

Validation of the Model of Financial Reporting Transparency and Accountability in Municipalities from the Perspective of Experts

Hamid Salarzahi ¹, Habib Piri ^{2,*}, Reza Sotudeh ³ and Abbasali Haghparsat ⁴



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¹ Department of Accounting, Zah.C., Islamic Azad University, Zahedan, Iran; 

² Department of Accounting, Zah.C., Islamic Azad University, Zahedan, Iran; 

³ Department of Finance and Accounting, Faculty of Humanities, Meybod University, Meybod, Iran; 

⁴ Department of Accounting, Zah.C., Islamic Azad University, Zahedan, Iran; 

* Correspondence: habib.piri@iau.ir

Abstract: The present study was conducted with the aim of designing a credit allocation model for corporate bank customers using an integrated approach to credit risk and profitability assessment, with Bank Tejarat as the case study. In terms of purpose-based classification, this study is applied research; in terms of the nature and method of data collection and analysis, it adopts a mixed approach combining quantitative analysis and mathematical modeling. The statistical population consisted of 823 corporate customers of Bank Tejarat categorized into 35 “single-beneficiary” groups. These companies were examined and analyzed over the period from 2019 to 2024. Data envelopment analysis (DEA) was used to measure customer efficiency, neural network modeling and logistic regression were applied to predict credit risk, and multi-criteria decision-making techniques were employed to integrate these two dimensions. The overall findings indicated that the proposed integrated model has a high capacity for ranking customers and can be used as an effective tool in the bank’s credit decision-making process.

Keywords: credit allocation, corporate bank customers, integrated approach, credit risk, profitability assessment

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1. Introduction

Financial reporting transparency and accountability constitute two interdependent foundations of public-sector governance. In public organizations, financial reporting is not merely a technical accounting activity; rather, it is a mechanism through which public institutions justify their use of collective resources, communicate the consequences of financial decisions, and demonstrate compliance with legal, ethical, and operational responsibilities. Transparency refers to the extent to which financial information is complete, timely, understandable, accessible, and capable of supporting informed judgment by stakeholders. Accountability refers to

the obligation of public officials and organizations to explain, justify, and accept responsibility for their financial and administrative actions. In municipalities, these two concepts are especially important because municipal authorities operate close to citizens, collect revenues from local communities, manage urban assets, and provide services whose quality directly affects public welfare. Therefore, municipal financial reporting must not only show

the inflow and outflow of resources but also clarify whether resources have been used economically, efficiently, equitably, and in accordance with the public interest.

Municipalities are distinctive public-sector entities because they combine administrative, service, developmental, fiscal, and political responsibilities. Unlike many centralized governmental organizations, municipalities are expected to manage urban infrastructure, provide public services, maintain local assets, implement development programs, collect duties and charges, and respond simultaneously to citizens, city councils, supervisory authorities, and national regulatory bodies. In Iran, the legal and administrative status of municipalities has historically been shaped by their public and non-profit nature, their local service mission, and their institutional relationship with central governmental structures and city councils. This structural complexity makes their financial reporting environment different from ordinary governmental agencies and private-sector corporations. Municipal financial reporting is therefore affected not only by accounting rules but also by the organization of urban management, the formal duties of municipalities, and the broader administrative framework governing public institutions [1-3].

The conceptual foundation of governmental and municipal accounting is closely linked to accountability. Public-sector accounting systems are expected to provide information that enables users to evaluate whether financial resources have been collected and spent according to approved objectives, legal requirements, and public expectations. In this sense, financial reporting is a means of reducing information asymmetry between those who manage public resources and those who have the right to demand explanations regarding those resources. Earlier work on governmental accounting in Iran emphasized that the accounting and reporting system must be evaluated according to its ability to support accountability, not merely according to its technical recording procedures [4]. Similarly, the role of accountability in the conceptual framework of governmental accounting shows that accounting information should make public officials answerable for stewardship, budget execution, compliance, performance, and intergenerational equity [5]. Thus, a municipal reporting system that fails to reveal the real financial position, obligations, costs, revenues, and service outcomes of the municipality cannot fully perform its accountability function.

One of the main challenges in municipal financial reporting is the persistence of traditional cash-based accounting practices. Cash-based accounting records revenues and expenditures when cash is received or paid, but it does not fully capture accrued revenues, outstanding obligations, consumed assets, depreciation, or the real cost of services. In municipalities, this limitation can distort the calculation of service costs, obscure liabilities, understate or overstate financial performance, and weaken the ability of managers and citizens to assess the real consequences of financial decisions. By contrast, accrual-based reporting can provide a more complete picture of municipal assets, liabilities, revenues, expenses, and long-term commitments. This is particularly important in municipalities because urban projects, infrastructure assets, debt obligations, and service costs often extend beyond one fiscal year. Therefore, financial transparency in municipalities requires a reporting system capable of showing not only cash transactions but also the economic substance of municipal operations.

The importance of accountability in public-sector oversight has also been examined through studies on audit institutions and their capacity to respond to users' needs. Evidence from studies on the Supreme Audit Court indicates that financial accountability depends on compliance with financial laws and regulations, independence, audit reporting, public supervision, protection of public assets, and effective monitoring of executive agencies [6]. Internal processes are also essential because accountability cannot be achieved merely by producing formal reports; it requires audit procedures, institutional responsiveness, and mechanisms capable of detecting, reporting, and

correcting financial deviations [7]. In addition, the design and validation of multidimensional models in public-sector institutions show that accountability is not a single-dimensional concept but a construct composed of financial, operational, organizational, ethical, and procedural elements [8, 9]. These findings are directly relevant to municipalities, where reporting transparency must be supported by internal control, audit capacity, ethical conduct, and clear lines of responsibility.

Professional ethics is another important element in the formation of transparent and accountable reporting systems. Even when formal accounting standards, audit mechanisms, and information systems exist, reporting quality can be weakened if organizational actors lack ethical commitment, professional integrity, and responsibility toward stakeholders. In public organizations, professional ethics reduces opportunistic behavior, strengthens compliance, and improves the credibility of information disclosed to users. The validation of multidimensional ethical models for public audit institutions shows that ethical behavior is structurally connected to accountability, reliability, transparency, and public trust [8, 9]. For municipalities, this issue is particularly important because municipal managers deal with public assets, land-use decisions, construction permits, local revenues, contracts, service delivery, and development projects. Weak ethical culture can therefore affect not only financial reports but also urban governance, public confidence, and citizens' willingness to cooperate with municipal financial policies.

