

Good Governance and Trust in Village Fund: The Role of Accountability and Community Participation

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Implementing good governance is essential for strengthening public trust, particularly in the management of public funds. In Indonesia, increasing cases of village fund misuse

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have raised concerns about the effectiveness of governance at the village level. While previous studies have examined accountability in village fund management, limited attention has been given to its impact on public trust and the mediating role of perceived corruption. This study addresses this gap by examining accountability and community participation as key dimensions of good governance and their effects on public trust, with perceived corruption as a mediating variable. The research focuses on 27 villages in Denpasar, Bali Province. Using survey data and Partial Least Squares Structural Equation Modelling (PLS-SEM), the findings reveal contrasting effects: accountability shows a negative relationship with public trust, while community participation has a positive effect. Perceived corruption emerges as a crucial mediating factor, highlighting potentially symbolic rather than substantive governance practices.

Keywords: accountability, community participation, corruption, trust, village fund

1. Introduction

Trust in government is a fundamental prerequisite for effective public administration, particularly in contexts where citizen engagement and fiscal decentralisation intersect (Arkorful et al., 2021; He & Ma, 2020). A growing body of literature emphasises that trust in government is not only an outcome of effective performance but also a key enabler of policy success (Merawati, Endiana, & Suardyana, 2024; Popovski, 2010; Yousaf, Ihsan, & Ellahi, 2016). Yet, scholars caution that such trust is fragile and may erode when governance mechanisms are practiced only in formal or procedural ways without substantive integrity (O'Neill, 2003; Power, 1997). As demonstrated during the COVID-19 crisis in Australia and New Zealand, trust in public institutions increased significantly when citizens perceived the government as competent and acting in the public interest (Goldfinch, Taplin, & Gauld, 2021). However, in many developing countries, including Indonesia, persistent cases of corruption in village fund management have undermined efforts to build accountable and participatory governance systems (Putri, Argilés-Bosch, & Ravenda, 2024; Sofyani, Pratolo, & Saleh, 2022).

In Indonesia, the enactment of Law No. 6/2014 on Village Governance has significantly reshaped the administrative landscape by enhancing village autonomy and transferring substantial fiscal resources directly from the central government to villages. This law repositions villages as self-governing entities with the authority to manage development based on local priorities, customs, and traditions (Sofyani, Yaya, & Widiastuti, 2023). Village fund allocations reached up to IDR 1 billion (equivalent to about USD 71,439) per village per year, accounting for approximately 3–3.3% of the national budget (Sofyani, Yaya, & Saleh, 2022). While this fiscal empowerment is intended to foster inclusive rural development, reports of fund misappropriation by village officials continue to surface, raising questions about the substantive quality of governance reforms at the grassroots level (Prihatmanto, Munajat, & Irawati, 2023; Zaitul, Ilna, & Novianti, 2023).

Empirical evidence suggests that the decentralisation of financial authority, when not accompanied by strong governance structures, can facilitate the proliferation of corruption (Chavis, 2010; Kristiansen et al., 2009; Liu, 2007; Maria et al., 2019). Limited institutional capacity, inadequate monitoring, and the presence of rent-seeking behaviour have enabled misuse of village funds in various regions (Fisman & Gatti, 2002; Kartika & Arief, 2021; Madyan, Prihantono, & Aisyah, 2020). Between 2015 and 2018, at least 214 village heads were implicated in corruption cases (Har-yanti, 2019), and by 2022 the village budget sector recorded the highest number of corruption prosecutions in Indonesia (ICW, 2023). In Bali Province alone, several village heads have faced criminal charges despite relatively high governance performance scores (Bali Post.com, 2020)

These developments underscore a growing mismatch between formal governance structures and actual practice, which in turn can undermine public trust in village governments. Research shows that as perceived corruption increases, citizen satisfaction with government declines and trust in political institutions diminishes (Anderson & Tverdova, 2003; Stockemer & Calca, 2013). Despite the extensive literature on village fund accountability in Indonesia, there remains limited empirical inquiry into how governance practices affect public trust. Prior findings are also inconclusive: while accountability is expected to foster trust, some studies report null or even negative relationships (Sofyani & Tahar, 2021; Pratolo, Sofyani, & Maulidini, 2022). This study responds to that gap by examining the effects of two key governance dimensions—accountability and community participation—on public trust in village governments, while incorporating perceptions of corruption as a mediating variable.

