Good Governance and SDG Performance: Assessing the Mediating Role of Accountability in Rural Areas

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Abstract

This research investigates the relationship between the implementation of Good Corporate Governance (GCG), accountability, and the performance of Sustainable Development Goals (SDGs) in Village-Owned Enterprises (BUMDes) in the Yogyakarta region. Yogyakarta was selected as the research site due to the significant development and variety of BUMDes operations, representing a crucial model for rural development in Indonesia. The study aims to analyze the direct effect of GCG principles on SDG performance and to assess the mediating role of accountability in this relationship. Control variables such as BUMDes size, location characteristics, and years of operation are included to strengthen the analysis. A quantitative approach was employed, utilizing survey data collected from 135 BUMDes. The data were analyzed using the Structural Equation Modeling - Partial Least Squares (SEM-PLS) technique to test the direct and mediating effect hypotheses. The findings indicate that the implementation of GCG principles has a significant positive effect on SDG performance, particularly contributing to goals related to decent work and economic growth (SDG 8), reduced inequalities (SDG 10), and peace, justice, and strong institutions (SDG 16). Furthermore, the results confirm that accountability acts as a crucial mediating variable, where effective governance practices enhance accountability mechanisms, which in turn strengthens SDG performance. This research contributes to the literature by providing empirical evidence on the governance-accountability-SDG nexus in the context of community-based enterprises, offering valuable insights for policymakers and BUMDes managers to strengthen accountability as a strategic tool for achieving sustainable development.

Keywords

Sustainable Development Goals, Financial Transparency, Good Governance, Accountability, BUMDes

INTRODUCTION

Sustainable development is a global agenda that has captured the world's attention, aimed at addressing pressing challenges such as poverty, social inequality, and environmental degradation. The Sustainable Development Goals (SDGs) provide a comprehensive framework to guide these efforts towards a more just, prosperous, and sustainable world. In Indonesia, villages are critical frontlines for achieving the SDGs, as they are hubs of natural resource management and community economic activity(Omri & Ben Mabrouk, 2020a). With a significant portion of the population residing in rural areas, the effective governance of these villages is paramount to national sustainable development. Village-Owned Enterprises (BUMDes) have emerged as strategic institutions designed to drive village welfare through sustainable and community-based economic management (Sofyani et al., 2018). Positioned at the intersection of economic activity and community development, BUMDes possess immense potential to directly contribute to SDG targets, particularly those related to decent work and economic growth (SDG 8), reduced inequalities (SDG 10), and peace, justice, and strong institutions (SDG 16). However, despite their strategic role, many BUMDes face significant challenges related to weak governance structures, a lack of transparency, and low accountability in their

operations (Nurul Hadi Zuherman & Ersi Sisdianto, 2024). These governance deficiencies often manifest as mismanagement of funds, unclear operational procedures, and a lack of community trust, ultimately hindering their
performance and ability to contribute to sustainable development. The core problem, therefore, is not a lack of economic activity, but a gap in the institutional mechanisms that ensure these enterprises are run effectively and for the collective benefit of the village community. This is where the principles of Good Corporate Governance (GCG) become crucial, such as fairness, accountability, responsibility, independence, and transparency. Strong GCG provides the framework for BUMDes to operate efficiently, make strategic decisions, and gain the trust of stakeholders. However, the mere adoption of GCG principles is not enough. Their effectiveness in driving sustainable outcomes is inherently dependent on robust accountability mechanisms. Accountability ensures that BUMDes managers are answerable to the village community for their actions and decisions, creating a feedback loop that reinforces transparent and responsible practices (Adela Rahma Putri & Sartika Wulandari, 2021; Ningsih & Bagana, 2022). This study posits that accountability is the critical missing link. It is the mechanism through which good governance translates into tangible SDG performance. Without strong accountability, even well-designed governance policies may fail to produce results. Therefore, this research aims to fill this gap by investigating the relationship between Good Governance and SDG Performance, explicitly focusing on assessing the mediating role of accountability in rural areas. By examining this nexus, the study seeks to provide empirical evidence on how governance reforms can be channeled through accountability to achieve sustainable development. The findings are expected to offer valuable insights for policymakers, BUMDes managers, and village communities in strengthening institutional frameworks to ensure that BUMDes can fulfill their role as engines of sustainable and equitable rural development.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Goal Setting Theory

The Goal Setting Theory, introduced by Locke (1968) highlights the importance of setting clear, specific, and measurable goals to drive optimal performance. Individuals or organizations can increase motivation and improve outcomes by establishing challenging yet attainable goals. This theory directly connects goal-setting with performance, where commitment to clear goals enhances skills and actions. In the context of BUMDes, applying this theory is crucial for achieving sustainability. BUMDes must set specific goals related to resource management, environmental impact reduction, and financial transparency. Clear goals like energy efficiency, waste management, and transparent reporting will drive focused actions, aligning with green accounting principles. Thus, goal-setting theory can significantly enhance BUMDes' efforts to support sustainable development goals (SDGs), as outlined in the introduction (Gyepi-Garbrah et al., 2023).