Municipal financial transparency is also influenced by macroeconomic and managerial conditions. Financial pressure, budget deficits, dependence on governmental transfers, dependence on duties and charges received from citizens, and the economic capacity of the local community can shape both reporting incentives and accountability demands. When municipalities face fiscal constraints, they may be more likely to delay disclosure, reclassify costs, postpone liabilities, or present financial information selectively. In addition, broader economic instability can affect municipal revenues, urban investment, housing-related income, and the sustainability of development projects. Studies on fiscal and monetary shocks in Iran show that macroeconomic policy changes can influence sectors closely connected to municipal finance, especially the housing and urban development environment [10]. Therefore, municipal financial reporting transparency should be examined in relation to the economic environment in which municipalities generate revenue and finance urban services.

Corruption and tax-related behavior further illustrate why transparency is necessary for public financial systems. Administrative corruption weakens institutional trust, increases transaction costs, reduces fairness, and undermines the legitimacy of public authorities [11]. In the financial reporting environment, corruption can appear through concealment of liabilities, manipulation of revenues, non-transparent contracts, weak disclosure, or selective access to information. Related accounting research has also shown that managerial ability and discretion may be associated with tax avoidance behavior, indicating that financial expertise without accountability may create opportunities for opportunistic financial decisions [12]. Recent evidence on tax policies and transparent reporting similarly emphasizes that regulatory and fiscal incentives influence the motivation of organizations to disclose financial information accurately [13]. In municipalities, these issues are critical because the public has a legitimate right to know how locally collected resources are used and whether financial decisions comply with fairness, legality, and service obligations.

Recent developments in accounting, finance, and governance show that transparency has broader implications beyond compliance. In capital markets, financial and information transparency can reduce uncertainty, improve liquidity, and decrease transaction costs by enabling users to make better-informed decisions [14]. Although municipalities are not conventional profit-oriented firms, the logic of transparency remains relevant because citizens, investors, contractors, city councils, auditors, and supervisory authorities all rely on credible information.

Research on external transparency also suggests that disclosure quality can affect organizational performance and social responsibility, confirming that transparency is both an informational and behavioral governance mechanism [15]. Moreover, momentum accounting and related reporting approaches have been discussed as mechanisms for enhancing transparency in innovative companies by improving the interpretability of financial performance [16]. Studies on digital finance and information transparency also indicate that transparency can improve investment efficiency, suggesting that clearer information environments reduce inefficient allocation of resources [17]. For municipalities, such evidence implies that transparent reporting can improve budget discipline, investment planning, project prioritization, and stakeholder trust.

Transparency is not only a financial issue but also a social and behavioral one. Public willingness to support organizations, participate in governance processes, and trust institutional decisions is partly shaped by the transparency of disclosed information. In nonprofit settings, transparency has been shown to influence donation willingness, demonstrating that users respond not only to organizational objectives but also to the clarity and credibility of information provided to them [18]. This insight is applicable to municipalities because citizen cooperation with municipal policies, payment of local duties, acceptance of urban development plans, and trust in service delivery depend on the belief that municipal resources are managed transparently and accountably. Therefore, the social dimension of municipal financial reporting transparency includes citizens' education, access to information, digital access, accountability-seeking culture, and public sensitivity to corruption.

Digital transformation has created new opportunities for improving financial reporting transparency and accountability. Digital accounting systems, integrated reporting platforms, real-time data processing, and online disclosure can reduce manual errors, increase traceability, and make financial information more accessible to stakeholders. Research on accounting digital transformation shows that digitalization can enhance financial transparency, particularly when supported by good governance mechanisms [19]. Artificial intelligence is also redefining auditing by improving accuracy, anomaly detection, risk assessment, and the transparency of assurance services [20]. These developments are especially relevant for municipalities because municipal financial systems often involve numerous transactions, diverse revenue sources, multiple service units, and complex contractual relations. Digital reporting and intelligent audit tools can therefore strengthen both internal accountability and external transparency.

Blockchain, real-time auditing, and artificial intelligence provide further possibilities for municipal reporting reform. Blockchain-based financial systems can improve immutability, traceability, and fraud detection, while real-time auditing can reduce delays between financial events and assurance procedures [21]. Integrated frameworks combining artificial intelligence and blockchain have also been proposed to enhance transparency and efficiency in financial reporting and auditing, particularly in complex financial institutions operating in digital economies [22]. In addition, decision-making models that integrate artificial intelligence with financial reporting transparency show that transparent financial information can improve the quality of investor decisions [23]. Although municipalities differ from banks and corporations, the underlying principle is transferable: higher-quality, timely, verifiable, and accessible information improves the decisions of those who allocate, monitor, or evaluate resources.

The relationship between transparency, governance, sustainability, and strategic management has also received increasing attention. Environmental, social, and governance mechanisms can influence organizational innovation and performance, especially when transparency is connected to managerial awareness and financial constraints [24]. In manufacturing and economic development contexts, management accounting and resilience-oriented models have been used to support sustainable development, showing that accounting information can serve

strategic and long-term decision-making functions rather than merely short-term reporting needs [25]. Similarly, investment development models emphasizing management accounting indicate that transparent, structured, and decision-relevant financial information can support resource allocation and organizational development [26]. In municipalities, sustainability and development are inseparable from financial reporting because urban infrastructure, public services, environmental obligations, and social equity all require reliable information about costs, revenues, assets, and obligations.

Despite the importance of financial reporting transparency and accountability, the existing literature does not provide a comprehensive validated model specifically tailored to municipalities. Many prior studies have focused separately on governmental accountability, audit institutions, professional ethics, digital reporting, market transparency, corruption control, or corporate financial disclosure. However, municipalities require a model that integrates social, economic, organizational, and political dimensions. A narrow accounting model cannot fully explain municipal transparency because citizens' access to information, political relationships, internal audit capacity, personnel expertise, budgetary pressure, corruption culture, and digital infrastructure all shape the quality and credibility of reporting. Therefore, a multidimensional validation approach is necessary to identify the key dimensions, components, and indicators of municipal financial reporting transparency and accountability and to determine whether the proposed structure has adequate empirical validity from the perspective of experts.

Accordingly, the present study aimed to validate a multidimensional model of financial reporting transparency and accountability in municipalities from the perspective of experts.

