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GOOD GOVERNANCE IN VILLAGE FUND: CAN WE EARN TRUST?

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ABSTRACT

Public trust in an institution, which is a form of public trust in the government, is a key element in good governance. Good governance may promote public trust. In light of the widespread corruption in village fund management and the diminishing level of public trust in the government, this study was conducted to investigate the impact of good governance, including transparency, accountability, and community participation on public trust. The questionnaire was distributed to 108 respondents in 27 villages in the city of Denpasar. Primary data were analyzed using Partial Least Squares methodology. The study's findings indicate that transparency increases public trust, however accountability and community participation have no significant effect.
***Keywords**: accountability, transparency, participation, trust, village fund*

I. INTRODUCTION

Modern society in most countries does not trust the institutions that are supposed to be its pillars (Ries *et al.,* 2018), leading to the expression that we live in a world full of distrust. (Dumay *et al.,* 2018). In fact, public trust is a form of social capital (Shapiro, 2005) that forms the foundation of a democratic society (Putnam, 1993). Public trust in an institution, specifically the public's trust in the government, is a key element in good governance and can be built through policies that are good and beneficial for the community (Popovski, 2010). Yousaf *et al.* (2016) argue that trust is a consequence or result of good governance.

Good governance increases public trust in the government and its administration, as well as enhances the legitimacy of the political-administrative system (Kaasa & Andriani, 2022; Salminen & Ikola-Norrbacka, 2010; Yousaf *et al.,* 2016). Public trust is defined as the belief that the government is capable, good, and honest in carrying out its duties as a state apparatus (Grimmelikhuijsen, 2012). Trust in public institutions is realized when the community views public institutions as those that keep promises, are accountable, efficient, competent, caring, predictable, open, transparent, fair, and honest (Hooghe *et al*., 2015; Van der Meer & Hakhverdian, 2017).

Good governance is an important concept in resource management and the administration of government. The main principles of good governance include transparency, accountability, and participation (Stapenhurst & Kpundeh, 1998). The application of these principles is expected to create an effective and efficient governance environment, which in turn positively impacts public trust. Good governance significantly influences public trust by promoting transparency, accountability, and participation in the effective management of resources.

Accountability is the obligation of the trustee to provide accountability, present, report, and disclose all activities and actions for which they are responsible to the trustor, who has the right and authority to receive the accountability (Mardiasmo, 2002). Thus, the better the accountability for an activity, the higher the level of public trust tends to be. Regional financial reform has led to high public demands on government performance in financial accountability. It can be interpreted that the existence of financial reform demands performance accountability reflected in financial accountability. Financial accountability is a manifestation of the increasing demands of society on the government regarding the use of financial resources for public services. Research conducted by Taufiqi & Ariani (2022), Oktavia (2020) found that accountability has a positive effect on the level of public trust, whereas the findings of (Athifah *et al*., 2018) state that public accountability does not affect donor trust.

Accountability without the support of transparency will weaken the function of good governance. Transparency means a genuine, comprehensive openness that provides space for all layers of society to actively participate in the process of managing public resources (Andayani, 2022). Transparency is a form of openness of the government to the public regarding all information related to the activities of governance. When related to the budget, transparency can be defined as openness to the public, which includes the functions and structure of the government, the objectives of fiscal policy, the public financial sector, and its projections. There are several important benefits associated with transparency, including: facilitating the identification of the strengths and weaknesses of an activity, increasing trust in an institution's commitment to performance decisions, enhancing trust in an institution's commitment to specific policy decisions, strengthening social cohesion, and increasing public trust in the institution. The higher the level of transparency, the greater the public's trust in the government tends to be. Athifa (2018) and Oktavia (2020) proved that transparency has a positive effect on trust, while research conducted by Apriliana (2019) and Taufiqi and Ariani (2022) found that village fund transparency does not affect public trust.

Besides accountability and transparency, community participation is a pillar of good governance. Community participation is the involvement of the community in government activities, thereby impacting the evaluation process and control of government performance and minimizing the abuse of authority. To realize an effective budget, community participation is needed to provide input in the formulation of budget direction and policies (Putra & Rasmini, 2019). The community is expected to be involved in budget formulation and also to participate in controlling all government policies in the field. The community involved in budget oversight will become one of the factors determining government performance. The higher the community participation, the higher the level of public trust tends to be. Triwandono & Supriyadi (2022) found that community participation has a positive effect on community satisfaction, while (Julianto & Dewi, 2019) also proved that community participation has a positive effect on the success of village fund management.

