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THE EFFECT OF SERVICE QUALITY ON FINANCIAL PERFORMANCE: THE MODERATING ROLE OF SCHOOL TRANSPARENCY

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Abstract
This study was conducted to examine the impact of service on the financial performance of schools, moderated by transparency practices at SMK Muhammadiyah 1 Pemalang. The background of this research stems from the urgency of service quality and school governance systems in efforts to strengthen the effectiveness of financial management in the education sector. A qualitative method with a case study design was used as the approach in this study. Data collection was carried out through in-depth interviews, observations, and documentation involving the principal, treasurer, administrative staff, teachers, and the school committee. Data analysis was performed through data presentation and drawing conclusions. The results of this study show that service has a significant influence on the financial performance of the school. Administrative services, academic services, and good organizational communication can enhance the effectiveness of financial management while strengthening stakeholder trust in the school. This study also found that school transparency can moderate the effect of service on financial performance through information openness and accountability in managing educational funds. Organizational legitimacy can be strengthened by school transparency, while stakeholder participation in overseeing school financial management also increases. Theoretically, this study reinforces Good Governance Theory and Stewardship Theory in the context of educational management, while practically it provides important implications for school administrators to improve service quality and transparency in order to create effective, accountable, and sustainable educational governance.

Keywords: Service, Financial Performance, School Transparency, Moderation, Educational Governance.

1. Introduction

Improving service quality in educational institutions has become a global issue that continues to receive considerable attention because it is directly related to organizational management effectiveness and the success of educational institutions in achieving their strategic objectives. The development of the digital era, increasing public demands for high-quality public services, and competition among educational institutions have encouraged schools to continuously improve their service quality. According to Ramadona (2020), quality service in educational institutions is not only related to administrative aspects but also reflects the professionalism of overall school organizational management. This condition is further reinforced by increasing demands for transparency in school financial management, which has become an indicator of public trust in educational institutions. Transparency and optimal service are considered important factors in enhancing the effectiveness of school resource management. This situation indicates that service quality and transparency are two interrelated aspects in creating high-quality educational organizational performance.

The phenomenon of increasing demands for school service quality also occurs in many developing countries, including Indonesia. Educational organizations are required to provide services that are responsive, accurate, transparent, and accountable to the public as part of the implementation of good governance in the education sector. According to Sihombing and Arsani (2020), transparency significantly influences organizational performance improvement by fostering public trust and enhancing the effectiveness of financial management. This condition demonstrates that quality service cannot be separated from a transparent financial management system. Poor service quality and limited financial information disclosure may reduce public trust in schools. Another consequence is weakened public oversight of educational fund utilization, which may potentially lead to inefficiencies in school financial management.

The concept of service in educational organizations has evolved from an administrative approach to a service quality management approach that focuses on stakeholder satisfaction. From the perspective of public service theory, service quality is influenced by an organization's ability to provide responsive, effective, and user-oriented services. According to Noor (2022), school service quality is affected by organizational work culture and discipline, which subsequently influence the effectiveness of educational services. This condition indicates that quality service not only affects user satisfaction but also contributes to overall organizational performance. High-quality services can improve school operational efficiency and support more optimal financial management. Therefore, service quality is considered one of the key factors in improving school financial performance.

Financial performance is an important indicator in assessing the ability of educational organizations to manage resources effectively and efficiently. Performance refers to the level of achievement attained by an organization in carrying out activities and accomplishing predetermined objectives, reflected in its ability to manage resources effectively and sustainably (Selfiani et al., 2024). The measurement of financial performance is not solely oriented toward budget achievement but also relates to the effectiveness of educational fund utilization in supporting school services. According to Sriyanto et al. (2023), financial performance can be measured through effectiveness, efficiency, and the organization's ability to manage budgets optimally. In the school context, sound financial management supports the improvement of educational service quality and the sustainability of school operations. This condition demonstrates that the relationship between service quality and financial performance is closely interconnected. The better the quality of services provided by schools, the greater the opportunity to achieve effective and efficient financial management.

One of the common problems in school management is the low quality of services accompanied by weak transparency in financial management. Several schools still face challenges in providing information regarding budget utilization to the public and educational stakeholders. According to Anggraini et al. (2020), transparency and accountability issues in school financial management remain prevalent, resulting in low public participation in budget oversight. This condition indicates that the services provided by schools have not been fully supported by adequate transparency systems. If this situation persists, it may reduce public trust and hinder the effectiveness of school financial management. Therefore, efforts to improve service quality supported by transparency are necessary to create better financial performance.

The urgency of this research is driven by several critical factors. First, the increasing demands for transparency in school financial management have become an indicator of public trust in educational institutions, yet many schools still face challenges in providing information regarding budget utilization to the public and educational stakeholders (Anggraini et al., 2020). Second, quality service in educational institutions reflects the professionalism of overall school organizational management, yet low service quality and limited financial information disclosure may reduce public trust and weaken public oversight of educational fund utilization. Third, the relationship between service quality and financial performance in educational institutions remains underexplored, particularly in the context of school financial management transparency. Fourth, while transparency is widely recognized as a key factor in improving organizational performance, its moderating role in the relationship between service quality and financial performance has not been extensively studied in the Indonesian educational context. Fifth, the gap between the ideal of good governance in the education sector and the reality of weak transparency and accountability in school financial management necessitates empirical investigation to provide evidence-based recommendations for policy improvement.