2. Methodology

This study was conducted using a mixed-methods exploratory sequential design with the aim of developing and validating a model of financial reporting transparency and accountability in municipalities. In the qualitative phase, the study sought to identify the main dimensions, components, and indicators of municipal financial reporting transparency and accountability through documentary analysis and expert interviews. In the quantitative phase, the extracted model was validated using expert judgment, fuzzy Delphi screening, and confirmatory factor analysis. The qualitative component was exploratory in nature, because the existing theoretical and empirical literature did not provide a sufficiently integrated model suited to the legal, administrative, accounting, and accountability characteristics of municipalities. Therefore, the model was first developed inductively from the literature and expert opinions and was then examined quantitatively to determine whether the proposed structure had adequate validity and reliability.

The statistical population consisted of experts familiar with municipal accounting, financial reporting, auditing, public-sector accountability, and urban financial management. Participants were selected through purposive judgmental sampling because the study required specialized knowledge rather than random representation. The expert panel included municipal executive managers, municipal auditors, university faculty members specializing in accounting and public-sector financial reporting, and experienced professional accountants working with municipal financial systems. In the qualitative phase, semi-structured interviews continued until theoretical saturation was reached; saturation was achieved when no new concepts, codes, or indicators emerged from the interviews. The interview process was completed with 22 experts, while saturation was observed around the eighteenth interview. For the validation phase, the preliminary model and the questionnaire derived from it were submitted to a panel of experts, including municipal managers, auditors, academic specialists, and professional accountants. The final expert panel used for quantitative validation consisted of 20 specialists, distributed across

the main professional groups relevant to the study. The study was carried out in the context of Iranian municipalities, and the municipal reporting environment was considered with regard to cash-based accounting traditions, the transition toward accrual-based reporting, legal oversight by city councils and higher supervisory bodies, and the public responsibility of municipalities to citizens and stakeholders. The uploaded manuscript identifies the study purpose as validating a model of municipal financial reporting transparency and accountability and describes the expert population as including municipal managers, auditors, faculty members, and experienced accountants.

Data were collected using documentary review, semi-structured interviews, and a researcher-made questionnaire. In the first stage, relevant theoretical sources, prior studies, municipal accounting regulations, financial reporting concepts, accountability frameworks, and studies related to transparency in public-sector organizations were reviewed. The documentary review helped the researchers identify the initial conceptual domain of the model, including the possible social, economic, organizational, and political factors influencing municipal financial transparency and accountability. This stage also helped formulate the interview guide and ensured that the qualitative inquiry was grounded in the existing literature while remaining open to context-specific indicators relevant to municipalities.

The second data collection tool was a semi-structured interview protocol developed on the basis of the theoretical review and the initial conceptual model. The interviews began with broad questions about the meaning, requirements, and dimensions of financial reporting transparency and accountability in municipalities. Experts were then asked to comment on the adequacy of the proposed dimensions, identify missing components, explain overlapping indicators, and suggest indicators that should be deleted, merged, or revised. Probing questions were used to obtain deeper explanations, such as asking participants to clarify why a specific factor was important, how it affected municipal financial reporting, and whether it was observable in the current municipal accounting system. Each interview lasted approximately 40 minutes on average. The interviews were recorded with the participants' consent, transcribed, reviewed, and prepared for qualitative coding. To improve the credibility of the qualitative data, the extracted codes and categories were reviewed by an independent researcher familiar with accounting research and qualitative analysis. Agreement between the main researcher and the independent reviewer was then examined to ensure coding reliability.

In the quantitative phase, a researcher-made questionnaire was developed from the dimensions, components, and indicators extracted in the qualitative stage. The questionnaire was designed using a five-point Likert scale so that experts could assess the importance, relevance, and appropriateness of each indicator within its corresponding component and dimension. The initial questionnaire was reviewed for face validity and content validity by academic and professional experts. Ambiguous items were revised, overlapping items were merged, and items with insufficient conceptual clarity were removed or rewritten. The final questionnaire included indicators related to social factors, economic factors, organizational factors, and political factors affecting financial reporting transparency and accountability in municipalities. The social dimension covered indicators such as citizen characteristics, public access to information, internet accessibility, and anti-corruption culture. The economic dimension included financial pressure, budget deficit, dependence on governmental resources, dependence on citizen-paid duties and charges, unemployment rate, and private-sector investment. The organizational dimension included accountability to city councils and supervisory institutions, implementation of city council approvals, staff expertise, organizational culture, internal audit committees, independent audit, implementation of accrual accounting, and the existence of clear policies and procedures. The political dimension included political

relationships between mayors and local or national political authorities, which may influence transparency and accountability mechanisms.

The qualitative data were analyzed using thematic content analysis. After transcription of the interviews, the texts were read several times to gain an overall understanding of the participants' views. Meaningful statements related to financial reporting transparency, accountability, municipal accounting, disclosure, access to financial information, auditing, supervision, and stakeholder responsiveness were extracted as initial codes. Similar codes were then compared, refined, and grouped into broader subcategories. In the next stage, related subcategories were organized into main components, and the components were classified under the broader dimensions of the proposed model. Repetitive codes were removed, overlapping concepts were merged, and conceptually weak indicators were revised. The coding process resulted in a multidimensional model in which financial reporting transparency and accountability in municipalities were conceptualized through social, economic, organizational, and political dimensions. To assess the dependability of the qualitative coding, the codes extracted by the main researcher were compared with those extracted by an independent reviewer, and the inter-coder agreement was judged to be acceptable. Expert review was also used to strengthen the credibility and confirmability of the extracted model.

In the quantitative phase, the fuzzy Delphi technique was used to screen and refine the indicators based on expert consensus. Experts evaluated the importance and relevance of each proposed indicator, and their judgments were converted into fuzzy values to reduce the ambiguity commonly associated with linguistic judgments. Indicators that reached the required level of expert agreement were retained in the model, while indicators with weak agreement were revised or eliminated. This step ensured that the final model was not merely the product of theoretical review but reflected the collective judgment of specialists in municipal accounting, auditing, financial management, and public accountability.

After the fuzzy Delphi stage, the measurement model was examined using confirmatory factor analysis through SmartPLS. Partial least squares structural equation modeling was appropriate because the study aimed to validate a multidimensional model with several latent variables and observable indicators while relying on an expert-based sample. The quality of the measurement model was evaluated using factor loadings, Cronbach's alpha, composite reliability, average variance extracted, convergent validity, discriminant validity, coefficient of determination, predictive relevance, and overall model fit indices. Cronbach's alpha and composite reliability were used to assess internal consistency. Average variance extracted was used to examine convergent validity and to determine whether the indicators adequately represented their latent constructs. Discriminant validity was examined to ensure that each dimension of the model was empirically distinct from the other dimensions. Predictive relevance and model quality were assessed using indices such as Q^2 and communality, while the general adequacy of the model was examined through global fit criteria. The final analysis confirmed whether the observed indicators properly measured the latent dimensions of municipal financial reporting transparency and accountability and whether the proposed model had sufficient empirical validity from the perspective of experts.