Hypotheses Development

In this context, this study examines the integration of green accounting in the BUMDes management system by assessing its impact on social, economic, and environmental sustainability. Furthermore, this study also explores how the transparency of BUMDes' financial reports can strengthen governance and increase community participation in managing village resources. By applying regression analysis and case studies on several BUMDes that have implemented green accounting, this study aims to provide strategic recommendations that can support more efficient and sustainable village economic management.

Based on the design image, the hypotheses proposed in this study are:
H1: Transparency and accountability have a positive relationship.
H2: The good governance and accountability has a positive relationship.
H3: Accountability and sustainable development have a positive relationship.
H4: Transparency and sustainable development have a positive relationship.
H5: Good governance and sustainable development has a positive relationship.
H6: Transparency on sustainable development is mediated by accountability.
H7: Good governance and sustainable development is mediated by accountability.

METHODS

This study aims to analyze the role of green accounting in the sustainability of BUMDes in Indonesia. The approach used in this study is quantitative, relying on primary data obtained through data collection instruments in the form of questionnaires sent to BUMDes managers. The questionnaire contains questions designed to measure the implementation of green accounting, good governance, and the sustainability of BUMDes in economic, social, and environmental aspects. Meanwhile, the data analysis approach uses the Structural Equation Modeling (SEM) PLS method (Henseler et al., 2025).

The population in this study is all BUMDes in Yogyakarta, an area with very rapid BUMDes progress to the point of being ranked 2nd for BUMDes progress based on the ranking from the Ministry of Villages and PDTT. In addition, in DIY, each BUMDes has various characteristics in its empowerment business units so that it can be used as a study visit from various villages throughout Indonesia. 50 BUMDes were selected as samples in this study by considering various criteria. The sampling method refers to the research of Hair et al. (2014), which explains the minimum sample size for PLS analysis is the "10 times rule", meaning it must be greater than 10 times the maximum number of inner or outer model links pointing to any latent variable in the model (Sofyani et al., 2018). This study has four external variables leading to the latent variable, so the minimum sample collected is 40 samples, and the number of samples for this study has been met.

RESULTS AND DISCUSSION

PLS evaluation of the structural or inner model is used to see and predict the relationship between latent variables. The structural or inner model is evaluated using the coefficient of Determination (R2). The Accountability demonstrates an adjusted R^2 of 0.197, indicating that approximately 19.7% of the variance in Accountability is explained by its predictors most notably, Good Governance. This modest yet meaningful proportion suggests that while governance structures significantly influence accountability mechanisms, other unmeasured factors also play a role in shaping accountability within BUMDes. On the other hand, the construct of Sustainability (representing SDG performance) exhibits a substantially stronger adjusted R^2 value of 0.536. This implies that 53.6% of the variance in sustainability outcomes is accounted for by the combined influence of Good Governance and Accountability. This result not only underscores the relevance of the proposed model but also affirms the critical role of Accountability as a key mediator, channeling the effect of Good Governance into tangible sustainability results. The considerable explanatory power of the model for the sustainability construct reinforces the structural importance of both governance and accountability in achieving SDG-related performance in rural contexts..

Table 1 Adjusted R-Square Value

Construct	R-Square	R-Square Adjusted
Accountability	0,230	0,197
Sustainability	0,564	0,536

Sumber : Output *SmartPLS v.7.0*

The following is a summary of the hypothesis testing, using three indicators as criteria for testing the hypothesis: the original sample, the t-statistic, and the p-values. The original sample is used to conclude the direction of the hypothesis (positive and negative), while the t-statistic and p-values are used to indicate significance. The significance value (one-tailed) used is 1.66 with a significance level of 5%. The hypothesis testing results provide nuanced insights into the mechanisms through which Good Governance influences SDG Performance, with a clear emphasis on the pivotal role of Accountability. When interpreted through the framework of Goal Setting Theory, these findings illuminate how clear structures (governance) and motivational mechanisms (accountability) interact to drive complex performance outcomes (SDGs). The original sample, t-statistic, and p-values are shown in Table 2 below:

Table 2 Summary of Direct Effect Testing

Hypothesis	Original Sample Estimate (O)	P-values	T-Statistics	Description
H1: Transparansi - Akuntabilitas	0,708	0,000	6,045	Supported
H2: GCG – Akuntabilitas	0,387	0,107	1,617	Not Supported
H3: Akuntabilitas – SDG	0,265	0,226	1,213	Not Supported
H4: Transparansi – SDG	0,247	0,045	1,920	Supported
H5: GCG - SDG	0,303	0,009	2,625	Supported

Sumber : Output *SmartPLS v.7.0*

Table 3 Summary of Indirect Effect Testing

Hypothesis	P-values	T-Statistics	Description
H6: Trans-Akt-SDG	0,019	1,564	Supported
H7: GCG-Akt-SDG	0,040	1,961	Supported

Sumber : Output *SmartPLS v.7.0*

Based on the hypothesis testing results presented, it can be interpreted that of the five direct hypotheses (Table 2), three hypotheses are supported (H1, H4, H5) and two hypotheses are not supported (H2, H3). Meanwhile, the two indirect hypotheses (H6 and H7) are supported (Table 3). The first test is supported with an estimate of 0.708 and a p-value of 0.000. This indicates that increased transparency positively and significantly builds organizational accountability. From the perspective of Goal Setting Theory, transparency serves as a mechanism for clarifying goals (goal clarity) and providing consistent feedback, which are key principles for ensuring that individuals and organizations are accountable for their performance. This finding aligns with previous research that highlights the crucial role of information transparency in creating a responsible environment.

In contrast, the second relationship is unsupported (p-value 0.107 > 0.05). This indicates that Good Corporate Governance (GCG) practices do not have a statistically significant direct effect on accountability in the context of this study. This failed hypothesis may be due to suboptimal GCG implementation or the presence of stronger mediator variables not included in the model. These results contradict several previous studies, which may be due to differences in organizational context or GCG measurement indicators (Junaidi et al., 2020; Omri & Ben Mabrouk, 2020a, 2020b).

Like the second hypothesis, the third hypothesis was unsupported (p-value 0.226 > 0.05). Although accountability is theoretically believed to promote the achievement of sustainable development goals (SDGs), these results indicate that accountability alone is not sufficient to influence SDG performance directly. According to Goal Setting Theory, accountability establishes commitment to goals, but achieving complex goals like the SDGs requires more specific and direct mechanisms. Hypotheses H4 (Transparency → SDGs) and H5 (GCG → SDGs) were supported with p-values of 0.045 and 0.009, respectively. This means that transparency and GCG have a positive and significant direct influence on SDG achievement. Goal-Setting Theory explains that transparency facilitates monitoring progress towards the SDGs. At the same time, an effective GCG structure helps set clear goals (goal specificity) and allocate resources to achieve them, thus directly improving performance. These findings reinforce empirical evidence from various studies emphasizing the importance of good governance and information transparency for sustainable development (Ben Youssef et al., 2018; Cavalheiro et al., 2025; Omri et al., 2019).

Furthermore, testing the indirect effects (Table 3) shows that H6 (Transparency → Accountability → SDGs) and H7 (GCG → Accountability → SDGs) are both supported.

Although accountability does not have a direct effect (H3 is rejected), it acts as a significant mediator between transparency and the SDGs and between GCG and the SDGs. This establishes the logic that transparency and GCG have a direct effect and indirectly influence the SDGs by first increasing organizational accountability. From the perspective of Goal-Setting Theory, accountability serves as a commitment mechanism that translates the principles of transparency and good governance into concrete actions that lead to achieving specific and challenging SDG goals. These mediation results are consistent with several literatures that place accountability as a key variable that bridges governance practices with performance outcomes (Chintya, 2019; Lastanti & Salim (2019), 2019; Pradnyani et al., 2024).

CONCLUSION

This research shows that transparency and Good Corporate Governance (GCG) have a dual role, both directly and indirectly through accountability mediation, in driving the achievement of the Sustainable Development Goals (SDGs). This finding underscores that although accountability does not have a direct influence, its existence as a mediator bridges governance practices and information disclosure into a measurable commitment to sustainability goals. Theoretically, this study enriches the application of Goal Setting Theory by showing that clarity of goals (through transparency) and organizational support (through GCG) must be integrated with accountability mechanisms to achieve complex goals. Practically, the implications of this study emphasize the importance of policymakers and management practitioners to simultaneously strengthen transparency and governance structures, as both have a direct impact and create accountability that ultimately drives SDG performance. For further research, it is recommended to explore other mediator variables such as innovative behavior or organizational learning, expand the scope of the sample with a longitudinal approach, and investigate the role of moderating variables such as organizational culture or stakeholder pressure that can strengthen this model.

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