The research gap in this study lies in the limited understanding of how service quality influences financial performance in educational institutions and how transparency moderates this relationship. While previous studies have examined the direct effects of service quality on organizational performance, the indirect pathways through which service quality translates into financial performance remain underexplored. Additionally, most previous studies have focused on the corporate or public sector context, leaving a significant gap in knowledge regarding the dynamics of service quality, transparency, and financial performance in educational institutions. Furthermore, empirical evidence on the moderating role of transparency in the relationship between service quality and financial performance remains limited, particularly in the Indonesian school context, where schools must balance service delivery with financial accountability and public trust.

The novelty of this research lies in several aspects. First, this study focuses on the Indonesian school context, which represents a unique setting characterized by increasing public demands for transparent and accountable school financial management, making it an ideal context for examining the relationship between service quality, transparency, and financial performance. Second, this study develops an integrative model that simultaneously examines the influence of service quality on financial performance with transparency as a moderating variable, providing a more comprehensive understanding of the determinants of school financial performance. Third, this study positions transparency as a moderating variable, enabling the examination of whether transparency strengthens or weakens the relationship between service quality and financial performance. Fourth, this study contributes to the limited empirical evidence on the application of Good Governance Theory and Stewardship Theory in the educational context, providing insights into how service quality and transparency interact to influence financial performance. Fifth, this study offers practical implications for schools, governments, and educational stakeholders in improving school financial management through enhanced service quality and transparency.

The purpose of this study is to examine the effect of service quality on financial performance, with transparency as a moderating variable, in educational institutions. Specifically, this research aims to: (1) analyze the effect of service quality on financial performance; (2) analyze the moderating role of transparency in the relationship between service quality and financial performance; and (3) provide empirical evidence on the application of Good Governance Theory and Stewardship Theory in the educational context.

The contribution of this research is multifaceted. From a theoretical perspective, this research contributes to the enrichment of literature on service quality, transparency, and financial performance by proposing and testing an integrative model that links service quality with financial performance, incorporating transparency as a moderating variable. The findings contribute to the understanding of how service quality influences financial performance and how transparency moderates this relationship, thereby extending the application of Good Governance Theory and Stewardship Theory to the context of educational institutions in Indonesia. From a practical perspective, this study provides actionable insights for schools, governments, and educational stakeholders in assessing and managing school service quality and financial performance. For schools, the findings provide guidance on which aspects of service quality most significantly influence financial performance and how transparency can enhance this relationship. For governments and policymakers, the results offer empirical evidence to support the development of more effective policies and regulations for improving school financial management transparency and accountability. For educational stakeholders, this study provides insights into how service quality and transparency interact to influence financial performance, enabling more informed decision-making in educational governance.

2. Theoretical Background

2.1 Good Governance Theory

Good Governance Theory emphasizes the importance of transparency, accountability, effectiveness, and participation in the management of public organizations, including educational institutions. According to Setyanto et al. (2022), transparency in financial management within educational institutions can enhance organizational effectiveness and strengthen stakeholder trust. The principles of good governance ensure that organizations operate with integrity, openness, and responsibility, which are essential for maintaining public confidence in public service delivery. In the context of schools, good governance is particularly important because educational institutions manage public funds that require a high level of accountability and oversight. The application of good governance principles in schools includes transparent financial reporting, accountable budget utilization, and active stakeholder participation in school management.

2.2 Stewardship Theory

Stewardship Theory explains that organizational managers tend to act in the best interests of the institution when adequate monitoring systems and transparency mechanisms are in place. Unlike Agency Theory, which assumes that managers act opportunistically, Stewardship Theory posits that managers are motivated to achieve organizational goals and act as responsible stewards of organizational resources. This theory suggests that transparency and accountability mechanisms can enhance managerial commitment and improve organizational performance. In the school context, stewardship theory implies that school administrators, when supported by transparent systems and accountability mechanisms, are more likely to manage educational funds effectively and efficiently. The evolution of these theories suggests that transparency should not merely be viewed as an administrative obligation but also as a strategic instrument for improving organizational performance.

2.3 Service Quality

Service quality in educational institutions refers to the ability of schools to provide services that meet or exceed stakeholder expectations. According to Ramadona (2020), quality service in educational institutions is not only related to administrative aspects but also reflects the professionalism of overall school organizational management. From the perspective of public service theory, service quality is influenced by an organization's ability to provide responsive, effective, and user-oriented services. Noor (2022) found that school service quality is affected by organizational work culture and discipline, which subsequently influence the effectiveness of educational services. Quality services can improve school operational efficiency and support more optimal financial management. Therefore, service quality is considered one of the key factors in improving school financial performance.