3. Findings and Results

The expert panel consisted of specialists with direct experience in municipal financial management, accounting, auditing, and academic research related to public-sector reporting. In the qualitative interview phase, 22 experts participated, and theoretical saturation was achieved at the eighteenth interview, meaning that after this point no new code, component, or conceptual category emerged from the data. In the quantitative validation phase, the final

model was evaluated by 20 experts. In terms of gender, 16 participants were male and 4 were female. The age distribution showed that most experts were concentrated in the middle professional age ranges, particularly the 30–40 and 40–50 age groups, indicating that the panel had sufficient professional maturity and applied experience. Regarding educational level, 6 participants held a master's degree and 14 held a doctoral degree. From the perspective of professional position, the expert group included academic faculty members, municipal financial and executive managers, auditing specialists, and experienced accounting professionals. Therefore, the composition of the panel was appropriate for validating a multidimensional model of financial reporting transparency and accountability in municipalities, because the participants represented both theoretical expertise and practical experience in municipal reporting and accountability systems.

Table 1. Qualitative results: extracted dimensions, components, and indicators of the model

Main dimension	Component	Extracted indicators
Social dimension	Citizen-related information	Culture of accountability-seeking and responsibility-demanding among citizens; average age of citizens; population size; educational level of citizens; average household income; level of urbanization; income dispersion index such as the Gini coefficient; institutionalization of bribery and corruption
Social dimension	Access to information	Timely access to financial reports; existence of a website related to transparency and information disclosure; citizens' access to the internet
Economic dimension	Financial status	Municipal debt; financial pressure on the municipality; budget deficit
Economic dimension	Economic development	Level of private-sector investment; financial dependence on the government; dependence on duties, charges, and revenues received from citizens; unemployment rate
Organizational dimension	Organizational accountability and administrative structure	Existence of accountability to citizens; accountability to the city council and other higher supervisory bodies; implementation of Islamic city council approvals; frequent change of mayor; existence of administrative ranking; implementation of approvals and directives issued by the Ministry of Interior; provision of suitable infrastructures such as internet systems; existence and provision of complete and appropriate guidelines; existence of precise policies and procedures; accurate implementation of accrual accounting
Organizational dimension	Human resources and personnel capacity	Existence of active personnel with high productivity; number of financial personnel; educational level of personnel; professional expertise of personnel; employee motivation; organizational culture and commitment; high work experience; gender of mayor; age of municipality
Organizational dimension	Structural and supervisory mechanisms	Audit by an independent auditor selected by the city council; existence of an internal audit committee in the municipality; speed and accuracy in handling financial issues; follow-up of violations by independent institutions; application of penalties and incentives to increase transparency
Political dimension	Political and accountability relations	Existence of the right to demand accountability from budget-receiving institutions; political alignment of the mayor with the governor; political alignment of the mayor with members of the Islamic city council; political alignment of the mayor with members of the Islamic Consultative Assembly representing the city

The qualitative findings showed that financial reporting transparency and accountability in municipalities is not limited to accounting techniques or the formal preparation of financial statements. Rather, the construct is multidimensional and is shaped by four interconnected dimensions: social, economic, organizational, and political. The social dimension emphasized that transparency becomes meaningful only when citizens have the cultural capacity, informational access, and technological opportunity to demand and use municipal financial information. The economic dimension showed that the financial pressures surrounding municipalities, including debt, budget deficit, dependence on government resources, and dependence on citizen-paid duties and charges, can directly affect the quality and transparency of reporting. The organizational dimension was the most extensive dimension and indicated that internal systems, personnel qualifications, audit structures, implementation of accrual accounting, and adherence to formal procedures are central to transparent reporting and accountable performance.

The political dimension also emerged as an important contextual factor, because municipal reporting and accountability are influenced by political relationships between the mayor, city council, governor, and parliamentary representatives. To strengthen the trustworthiness of the qualitative coding, the extracted codes were reviewed by an independent researcher. The inter-coder agreement was 89.6%, and Cohen's kappa coefficient was 0.804, with a standard error of 0.186, $t = 3.324$, and $p = 0.01$. These values indicate that the qualitative classification of dimensions, components, and indicators had acceptable reliability and that the extracted model was sufficiently stable for quantitative validation.

Table 2. Confirmatory factor analysis and cross-loadings of the retained indicators

Dimension	Component	Indicator	Code	Social	Economic	Organizational	Political
Social	Citizen-related information	Culture of accountability-seeking	Social11	0.435	0.107	0.302	0.111
Social	Citizen-related information	Average 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	Educational level of citizens	Social14	0.859	0.710	0.587	0.486
Social	Citizen-related information	Average household income	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	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 to information	Timely access to financial reports	Social21	0.911	0.753	0.623	0.515
Social	Access to information	Website for transparency and information disclosure	Social22	0.898	0.743	0.614	0.508
Social	Access to information	Citizens' access to the internet	Social23	0.812	0.672	0.555	0.459
Economic	Financial status	Municipal debt	Economic11	0.517	0.638	0.441	0.365
Economic	Financial status	Financial pressure on the municipality	Economic12	0.589	0.726	0.502	0.415
Economic	Financial status	Budget deficit	Economic13	0.637	0.786	0.544	0.450
Economic	Economic development	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 citizen-paid duties and revenues	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 accountability and structure	Accountability to citizens	Organ11	0.553	0.682	0.827	0.593
Organizational	Organizational accountability and structure	Accountability to city council and higher bodies	Organ12	0.548	0.601	0.729	0.523
Organizational	Organizational accountability and structure	Implementation of city council approvals	Organ13	0.563	0.599	0.726	0.521

