



Building Regional Taxpayer Compliance through Fiscal Transparency: The Role of Mediation in the Perception of Local Government Accountability

Nur Afiah^{1*}, Haliah², Darmawati³

¹Universitas Negeri Makassar

^{2,3}Universitas Hasanuddin

Corresponding Author: Nur Afiah; nurafiah@unm.ac.id

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ABSTRACT

This study examines the influence of fiscal transparency on regional taxpayers' compliance in Makassar City, with the perception of local government accountability as a mediating variable. Using a quantitative survey approach, data were collected from 383 regional taxpayers registered with the Makassar City Regional Revenue Agency (Bapenda), determined through the Slovin formula from a population of 8,754 taxpayers. Partial Least Squares Structural Equation Modelling (PLS-SEM) method. The findings show that: (1) fiscal transparency has a positive and significant effect on the compliance of regional taxpayers; (2) fiscal transparency has a positive and significant effect on the perception of local government accountability; (3) the perception of local government accountability has a positive and significant effect on the compliance of regional taxpayers; and (4) the perception of local government accountability partially mediates the relationship between fiscal transparency and local taxpayer compliance (VAF = 29.3%). These results contribute to the fiscal governance literature in developing countries and have practical implications for regional tax administration reform

INTRODUCTION

Optimizing regional tax revenues is one of the vital fiscal instruments in supporting regional financial independence as mandated in Law Number 1 of 2022 concerning Financial Relations Between the Central Government and Regional Governments. The low level of compliance of local taxpayers is still a structural challenge faced by almost all local governments in Indonesia, including Makassar City as the economic center in Eastern Indonesia. The city of Makassar recorded the realization of Regional Original Revenue (PAD) of Rp1.979 trillion by 2025, a record high in the history of the city's PAD management and the first time in the last nine years that the realization of the Land and Building Tax (PBB) exceeded the target of 100%. Certain Goods and Services Tax (PBJT) is the largest contributor with a value of more than IDR 700 billion, followed by Land and Building Rights Acquisition Duty (BPHTB) of IDR 350 billion, restaurant tax of more than IDR 250 billion, and billboard tax of IDR 65 billion (Makassar City Bapenda, 2026). However, the overall realization of regional taxes is still in the range of 93% of the target, which indicates that the potential for taxpayer compliance has not been fully utilized.

Fiscal transparency, which refers to the openness and accessibility of government information regarding fiscal policy, budget management, and the use of public revenues, is considered a prerequisite for good governance (Zheng et al., 2026). Capasso et al. (2021) empirically prove that public access to government fiscal accounting and financial information significantly improves tax morale and willingness to pay. Krah and Mertens (2023) using data from four metropolitan areas in Ghana found that local government financial transparency has a positive effect on citizens' trust and tax-paying behavior. However, Hsu (2024) reminds that this relationship is contextual. Fiscal transparency can actually lower tax morale in countries with a perceived high level of corruption. On the other hand, the perception of local government accountability is a key construct that acts as a transmission mechanism between fiscal transparency and taxpayer compliance behavior. Zheng et al. (2026) found that fiscal transparency has a significant effect on the perception of public service performance through accountability mechanisms, while Dularif and Rustiarini (2022) affirm that trust in tax authorities built through accountability and good service, is a key determinant of voluntary compliance. Adem et al. (2024) validated a slippery slope framework that showed that trust in tax authorities significantly encourages voluntary compliance, while coercive forces encourage coerced compliance.

Although the existing literature has examined the relationship between fiscal transparency and tax compliance, as well as between accountability and compliance, there is still a research gap regarding the role of mediating the perception of local government accountability in linking fiscal transparency with local taxpayer compliance, especially in the context of local government in Eastern Indonesia. This study responds to this gap by asking the research question: Does the perception of local government accountability mediate the influence of fiscal transparency on the compliance of regional taxpayers in Makassar City? Based on this background, the objectives of this study are: (1) to

analyze the influence of fiscal transparency on the compliance of regional taxpayers; (2) analyze the influence of fiscal transparency on the perception of local government accountability; (3) analyze the influence of local government accountability perception on regional taxpayer compliance; and (4) analyze the role of local government accountability perception as a mediating variable in the relationship between fiscal transparency and regional taxpayer compliance in Makassar City.