2.4 Transparency

Transparency in school financial management refers to the openness and accessibility of financial information to stakeholders, including parents, communities, and government agencies. According to Sihombing and Arsani (2020), transparency significantly influences organizational performance improvement by fostering public trust and enhancing the effectiveness of financial management. Anggraini et al. (2020) found that transparency and accountability issues in school financial management remain prevalent, resulting in low public participation in budget oversight. Transparency enables stakeholders to monitor the use of educational funds and ensures that resources are utilized effectively and efficiently. In the school context, transparency is crucial because it is closely related to monitoring the use of educational funds originating from both government and community sources. Limited information disclosure may lead to negative public perceptions of school fund governance and potentially damage the reputation of educational institutions.

2.5 Financial Performance

Financial performance is an important indicator in assessing the ability of educational organizations to manage resources effectively and efficiently. Performance refers to the level of achievement attained by an organization in carrying out activities and accomplishing predetermined objectives, reflected in its ability to manage resources effectively and sustainably (Selfiani et al., 2024). The measurement of financial performance is not solely oriented toward budget achievement but also relates to the effectiveness of educational fund utilization in supporting school services. According to Sriyanto et al. (2023), financial performance can be measured through effectiveness, efficiency, and the organization's ability to manage budgets optimally. In the school context, sound financial management supports the improvement of educational service quality and the sustainability of school operations.

2.6 Empirical Review

Previous studies have primarily focused on the influence of transparency and accountability on organizational performance. However, studies specifically examining the effect of service quality on financial performance with school transparency as a moderating variable remain limited. Sihombing and Arsani (2020) focused on the influence of transparency on local government performance, while Ramadona (2020) concentrated on transparency in school financial management. Similarly, Sriyanto et al.

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(2023) emphasized the analysis of financial performance effectiveness and efficiency without integrating organizational service aspects.

Wasliman et al. (2023) found that effective school services implemented through the Balanced Scorecard approach can improve school performance, including the financial perspective. Their findings indicate that the service dimension was categorized as very good and had a positive effect on school performance effectiveness. Furthermore, Rini et al. (2026) demonstrated that service responsiveness positively influences school image and management. High-quality services increase public trust, thereby supporting more effective school financial management. Jahra et al. (2026) found that transparency and educational financial service management positively affect educational program performance. Dedy et al. (2023) demonstrated that transparency positively influences financial management performance, and the presence of a moderating variable strengthens the effect of transparency on improving organizational financial performance. Wreda (2025) found that transparency positively affects local government financial performance, while supervisory mechanisms strengthen the relationship between transparency and financial performance.

These conditions indicate the existence of a research gap regarding the integration of service quality, school transparency, and financial performance within a single research model. The novelty of this study lies in the use of school transparency as a moderating variable that strengthens the relationship between service quality and financial performance.

2.7 Conceptual Framework

Based on the theoretical foundation and empirical review, this study proposes a conceptual framework that illustrates the relationships among service quality, transparency, and financial performance. The framework posits that service quality directly influences financial performance, while transparency moderates this relationship.

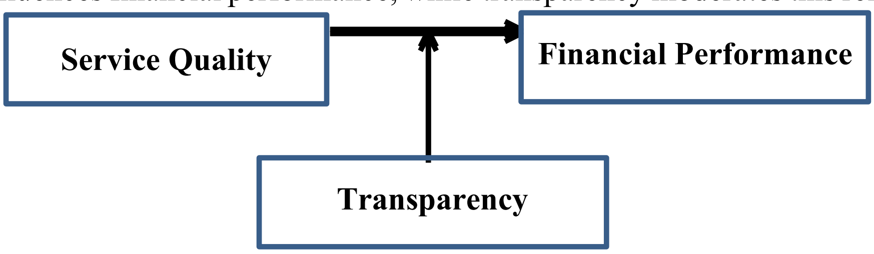

Figure 1. Conceptual Framework

Service Quality (X) → Financial Performance (Y)
Transparency (Z) moderates the relationship between Service Quality (X) and Financial Performance (Y)

2.8 Hypothesis Development

2.8.1 The Effect of Service Quality on Financial Performance

Wasliman et al. (2023) found that effective school services implemented through the Balanced Scorecard approach can improve school performance, including the financial perspective. Their findings indicate that the service dimension was categorized as very good and had a positive effect on school performance effectiveness. Furthermore, Rini et al. (2026) demonstrated that service responsiveness positively influences school image and management. High-quality services increase public trust, thereby supporting more effective school financial management. Similarly, Jahra et al. (2026) found that transparency and educational financial service management positively affect educational program performance. The better the service quality and financial transparency, the higher the performance of educational programs within schools.

The relationship between service quality and financial performance is grounded in Good Governance Theory and Stewardship Theory. When schools provide high-quality services, they build trust and reputation among stakeholders, which in turn supports more effective financial management. Quality services improve operational efficiency, reduce waste, and enhance resource utilization, all of which contribute to better financial performance. Based on these theoretical arguments and empirical findings, the following hypothesis is proposed:

H1: Service quality has a positive effect on financial performance.