Organizational	Organizational accountability and structure	Frequent change of mayor	Organ14	0.560	0.691	0.837	0.600
Organizational	Organizational accountability and structure	Administrative ranking	Organ15	0.617	0.761	0.922	0.661
Organizational	Organizational accountability and structure	Implementation of Ministry of Interior directives	Organ16	0.532	0.656	0.795	0.570
Organizational	Organizational accountability and structure	Provision of suitable infrastructure such as internet	Organ17	0.551	0.679	0.823	0.590
Organizational	Organizational accountability and structure	Complete and appropriate guidelines	Organ18	0.616	0.760	0.921	0.660
Organizational	Organizational accountability and structure	Precise policies and procedures	Organ19	0.524	0.646	0.873	0.561
Organizational	Organizational accountability and structure	Accurate implementation of accrual accounting	Organ110	0.617	0.761	0.922	0.661
Organizational	Human resources and personnel capacity	Active personnel with high productivity	Organ21	0.484	0.596	0.723	0.518
Organizational	Human resources and personnel capacity	Number of financial personnel	Organ22	0.560	0.691	0.837	0.600
Organizational	Human resources and personnel capacity	Educational level of personnel	Organ23	0.612	0.755	0.915	0.656
Organizational	Human resources and personnel capacity	Professional expertise of personnel	Organ24	0.523	0.645	0.782	0.561
Organizational	Human resources and personnel capacity	Motivation	Organ25	0.493	0.608	0.737	0.528
Organizational	Human resources and personnel capacity	Organizational culture and commitment	Organ26	0.638	0.786	0.953	0.683
Organizational	Human resources and personnel capacity	High work experience	Organ27	0.572	0.705	0.855	0.613
Organizational	Human resources and personnel capacity	Gender of mayor	Organ28	0.477	0.588	0.713	0.511
Organizational	Human resources and personnel capacity	Age of municipality	Organ29	0.567	0.700	0.848	0.608
Organizational	Structural and supervisory mechanisms	Independent auditor selected by city council	Organ31	0.486	0.577	0.699	0.501
Organizational	Structural and supervisory mechanisms	Internal audit committee in the municipality	Organ32	0.457	0.563	0.683	0.490
Organizational	Structural and supervisory mechanisms	Speed and accuracy in handling financial issues	Organ33	0.637	0.785	0.952	0.683

Organizational	Structural and supervisory mechanisms	Follow-up of violations by independent institutions	Organ34	0.562	0.693	0.840	0.602
Organizational	Structural and supervisory mechanisms	Penalties and incentives for increasing transparency	Organ35	0.623	0.768	0.931	0.668
Political	Political and accountability relations	Right to demand accountability from budget-receiving institutions	Political11	0.410	0.506	0.613	0.857
Political	Political and accountability relations	Political alignment of mayor with governor	Political12	0.449	0.553	0.671	0.938
Political	Political and accountability relations	Political alignment of mayor with city council members	Political13	0.491	0.485	0.588	0.822
Political	Political and accountability relations	Political alignment of mayor with parliamentary representatives	Political14	0.452	0.419	0.508	0.711

The confirmatory factor analysis results showed that the indicators were generally loaded on their intended dimensions more strongly than on the other dimensions, supporting the factorial structure of the proposed model. In the social dimension, the highest loading belonged to timely access to financial reports with a loading of 0.911, followed by the existence of a transparency-related website with a loading of 0.898 and citizens' educational level with a loading of 0.859. These results show that public access to financial information and the informational capacity of citizens are central to municipal financial reporting transparency. In the economic dimension, dependence on duties and revenues received from citizens had the highest loading with 0.908, followed by financial dependence on the government with 0.812 and budget deficit with 0.786. This indicates that the fiscal structure of municipalities is a major determinant of transparency and accountability. In the organizational dimension, organizational culture and commitment had the highest loading with 0.953, followed by speed and accuracy in handling financial issues with 0.952, penalties and incentives for increasing transparency with 0.931, administrative ranking with 0.922, complete guidelines with 0.921, accurate implementation of accrual accounting with 0.922, and personnel education with 0.915. These high loadings confirm that the organizational infrastructure of municipalities is the strongest operational foundation for transparent reporting. In the political dimension, political alignment of the mayor with the governor had the highest loading with 0.938, followed by the right to demand accountability from budget-receiving institutions with 0.857 and political alignment with city council members with 0.822. Overall, the cross-loading pattern confirmed that the proposed indicators were empirically consistent with their assigned dimensions and that the model had an acceptable measurement structure.

Table 3. Reliability, convergent validity, and predictive relevance of dimensions and components

Level	Construct	Cronbach's alpha	rho_A	Composite reliability	AVE	Q ²
Dimension	Social dimension	0.812	—	0.801	0.586	—
Dimension	Economic dimension	0.719	—	0.735	0.622	—
Dimension	Organizational dimension	0.760	—	0.781	0.593	—
Dimension	Political dimension	0.833	—	0.846	0.641	—
Component	Citizen-related information	0.746	0.815	0.823	0.635	0.739
Component	Access to information	0.812	0.844	0.861	0.746	0.744
Component	Financial status	0.756	0.721	0.849	0.561	0.766
Component	Economic development	0.852	0.829	0.914	0.620	0.750
Component	Political and accountability relations	0.623	0.793	0.824	0.576	0.764

Component	Organizational accountability and structure	0.866	0.840	0.944	0.711	0.722
Component	Human resources and personnel capacity	0.749	0.896	0.931	0.789	0.638
Component	Structural and supervisory mechanisms	0.774	0.881	0.892	0.725	0.796

The reliability and convergent validity results confirmed that the measurement model had acceptable psychometric quality. Cronbach's alpha values for the four main dimensions ranged from 0.719 to 0.833, indicating acceptable internal consistency. The highest alpha value among the main dimensions belonged to the political dimension with 0.833, followed by the social dimension with 0.812, organizational dimension with 0.760, and economic dimension with 0.719. Composite reliability values also exceeded the acceptable threshold in all four main dimensions, ranging from 0.735 to 0.846. The AVE values for the main dimensions were all higher than 0.50, indicating that each latent construct explained more than half of the variance of its indicators. At the component level, the strongest reliability was observed for organizational accountability and structure, with Cronbach's alpha of 0.866 and composite reliability of 0.944. Economic development also showed strong reliability, with Cronbach's alpha of 0.852 and composite reliability of 0.914. The AVE values of the components ranged from 0.561 to 0.789, confirming convergent validity for all components. The Q^2 values were also positive for all components, ranging from 0.638 to 0.796, which shows that the model had acceptable predictive relevance. These findings indicate that the final model is not only conceptually coherent but also statistically reliable and valid for assessing financial reporting transparency and accountability in municipalities.