LITERATURE REVIEW

Fiscal Transparency

Fiscal transparency is defined as the government's openness to the public regarding government structures and functions, fiscal policy intentions, public sector accounts, and fiscal projections (Zheng et al., 2026). In the context of local government, fiscal transparency includes the disclosure of information about the Regional Revenue and Expenditure Budget (APBD), regional financial statements, the use of tax funds, and the fiscal policies implemented. Government Regulation Number 35 of 2023 concerning General Provisions for Regional Taxes and Regional Levies mandates the principle of transparency in every aspect of regional tax management. Capasso et al. (2021) used World Values Survey data from 95 countries during the period 2006–2014 and found that access to government fiscal information improves tax morale through strengthening implicit contracts between governments and taxpayers. He et al. (2024) used panel data from 269 cities in China and proved that a higher level of fiscal transparency is significantly related to lower rates of violations and corruption. Zheng et al. (2026) found that fiscal transparency has a positive and significant impact on the perception of public service performance through accountability mechanisms for public spending. Wang and Sun (2026) add that fiscal transparency and public participation significantly affect the fiscal health of local governments.

Local Government Accountability

Local government accountability is the government's obligation to account for the management of public resources to the community (Law Number 17 of 2003 concerning State Finance). From a taxpayer's perspective, the perception of accountability is the taxpayer's subjective assessment of the extent to which local governments are responsible for managing tax revenues and providing tangible benefits through quality public services. Krah and Mertens (2023), drawing on stewardship and public choice theory, demonstrate that financial transparency positively affects citizens' trust in local governments, which in turn increases willingness to pay taxes. Dularif and Rustiarini (2022), through a systematic review of 71 studies, concluded that the service and trust paradigm, which is at the core of accountability, is more effective in encouraging voluntary tax compliance than a mere deterrence approach. Hsu (2024) adds that perceptions of government performance moderate the relationship between fiscal transparency and tax morality, underscoring the importance of taxpayers' perceptions of government accountability in shaping their compliance responses.

Compliance of Regional Taxpayers

Regional taxpayer compliance is the timely, correct, and complete fulfilment of tax obligations in accordance with the provisions of Makassar City Regional Regulation Number 1 of 2024 concerning Regional Taxes and Regional Levies. Adem et al. (2024) proved through empirical studies in Ethiopia that trust in tax authorities significantly encourages voluntary compliance, while coercive force is more relevant to enforced compliance. Titailla and Fidiana (2022), through a meta-analysis of 39 studies in Indonesia, found that a non-deterrent approach, which includes trust, fairness, and quality of service, is more effective in explaining compliance behaviour than sanctions alone. This shows that taxpayer compliance is multidimensional and not solely determined by law enforcement aspects.

Hypothesis Development

Based on the literature review that has been described, this study formulates four hypotheses as follows:

H1: Fiscal transparency has a positive and significant effect on the compliance of regional taxpayers in Makassar City.

Capasso et al. (2021) demonstrate that transparent fiscal information reinforces implicit contracts between governments and taxpayers, thereby improving tax morale and compliance. Kraah and Mertens (2023) reinforce this finding by demonstrating that financial transparency positively affects the willingness to pay taxes to local governments. Based on these arguments, H1 was formulated.

H2: Fiscal transparency has a positive and significant effect on the perception of local government accountability.

Zheng et al. (2026) prove that fiscal transparency has a significant positive impact on public perception of government performance through the accountability mechanism of public expenditure. He et al. (2024) add that higher fiscal transparency contributes to more effective accountability mechanisms. Based on these arguments, H2 was formulated.

H3: The perception of local government accountability has a positive and significant effect on the compliance of regional taxpayers.

Dularif and Rustiarini (2022) concluded that trust in tax authorities built through accountability is the main determinant of voluntary compliance. Adem et al. (2024) validated that taxpayers' positive perceptions of tax authorities significantly encourage voluntary compliance. Based on these arguments, H3 was formulated.