Goldfinch, Taplin and Gauld (2021) highlight that public trust in government can rise significantly when citizens perceive government performance to be effective. Their findings suggest that trust is not merely a passive by-product of rules or transparency, but an active judgment shaped by perceived competence, integrity, and responsiveness of state institutions. Applying this insight to the village fund context, given the prevalence of corruption cases, this study tests the effect of perceived corruption as a mediating variable, recognising that public trust is often shaped not by governance mechanisms alone, but by citizens' interpretation of their credibility and fairness (Lyrio, Lunkes, & Taliani, 2018; Neshkova & Kalesnikaite, 2019).

By focusing on the intersection of governance, perceived corruption, and trust in a decentralised setting, this study contributes to both the theoretical and practical understanding of good governance in developing countries. It offers insights not only into how public trust is formed and eroded at the village level but also into the broader implications for democratic consolidation, anti-corruption efforts, and participatory development. The findings are relevant for policymakers, regulatory authorities, and scholars interested in enhancing the substantive quality of local governance.

2. Literature Review and Hypothesis Development

2.1. Corruption and the Erosion of Trust: Indonesian Context

Corruption is widely recognised as a primary factor undermining public trust in government (Morris & Klesner, 2010; Rieznik & Lee, 2021; Rose-Ackerman, 2001). Defined broadly as the misuse of public office for private gain (World Bank, 1997), corruption distorts the allocation of resources, weakens service delivery, and reduces the legitimacy of political institutions (Cooray & Schneider, 2018; Shleifer & Vishny, 1993; Spyromitros & Panagiotidis, 2022). In Indonesia, numerous studies have highlighted how fiscal decentralisation without adequate oversight has led to corruption at the village level (Annahar et al., 2023; Fatoni, 2020; Ratmono et al., 2021). The steady increase in corruption cases involving village heads indicates a persistent governance failure that erodes citizens' confidence in government, even in the presence of formal accountability measures. Studies have shown that citizens who perceive their local

governments as corrupt are less likely to participate in governance, comply with public policies, or support democratic processes (Anderson & Tverdova, 2003; Stockemer & Calca, 2013). In the Indonesian context, where decentralisation was intended to empower local communities, the persistence of corruption has instead led to a widening gap between citizens and the state. Recent findings from the Edelman Trust Barometer (Edelman, 2023) show a gradual erosion of public trust in Indonesian institutions, with trust levels declining from 73 in 2020 to 68 in 2023. This downward trend reflects a broader societal challenge of confidence, particularly in relation to government institutions.

2.2. Agency Theory and the Need for Accountability

Agency theory explains the relationship between two parties: the principal, who delegates authority, and the agent, who acts on behalf of the principal (Jensen & Meckling, 1976). In the context of village governance, the community acts as the principal, while village government functions as the agent, entrusted with the responsibility of managing public resources and delivering services. However, the inherent information asymmetry between these parties allows agents to act in self-interest, potentially leading to opportunistic behaviour if not properly monitored (Nurrizkiana, Handayani, & Widiastuty, 2017; Sofyani & Tahar, 2021). To reduce agency risk, accountability mechanisms must be in place, requiring the agent to report, justify, and disclose their actions to the principal (Diansari, Musah, & Binti Othman, 2023; Samaratunge, Alam, & Teicher, 2008). Within village governance, this is achieved through regular and transparent financial reporting, activity disclosures, and community oversight. Transparent dissemination of financial and non-financial performance information (e.g., programme results and budget realisation) helps reduce information gaps and align governmental actions with community interests.