2.8.2 The Moderating Role of Transparency in the Relationship Between Service Quality and Financial Performance

Jahra et al. (2026) found that financial transparency strengthens the positive relationship between educational financial service management and educational program performance. Higher levels of transparency contribute to improved educational outcomes. Dedy et al. (2023) also demonstrated that transparency positively influences financial management performance. Moreover, the presence of a moderating variable strengthens the effect of transparency on improving organizational financial performance. Likewise, Wreda (2025) found that transparency positively affects local government financial performance, while supervisory mechanisms strengthen the relationship between transparency and financial performance.

The moderating role of transparency is grounded in the principles of Good Governance Theory and Stewardship Theory. Transparency enhances the effectiveness of service quality by ensuring that stakeholders can monitor and evaluate school performance. When transparency is high, the positive effects of service quality on financial performance are amplified because stakeholders can verify that resources are being used effectively and hold school administrators accountable for their performance. Conversely, when transparency is low, the positive effects of service quality may be diminished because stakeholders lack the information needed to assess school performance and hold administrators accountable. Based on these theoretical arguments and empirical findings, the following hypothesis is proposed:

H2: Transparency moderates the relationship between service quality and financial performance.

3. Methods

3.1 Research Design

This study employs a mixed-methods approach, combining qualitative and quantitative methods through a case study conducted at SMK Muhammadiyah 1 Pemalang. The qualitative approach was selected because the study sought to comprehensively understand the phenomena of school service quality, transparency in financial management, and their impact on school financial performance within the real-life context of an educational organization. A qualitative approach enables researchers to explore in depth the meanings, experiences, and interpretations held by research participants regarding service practices and school management systems. The case study approach was adopted because the research focused on a single educational institution with distinctive governance characteristics, allowing the observed phenomena to be examined thoroughly and within their specific context. This research design is appropriate for investigating the relationships among service quality, school transparency, and financial management practices based on the principles of good governance in a private school affiliated with a religious organization. The quantitative approach complements the qualitative design by enabling statistical testing of the proposed hypotheses using numerical data derived from questionnaire responses.

3.2 Population and Sample

The population of this study consisted of stakeholders at SMK Muhammadiyah 1 Pemalang who were directly involved in school service activities and financial management processes. The study involved the principal, school treasurer, administrative staff, teachers, school committee members, and parents/guardians as research participants. Purposive sampling was employed because the study required in-depth information from individuals who possessed direct knowledge and understanding of school service practices and transparency in school management. Informants were selected based on predetermined criteria, taking into account their competence, experience, and level of involvement in matters related to the research focus.

Based on the distribution of questionnaires to one hundred respondents, the findings indicate that the majority of participants were female, totaling 53 respondents (53%), while male respondents accounted for 47 individuals (47%). In terms of age distribution, most respondents were in the 31–40 years age group, comprising 44 individuals (44%). This was followed by respondents aged 41–50 years, totaling 30 individuals (30%), respondents aged 21–30 years, totaling 23 individuals (23%), and respondents over 50 years of age, totaling only 3 individuals (3%). Regarding educational attainment, the majority of respondents held a Bachelor's degree (S1), with 46 individuals (46%). This was followed by graduates of vocational high schools (SMK) or equivalent institutions, accounting for 41 individuals (41%). Respondents with Diploma qualifications (D1, D2, and D3) totaled 12 individuals (12%), while only 1 respondent (1%) held a Master's degree (S2). These respondent characteristics indicate that the majority belonged to the productive age group and possessed relatively strong educational backgrounds. Therefore, they were expected to provide objective assessments regarding the effect of service quality on financial performance, which is moderated by the level of transparency implemented within the school.

3.3 Data Collection Techniques

Research data were collected through the distribution of questionnaires to respondents selected based on the applied sampling technique. The questionnaire instrument was developed based on the indicators of each research variable and was used to measure the variables under investigation. The service quality variable was measured using six indicators: Tangibles, Reliability, Responsiveness, Assurance, Empathy, and Service Accessibility. These indicators were utilized to assess the quality of services provided by the school to students, parents, and the community as users of educational services. The school transparency variable was measured through indicators including information disclosure, accessibility of financial information, clarity of financial reports, and openness in periodic reporting. Financial performance was measured using indicators related to the effectiveness of budget management, efficiency in fund utilization, and the school's ability to demonstrate financial accountability.

A five-point Likert scale was employed to measure all indicators, ranging from 1 (strongly disagree) to 5 (strongly agree). The assessment of these financial aspects generated quantitative data that could be further analyzed to identify the level of school financial performance. Prior to data analysis, the research instrument was tested through validity and reliability tests to ensure that each questionnaire item accurately and consistently measured the intended variables. The collected data were subsequently processed and analyzed using the Statistical Package for the Social Sciences (SPSS).

3.4 Operational Definition of Variables

The operational definitions of the variables examined in this study are presented in Table 1.

