

Decentralised Local Governance, Political Influence and MSME Development in Indonesia

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Abstract: *The paper explores the interaction between information technology governance, organizational commitment, accountability, transparency, and political influence in the Indonesian decentralised local government, and specifically with respect to MSME-supportive governance functions. Using a cross-sectional survey design, a sample of 302 public servants, heads, senior and junior accounting officers dealing with financial management and local development programs in the district governments was used to collect the data. The proposed relationships and the mediating effects were tested with the help of Partial Least Squares Structural Equation Modelling (PLS-SEM). The findings show that information technology governance positively contributes towards accountability ($\beta = 0.305, p = 0.000$), whereas organizational commitment has a positive effect on both accountability ($\beta = 0.253, p = 0.000$) and transparency ($\beta = 0.436, p = 0.000$). The transparency, in its turn, is positively correlated with accountability ($\beta = 0.323, p < 0.000$) and mediates the correlation between organizational commitment and transparency ($\beta = 0.134, p = 0.002$). Nevertheless, accountability does not have a significant impact on political interference ($\beta = -0.093, p = 0.134$). Conversely, transparency has a conclusive effect of limiting political influence with a strong negative influence ($\beta = -0.413, p < 0.000$). The results are used to understand the concept of decentralised governance and local political economy in Indonesia, especially using the coercive isomorphism. Formal accountability mechanisms are also needed but not enough to curb the political interference in MSME-related policymaking and resource distribution. Transparency that is facilitated by digital governance, open data and access to information by the public turns out to be a more impactful tool that could be utilized to increase institutional legitimacy and protect the MSME development programmes against being politically captured. In its analysis of the essence of decentralisation in the local economic development, the study emphasises the significance of incorporating transparent reporting and participatory governance practices to facilitate inclusive, accountable and sustainable economic development in the local economy. The paper emphasizes the need to combine transparent reporting frameworks and participatory forms of governance with the aim of enhancing inclusive, accountable, and sustainable local economic development within the decentralised framework.*

Keywords: Decentralization, accountability, transparency, political influence, local government, IT governance

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Introduction

In Indonesia, decentralization was implemented to focus on the inefficiencies of the bureaucracy through decentralizing the administrative and fiscal powers of the central government to the local governments, hoping to achieve better services delivery and local autonomy (Effendi et al., 2023; Jompa et al., 2023). Decentralization, theoretically, enhances accountability, as decision-making becomes more of a proximity to citizens, thus promoting increased transparency, responsiveness, and involvement of the citizens (Askim & Bergstrom, 2022; Kosec and Wantchekon, 2020). Nevertheless, the actual application of those principles has been unequal, especially on the district level, where political interference, the limited institutional capacity, and well-established patronage networks still curtail the effectiveness of governance (Prabowo, 2018; Rustiarini et al., 2019).

The Indonesian government has a high commitment to decentralization in terms of fiscal commitment as can be witnessed through the transfer allocations per region to the tune of Rp. 814.72 trillion in 2023 (Atella et al., 2023), financial mismanagement and public sector losses persist. According to the reports of the Audit Board of Indonesia, about 75% of all state financial losses reported in the period between 2005 and 2022 were detected to be originated by local governments, a situation that highlighted some systemic vulnerabilities in transparency and financial accountability structures (Akbar et al., 2012; Sofyani et al., 2022). All these issues are further aggravated by legal restrictions, the lack of technological integration, and poor enforcement that lead to minimal regulatory compliance, ineffective delivery of services to the population, and deteriorating trust in local institutions by the population (Kirya, 2020; Pernelet and Brennan, 2023).

These weaknesses in governance stand against the very essence of good governance and make the achievement of welfare-state dreams in Indonesia impossible (Hariyani & Fakhrorazi, 2021). In this regard, fast changing technologies make Information Technology Governance (ITG) and e-government systems the key instruments of increasing accountability, reinforcing transparency, and reducing the possibility of political interference and corruption (Paterson et al., 2019). However, limited empirical studies have been done on the interaction between ITG and institutional factors to influence the outcomes of governance in district levels, especially in politically decentralized settings. This paper attempts to fill this gap by discussing governance systems that have the potential to enhance legitimacy and performance in Indonesia local governments.