The concept of good governance encompasses various principles, including transparency, accountability, participation, responsiveness, and inclusiveness. Among these, accountability and community participation are particularly salient in the context of decentralised governance. While these governance mechanisms are often promoted through formal regulation, their effectiveness in practice depends on the degree to which they are perceived as meaningful and responsive. Prior research demonstrates that mutual accountability and inclusive participation can foster

and strengthen public trust (Beshi & Kaur, 2020; Spiteri & Briguglio, 2018; Tsang, Burnett, & Welford, 2009).

2.3. Legitimacy, Stakeholder Theory, and Public Trust

While agency theory focuses on internal control, legitimacy theory and stakeholder theory expand the discussion by emphasising the social contract between public institutions and the communities they serve. Legitimacy theory asserts that governments must operate in accordance with societal values and expectations to maintain legitimacy and continued support (Deegan, 2006). When government behaviour deviates, through corruption or opaque administration, public dissatisfaction emerges, weakening trust and cooperation (Christensen, Yamamoto, & Aoyagi, 2020; Heald, 2018). In this context, accountability is an essential tool not only for administrative control but also for signalling integrity to stakeholders. That is, performance disclosures can influence citizens' political behaviour, such as voting preferences or civic engagement, especially when village governments are entrusted with large public budgets (Zenju & Iskandar, 2016). Thus, trust is built not only through rules and procedures but also by aligning governance with public values, reinforcing both legitimacy and electability.

Trust in government is a central pillar of democratic legitimacy and effective public administration. It shapes citizens' willingness to comply with policies, engage in civic life, and support public institutions (Goldfinch, Taplin & Gauld, 2021; Volianska, 2020). In the context of village governance, trust becomes even more critical. Citizens' willingness to engage in participatory processes, report the misuse of resources, or comply with local development policies is largely determined by whether they perceive village authorities as acting in the public interest (Sofyani, Pratolo, & Saleh, 2022; Tschannen-Moran & Hoy, 2000). Trust is therefore not simply a reflection of governance inputs, but a complex social construct shaped by governance processes, outcomes, and perceived legitimacy.

2.4. Accountability and Public Trust

The Indonesian village fund programme, introduced through Government Regulation No. 60/2014 and supported by Law No. 6/2014, delegates substantial fiscal and administrative authority to village governments. Vil-

lage heads, as custodians of these funds, are expected to manage them with integrity, professionalism, and responsiveness to community needs (Hasniati, 2016; Umar, Usman, & Purba, 2018). These funds support a range of local development initiatives, from infrastructure and economic empowerment to education, health, and cultural revitalisation (Yunita & Christianingrum, 2018). However, the expansion of village funds has also amplified concerns about mismanagement and corruption. Without strong accountability frameworks, decentralisation can inadvertently lead to local-level abuses. Therefore, effective accountability in the planning, implementation, and reporting of village funds is crucial for ensuring that development outcomes are achieved and public confidence is maintained (Sofyani, Riyadh, & Fahlevi, 2020).

Accountability refers to mechanisms by which government officials are held responsible for their actions and decisions, including financial reporting, oversight, and the ability of citizens to demand justification (Bastian, Wardani, & Riyani, 2014; Mardiasmo, 2002). Greater accountability in regional financial management has been shown to strengthen public trust in government (Beshi & Kaur, 2020; Fard & Rostamy, 2007). Sofyani, Riyadh, et al. (2020) also found that transparency in local governance is strongly reinforced by effective accountability. Moreover, accountability and transparency function as communication bridges between the government and citizens (Lander & Auger, 2008), ensuring that village governments carry out their duties and responsibilities. To achieve this, information must be communicated openly to the public through various channels, such as websites, village meetings, and public information boards. Strengthening accountability in this manner not only enhances transparency but also fosters public trust in village communities (Nurrizkiana, Handayani & Widiastuty, 2017; Taufiqi & Ariani, 2022). Based on this understanding, the following hypothesis is proposed:

H1: Accountability has a positive effect on public trust.