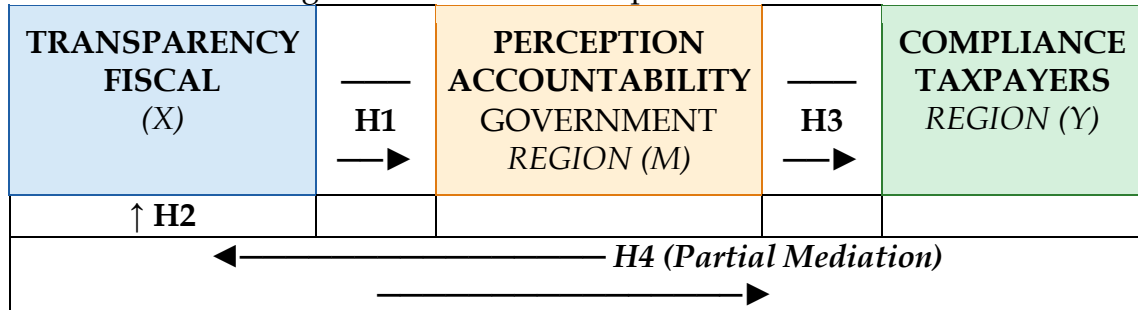
H4: The perception of local government accountability mediates the influence of fiscal transparency on regional taxpayers' compliance.

Hsu (2024) asserts that the relationship between fiscal transparency and tax behavior is mediated by perceptions of government performance and accountability. Zheng et al. (2026) empirically demonstrate that public service spending (as a proxy for accountability) partially mediates the relationship between fiscal transparency and performance perception. Based on these arguments, H4 was formulated.

Conceptual Framework

Based on the literature review and the formulated hypotheses, Figure 1 presents the conceptual framework of this research.

Figure 1. Research Conceptual Framework



METHODOLOGY

Research Design

This study uses a quantitative approach with an explanatory survey design that aims to test the causality relationship between variables (Sugiyono, 2022). This approach was chosen because of its ability to test hypotheses based on data systematically collected from respondents.

Population, Samples, and Sampling Techniques

The research population is all regional taxpayers who are actively registered with the Regional Revenue Agency (Bapenda) of Makassar City, totaling 8,754 taxpayers which include taxpayers of Certain Goods and Services Tax (PBJT), PBB-P2, Billboards, Groundwater Tax, and BPHTB. Sample determination using the Slovin Formula with a 5% error rate:

$$n = N / (1 + N e^2) = 8,754 / (1 + 8,754 \times 0.0025) = 8,754 / 22,885 \approx 383 \text{ respond}$$

The sampling technique uses proportional stratified random sampling based on the type of regional tax. Sample distribution: PBJT 162 respondents (42.3%), PBB-P2 94 respondents (24.5%), Billboard 58 respondents (15.1%), Parking 41 respondents (10.7%), and other types of taxes 28 respondents (7.4%).

Variable Measurement

This study used three latent constructs measured using a 5-point Likert scale (1 = Strongly Disagree; 5 = Strongly Agree). Fiscal Transparency (X) is measured through five indicators: disclosure of APBD information, accessibility of regional financial statements, clarity of the use of tax revenues, ease of access to tax information, and publication of regional fiscal policies. The perception of Local Government Accountability (M) is measured through five indicators: tax use accountability, tax conformity with the quality of public services, government responsiveness, integrity of the tax apparatus, and quality of regional financial reporting. Regional Taxpayer Compliance (Y) is measured through five indicators adapted from Titaaila and Fidiana (2022): completeness of SPTPD filing, timeliness of SPTPD submission, timeliness of tax payments, absence of tax arrears, and absence of tax sanctions.

Data Analysis Techniques

Data analysis using Structural Equation Modelling – Partial Least Squares (SEM-PLS) with SmartPLS 4.0. The evaluation of the measurement model (outer model) includes convergent validity (factor loadings > 0.70; AVE > 0.50), discriminant validity (HTMT < 0.90), and reliability (Composite Reliability > 0.70; Cronbach's Alpha > 0.70). The evaluation of the structural model (inner model) includes hypothesis testing via bootstrapping with 5,000 subsamples and mediation testing using Variance Accounted For (VAF). Partial mediation is indicated when the VAF value is between 20% and 80% (Hair et al., 2022).