Table 1. Operational Definition and Measurement of Variables

Variable	Definition	Indicators	Scale	References
Service Quality (X)	The ability of schools to provide services that meet or exceed stakeholder expectations	Tangibles, Reliability, Responsiveness, Assurance, Empathy, Service Accessibility	Likert (1–5)	Ramadona (2020); Noor (2022)
Transparency (Z)	The openness and accessibility of financial information to stakeholders	Information disclosure, accessibility of financial information, clarity of financial reports, openness in periodic reporting	Likert (1–5)	Sihombing & Arsani (2020); Anggraini et al. (2020)
Financial Performance (Y)	The level of achievement in managing resources effectively and efficiently	Effectiveness of budget management, efficiency in fund utilization, financial accountability	Likert (1–5)	Selfiani et al. (2024); Sriyanto et al. (2023)

Source: Developed for this research (2026)

Service Quality (X) is defined as the ability of schools to provide services that meet or exceed stakeholder expectations. This variable reflects the professionalism of overall school organizational management in delivering educational services. Service quality is measured through six indicators: Tangibles (physical facilities and appearance), Reliability (ability to deliver promised services dependably and accurately), Responsiveness (willingness to help customers and provide prompt service), Assurance (knowledge and courtesy of employees and their ability to inspire trust and confidence), Empathy (caring, individualized attention provided to customers), and Service Accessibility (ease of access to school services).

Transparency (Z) is defined as the openness and accessibility of financial information to stakeholders, including parents, communities, and government agencies. This variable reflects the extent to which schools disclose financial information and enable stakeholder oversight. Transparency is measured through indicators including information disclosure, accessibility of financial information, clarity of financial reports, and openness in periodic reporting.

Financial Performance (Y) is defined as the level of achievement attained by an organization in carrying out activities and accomplishing predetermined objectives, reflected in its ability to manage resources effectively and sustainably. This variable reflects the school's ability to manage budgets optimally and demonstrate financial accountability. Financial performance is measured through indicators related to the effectiveness of budget management, efficiency in fund utilization, and the school's ability to demonstrate financial accountability.

All variables were measured using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

3.5 Data Analysis Techniques

The data used in this study were analyzed through a series of predetermined statistical procedures. All statistical analyses were performed using the Statistical Package for the Social Sciences (SPSS) software (Sugiyono, 2022). The analysis began with Descriptive Statistical Analysis to describe the characteristics of the research data, including frequency distributions, means, standard deviations, minimum, and maximum values for all variables examined. This analysis provides an overview of respondent profiles and general patterns in the data.

Prior to hypothesis testing, the research instrument was tested through validity and reliability tests to ensure that each questionnaire item accurately and consistently measured the intended variables. Validity testing uses the Pearson correlation coefficient to assess the correlation between each item and the total score, where an item is considered valid if the correlation coefficient exceeds the critical value at a significance level of 5% ($r > r$-table). Reliability testing uses Cronbach's Alpha coefficient to assess internal consistency, where a coefficient greater than 0.70 indicates acceptable reliability.

Classical assumption tests were then conducted to ensure that the regression model satisfies the required assumptions so that the estimation results are more reliable. The tests include the Normality Test using the Kolmogorov-Smirnov test with a significance level of 5% ($p > 0.05$ indicates normal distribution); the Multicollinearity Test using Tolerance and Variance Inflation Factor (VIF), where Tolerance > 0.10 and VIF < 10 indicate no multicollinearity; the Heteroscedasticity Test using the Glejser test, where $p > 0.05$ indicates no heteroscedasticity; and the Autocorrelation Test using the Durbin-Watson test, where values close to 2 indicate no autocorrelation.

The analysis continued with Multiple Linear Regression Analysis to examine the direct effect of service quality on financial performance. The regression model is formulated as follows:

$$Y = \alpha + \beta_1 X + \varepsilon$$

Where:
Y = Financial Performance
α = Constant
β_1 = Regression coefficient
X = Service Quality
ε = Error term

Furthermore, Moderated Regression Analysis (MRA) was conducted to examine the moderating role of transparency in the relationship between service quality and financial performance. The MRA model is formulated as follows:

$$Y = \alpha + \beta_1 X + \beta_2 Z + \beta_3 (X \times Z) + \varepsilon$$

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Where:
Y = Financial Performance
α = Constant
β_1–β_3 = Regression coefficients
X = Service Quality
Z = Transparency
X×Z = Interaction between Service Quality and Transparency
ε = Error term

The moderating effect is considered significant if the interaction coefficient (β_3) is statistically significant ($p < 0.05$).

Hypothesis testing was conducted using the Coefficient of Determination (R^2) to measure the extent to which the independent variables explain variations in the dependent variable, where R^2 values range from 0 to 1; the t-test to determine the partial effect of each independent variable on the dependent variable, where the hypothesis is accepted if the probability value (p-value) is less than 0.05; and the F-test to examine the overall model significance, where the model is considered significant if the probability value (p-value) is less than 0.05. All hypothesis tests are conducted at a significance level of 5% ($p < 0.05$).

4. Results and Discussion

4.1 Results

4.1.1 Descriptive Statistical Analysis

Descriptive statistics is a statistical method used to analyze data by describing or presenting the information that has been collected without attempting to draw conclusions or make generalizations about the broader population (Sugiyono, 2022).