2.5. Community Participation and Public Trust

The principles of good governance emphasise participation as a pillar of democratic administration, particularly in decentralised settings where local governments possess significant discretion over budget allocation and service delivery (Arkorful et al., 2021). Participation refers to the active involvement of citizens in decision-making processes, particularly those related to planning, budgeting, and evaluating development activities

(Rowe & Frewer, 2000). In the context of the principal–agent framework, community members act as the principal, while village governments serve as agents responsible for managing public funds and delivering services. Given this relationship, active community participation plays a vital role in reducing information asymmetry and ensuring that the agent remains accountable to the interests of the principal (Pahlawan, Wijayanti, & Suhendro, 2020). Participation not only enhances the legitimacy of public decisions but also enables citizens to influence outcomes that directly affect their well-being.

At the village level, community participation fosters a sense of ownership, collective responsibility, and self-reliance. When residents are actively engaged in village fund planning and oversight, they are more likely to support local initiatives and monitor the behaviour of public officials. This participatory oversight acts as an informal accountability mechanism that complements formal institutions, enhancing both transparency and responsiveness (Hariani, Merawati, & Yulastuti, 2022; Nugroho, Wahyuningsih, & Alliyah, 2022). Furthermore, participation has been shown to strengthen trust in government by rendering decision-making processes more inclusive and responsive. When individuals feel that their voices are heard and their interests are taken seriously, they are more likely to develop positive evaluations of government institutions (He & Ma, 2020; Neshkova & Kalesnikaite, 2019; Zhao & Hu, 2015). This trust, in turn, reinforces civic cooperation and supports the sustainability of local governance. Based on these theoretical and empirical insights, the following hypothesis is proposed:

H2: Community participation has a positive effect on public trust.

2.6. Perceived Corruption as a Mediating Variable

Corruption is widely acknowledged as one of the most pervasive challenges facing developing countries. Despite global and national efforts to reduce corruption, its persistence, particularly at the local government level, continues to obstruct governance reforms and weaken public institutions (Cooray & Schneider, 2018). In Indonesia, the village fund programme has frequently been at the centre of corruption scandals, with numerous village heads prosecuted for embezzlement or misappropriation of public funds. These highly publicised incidents have contributed to a growing public perception that village governments are inherently corrupt and unaccountable (Sofyani, Yaya, & Widiastuti, 2023). As a result, public

trust in village authorities is shaped not only by governance practices but also by the community's interpretation of those practices in light of widespread corruption.

Empirical studies consistently show that rising perceptions of corruption are strongly associated with declining political and institutional trust (Bauhr & Grimes, 2014; Rieznik & Lee, 2021). Goldfinch, Taplin and Gauld. (2021) further illuminate this relationship by highlighting that trust in government is not sustained by the mere presence of governance mechanisms, but by whether those mechanisms are perceived as credible, responsive, and substantively implemented. Perceptions of corruption represent a powerful lens through which citizens evaluate government legitimacy. Even when formal accountability and participation mechanisms are in place, they may be perceived as symbolic or performative if corruption remains visible and unresolved. Weng and colleagues (2015) found that rising perceptions of corruption significantly reduce public trust, suggesting that the mere presence of accountability or participation is insufficient if overshadowed by distrust in institutional integrity.

Accountability and community participation are frequently cited as pillars of good governance that deter corruption and foster trust (Beshi & Kaur, 2020; Kristiansen et al., 2009; Yousaf, Ihsan & Ellahi, 2016). However, in high-corruption environments, their effectiveness is conditional. They can enhance public trust only if they first reduce perceived corruption. As Nurrizkiana, Handayani and Widiastuty (2017) argue, balanced and accurate information flow between government and citizens, rooted in transparency and accountability, can reduce opportunistic behaviour, lower public scepticism, and gradually improve trust. Thus, in village fund governance, the effectiveness of accountability and participation mechanisms may be indirect, operating through their ability to lower perceived corruption. If these mechanisms are seen as credible and functional, they can shift public perceptions, signalling a genuine commitment to ethical governance and thereby restoring trust. Based on this reasoning, the following hypotheses are proposed:

H3: Perceptions of corruption mediate the effect of accountability on public trust.

H4: Perceptions of corruption mediate the effect of community participation on public trust.