In the context of Indonesia, where the challenges of corruption, collusion, and nepotism still frequently arise, the implementation of good governance becomes increasingly relevant. At the village government level, especially since the introduction of the Village Fund in 2014, cases of corruption have been on the rise. The latest report from Indonesia Corruption Watch (ICW) found that in recent years there has been an increase in the misuse of village funds. For example, from 2015 to 2018, there were 181 corruption cases involving government officials and financial losses amounting to Rp 40.6 billion. Officials involved in this case include 700 village heads and other government officials (Tolo, 2019). Corruption that still exists within the bureaucracy ranges from the national level to provincial, district, and village levels (Harun *et al.,* 2020). In 2022, the village sector ranked highest in corruption with 155 cases (where 133 cases related to village funds, 22 cases related to village income).

According to the Edelman Trust Barometer study (Edelman, 2023), Indonesia's worldwide trust index has fallen from 73 in 2020 to 68 in 2023. Compared to the business sector's trust score of 83, trust in government officials fell from 71 in 2020 to 66 in 2023. This suggests that public sector organizations in Indonesia, particularly the government sector, are encountering more tough hurdles in establishing public trust.

Based on the phenomenon and previous research results that are still varied, research on the influence of good governance on public trust becomes important to conduct. This research is expected to provide in-depth insights into how the implementation of good governance principles can strengthen the relationship between the government and the community, thereby building public trust amidst the rampant cases of corruption in village fund management. This research was conducted in the city of Denpasar because it serves as a benchmark for the implementation of good governance practices in Bali Province.

1. Literature Review and Hypothesis Development

Stewardship theory can be used to clarify the relationship between village government (steward) and the community (principal) in the context of village fund management. Stewardship theory (trust management) is an approach that emphasizes responsibility and trust in the management of organizational resources. Donaldson & Davis (1991) describe a situation where management is not motivated by individual goals but rather directed towards their primary objectives for the benefit of the organization, so the contract relationship between stewards and principals is based on trust, acting collectively in accordance with the organization's goals. This concept can be applied to explain the principles of good village governance. The stewardship theory can be applied to explain the existence of the Village Government (steward) as a trusted institution that acts in the public interest by performing its duties and functions properly for the welfare of the community (principal) (Hasanah *et al*., 2020).

The Influence of Accountability on Public Trust

Accountability aims to encourage the creation of good and trustworthy performance. Accountability functions as a facility or fact that a responsibility has been carried out and performed well or otherwise (Taufiqi dan Ariani, 2022). The village government, as one of the institutions in the public sector, acts as a steward for the community, responsible for resource management and carrying out the tasks entrusted to it. This includes accountability, the provision of clear and easily accessible information to the public about policies, budgets, and the performance of public organizations, as well as the involvement of citizens, civil society, and other relevant parties in discussing and formulating policies that affect village residents. When the government is accountable for financial reports and performance reports, the public will increasingly trust and be satisfied with the performance provided by the government. This opinion is supported by research findings from Nurrizkiana *et al.* (2017), Apriliana (2019), and Beshi & Kaur (2020) which prove that accountability has a positive effect on public trust. The higher the accountability of regional finances, the greater the trust of the community. Based on the description, the first hypothesis can be formulated as follows:

H_1: Accountability has a positive effect on public trust.

The Influence of Transparency on Public Trust

Transparency is related to providing open information, meaning that the public can know the procedures and activities carried out by the government. The existence of transparency is expected to enhance the sense of responsibility of public officials to the people and to prevent the dissemination of misleading information to the public, especially regarding financial matters, decision-making, and accountability for those decisions. This opinion is supported by research findings from Putra & Rasmini (2019), Sofyani & Tahar (2021), which state that transparency has a positive effect on public trust. The greater the transparency of the government towards the public, the higher the public's trust in the government, leading the public to comply with the policies made by the government. Based on the explanation, the second hypothesis can be formulated as follows:

H_2: Transparency has a positive effect on public trust.