Table 2. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Service	100	17	30	22.25	2.728
Transparency	100	15	20	19.13	1.220
Financial Performance	100	12	15	13.99	0.894
Service × Transparency	100	304.00	600.00	425.2400	56.60034
Valid N (listwise)	100				

Source: SPSS Data Processing Results (2026)

Based on the descriptive statistical analysis involving 100 respondents, the Service variable recorded a mean score of 22.25 with a standard deviation of 2.728. The Transparency variable showed a mean score of 19.13 and a standard deviation of 1.220, while the Financial Performance variable had a mean score of 13.99 with a standard deviation of 0.894. The moderating variable, represented by the interaction between Service and Transparency, obtained a mean value of 425.2400 and a standard deviation of 56.60034. These findings indicate that all three variables received relatively positive evaluations from the respondents. Furthermore, the dataset consisted of 100 valid observations, with no missing data identified during the analysis.

4.1.2 Classical Assumption Tests

The classical assumption tests were conducted to ensure that the regression model satisfies the required statistical assumptions, producing unbiased, consistent, and reliable estimation results. The tests included normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. The results of all classical assumption tests are presented in Table 3.

Table 3. Classical Assumption Test Results

Assumption Test	Indicator	Value	Threshold	Conclusion
Normality Test				
Kolmogorov-Smirnov	Test Statistic	1.172	-	-
	Asymp. Sig. (2-tailed)	0.061	> 0.05	Residuals are normally distributed
Multicollinearity Test				
Service (X)	Tolerance	1.000	> 0.10	No multicollinearity
	VIF	1.000	< 10.00	No multicollinearity
Heteroscedasticity Test				
Glejser Test	Sig. Service	0.063	> 0.05	No heteroscedasticity
Autocorrelation Test				
Durbin-Watson	DW Value	2.166	dU < DW < 4-dU	No autocorrelation

Source: SPSS Data Processing Results (2026)

The normality test was conducted using the One-Sample Kolmogorov-Smirnov Test to determine whether the residuals of the regression model were normally distributed. The results showed an Asymp. Sig. (2-tailed) value of 0.061, which exceeds the significance level of 0.05 (0.061 > 0.05), indicating that the residuals are normally distributed. The residuals also had a mean value of 0.0000000 and a standard deviation of 0.77332146. Therefore, the regression model used in this study satisfies the normality assumption and is considered appropriate for further analysis.

The multicollinearity test was conducted to detect the existence of linear relationships among the independent variables. The results indicate that the Tolerance value for the Service variable was 1.000, while the Variance Inflation Factor (VIF) value was also 1.000. These findings suggest that all variables examined in the study have Tolerance values greater than 0.10 and VIF values below the threshold of 10. Therefore, it can be concluded that the regression model does not exhibit multicollinearity problems and satisfies the multicollinearity assumption.

The heteroscedasticity test was conducted using the Glejser Test to examine whether the variance of the residuals remained constant across observations in the regression model (Ghozali, 2018). The results show that the Service variable produced a significance value of 0.063, which is greater than the significance level of 0.05. Therefore, the Service variable is not affected by heteroscedasticity. These findings indicate that the regression model does not suffer from heteroscedasticity problems, meaning that one of the classical assumptions of regression analysis has been satisfied.

The autocorrelation test was conducted using the Durbin-Watson (D-W) test to determine whether a linear relationship existed between the residuals in a particular period and the residuals from the previous period (t−1). The Durbin-Watson value for the model was 2.166. The critical values were determined based on a sample size of 100 (n = 100), two independent variables (K = 2), and a significance level of 0.05, resulting in a lower bound (dL) of 1.6337 and an upper bound (dU) of 1.7156. According to the decision criterion dU < d < 4 − dU, namely 1.7156 < 2.166 < 2.2844, it can be concluded that the regression model is free from both positive and negative autocorrelation. Therefore, the null hypothesis (H_0) is accepted.

4.1.3 Multiple Linear Regression Analysis

Multiple linear regression analysis was employed to examine the effect of service quality on financial performance, with transparency acting as a moderating variable within the school environment.

Table 4. Multiple Linear Regression Analysis Results

Model	Unstandardized Coefficients	Standardized Coefficients		t	Sig.
	B	Std. Error	Beta		
1 (Constant)	10.331	0.868		11.899	0.000
Service	0.165	0.029	0.502	5.749	0.000

a. Dependent Variable: Financial Performance
Source: SPSS Data Processing Results (2026)

Based on the results presented above, the multiple linear regression equation can be formulated as follows:

$$Y = 10.331 + 0.165X + e$$

Where:
Y = Financial Performance
X = Service Quality
e = Error term

The regression equation indicates that the constant value of 10.331 represents the level of Financial Performance when the independent variable remains unchanged or equals zero. The regression coefficient for Service Quality is 0.165 and has a positive direction, indicating that every one-unit increase in Service Quality leads to an increase of 0.165 units in Financial Performance, assuming other variables remain constant. Furthermore, the significance value of 0.000 is lower than 0.05, and the calculated t-value is 5.749, indicating that Service Quality has a positive and significant effect on Financial Performance.

4.1.4 Coefficient of Determination (Adjusted R^2)

The coefficient of determination (Adjusted R^2) measures the extent to which the independent variable explains variations in the dependent variable. A higher R-Square value, approaching one, indicates a stronger explanatory power of the independent variable.