This paper aims to fill this gap by investigating the effect of decentralized local governments in Indonesia on the development of MSMEs in terms of the quality of governance and political process. It also adds to the existing body of knowledge regarding the concept of decentralized governance and local political power in third world nations, especially when it comes to the development of enterprises. In practice, the research provides policy-relevant information on how to improve the institutional capacity, transparency, and accountability in designing and delivering MSME support programs at the district level to enhance more inclusive and sustainable local economic growth (Beeri et al., 2019; Ramirez, 2021).

Literature Review

The institutional theory offers a powerful perspective of organizational reactions to external pressures especially in the context of the public system of governance that are decentralizing. Originally developed by Selznick (1948) and developed further by DiMaggio and Powell (1983), institutionalism focuses on the processes through which organizations fit their environments via isomorphic processes; coercive, mimetic and normative, to earn legitimacy. The formal regulations and political pressures that lead to coercive isomorphism, as in the case of public sector institutions, require accountability and transparency, are as a matter of law (Ashworth et al., 2007). When applied to the Indonesian local government, the political actors place both formal and informal pressures in the institutional behaviour particularly relating to public financial disclosure and citizen participation (McKinnon, 2003). In this respect, transparency is more of a legitimation mechanism, which is described as openness in the disclosure of the public financial information (Schmidhuber et al., 2021).

ITG has become a key facilitator of responsibility in the decentralized models of governance. It guarantees the performance of the public sector to meet its set objectives, as well as enhance adherence to the rules (Wiedenhof et al., 2019). ITG is becoming an important tool that allows public institutions to generate reliable, timely, and traceable data and thereby improve transparency in financial management (Saeidi et al., 2019). ITG also facilitates strategic decision-making through providing precise insights into performance, which eventually contributes to trust in the services of the population (He and Ma, 2021). The facet of control of digital structures and data integrity supports the accountability systems of contemporary governance (Ashaye and Irani, 2019).

Organizational goals commitment is the institutional commitment to respect the value of integrity, fairness, and excellence of performance in the society. The organizational commitment provides the basis of the culture of accountability whereby the systematic disclosure of the financial reports to the public becomes a strategic requirement (Mamberti and Minatta, 2022). Commitment involves the long-term staying in the organisation (Adriani et al., 2023). The demands of performance and integrity by the populations increase the institutional accountability, which further increases the necessity of transparency (Cordero and Hay, 2022). Transparency, in its turn, is a structural tool of public trust and legitimacy, which allows the interested parties to access, assess, and affect the decision-making procedures (Nigri et al., 2020). Quality institutions in the form of high-quality public institutions will be committed by way of available, regular and truthful financial disclosures (Esplin et al., 2024). These constructs are connected, and they create a continuum between commitment to transparency and accountability (Kohler and Dimancesco, 2020).

Although transparency and accountability are principles of good governance, they also work in a political environment. The political power has the ability to either promote the functioning of the institution or corrupt the transparency in coercion and manipulation of the policy (Persson et al., 1997; Pozen, 2022). Transparency mechanisms may not be willing to be scrutinized by political elites who are afraid of accountability, and thus, politically, it becomes a symbolic symbol of accountability (Zheng, 2023). On the other hand, transparency may be leveraged as a political instrument to evade criticism by the public without altering anything seriously a phenomenon referred to as performative accountability (Ahrens and Ferry, 2021). These tensions are more acute in the context of decentralization, when several actors share power and control, which makes the interaction between transparency and accountability and political behaviours more striking (Almen, 2018).

The institutional theory also holds the opinion that accountability mediates the connection between external transparency and internal commitment. Ethical leaders are likely to achieve their aspirations by operationalizing them by creating a strong accountability system that leads to transparent operations (Bebbington and Unerman, 2020; Lawrence Broz, 2002). Transparency has a higher strategic value under the influence of political competition and social scrutiny, which forces organizations to make policies that transform internal commitment into external transparency (Kohler and Dimancesco, 2020; Saner et al., 2020). According to the research model (Figure 1) developed based on the results of the prior research, the study suggests the following hypotheses.

