of indicators receiving mean scores exceeding four on the five-point Likert scale. Furthermore, the findings revealed that among the identified dimensions, the economic dimension achieved the highest average rating from respondents, followed by the organizational dimension, indicating that experts perceived these dimensions as particularly influential in shaping municipal financial transparency. The measurement model demonstrated satisfactory psychometric properties, as evidenced by acceptable values of Cronbach's alpha, composite reliability, average variance extracted, and predictive relevance indicators. In addition, the structural model assessment showed that all hypothesized relationships were statistically significant, and the goodness-of-fit index confirmed the overall adequacy of the proposed model. The predictive relevance analysis further revealed that the social dimension exerted the strongest effect on financial reporting transparency, followed by the economic, organizational, and political dimensions. These findings suggest that municipal financial transparency is a multidimensional phenomenon influenced simultaneously by environmental, institutional, governance-related, and socioeconomic factors.

The prominence of the social dimension in the present study highlights the importance of citizens as primary stakeholders in municipal financial reporting systems. Indicators such as citizens' educational level, average income, urbanization rate, access to information, Internet accessibility, accountability culture, and the prevalence of corruption-related norms were found to play substantial roles in shaping transparency outcomes. This finding is consistent with the stakeholder-oriented perspective of public accountability, which argues that public-sector organizations derive legitimacy from their ability to satisfy the information needs of citizens and other stakeholders. Financial transparency becomes meaningful only when stakeholders possess the capacity and opportunity to access, interpret, and utilize financial information. The results align with the work of [4], who emphasized that public-sector financial reporting must be designed according to the information needs of diverse stakeholder groups. Similarly, the findings are compatible with the arguments presented by [2] and [1], who identified information environments and stakeholder demand for information as key determinants of transparency. Municipalities operating in communities characterized by higher educational attainment, greater digital accessibility, and stronger accountability expectations are likely to face greater public scrutiny, thereby increasing incentives for transparent reporting practices. Furthermore, the significant role of access-related indicators supports the notion that transparency is not solely determined by information production but also by information dissemination and accessibility. This observation corresponds with studies emphasizing the role of knowledge diffusion and information dissemination in improving institutional performance and public accountability [14, 15].

The findings regarding the economic dimension indicate that financial transparency is substantially influenced by municipalities' economic conditions and financial structures. Variables such as municipal debt, financial pressure, budget deficits, private-sector investment, financial dependency, and unemployment rates emerged as influential determinants of transparency. These results suggest that municipalities experiencing greater financial challenges face stronger pressures to provide transparent information regarding resource allocation and fiscal performance. The findings support theoretical arguments proposing that transparency reduces uncertainty, enhances stakeholder confidence, and facilitates more efficient allocation of financial resources. The results are consistent with the findings of [7], who demonstrated that transparency contributes to reducing information risk and improving financial decision-making. Likewise, the relationship between economic conditions and transparency corresponds with the conclusions of [8], who found that market conditions and competition affect organizational financial behavior and reporting quality. The role of economic development indicators identified in this study also aligns with research emphasizing the significance of knowledge creation, innovation, and institutional effectiveness in supporting economic growth and sustainable development [13, 14]. Moreover, the influence of government dependence and budgetary constraints is consistent with evidence suggesting that public expenditure structures and economic composition affect organizational accountability and resource management practices [16, 17]. Consequently, municipal transparency should not be viewed solely as an accounting phenomenon but rather as an economic governance mechanism closely associated with fiscal sustainability and development outcomes.

The organizational dimension represented another major determinant of municipal financial transparency. This dimension incorporated organizational accountability, implementation of regulations, administrative ranking systems, accrual accounting practices, infrastructure availability, personnel characteristics, and supervisory mechanisms. The significant effect of organizational factors confirms that transparency is heavily dependent upon internal governance structures and managerial capabilities. Municipalities with qualified personnel, effective internal controls, clear policies, professional expertise, and advanced reporting infrastructures are better positioned to produce reliable and transparent financial information. These findings are consistent with studies emphasizing the importance of governance quality, organizational processes, and accountability mechanisms in strengthening reporting transparency. For example, [9] highlighted the role of internal processes and institutional capabilities in fulfilling accountability obligations. Likewise, the professional ethics framework proposed by [6] supports the argument that ethical standards, professional competence, and organizational commitment contribute significantly to accountability and transparency outcomes. The findings also correspond with research indicating that auditor competence, professional skepticism, and ethical behavior enhance the quality of financial reporting and oversight functions [10]. Furthermore, the importance of internal audit committees, independent auditing, and monitoring institutions observed in this study is consistent with prior evidence suggesting that effective oversight mechanisms reduce information asymmetry and strengthen stakeholder confidence in reported information [3, 11]. Therefore, improving municipal transparency requires simultaneous investments in human resources, organizational culture, information systems, and institutional oversight structures.