Table 5. Coefficient of Determination (Adjusted R^2) Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.502[a]	.252	.245	.777

a. Predictors: (Constant), Service
Source: SPSS Data Processing Results (2026)

The results indicate that the Service Quality variable (X) contributes 24.5% (Adjusted $R^2 = 0.245$) to explaining the variation in Financial Performance (Y). The remaining 75.5% is influenced by other factors not included in the regression model.

4.1.5 Hypothesis Testing

Hypothesis testing was conducted to examine the direct effect of service quality on financial performance and the moderating role of transparency in this relationship. The testing included partial significance test (t-test), simultaneous significance test (F-test), coefficient of determination (R^2), and moderated regression analysis (MRA). The results of all hypothesis tests are presented in Table 6.

Table 6. Hypothesis Test Results

Test	Variable	Coefficient	t-count	t-table	Sig.	Conclusion
Direct Effect						
t-test	Service Quality (X) → Financial Performance (Y)	0.165	5.749	1.984	0.000	H_1 Accepted
F-test	Service Quality → Financial Performance		33.053	3.09	0.000	Model Significant
R^2	Adjusted R Square	0.245				24.5% explanatory power
Moderating Effect						
MRA	Service Quality (X)	0.957	2.496	1.984	0.014	Significant
	Transparency (Z)	1.239	2.686	1.984	0.009	Significant
	Interaction (X×Z)	-0.040	-2.027	1.984	0.045	H_2 Accepted

a. Dependent Variable: Financial Performance
Source: SPSS Data Processing Results (2026)

The t-test was conducted to determine the extent to which each independent variable individually contributes to explaining variations in the dependent variable. With degrees of freedom calculated as $n - 2 = 100 - 2 = 98$, the critical t-value (t-table) was 1.984. The t-test results indicate that the calculated t-value for Service Quality was 5.749, which is greater than the critical t-value of 1.984. Additionally, the significance value of 0.000 is below 0.05. Therefore, Service Quality has a significant positive effect on Financial Performance. Consequently, Hypothesis 1 (H_1), which states that Service Quality significantly influences Financial Performance, is accepted.

The F-test was conducted to examine whether the independent variable simultaneously affects the dependent variable. The F-test results reveal that Service Quality (X) simultaneously influences Financial Performance (Y). This conclusion is based on the calculated F-value of 33.053, which exceeds the critical F-value of 3.09. Moreover, the significance value of 0.000 is lower than the alpha level of 0.05.

The coefficient of determination (Adjusted R^2) measures the extent to which the independent variable explains variations in the dependent variable. The results indicate that the Service Quality variable (X) contributes 24.5% (Adjusted R^2 = 0.245) to explaining the variation in Financial Performance (Y). The remaining 75.5% is influenced by other factors not included in the regression model.

Moderated Regression Analysis (MRA) was employed to test the moderating effect of Transparency through an interaction term between the independent variable and the moderating variable. Based on the interaction test results, Service Quality exhibited a coefficient of 0.957 with a significance level of 0.014. Transparency produced a coefficient of 1.239 with a significance value of 0.009. The interaction term between Service Quality and Transparency yielded a coefficient corresponding to a t-value of

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−2.027 with a significance value of 0.045. Since the significance level is below 0.05, the interaction effect is statistically significant. These findings indicate that Transparency significantly moderates the relationship between Service Quality and Financial Performance. Therefore, Hypothesis 2 (H_2) is accepted.

4.2 Discussion

The findings reveal that Service Quality significantly influences Financial Performance at SMK Muhammadiyah 1 Pemalang. Administrative services, academic services, responsiveness of educational staff, and effective organizational communication contribute positively to the effectiveness of school financial management. High-quality services generate stakeholder satisfaction and trust, thereby supporting financial stability through increased community participation and improved operational efficiency. This finding is consistent with Wasliman et al. (2023), who found that effective school services implemented through the Balanced Scorecard approach can improve school performance, including the financial perspective.

The study also demonstrates that school Transparency moderates the relationship between Service Quality and Financial Performance. Financial information disclosure, accessibility of expenditure reports, and stakeholder involvement in organizational oversight strengthen the effect of Service Quality on the effectiveness of school financial management. The implementation of service quality and transparency practices within the school is influenced by a religious-based organizational culture that emphasizes professionalism, trustworthiness (amanah), and social responsibility in educational management.

The first hypothesis proposed that Service Quality has a positive and significant effect on Financial Performance at SMK Muhammadiyah 1 Pemalang. The t-test results support this hypothesis, with a calculated t-value of 5.749 exceeding the critical t-value of 1.984 and a significance level of 0.000, which is below 0.05. The regression coefficient of 0.165 further confirms the positive relationship. Therefore, Hypothesis 1 (H_1) is accepted. This finding aligns with the research conducted by Rini et al. (2026), who demonstrated that service responsiveness positively influences school image and management, and Jahra et al. (2026), who found that transparency and educational financial service management positively affect educational program performance.