Table 4. Structural model quality, predictive relevance, and overall goodness of fit

Endogenous construct	R ²	SSO	SSE	Q ²	Communality
Social dimension	0.621	429	251.048	0.415	0.428
Economic dimension	0.548	781	520.372	0.334	0.654
Organizational dimension	0.482	543	379.014	0.302	0.519
Political dimension	0.519	339	268.022	0.209	0.627
Mean	0.527	—	—	—	0.557
Overall GOF	0.541	—	—	—	—

The structural model indices indicated that the proposed model had adequate explanatory power, predictive relevance, and overall fit. The R^2 values showed that the model explained 62.1% of the variance in the social dimension, 54.8% of the variance in the economic dimension, 48.2% of the variance in the organizational dimension, and 51.9% of the variance in the political dimension. These values demonstrate that the model has a satisfactory capacity to explain the major dimensions of municipal financial reporting transparency and accountability. The Q^2 values were positive for all dimensions, confirming the predictive relevance of the model. The highest Q^2 value belonged to the social dimension with 0.415, followed by the economic dimension with 0.334, organizational dimension with 0.302, and political dimension with 0.209. Since all Q^2 values were above zero, the model had acceptable predictive capability for all endogenous constructs. The communality values also supported the adequacy of the measurement model, with the highest value observed for the economic dimension at 0.654 and the political dimension at 0.627. The mean R^2 was 0.527 and the mean communality was 0.557. Based on these values, the overall goodness-of-fit index was calculated as 0.541, which is higher than the commonly accepted strong-fit threshold of 0.36. Therefore, the overall model can be considered well-fitted and sufficiently valid for explaining the structure of financial reporting transparency and accountability in municipalities.

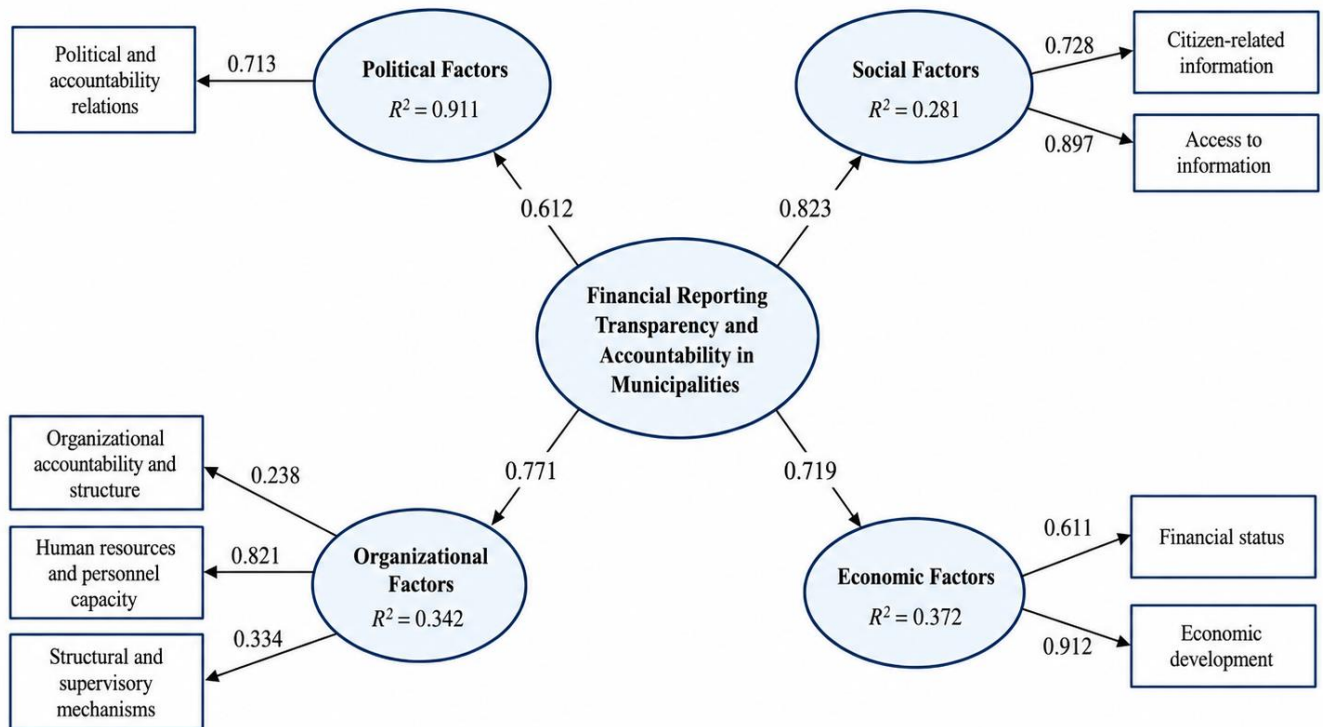


Figure 1. Final validated model of financial reporting transparency and accountability in municipalities

The final model showed that financial reporting transparency and accountability in municipalities is reflected through four main dimensions: social, economic, organizational, and political. Among these dimensions, the social dimension had the strongest path coefficient with 0.823, indicating that citizen access, informational capacity, and public accountability-seeking culture play a central role in municipal transparency. The organizational dimension also had a strong coefficient of 0.771, confirming that internal administrative systems, personnel capacity, audit mechanisms, and implementation of accrual accounting are critical for improving reporting transparency and accountability. The economic dimension had a coefficient of 0.719, showing that fiscal pressures, budget deficits, dependence on government resources, and dependence on citizen-paid revenues substantially shape the transparency environment of municipalities. The political dimension had a coefficient of 0.612, indicating that political relationships and accountability rights also affect the reporting system, although their effect was weaker than that of the social, organizational, and economic dimensions. The figure therefore confirms that the validated model is multidimensional and that the improvement of municipal financial reporting transparency requires simultaneous attention to citizens, financial structure, organizational systems, and political-accountability relations.

4. Discussion and Conclusion

The present study was conducted to validate a multidimensional model of financial reporting transparency and accountability in municipalities from the perspective of experts. The findings showed that the validated model consists of four main dimensions, namely social, economic, organizational, and political factors, and that these dimensions collectively explain the structure of transparency and accountability in municipal financial reporting. The qualitative results indicated that transparency in municipalities cannot be reduced to the technical preparation of financial statements, but must be understood as a broader governance construct that includes citizens' access to

information, fiscal conditions, organizational capacity, audit and supervisory mechanisms, and political-accountability relations. The quantitative findings confirmed the validity of this structure, as the model showed acceptable factor loadings, reliability coefficients, convergent validity, predictive relevance, and overall goodness of fit. The overall GOF value of 0.541 indicated a strong model fit, and the positive Q^2 values for all dimensions confirmed the predictive adequacy of the model. These findings suggest that the proposed model has sufficient empirical validity for explaining financial reporting transparency and accountability in municipalities.