H1: Effective information technology governance is positively related to accountability.

H2: Commitment to organization is positively related to accountability.

H3: Commitment to organization is positively related to transparency.

H4: Accountability is positively related to transparency.

H5: Accountability is positively related to political influence.

H6: Transparency is positively related to political influence.

H7: Accountability mediates the relationship between commitment to organization and transparency.

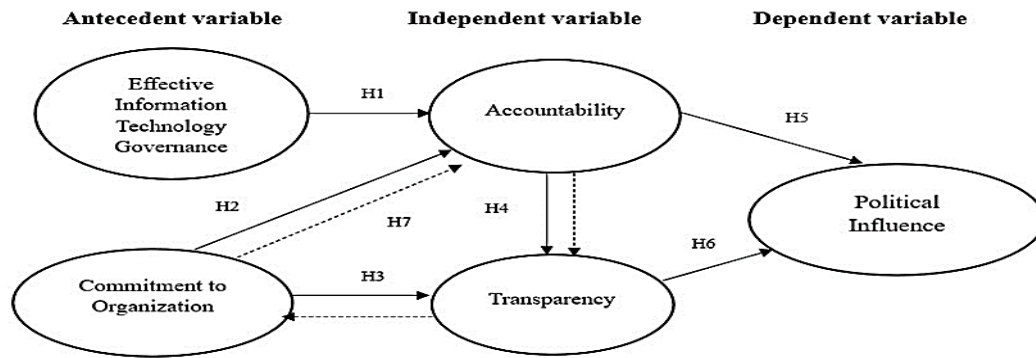


Figure 1: Research Model

Methods

The research design used in this study was cross sectional quantitative research design that was used to test the correlation between decentralisation, accountability, transparency and political influence in the local governments in the Island of Sumatra, Indonesia. The unit of analysis included local government officials with direct responsibility in public financial management, that is, heads of accounting units, senior accounting officers, and junior accounting staff. This is because a cross-sectional method was chosen to capture the perception of respondents at one moment in time and provide an effective assessment of the model of proposed research and maximizing available resources (Sekaran and Bougie, 2010).

With a positivist paradigm, self-administered questionnaires were used to collect the data. The approach was selected because it is effective in gathering a substantial amount of data in the shortest time possible and reducing bias on the part of the interviewer and prompting respondents to speak openly (Zikmund et al., 2014). The sample population was local governments in 120 local governments in Sumatra, which are financial officers. The purposive sampling technique was judgmental, as the respondents with adequate knowledge and managerial experience in the area of financial reporting and monitoring of local government performance were included. Among the 377 questionnaires mailed, 322 were returned. After the process of validation, 302 of the responses were identified as appropriate in further analysis.

The questionnaire questions were modulated on the basis of existing measuring tools in the literature. The measurement of effective Information Technology Governance (ITG) consisted of 3 items by Sofyani et al. (2020), Commitment to Organization (COR) with 15 items by Ashman, (2007), Accountability (ACC) with 14 items by Tran et al., (2020), Transparency (TRS) with 5 items by Sofyani et al. (2020). Measurement of all constructs was made on a 7-point Likert scale between 1 (strongly disagree) and 7 (strongly agree), except ACC that was measured between 1 (totally ineffective) to 7 (very effective).

The research got 302 valid responses. The demographic data of the respondents revealed that females were 62.5% and males 37.4% of the respondents. Most of them were between 38 and 50 years (43.7%), and the most popular levels of educational attainment were bachelor (63.9) and master (36) degrees. When it comes to departmental affiliation, the respondents were mainly of management (36.7) and accounting (30.7) background. On the aspect of position, 38.7 percent were senior accounting officers, 33.7 percent heads of accounting and 27.4 percent junior accounting staff. Majority of the participants had a 6 years-10 years of service to their current local government (55.6%), and 57.9% had a total career experience of 6 years-10 years. All these features are summarized in table 1.