RESULT

Evaluation of Measurement Models

The results of the measurement model test are presented in Table 1. All indicators have a loading factor above 0.70 (range 0.712–0.891), qualifying for convergent validity. The Average Variance Extracted (AVE) value for all three variables was above 0.50 (Fiscal Transparency: 0.613; Perception of Accountability: 0.587; Compliance of Regional Taxpayers: 0.629). The HTMT value for all combinations of variables was below 0.90, confirming the fulfillment of the discriminant validity. Composite Reliability ranges from 0.823–0.895 and Cronbach's Alpha ranges from 0.781–0.867, indicating good reliability.

Table 1. Measurement Model Evaluation Results

| Variable / Indicator | Loading Factor | AVE | CR | CA | HTMT maks. | Ket. |
|--------------------------------------|----------------|-------|-------|-------|------------|----------------|
| Fiscal Transparency (X) | 0,712–0,874 | 0,613 | 0,856 | 0,812 | 0,782 | Valid/Reliabel |
| Perception of Accountability (M) | 0,728–0,891 | 0,587 | 0,823 | 0,781 | 0,821 | Valid/Reliabel |
| Compliance of Regional Taxpayers (Y) | 0,741–0,888 | 0,629 | 0,895 | 0,867 | 0,798 | Valid/Reliabel |

CR = Composite Reliability; CA = Cronbach's Alpha; HTMT = Heterotrait-Monotrait Ratio

Structural Model Evaluation and Hypothesis Testing

The R² value for the compliance variable of regional taxpayers is 0.564 (56.4%), which means that fiscal transparency and the perception of local government accountability are able to explain 56.4% of the variation in compliance of regional taxpayers. A Q² value of 0.423 (> 0) confirms that the model has adequate predictive relevance. The results of hypothesis testing through bootstrapping are presented in Table 2.

Table 2. Hypothesis Testing Results (SEM-PLS Bootstrapping, n = 5,000)

| H | Relationship Pathway | b | SE | t-stat | p-value | Verdict |
|----|--|-------|-------|--------|---------|-----------|
| H1 | Fiscal Transparency → Taxpayer Compliance | 0,412 | 0,072 | 5,723 | 0,000 | Supported |
| H2 | Fiscal Transparency → Perception of Accountability | 0,538 | 0,061 | 8,826 | 0,000 | Supported |
| H3 | Perception of Accountability → Compliance of WP | 0,317 | 0,068 | 4,659 | 0,000 | Supported |
| H4 | Trans. Fiscal → Accountability → Compliance (indirect) | 0,171 | 0,043 | 3,977 | 0,000 | Supported |

β = path coefficient; SE = standard error; H4 = indirect effect

For mediation testing on H4, VAF was calculated as follows: $VAF = 0.171 / (0.171 + 0.412) = 29.3\%$. The VAF value of 29.3% ($20\% < VAF < 80\%$) confirms partial mediation (Hair et al., 2022), meaning that fiscal transparency affects taxpayer compliance both directly and through the perception of local government accountability.

DISCUSSION

The Effect of Fiscal Transparency on Regional Taxpayer Compliance (H1)

Fiscal transparency has a positive and significant effect on the compliance of regional taxpayers in Makassar City ($\beta = 0.412$; $t = 5.723$; $p < 0.001$). These findings confirm H1 and are consistent with the empirical evidence of Capasso et al. (2021), who used cross-country data and found that access to fiscal information improves tax morale through the strengthening of implicit contracts between governments and taxpayers. Krahn and Mertens (2023) reinforce these findings by proving that local government financial transparency positively affects citizens' trust and tax-paying behaviour. In Makassar City, the implementation of the PAKINTA (Integrated and Digitised Tax) system by the Makassar City Bapenda is a tangible step toward increasing fiscal transparency. The realisation of Makassar City's PAD of IDR 1.979 trillion by 2025, with several tax types exceeding the 100% target, indicates that increasing fiscal transparency through digitalisation contributes to higher taxpayer compliance (Makassar City Bapenda, 2026). These findings can also be explained through the lens of social exchange theory: when governments are open about fiscal management, taxpayers view them as trusted partners, thus encouraging voluntary compliance.