The first major finding was that the social dimension was one of the strongest dimensions of municipal financial reporting transparency and accountability. The path coefficient of the social dimension was 0.823, showing that citizen-related information and access to information play a central role in the transparency model. Within this dimension, timely access to financial reports, the existence of a website for transparency and disclosure, citizens' access to the internet, citizens' educational level, and the culture of accountability-seeking were identified as important indicators. This finding is theoretically meaningful because transparency becomes effective only when users are able to access, understand, interpret, and use financial information. In other words, the publication of municipal financial data is not sufficient unless citizens and stakeholders have both informational access and the social capacity to demand accountability. This result is consistent with studies emphasizing that transparency influences stakeholder trust, willingness to support organizations, and public participation. For example, research on nonprofit transparency showed that the transparency of organizational information affects donation willingness, which supports the idea that public confidence depends on the availability and credibility of disclosed information [18]. Similarly, the conceptual literature on governmental accounting argues that accountability is meaningful only when there is a relationship between the accountable party and the accountability-demanding party, and this relationship requires accessible and reliable information [5].

The importance of the social dimension also confirms that municipal reporting is embedded in a citizen-centered governance environment. Municipalities are directly connected to citizens through service delivery, local duties, construction permits, urban infrastructure, waste management, transportation, and public spaces. Therefore, citizens are not passive users of financial information but legitimate accountability claimants. When citizens have timely access to reports, digital access to municipal information systems, and sufficient awareness of their rights, the probability of public monitoring increases. This finding aligns with earlier discussions on the duties and realities of municipalities in Iran, which emphasized that the performance of municipalities must be assessed in relation to the expectations and needs of the urban community [1]. It is also consistent with studies on urban management structure, which show that municipalities operate in a complex administrative and social environment where public service responsibilities require responsiveness to local stakeholders [2]. Therefore, the finding that social factors are strongly related to municipal transparency confirms that financial reporting systems must be designed not only for accountants and auditors but also for citizens, councils, researchers, supervisory bodies, and civil society.

The second major finding was that the economic dimension had a substantial role in the validated model, with a path coefficient of 0.719. The indicators of this dimension included municipal debt, financial pressure, budget deficit, private-sector investment, dependence on government resources, dependence on duties and revenues received from citizens, and unemployment rate. The high loading of dependence on citizen-paid duties and revenues showed that the sources of municipal financing are directly connected with transparency and accountability. When municipalities depend heavily on citizens' payments, the ethical and administrative need for transparent reporting increases because citizens must be able to know how their payments are used. This result is consistent with prior research indicating that fiscal and economic conditions influence reporting incentives and

disclosure behavior. Research on tax policies and transparent financial reporting suggests that policy structures and fiscal pressures affect organizations' motivation to provide transparent financial reports [13]. Similarly, studies on monetary and fiscal shocks in Iran show that macroeconomic conditions can affect urban and housing-related variables, which are closely connected to municipal revenues and financial planning [10]. Therefore, the economic dimension of the model demonstrates that transparency is not only a reporting characteristic but also a response to financial constraints and revenue structures.

This finding can also be explained in light of recent research on transparency, investment efficiency, and financial decision-making. Evidence from digital finance and information transparency shows that more transparent information environments can improve enterprise investment efficiency by reducing uncertainty and improving the quality of resource allocation [17]. Although municipalities are public entities rather than private enterprises, they also make investment decisions in infrastructure, urban development, service delivery, and public facilities. Transparent financial reporting can therefore help municipal managers prioritize projects, evaluate the sustainability of expenditures, and reduce inefficient allocation of limited resources. Studies on market transparency further indicate that transparency reduces information costs and improves the functioning of financial transactions [14]. In municipalities, the same logic can be applied to public budgeting, procurement, project financing, and debt management. Thus, the economic dimension found in this study is consistent with the broader evidence that transparent financial information improves decision-making and reduces uncertainty in resource allocation.

The third and most extensive finding concerned the organizational dimension, which had a path coefficient of 0.771 and included organizational accountability, administrative structure, human resources, personnel capacity, and supervisory mechanisms. The highest factor loadings in the model belonged to organizational culture and commitment, speed and accuracy in handling financial issues, penalties and incentives for increasing transparency, accurate implementation of accrual accounting, complete and appropriate guidelines, administrative ranking, and personnel education. These findings indicate that municipal financial transparency is strongly dependent on internal organizational capacity. A municipality cannot produce transparent and accountable reports merely by adopting formal reporting rules; it also needs qualified personnel, clear policies, internal audit mechanisms, independent auditing, technological infrastructure, organizational commitment, and a culture of responsibility. This result is strongly aligned with studies on the accountability capacity of the Supreme Audit Court, which showed that financial accountability depends on financial supervision, compliance with regulations, auditing, reporting, protection of assets, and the capacity to respond to users [6]. It is also consistent with research showing that internal processes are necessary for public-sector accountability and that accountability cannot be fulfilled without effective institutional procedures [7].

The organizational findings also support the importance of professional ethics in public-sector reporting. The validation of multidimensional professional ethics models in public audit institutions has shown that ethical conduct, organizational commitment, and professional responsibility are necessary for reliable public accountability systems [8, 9]. In the present study, the high loading of organizational culture and commitment confirms that transparency is not merely the output of technical systems but also the result of ethical and organizational behavior. If municipal personnel lack commitment to accurate reporting, or if managers do not support accountability, even advanced accounting systems may fail to produce reliable information. This finding also aligns with research on administrative corruption, which identifies corruption as a major obstacle to institutional performance and public trust [11]. In municipalities, weak internal controls, unclear procedures,

limited audit independence, and low ethical commitment can create opportunities for concealment, misreporting, delayed disclosure, or ineffective accountability. Therefore, the organizational dimension represents the operational core of the validated model.

Another important part of the organizational dimension was the role of accrual accounting. The model confirmed that accurate implementation of accrual accounting is a key indicator of municipal financial transparency and accountability. This finding is consistent with the conceptual argument that cash-based accounting cannot fully reflect the financial reality of public organizations because it does not adequately capture liabilities, receivables, asset consumption, depreciation, or the full cost of services. Earlier work on governmental accounting in Iran emphasized that the accounting and reporting system must be evaluated according to its capacity to identify real revenues and expenses, control approved programs, and reflect the financial position and results of operations [4]. The present findings extend this argument to municipalities by showing that accrual-based information is necessary for transparent reporting, better cost measurement, and improved accountability. Moreover, studies on management accounting and sustainable development show that accounting information can support resilience, planning, and strategic decision-making when it provides reliable and decision-useful information [25]. Accordingly, accrual accounting can help municipalities move from simple cash control toward comprehensive financial accountability.