Table 1: Respondents' Demographic Profile (N = 302)

<i>Demographic Variables</i>	<i>Category</i>	<i>Frequency</i>	<i>Percent (%)</i>
Gender	Male	113	37.42
	Female	189	62.58
Age	< 25 years	53	17.55
	25-37 years	76	25.16
	38-50 years	132	43.71
	> 50 years	41	13.58
Education	Bachelor's degree	193	63.91
	Master's degree or higher	109	36.09
Department	Accounting	93	30.79
	Management	111	36.75
	Law	15	4.97
	Others	83	27.49
Position	Head Accounting	102	33.78
	Senior Accounting	117	37.74
	Junior Accounting	83	27.48
Length of service in current local government	< 5 years	79	26.16
	6-10 years	168	55.63
	11-15 years	37	12.25
	> 16 years	18	5.96
The overall duration of professional experience (from the start of the career to the present).	< 5 years	58	19.20
	6-10 years	175	57.95
	11-15 years	43	14.24
	> 16 years	26	8.61

Empirical Results

The level of effective information technology governance, commitment to organization, accountability, transparency and political influence are some of the institutional dimensions of decentralised local governance that we analysed as influencing the policy environment of MSME development in Indonesia in this study. The descriptive statistics were used to show to what extent the five variables are under consideration. Nevertheless, in case all information is obtained in one type and at one point in time, there is a possibility of Common Method Variance (CMV) that can influence the reliability of the research (Podsakoff et al., 2003). In order to estimate this risk, the researcher used Harman one factor test. The findings showed that the variables were clusterable into five different variables where the first variable had a variance of only 32.72 percent of the variance, which is far less than 50 percent. On this discovery, the authors concluded that CMV was not a great risk in this study. Even though the problem is significant, it does not affect the research validity (Tehseen et al., 2017).

The intent of construct validity testing is to consider how much the results that are obtained due to the particular measurement correspond to the decentralised governance, political influence, and institutional performance based (Sekaran and Bougie, 2010). When a correlation value is greater than 0.7, then the indicator is considered to be reliable. However, in the developmental stage, correlation coefficients between 0.5 and 0.7 are yet to be defined as acceptable (Hair et al., 2017). When the analysis was first conducted, the scores of some of the constructs were found not to be within the expected ranges. Hence, we remove it, i.e. PIN 3, PIN 9, COR 3, COR 7, COR 9, COR 11, COR 12, and COR 15. Once it has been deleted, we retest the data. The rest of the items in this way confirm the construct validity (Hair et al., 2010).

We then determined convergent validity, which measures the extent to which different indicators to measure the same construct are consistent. This has been tested in accordance with factor loadings and Average Variance Extracted (AVE) (Hair et al. 2010). Table 2 revealed that, all the item loadings were more than the recommended value of 0.5 (Hair et al., 2010), the AVE score of each of the items also met the required standard of above 0.5 (Barclay and Thompson, 1995; Fornell and Larcker, 1981). In order to further investigate the internal consistency of the measurement items we used values of Cronbach alpha and composite reliability. Table 6 demonstrates that all alpha values were not less than the minimum value of 0.6 (Chin et al., 2003), whereas the composite reliability values were not lower than the acceptable value of 0.70 or higher (Fornell & Larcker, 1981). These findings prove that measurement tools adopted in the current study are valid and suitable to the examination of how decentralised local governance and political influence institutional conditions applicable in MSME development. Thus, it was determined that measurement scales applied in this study were reliable.