The political dimension also demonstrated a significant relationship with financial reporting transparency. Political accountability, political alignment among municipal officials and higher governmental authorities, and the existence of mechanisms enabling citizens to demand accountability emerged as important explanatory factors. These findings reflect the inherently political nature of municipal governance and public-sector accountability. Municipalities operate within complex networks of political relationships involving elected officials, government agencies, oversight institutions, and citizens. Consequently, political incentives may either facilitate or hinder transparency depending on the institutional environment. The significant role of political factors identified in this study supports governance theories suggesting that accountability is shaped not only by technical accounting systems but also by political institutions and power relationships. The findings are consistent with the accountability framework presented by [5], which emphasizes the importance of institutional responsibility and stakeholder responsiveness in public-sector organizations. Similarly, the observed significance of accountability rights supports the broader governance perspective proposed by [3], which argues that information disclosure mechanisms function as essential components of governance systems. In municipal settings, political accountability mechanisms create incentives for public officials to disclose information and justify their decisions, thereby enhancing transparency and strengthening public trust.

Another noteworthy finding of the study relates to the satisfactory validity, reliability, and predictive power of the proposed transparency model. The positive values obtained for convergent validity, predictive relevance, and goodness-of-fit indicators demonstrate that the identified dimensions collectively provide a robust framework for explaining municipal financial transparency. This result supports the multidimensional conceptualization of transparency advanced by previous scholars who argued that transparency cannot be explained through a single determinant or organizational characteristic. Instead, transparency emerges from the interaction of social expectations, economic conditions, organizational capabilities, and political structures. The multidimensional nature of the model is compatible with contemporary governance approaches emphasizing integrated accountability systems and holistic performance evaluation frameworks [5, 12, 18]. The findings also complement recent perspectives highlighting the growing importance of environmental, social, and governance considerations in shaping organizational transparency and stakeholder confidence [27]. By integrating diverse dimensions into a single explanatory framework, the proposed model provides a more comprehensive understanding of transparency than approaches focusing exclusively on financial or organizational variables.

The findings additionally provide indirect support for studies examining tax avoidance, governance quality, and financial reporting behavior. Previous research has demonstrated that transparency is negatively affected by opportunistic managerial practices, weak governance mechanisms, and inadequate oversight systems [19, 20]. Similarly, investigations into ownership structures, tax management strategies, leverage decisions, and debt policies have shown that governance characteristics influence information disclosure quality and accountability outcomes [21-24]. Although municipalities differ substantially from private-sector firms, the underlying governance mechanisms identified in those studies remain relevant because both contexts involve agency relationships, accountability demands, and information asymmetries. The present findings extend this body of knowledge by demonstrating that similar governance principles apply within public-sector organizations and municipalities. The confirmation of organizational, economic, social, and political determinants indicates that transparency should be understood as a systemic outcome produced by multiple interacting factors rather than isolated managerial actions.

One particularly important implication of the study concerns the central role of accountability culture. Across several dimensions of the model, accountability-related indicators consistently emerged as influential determinants of transparency. Whether manifested through citizens' demands for information, organizational responsibility toward stakeholders, auditing mechanisms, or political accountability structures, accountability functions as the underlying principle connecting all dimensions of transparency. This observation is highly consistent with contemporary public governance theories emphasizing that transparency and accountability are mutually reinforcing concepts. Transparent reporting enables accountability by providing information, while accountability creates incentives for transparent reporting. The findings therefore reinforce arguments advanced in previous public-sector accountability studies and demonstrate that sustainable transparency initiatives require the simultaneous development of accountability institutions, professional ethics, stakeholder participation mechanisms, and effective governance structures [5, 6, 9]. Overall, the study contributes to the literature by proposing and empirically validating an integrated model capable of explaining the complex factors influencing financial reporting transparency in municipalities and other public-sector entities.

The present study has several limitations that should be considered when interpreting the findings. First, the research relied on expert judgments and perceptions, which may be influenced by individual experiences and professional backgrounds. Second, the study focused on a relatively limited sample of experts, which may restrict the generalizability of the findings to all municipalities. Third, the model was developed within the institutional and administrative context of Iran; therefore, cultural, political, and regulatory differences may affect the applicability of the model in other countries. Finally, the study employed a cross-sectional design, which limits the ability to examine changes in transparency determinants over time.

Future research may expand the proposed model by examining larger and more diverse samples of municipalities across different regions and governance systems. Researchers may also investigate additional dimensions such as technological readiness, digital governance, citizen participation platforms, sustainability reporting, and environmental accountability. Longitudinal studies could provide valuable insights into the dynamic relationships among transparency determinants and organizational performance. Comparative studies involving municipalities from different countries may further contribute to understanding how institutional and cultural factors influence transparency and accountability practices.

From a practical perspective, municipal managers and policymakers should prioritize the development of integrated transparency strategies that address social, economic, organizational, and political dimensions simultaneously. Investments in information technology infrastructure, staff training, professional development, and internal control systems can significantly improve reporting quality and accessibility. Municipalities should also strengthen citizen engagement mechanisms, enhance the accessibility of financial information, and promote a culture of accountability throughout the organization. Furthermore, policymakers should support independent oversight institutions, improve regulatory frameworks, and encourage the adoption of standardized reporting practices to enhance public trust and strengthen financial accountability within municipal governance systems.

Authors’ Contributions

Authors equally contributed to this article.

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Declaration of Interest

The authors report no conflict of interest.

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Ethical Considerations

All procedures performed in this study were under the ethical standards.

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