The Influence of Community Participation on Public Trust

The community plays a strategic role in realizing good governance through participation. In this case, the community can be active in decision-making, planning, implementation, and evaluation of activities. This community participation will be able to increase public trust in the government because community participation will be able to realize community welfare while also preventing the misuse of village funds. The higher the participation, the greater the public's trust in the government will increase. Triwandono& Supriadi (2022) proved that community participation has a positive effect on community satisfaction. Julianto & Dewi (2019), Hariani *et al.,* (2022) found that community participation positively affects the success and accountability of village fund management, while research by Andriani (2019), Putra & Rasmini (2019) states that community participation positively affects the effectiveness of village fund management. Based on the description, the third hypothesis can be formulated as follows:

H_3: Community participation has a positive effect on public trust

2. Methodology

This research was conducted in 27 villages in the city of Denpasar, which consists of 4 sub-districts, namely 8 villages in North Denpasar, 7 villages in East Denpasar, 4 villages in South Denpasar, and 8 villages in West Denpasar. Primary data were collected through the distribution of questionnaires, filled out by village officials in positions such as village head, village secretary, or section head/affairs head to measure the accountability variable. Meanwhile, the variables of transparency, community participation, and public trust were filled out by village institutional respondents, namely the chairman and members of the Village Consultative Body, representing the village community.

The research instrument was adapted from the study by Sofyani & Tahar (2021) for the accountability and transparency variables. Accountability in village fund management is the responsibility of the village government regarding the management of village funds to the community, measured using ten statements. Transparency is the openness of information through media conducted by the village government, measured with three statements. Meanwhile, the variable of community participation refers to the involvement of the community in all activities related to village fund management, including monitoring the performance of village government officials, using six statements, adopted from the research of Hariani *et al.* (2022). For the variable of community trust, it refers to the trust and confidence of the community in the village government, based on the research by Nurrizkiana *et al.* (2017), using five statements. The measurement scale used is a 1-5 Likert scale. The data analysis technique used is Partial Least Square (PLS).

3. Result and Discussion

The number of questionnaires distributed in this study was 108, with each village receiving 4 questionnaires for respondents from the village administration and the Village Consultative Body. However, 8 questionnaires were not returned and 8 questionnaires were not fully completed, resulting in 92 usable questionnaires. The following is Figure 1, which presents the PLS algorithm model.

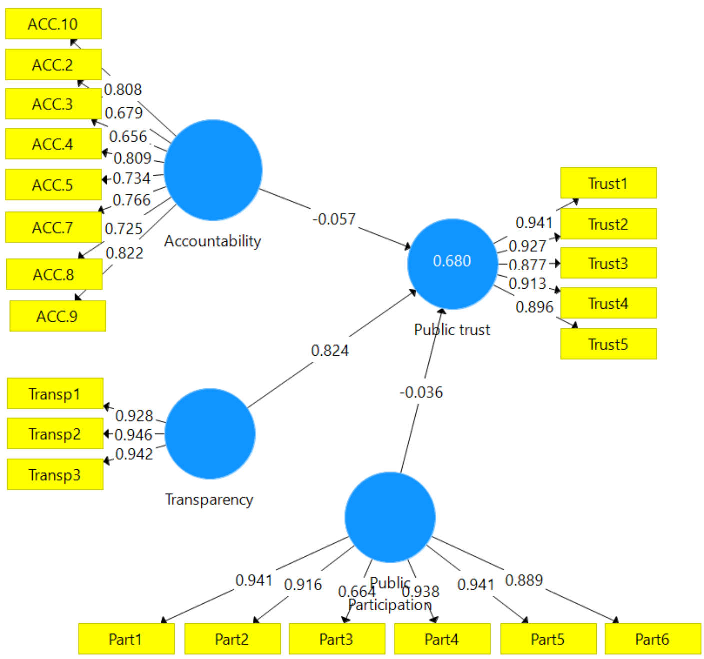

Figure 1. PLS Algorithm Model

In evaluating the measurement model, the PLS algorithm analysis is used. The measurement model is evaluated by examining the following: individual convergent validity, discriminant validity, and item reliability. To evaluate convergent validity, the average variance extract (AVE) and outer loading are assessed. The composite reliability and Cronbach alpha values are used to measure internal reliability or the consistency of construct evaluation. These measurements must have an outer loading > 0.60, composite reliability, and Cronbach alpha values rated higher than 0.70, while AVE > 0.5. From Table 1, the acceptable values are visible, indicating that all constructs imply good internal reliability (Hair *et al*., 2019)