Table 2: Reliability Analysis

<i>Construct</i>	<i>Code</i>	<i>Loading</i>	<i>AVE</i>	<i>Cronbach's Alpha</i>	<i>Composite Reliability</i>	<i>VIF</i>
Accountability	ACC1	0.773	0.671	0.962	0.966	1.345
	ACC2	0.793				
	ACC3	0.849				
	ACC4	0.825				
	ACC5	0.747				
	ACC6	0.832				
	ACC7	0.787				
	ACC8	0.835				
	ACC9	0.752				
	ACC10	0.978				
	ACC11	0.794				
	ACC12	0.845				
	ACC13	0.812				
	ACC14	0.820				
Commitment to organization	COR1	0.836	0.766	0.961	0.967	1.488
	COR2	0.983				
	COR4	0.899				
	COR5	0.853				
	COR6	0.845				
	COR8	0.892				
	COR10	0.837				
	COR13	0.910				
	COR14	0.811				
Effective IT Governance	ITG 1	0.949	0.795	0.870	0.921	1.031
	ITG 2	0.876				
	ITG 3	0.848				

Political Influence	PIN1	0.877	0.792	0.978	0.980	1.060					
	PIN2	0.932									
	PIN4	0.896									
	PIN5	0.889									
	PIN6	0.859									
	PIN7	0.858									
	PIN8	0.871									
	PIN10	0.878									
	PIN11	0.882									
	PIN12	0.865									
	PIN13	0.917									
	PIN14	0.847									
	PIN15	0.991									
	Transparency	TRS1					0.794	0.668	0.874	0.909	1.224
		TRS2					0.926				
TRS3		0.789									
TRS4		0.760									
TRS5		0.808									

The discriminant validity that measures the ability of the items to differentiate between different constructs or concepts was also tested with the help of the correlation between constructs that could be similar. The test of discriminant validity in this study was assessed using the correlation between the constructs that depict Information Technology Governance, organizational commitment, accountability, transparency, and political influence as important dimensions of decentralised local governance that determine MSME development.

Table 3 indicates that the correlation of each construct to itself is stronger than any other construct. This shows that the measurement items successfully distinguish the different constructs of governance which are related to them that the discriminant validity criteria have been achieved. The results point to the fact that the constructs represent distinctive areas of institutional performance, political impact, and governance processes that are pertinent in promoting the development of MSME at the local level (Gefen and Straub, 2005).

Table 3: Validity Analysis

<i>Variables</i>	<i>ACC</i>	<i>COR</i>	<i>ITG</i>	<i>PIN</i>	<i>TRS</i>
ACC	0.819				
COR	0.428	0.875			
ITG	0.445	0.573	0.892		
PIN	-0.308	-0.275	-0.170	0.890	
TRS	0.507	0.573	0.473	-0.455	0.817

According to its specifications, the R 2 value is used as a measure of how well each variable in a structural model is explained. The endogenous latent variables in this study, namely, accountability (ACC), transparency (TRS), and political influence (PIN) are very strong sources of explanations, which indicate that the model represents an important selection of governance processes that affect the local-level institutional performance that is applicable in the development of MSMEs. As stated by Hair et al. (2017), the acceptable range of R 2 is 0 to 1. In this analysis, the endogenous latent variables, that is, accountability, transparency and political influence, have a high level of explanations expressed by the R2 values. Also, the communality and redundancy values are measured to provide even more evidence to the validity of the structural model. A structural model is assumed to be stronger at a communality of above 0.4 and redundancy of less than 0.10. The values of the structural model of all the four variables are given in Table 4. As it is stated, all constructs meet the communality requirements. In the construct, the ACC, TRS and PIN constructs satisfy the verification criterion. Although ACC and PIN have slightly higher

values on redundancy, they are acceptable considering their acceptable values of R² and communality. These findings confirm the correctness of the structural model and give a credible account of the connection between the mechanisms of decentralised governance, political influence, and institutional factors and the development of MSME. All constructs are thus in a position to test the structural model.

Table 4: Structural Model Specifications

<i>Constructs</i>	<i>R²</i>	<i>Communality</i>	<i>Redundancy</i>
ACC	0.243**	0.614	0.155
COR	Predictor	0.695	Predictor
ITG	Predictor	0.563	Predictor
PIN	0.215**	0.752	0.164
TRS	0.413***	0.499	0.266

Note: Significance level R² >0.32 (Substantial)***, >0.15 (moderate)**, >0.02 (weak)*.