3. Research Methodology

3.1. Research Design

This study employs a quantitative research design using a structured survey to test hypotheses concerning the relationships among accountability, community participation, perceived corruption, and public trust in the context of village fund governance. The research was conducted in 27 villages located in Denpasar, Bali Province, Indonesia, all of which have received village fund allocations from the central government. Denpasar was selected due to its reputation as a model city in implementing good governance practices in the province, despite persistent challenges in transparency and corruption at the village level. This context offers a compelling setting to explore the interplay between governance practices and public trust.

A purposive sampling technique was used to select respondents who were directly involved in the administration, monitoring, and oversight of village fund management. The inclusion criteria were as follows: (1) village officials, including the village head, secretary, head of financial affairs, or head of planning affairs; (2) members of the Village Consultative Body (*Badan Permusyawaratan Desa* or BPD), serving as institutional representatives of the village community; (3) individuals who had worked in the village for at least one year, ensuring familiarity with governance procedures and institutional practices.

Data were collected through questionnaires, with the distribution differentiated by respondent role. Village officials completed the questionnaire items measuring the accountability construct, while village council members (BPD) completed the sections related to community participation, perceived corruption, and public trust. This division of responses was intended to align each construct with respondents most familiar with and responsible for those domains, as well as to minimise normative and self-reporting bias, thereby enhancing construct validity.

3.2. Variables Measurement and Questionnaire Administration

This study employed four latent constructs: accountability, community participation, perceived corruption, and public trust. Each construct was measured using reflective indicators adapted from previously validated instruments. Responses were collected using a five-point Likert scale, rang-

ing from 1 = Strongly Disagree to 5 = Strongly Agree. The questionnaire was designed to ensure clarity, contextual relevance, and alignment with the Indonesian village governance setting.

Accountability refers to the responsibility of the village government to manage village funds in a transparent, honest, orderly, and disciplined manner. This construct was measured using ten items, adapted from Hariani, Merawati and Yuliastuti (2022), and Sofyani and Tahar (2021), including the completeness and timeliness of financial reports, compliance with financial reporting standards, evidence of legitimate transactions, and mechanisms for public financial performance review. Responses for the accountability construct were obtained from village officials, such as the head, secretary, or financial officers. Sample statements include:

1. The financial reports are prepared completely and submitted on time.
2. There is valid documentation for every use of village funds.
3. There are public mechanisms to evaluate the village government's financial performance.

Community participation refers to the extent of citizen involvement in the management of village funds, including involvement in decision-making, participation in planning and implementation, and engagement in programme evaluation. This construct was measured using six items based on Hariani, Merawati and Yuliastuti. (2022). Sample statements include:

1. The community is involved in planning and implementing village programmes.
2. Citizens actively participate in monitoring the performance of village government.

Perceived corruption refers to citizens' assumptions or beliefs about the extent of corruption in village government practices. This construct was measured using six items adapted from Sofyani, Pratolo and Saleh (2022), capturing perceptions of embezzlement, misuse of authority, bribery, and time theft. Sample statements include:

1. Village funds are used for personal gain.
2. There is abuse of authority for personal interests.
3. Village officials accept bribes to facilitate certain processes.

Public trust is defined as the extent to which community members believe the village government acts in the public interest and fulfils its responsibilities ethically and effectively. Measured using five items adopted from Nurrizkiana, Handayani and Widiastuty. (2017), the construct covers trust and confidence in village leadership, citizen satisfaction, obedience to gov-

ernment policy, and active participation in village development. Sample indicators include:

1. The community has confidence in the village government.
2. I am satisfied with how the village government manages development.
3. The community is willing to comply with village government policies.

Responses for the latter three constructs were collected from members of the village council (BPD), who served as representatives of the community.

Furthermore, Table 1 summarises the demographic characteristics of the study's respondents. The majority are male and serve primarily as Village Council members or village secretaries. In terms of age, most respondents are above 40 years, indicating that the sample largely represents individuals in full adulthood. Regarding educational background, a significant proportion of respondents hold a bachelor's degree. However, when considering work experience, most participants have fewer than ten years in their respective roles. This suggests a notable gap between age and professional experience, as older individuals do not necessarily possess long-standing involvement in village governance. These findings highlight the need for a more in-depth examination of village personnel regulations, particularly regarding recruitment processes and selection criteria within the village government system.