The fourth major finding was that political factors were also part of the validated model, with a path coefficient of 0.612. The political dimension included the right to demand accountability from budget-receiving institutions and the political alignment of the mayor with the governor, city council members, and parliamentary representatives. Although the political coefficient was lower than the social, organizational, and economic coefficients, it was still meaningful and confirmed that municipal financial transparency is affected by political relations and accountability structures. Municipalities are not isolated technical organizations; they operate within local and national political networks. The degree of political alignment or tension between mayors, councils, governors, and parliamentary representatives can affect the intensity of oversight, the pressure for disclosure, and the independence of accountability mechanisms. This finding is consistent with the formal structure of governmental and municipal organizations in Iran, where organizational duties, authority relations, and supervisory responsibilities are shaped by administrative and legal frameworks [3]. It also aligns with the broader public accountability literature, which emphasizes that public-sector reporting is inseparable from authority, responsibility, and the right of users to demand explanations [5].

The political dimension can also be interpreted in relation to governance and social responsibility. Recent studies show that external transparency can influence performance and social responsibility disclosure, indicating that organizational disclosure is shaped by external pressures and stakeholder expectations [15]. In municipalities, political authorities, councils, and regulatory bodies are among the most important external stakeholders. If these actors demand transparent reporting and support independent oversight, financial accountability is strengthened. Conversely, if political relations weaken oversight or lead to selective reporting, transparency may decline. This finding also resonates with research on environmental, social, and corporate governance, which shows that governance mechanisms affect innovation and organizational outcomes through managerial awareness and financial constraints [24]. Although municipalities differ from listed companies, they are similarly influenced by governance quality, oversight intensity, and external accountability demands. Therefore, the political dimension of the model highlights the need to treat municipal transparency as a governance issue, not merely an accounting issue.

The reliability and validity results further confirmed the robustness of the model. Cronbach's alpha values for the main dimensions ranged from 0.719 to 0.833, composite reliability values ranged from 0.735 to 0.846, and AVE values were all above the acceptable threshold of 0.50. These results indicate that the indicators consistently measured their related dimensions and that convergent validity was established. At the component level, organizational accountability and structure, economic development, access to information, and structural-supervisory mechanisms showed strong reliability and validity. These findings are in line with the methodological logic of prior model-development and validation studies in the public sector, where multidimensional constructs such as accountability, professional ethics, and performance evaluation are validated through expert judgment, reliability analysis, and construct validity assessment [8, 9, 26]. Therefore, the present study contributes to this line of research by presenting a validated model specifically adapted to municipal financial reporting transparency and accountability.

The results also have implications for the digital transformation of municipal reporting. The confirmation of access to information, transparency websites, timely reporting, technological infrastructure, and accurate processing of financial information shows that digital tools can strengthen municipal transparency when they are integrated with governance and accountability mechanisms. This is consistent with research showing that accounting digital transformation enhances financial transparency through good governance [19]. It is also supported by studies indicating that artificial intelligence can improve auditing accuracy, risk detection, and assurance transparency [20]. Similarly, blockchain and real-time auditing have been introduced as mechanisms that can increase traceability, fraud detection, and transparency in financial systems [21]. Integrated frameworks using artificial intelligence and blockchain have also been proposed to improve transparency and efficiency in financial reporting and auditing [22]. The present findings suggest that municipalities can benefit from such technologies, but only if digital systems are accompanied by qualified personnel, clear guidelines, independent audit mechanisms, and public access.

Finally, the validated model confirms that transparency in municipal financial reporting is a multidimensional and systemic phenomenon. The findings are consistent with recent studies emphasizing that financial transparency improves decision-making, disclosure quality, and the usefulness of accounting information [16, 23]. They also align with research showing that accounting and reporting systems can support sustainable development, investment development, and strategic resource allocation when they provide reliable and timely information [25, 26]. Overall, the study extends previous research by integrating older public-sector accountability theories, municipal governance literature, audit and ethics research, economic transparency studies, and digital reporting developments into a single validated framework. The model suggests that improving municipal financial reporting transparency requires simultaneous attention to citizens, fiscal pressures, organizational systems, political accountability, digital access, ethical behavior, and accrual-based reporting.

The present study had several limitations. First, the validation was based on expert judgment, and although the expert panel included municipal managers, auditors, university faculty members, and experienced accountants, the findings may still reflect the perceptions of specialists rather than the views of all municipal stakeholders. Second, the study was conducted in the context of Iranian municipalities, and the legal, administrative, accounting, and political characteristics of this context may limit the generalizability of the model to municipalities in other countries. Third, the quantitative phase relied on a relatively small expert sample, which is acceptable for expert-based validation and exploratory model development but may not fully capture the diversity of municipalities in terms of size, revenue structure, digital infrastructure, and administrative capacity. Fourth, the study focused on

validating the model rather than testing its practical implementation in actual municipal reporting systems over time.

Future studies are suggested to test the validated model using larger samples from different municipalities and to compare results across metropolitan, medium-sized, and small municipalities. Researchers can also examine whether the relative importance of the social, economic, organizational, and political dimensions differs according to municipal size, financial autonomy, revenue composition, or level of digitalization. Longitudinal studies are recommended to assess whether improvements in accrual accounting, online disclosure, internal auditing, and citizen access to reports lead to measurable improvements in public trust, budget discipline, and service accountability over time. Future research can also develop a standardized measurement instrument based on the validated indicators of this study and use it to rank or compare municipalities in terms of financial reporting transparency and accountability.

From a practical perspective, municipalities should use the validated model as a diagnostic framework for improving their financial reporting and accountability systems. Municipal managers should strengthen online disclosure, publish timely and understandable financial reports, improve citizens' access to financial information, and develop mechanisms that allow the public to demand explanations about municipal revenues and expenditures. At the organizational level, municipalities should invest in trained financial personnel, internal audit committees, independent auditing, clear accounting procedures, and accurate implementation of accrual accounting. They should also establish explicit incentives for transparent reporting and clear penalties for concealment, delay, or manipulation of financial information. At the governance level, city councils and supervisory bodies should support independent oversight and ensure that political relations do not weaken financial accountability.

Authors' Contributions

Authors equally contributed to this article.

Ethical Considerations

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

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Conflict of Interest

The authors report no conflict of interest.

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