Finally, the analysis of the measurement model and the structural model proves the fact that the data meet all the required assumptions. The constructs have good reliability, convergent, and discriminant validity and structural model has satisfactory explanatory power, predictive relevance, and overall fit. Such results present a solid basis of later hypothesis testing (Table 5) as well as the interpretation of the relationships between decentralised local governance, political influence, and MSME development in Indonesia.

Table 5: PLS Bootstrapping Results

<i>Relationship</i>	<i>Hypotheses</i>	<i>Std. Beta</i>	<i>Std. Dev</i>	<i>T values</i>	<i>P-Values</i>	<i>Conclusion</i>
ITG - ACC	H1	0.305	0.057	5.236***	0.000	Supported
COR - ACC	H2	0.253	0.063	4.079***	0.000	Supported
COR - TRS	H3	0.436	0.072	6.090***	0.000	Supported
ACC - TRS	H4	0.323	0.075	4.269***	0.000	Supported
ACC - PIN	H5	-0.093	0.068	1.500	0.134	No Supported
TRS - PIN	H6	-0.413	0.057	7.086***	0.000	Supported
COR -> ACC -> TRS	H7	0.134	0.042	3.120***	0.002	Supported as intervening

Note: *Significant: P<0.10, **Significant: P<0.05, ***Significant: P<0.01 based on the two-tailed t-statistics, as t-value greater than 1.65, 1.96 and 2.58.

This paper has examined the relationships between information technology governance (ITG), commitment to organization (COR), accountability (ACC), transparency (TRS), and political influence (PIN) to the phenomenon of decentralised local government in Indonesia, and more specifically, the development of MSMEs. There were seven hypotheses in the structural model, both direct and mediating, to determine the extent to which the governance mechanisms and institutional pressures influence the local government performance, minimize the political interference, and provide an enabling environment to MSMEs. The findings will give empirical grounds on the usefulness of transparency, accountability and IT-based governance in enhancing institutional legitimacy and encouraging equitable MSME development under decentralization.

The findings support H1, revealing a significant positive relationship between ITG and ACC ($\beta = 0.305$, $p < 0.000$). This validates the claim that good IT governance enhances the accountability mechanisms by the local governments. The findings go in line with the paper of Sofyani et al. (2020), who state that optimized IT infrastructure and systems are indispensable in the process of transparent public services. Within the Indonesia context, this finding also indicates the current government efforts to build the capacity of governance, including hiring bachelors and masters

into the government. Through better IT management and administrative proficiency, local governments have a better chance to monitor programs, allocate resources, and make sure that support is delivered to MSMEs in a fair and responsible way. This implies that IT enabled governance is critical in establishing an institutional environment that will help in development of the MSMEs in the context of decentralization.

H2 is also supported, showing that COR significantly enhances ACC ($\beta = 0.253$, $p < 0.000$). This implies that a high organizational commitment amongst the local government employees would promote improved practices of accountability. Similarly, H3 is supported ($\beta = 0.436$, $p < 0.000$), indicating that commitment also directly contributes to increased transparency. These findings align with Mamberti and Minatta (2022) and Holland et al (2018) who state that the internal values and the loyalty to the organization lead to the better level of communication and openness to the public.

Consistent with expectations, H4 is supported, confirming a strong positive relationship between ACC and TRS ($\beta = 0.323$, $p < 0.000$). It can be implied that improved accountability practices are positively correlated with improved transparency, which is in line with Park and Gil-Garcia (2020), who also highlighted that the likelihood of public institutions to offer information that is accessible, timely, and relevant to the population is high in case of a well-developed system of internal accountability. However, H5 was not supported, as ACC was not significantly related to PIN ($\beta = -0.093$, $p = 0.134$). This finding underscores the fact that despite the existence of accountability systems, they are not always effective in decreasing the level of political interference in the local governments. This finding Berenschot (2018) who notes that formal accountability mechanisms may lack enforcement or independence, particularly in politically nuanced environments like Indonesia. Though accountability has been enhanced, the political players can still influence via the informal networks and power relations.