Table 1: *Demographic profile of respondents*

Characteristics	Village apparatus (n=54)	Village council (n=54)
Age	20–40 years: 26% (14) >40 years: 74% (40)	20–40 years: 9% (5) >40 years: 91% (49)
Position	Chief: 28% (15) Secretary: 61% (33) Member: 11% (6)	Chief: 28% (15) Secretary: 18% (10) Member: 54% (29)
Gender	Male: 76% (41) Female: 24% (13)	Male: 87% (47) Female: 13% (7)
Education	High school: 24% (13) Diploma: 9% (5) Bachelor: 63% (34) Master: 4% (2)	High school: 17% (9) Diploma: 5% (3) Bachelor: 73% (39) Master: 5% (3)
Work experience	<10 years: 92% (50) ≥10 years: 8% (4)	<10 years: 72% (39) ≥10 years: 28% (15)

Source: Authors.

3.3. Data Analysis

The study relies on primary survey data, which were analysed using Partial Least Squares Structural Equation Modelling (PLS-SEM). This approach is particularly appropriate for examining complex models that incorporate mediation effects and latent constructs. Regarding sample adequacy, Hair and colleagues (2010) suggest that the minimum sample size should exceed the number of indicators in the construct with the largest set. With 108 valid responses obtained, the sample meets this criterion.

4. Results and Discussion

4.1. Measurement Model

The measurement model was tested using the Partial Least Squares (PLS) approach (Chin, 2010). The assessment covered convergent validity, discriminant validity, and item reliability. Convergent validity was examined through the average variance extracted (AVE) and indicator loadings (Hair et al., 2019).

Internal reliability, which captures the consistency of the constructs, was evaluated using composite reliability and Cronbach’s alpha. For the model to be considered robust, outer loadings, composite reliability, and Cronbach’s alpha should exceed 0.70, while AVE should be above 0.50. The results presented in Table 2 indicate that all constructs met these thresholds, confirming adequate reliability and validity (Chin, 2010; Hair et al., 2019).

Table 2: *Construct reliability and convergent validity*

Construct	Outer loadings (range)	Composite reliability	Cronbach alpha	AVE
Accountability	0.74–0.95	>0.70	>0.70	>0.50
Community participation	0.88–0.95	>0.70	>0.70	>0.50
Corruption perception	0.75–0.98	>0.70	>0.70	>0.50
Public trust	0.87–0.94	>0.70	>0.70	>0.50

Source: Authors.

Within the PLS framework, the Fornell–Larcker criterion was applied to test discriminant validity. The results in Table 3 show that the square root of AVE for each construct was higher than its correlations with other constructs, providing evidence that discriminant validity was established (Fornell & Larcker, 1981).

Table 3: *Discriminant validity (Fornell-Larcker criterion)*

Construct	Account-ability	Participa-tion	Percep-tion	Trust
Accountability	$\sqrt{\text{AVE}}$ (0.878)			
Community participation	-0.129	$\sqrt{\text{AVE}}$ (0.926)		
Perception of corruption	-0.444	-0.114	$\sqrt{\text{AVE}}$ (0.937)	
Public trust	-0.326	0.517	0.093	$\sqrt{\text{AVE}}$ (0.9110)

Source: Authors.

4.2. Structural Model (Hypothesis Testing)

Bootstrapping analysis was performed to test the hypotheses, and the results are presented in Table 4.

Table 4: *Structural model results*

Hypotheses	Relationship	Path coefficient	P-values	Result
H1	Accountability → Public Trust	-0.467	0.000	Rejected
H2	Participation → Public Trust	0.490	0.000	Supported
H3	Accountability → Perceived Corruption → Trust	-0.018	0.000	Supported
H4	Participation → Perceived Corruption → Trust	-0.007	0.000	Supported

Source: Authors.