Table 1. Outer Model Measurement

Contruct	Item Number	Loading Factor	Composite Reliability	Cronbach Alpha	AVE
Accountability	Acc2	0,679	**0,912**	**0,893**	**0,566**
	Acc3	0,656			
	Acc4	0,809			
	Acc5	0,734			
	Acc7	0,766			
	Acc8	0,725			
	Acc9	0,822			
	Acc10	0,808			
Transparency	Transp1	0,928	**0,957**	**0,933**	**0,881**
	Transp2	0,946			
	Transp3	0,942			
Community participation	PP1	0,941	**0,956**	**0,944**	**0,787**
	PP2	0,916			
	PP3	0,664			
	PP4	0,938			
	PP5	0,941			
	PP6	0,889			
Public Trust	PT1	0,941	**0,961**	**0,949**	**0,830**
	PT2	0,927			
	PT3	0,877			
	PT4	0,913			
	PT5	0,896			

Next, in PLS, discriminant validity can be assessed using the Fornell-Larcker criterion. As shown in Table 2, the discriminant validity values of all constructs are higher than their highest cross-correlation. Therefore, the results indicate that all constructs have discriminant validity. (Fornell & Larcker, 1981)

Table 2. Discriminant Validity using *Fornell-Larcker Criterion*

Construct	Acc	Participation	Trust	Transparency
Accountability	0,752			
Public participation	-0,170	0,887		
Public Trust	-0,364	0,529	0,911	
Transparency	-0,379	0,673	0,822	0,939

The hypotheses were tested by performing bootstrapping analysis and the results as presented in Table 3:

Table 3. Hypotheses result

Hypotheses	Symbol	Coefficient	P-values	Supported
Accountability->Public Trust	H_1	-0,057	0,540	No
Transparency->Public Trust	H_2	0,824	0,000	**Yes**
Community participation -->Public Trust	H_3	-0,036	0,817	No

1) The Influence of Accountability on Public Trust

The results of the statistical test on the accountability variable show a p-value of 0.540 > 0.05. This indicates that the accountability of village fund management does not affect public trust, thus H1 is rejected. Accountability is usually associated with the presentation of financial reports, so the accounting information presented by village fund managers is likely not fully understood by the residents. The ability to understand financial statements requires sufficient knowledge of accounting information. This finding is in line with the research results of Athifah *et al.* (2018), which emphasize the importance of knowledge and understanding of financial statements as a manifestation of accountability.

2) The Influence of Transparency on Public Trust

The results of the statistical test on the transparency variable have a p-value of 0.000 < 0.05 with a positive sign. This indicates that transparency in village fund management has a positive effect on public trust, thus H2 is accepted. The publication of village fund management through billboards or village websites is a form of information transparency regarding village fund management. This will certainly increase the public's trust in the managers that village funds are being managed transparently. The results of this study are in line with the findings of Beshi & Kaur (2020), Sofyani *et al.*(2022)

3) The Influence of Community Participation on Public Trust

The results of the statistical test on the participation variable have a p-value of 0.817 > 0.05. This indicates that community participation does not affect public trust, thus H3 is rejected. Community participation, which is considered not yet optimal, may be due to less interactive communication, limited time and knowledge of the community regarding village government decision-making, weak community education factors, and lack of community oversight over village fund usage (Giriani *et al.*, 2021; Suardyana *et al*., 2023). These findings are in line with Matani & Hutajulu (2020) and Aprilya & Fitria (2020), who found that community participation does not affect the accountability of village fund management, thus failing to enhance public trust.

4. Conclusion

Based on the results of data analysis and discussion, it can be concluded that the variables of accountability and community participation do not affect public trust in village fund management. The results of this study strengthen the notion that the transparency variable positively affects public trust in village fund management in the city of Denpasar. This indicates the role of transparency as an openness of information in enhancing public trust. The finding that the variables of accountability and community participation do not have an effect opens up opportunities for exploration in future research. This research certainly faces limitations that can be considered by future researchers, such as the limitations in the collection of research questionnaires that were not fully completed and not returned by all villages in the city of Denpasar. Future research is expected to consider using other variables in analyzing public trust, such as the role of culture, internal control systems, and corruption.

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