In contrast, H6 is supported, showing that TRS significantly and negatively affects PIN ($\beta = -0.413$, $p < 0.000$). This implies that transparency is better than accountability in reducing political interference. The result is in line with the coercive isomorphism theory (Alsharari, 2020; DiMaggio and Powell, 1983), which states that organizations are pushed to initiate transparency to stay legit by political and institutional pressures. To put it in real life terms, enhanced transparency will allow the local governments to prevent excessive political influence and this means that the policies and programs, especially those aimed at the development of MSMEs, will be conducted in a just and efficient way and in accordance with the public interest.

Finally, H7 is supported, confirming that ACC mediates the relationship between COR and TRS ($\beta = 0.134$, $p = 0.002$). This mediation also brings out the significance of accountability as a tool that facilitates the translation of organizational commitment into clear practices. Highly organizational commitment leaders have greater chances of institutionalizing accountability, which consequently leads to public transparency (Aguinis and Solarino, 2019; Gardner et al., 2019). Considering the above discovery, it means that effective leadership and strong accountability systems are required to ensure that the transparency-oriented policies, especially those related to the development of MSMEs, are properly implemented and not undermined by politics in Indonesia when local authority is decentralized.

These results support institutional theory and in particular coercive isomorphism whereby organizations are responding to political and regulatory demands by undertaking formal institutions like ITG and accountability measures. But the fact that the effect of accountability on the decrease of the political interference is still limited implies that more structural and cultural changes are required in addition to the formal obedience. On the whole, the research adds to the literature on the topic of governance to the community by unveiling the subtle connections between commitment, accountability, and transparency and showing the multifaceted nature of the role played by politics in the development of institutional outcomes. These findings, as far as the governance lessons are concerned, indicate that it is essential to empower the local government structures to support the process of equitable decision-making and the distribution of resources to MSMEs. Political pressure is also a burning issue and can lead to corruption of the program implementation and the transparency and civil control are necessary. Therefore, maximizing transparency does not only reduce unnecessary political influence but it is also the direct contribution to successful development and growth of MSMEs on the district level. It turns out that transparency is a more

effective instrument than accountability to overcome political meddling and, therefore, open data policies, open disclosures, and civic participation should be emphasized in the governance reforms.

Conclusion

This research paper set out to specify the interaction of information technology governance (ITG), organizational commitment (COR), accountability (ACC) and transparency (TRS) in influencing political interference (PIN) in the local governments in Indonesia. The findings showed that accountability is greatly improved with good IT governance in place and organization commitment is very important in facilitating accountability and transparency. These findings support the role of internal capacity and leadership in promoting the good governance practice. Although accountability was identified to enhance transparency to a large extent, it did not have a direct impact of reducing the influence of politics. Transparency, on the contrary, had a strong and negative correlation with political interference, indicating that open government is more effective than internal system of control alone in refusing political manipulation. In addition, the research corroborated the intermediating effect of accountability in organizational commitment and transparency, which is also structural in the governance process. Such findings contribute to the comprehension of the issue of the public government in the framework of decentralized mechanisms, which should be considered as an essential and significant aspect of institutional changes that should be developed not only through changes in the organization but also through the implementation of cultural and spiritual changes and the presence of a decent commitment of the leaders to the changes. The solution is clear practices with good IT infrastructure and moral organizational cultures to curtail political influence and enhance social confidence. Governance wise, the findings reveal that transparency and accountability in the district level is very important in ensuring that development programs in MSMEs are fairly and effectively conducted. It can be concluded that by minimizing political interference, the local government is able to establish a stable, balanced environment that facilitates the growth of MSMEs, their innovation, and their access to the state resources.

The research paper also presents various opportunities of further studies. First, longitudinal research studies could be conducted to determine the impacts of changes in political leadership on transparency and accountability in the long-term. Second, qualitative research is required to understand the functioning of political influence on the levels of local government. Lastly, cross-national research would help prove these results and investigate the impact of institutional, cultural and political setting on the outcomes of governance in other developing economies. It would also be possible in the future to look at the direct effects of better governance and less political interference to the performance of MSMEs, their sustainability, and contribution to the local economy and further relate reforms in the public sector to real economic results.

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