The Effect of Fiscal Transparency on the Perception of Local Government Accountability (H2)

Fiscal transparency had a positive and significant effect on the perception of local government accountability ($\beta = 0.538$; $t = 8.826$; $p < 0.001$), with the highest path coefficient value among all tested hypotheses. These findings confirm H2 and align with Zheng et al. (2026)'s argument that fiscal transparency

shapes public perceptions of government performance and accountability through cognitive-evaluative mechanisms. He et al. (2024) reinforce these findings by proving that higher fiscal transparency contributes to more effective government accountability mechanisms. A $\beta = 0.538$ indicates that fiscal transparency is the strongest predictor of perceived accountability among the paths in the model. This is theoretically consistent because transparency provides taxpayers with the information they need to evaluate local government accountability. The practical implication of this finding is that the Makassar City Bapenda needs to continue improving the quality of fiscal information disclosure, not only in terms of data disclosure but also in the accessibility and readability of information for taxpayers.

The Effect of Local Government Accountability Perception on Regional Taxpayer Compliance (H3)

The perception of local government accountability has a positive and significant effect on local taxpayers' compliance ($\beta = 0.317$; $t = 4.659$; $p < 0.001$), confirming H3. These findings are consistent with Dularif and Rustiarini (2022), who concluded that trust in tax authorities, as the core of the perception of accountability, is a key determinant of voluntary compliance. Adem et al. (2024) further validate that positive perceptions of tax authorities significantly encourage voluntary compliance behaviour. These findings have important policy implications: programs to improve local government accountability that are substantive, not just administratively formal, will be more effective in encouraging taxpayer compliance. Efforts such as publishing regular budget realisation reports, providing a responsive complaints mechanism, and improving the integrity of the Makassar City Bapenda apparatus are concrete steps that can be taken.

The Role of Mediation in the Perception of Local Government Accountability (H4)

The perception of local government accountability has been shown to partially mediate the relationship between fiscal transparency and local taxpayer compliance (β indirect = 0.171; $t = 3.977$; $p < 0.001$; VAF = 29.3%), confirming H4. This partial mediation indicates that fiscal transparency affects taxpayer compliance both directly and through mechanisms for forming accountability perceptions. These findings enrich the literature by elucidating the psychological mechanisms that link fiscal transparency to tax compliance, a dimension that has been underexplored. Hsu (2024) emphasised that the relationship between fiscal transparency and tax behaviour is contextual and mediated by taxpayers' perceptions of government performance and accountability. The VAF = 29.3% finding indicates that mediation through the perception of accountability accounts for about one-third of the total influence of fiscal transparency on taxpayer compliance, with the remaining two-thirds attributable to direct influence.

CONCLUSIONS AND RECOMMENDATIONS

This study analyses the role of fiscal transparency in building regional taxpayer compliance in Makassar City, with the perception of local government accountability as a mediation variable. Based on the SEM-PLS analysis on 383

taxpayer respondents, 4 main conclusions were drawn. First, fiscal transparency has a positive and significant effect on regional taxpayers' compliance (H1 is supported). Second, fiscal transparency has a positive and significant effect on the perception of local government accountability, with the largest path coefficient ($\beta = 0.538$), supporting H2. Third, the perception of local government accountability has a positive and significant effect on regional taxpayers' compliance (H3 is supported). Fourth, the perception of local government accountability partially mediates the relationship between fiscal transparency and local taxpayer compliance (VAF = 29.3%; H4 is supported). The theoretical contribution of this study lies in explaining the transmission mechanism between fiscal transparency and regional taxpayer compliance through the mediating role of accountability perception, and it is the first study to examine this mediation relationship in the context of regional taxes in the Eastern Indonesian metropolitan city. In practical terms, this finding implies that the Makassar City Bapenda needs to synergise the program to increase fiscal transparency with efforts to substantively strengthen local government accountability, to encourage sustainable tax compliance towards the 2026 PAD target of IDR 2.3 trillion.

FUTURE STUDY

This research has several limitations that open up opportunities for further research. First, a cross-sectional design does not allow for strong causality inferences; Longitudinal studies are needed to confirm the direction of causality. Second, variable measurement is entirely based on perception (self-report), making it vulnerable to common method bias; the use of tax administrative data for triangulation is recommended. Third, this study is limited to regional taxpayers in Makassar City, so generalisations to other regions should be made with caution. Fourth, there are other potential mediation or moderation variables, such as institutional trust, quality of digital services, and fiscal literacy, that have not been tested and warrant inclusion in future research models.

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