The interaction test results demonstrate that Transparency moderates the effect of Service Quality on Financial Performance. Service Quality recorded a coefficient of 2.496 with a significance level of 0.014, while Transparency obtained a coefficient of 2.686 with a significance level of 0.009. The interaction term between Service Quality and Transparency produced a coefficient of −2.027 with a significance value of 0.045. Since all significance values are below 0.05, Transparency significantly moderates the relationship between Service Quality and Financial Performance. Accordingly, Hypothesis 2 (H_2) is accepted. This finding is consistent with Dedy et al. (2023), who demonstrated that transparency positively influences financial management performance, and Wreda (2025), who found that transparency positively affects local government financial performance.

The findings also reveal that service responsiveness positively influences the school's image and supports the effectiveness of administrative and financial management. These results are consistent with the findings reported by Rini et al. (2026). Furthermore, the study demonstrates that school transparency strengthens the relationship between service quality and financial performance. Through information disclosure and accountability in managing educational funds, organizational legitimacy is enhanced, and public trust in the school becomes stronger. These findings are consistent with the principles of Good Governance Theory, which identifies transparency as a crucial component of effective and accountable organizational governance. Similarly, Setyanto et al. (2022) found that financial transparency directly contributes to improving organizational effectiveness in educational institutions.

The context of Muhammadiyah schools suggests that service quality and transparency are influenced not only by administrative mechanisms but also by moral values and a religious-based organizational culture. Transparency is perceived as a manifestation of organizational trustworthiness (amanah) in managing educational funds responsibly for the benefit of society. This finding aligns with Stewardship Theory, which explains that organizational managers tend to act in the best interests of the institution when adequate monitoring systems and transparency mechanisms are in place. Consequently, service quality and transparency become strategic elements that support sustainable, effective, and accountable school financial performance.

5. Conclusion

This study examines the effect of service quality on financial performance, with transparency as a moderating variable, at SMK Muhammadiyah 1 Pemalang. Using multiple linear regression and Moderated Regression Analysis (MRA) on 100 respondents consisting of the principal, school treasurer, administrative staff, teachers, school committee members, and parents/guardians, the results show that service quality has a positive and significant effect on financial performance, indicating that administrative services, academic services, responsiveness of educational staff, and effective organizational communication contribute to improving the effectiveness of school financial management and strengthening stakeholder trust in the institution. Furthermore, transparency significantly moderates the relationship between service quality and financial performance, suggesting that financial information disclosure, accessibility of expenditure reports, and stakeholder involvement in organizational oversight strengthen the positive effect of service quality on the effectiveness of school financial management. The coefficient of determination (Adjusted R^2) value of 0.245 indicates that service quality explains 24.5% of the variation in financial performance, while the remaining 75.5% is influenced by other factors outside the research model.

The theoretical implications extend Good Governance Theory and Stewardship Theory to the context of educational management in Indonesia. The positive effect of service quality on financial performance supports the principles of good governance, confirming that effective service delivery enhances organizational performance and stakeholder trust. The significant moderating role of transparency reinforces Stewardship Theory by demonstrating that adequate monitoring systems and transparency mechanisms enable organizational managers to act in the best interests of the institution. The findings also demonstrate that service quality and transparency are influenced not only by administrative mechanisms but also by moral values and religious-based organizational culture, where transparency is perceived as a manifestation of organizational trustworthiness (amanah) in managing educational funds responsibly for the benefit of society.

From a practical perspective, schools should enhance service quality through continuous improvement of administrative and academic services, responsiveness of educational staff, and effective organizational communication to strengthen stakeholder trust and support financial stability. Greater transparency in school financial management should be promoted through the provision of financial information that is clearer, more comprehensive, and easily accessible to all stakeholders, including teachers, staff members, students, parents, and the school foundation. Schools should strengthen periodic financial reporting and accountability mechanisms while encouraging greater stakeholder participation in monitoring budget utilization. Governments and educational stakeholders should utilize these findings as a basis for formulating more efficient, transparent, and accountable school management policies that integrate service quality enhancement with financial transparency improvement.

This study has several limitations. First, the analysis is limited to a single school (SMK Muhammadiyah 1 Pemalang), restricting generalizability to other schools with different characteristics, governance structures, or cultural contexts. Second, the study focuses on service quality and transparency as independent and moderating variables, excluding other potential determinants of financial performance such as leadership effectiveness, organizational culture, and external regulatory factors. Third, the study employs a quantitative approach with questionnaire data, which may not fully capture the complexity of service quality practices and transparency mechanisms in school financial management. Fourth, the cross-sectional design limits the ability to capture changes in financial performance over time or the long-term effects of service quality and transparency improvements.

Future research should broaden the scope to include multiple schools across different regions and school types to test the generalizability of findings. Future studies should integrate additional variables such as leadership effectiveness, organizational culture, accountability mechanisms, and regulatory environment to develop a more comprehensive model of financial performance in educational institutions. Researchers should employ mixed-methods approaches that combine quantitative surveys with qualitative interviews or case studies to gain richer insights into the mechanisms through which service quality and transparency influence financial performance. Longitudinal studies could capture changes in financial performance over time and assess the long-term effects of service quality improvements and transparency enhancements. Comparative studies between public and private schools, as well as between religious-based and non-religious-based schools, could provide insights into how different governance contexts influence the relationships among service quality, transparency, and financial performance.

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