4.3. Discussion

The analysis reveals a significant negative relationship between accountability and public trust ($\beta = -0.467$, $p < 0.05$), leading to the rejection of H1. Contrary to conventional expectations that accountability fosters trust, this finding suggests that greater visibility of formal accountability mechanisms may not necessarily enhance public confidence, particularly in environments where corruption is perceived to be prevalent. Similar patterns have been reported in the management of COVID-19 relief funds (Pratolo, Sofyani, & Maulidini, 2022; Sofyani & Tahar, 2021), where increased reporting requirements sometimes led to greater public scepticism rather than reassurance.

This outcome can be interpreted through the lens offered by Goldfinch, Taplin and Gauld. (2021), who highlight that public trust can decline when accountability practices are primarily procedural and not accompanied by tangible outcomes or improvements experienced by the community. In such situations, accountability may be perceived as ceremonial or symbolic, fulfilling formal obligations without delivering substantive change. The gap between official claims of accountability and the public's lived experiences can foster scepticism or even apathy, particularly when rumours or cases of fund misuse remain widely reported. In this context, accountability mechanisms are insufficient to restore trust unless they are seen as legitimate and effective. These results underscore the importance of shifting from purely procedural accountability toward *substantive governance*, where accountability mechanisms are meaningfully linked to outcomes that communities can see, experience, and value.

Furthermore, the results support H2, demonstrating a positive and significant effect of community participation on public trust ($\beta = 0.490$, $p < 0.05$). This reinforces the notion that inclusive, participatory governance contributes to trust-building, particularly when citizens are given genuine opportunities to engage in decision-making, oversight, and programme evaluation. These findings are consistent with prior work by Hariani, Merawati and Yuliastuti (2022), He and Ma (2020), Nugroho, Wahyuning-sih & Alliyah (2022), who found that bottom-up governance practices strengthen community bonds and enhance perceptions of governmental responsiveness. Active engagement in planning and monitoring fosters a sense of ownership and reinforces the community's belief that village governments are working in their interest. In the Indonesian village context,

where institutional trust may be fragile, participation becomes a critical mechanism for legitimacy.

These findings support the idea that participation operates as both a governance mechanism and a trust-building process. Unlike accountability, which in some contexts may be perceived as formalistic or symbolic, participation requires direct interaction and dialogue, which can humanise governance and create more visible, tangible outcomes for citizens. This reinforces the need for village governments to move beyond procedural compliance and create meaningful opportunities for citizen involvement in financial decision-making and oversight.

While the third and fourth hypotheses examine whether perceived corruption mediates the effect of governance practices on public trust, the results reveal that both H3 and H4 are supported. Perceived corruption significantly mediates the relationship between accountability and public trust ($\beta = -0.018$, $p < 0.05$) and between community participation and public trust ($\beta = -0.007$, $p < 0.05$). The results demonstrate that perceptions of corruption mediate the relationship between accountability and public trust. This mediation indicates that even if accountability measures are in place, they will not foster trust unless they contribute to reducing perceived corruption. In contexts where corruption scandals are frequently reported, such as in village fund management, formal accountability mechanisms may fail to alter public perceptions if not accompanied by visible integrity and enforcement measures. The findings also reveal that perceptions of corruption partially mediate the relationship between community participation and public trust. This suggests that participation strengthens trust both directly, by fostering engagement, and indirectly, by reducing perceptions of corrupt practices. When citizens are directly involved in oversight, they are better positioned to evaluate government actions, making it more difficult for corruption to go unnoticed or unchallenged.

These findings emphasise that the effectiveness of accountability and participation depends on their ability to reduce perceived corruption. When these mechanisms are viewed as symbolic or ineffective in curbing misconduct, they fail to inspire confidence. However, when they successfully shift perceptions—i.e., when the public believes corruption is being controlled—they can significantly enhance trust. This finding supports the argument made by Nurriszkiana, Handayani and Widiastuty (2017) and Beshi and Kaur (2020) that accountability's trust-building potential depends on its ability to counteract suspicions of opportunistic behaviour.

Consistent with Goldfinch, Taplin and Gauld (2021), the results suggest that public trust declines when governance actions are seen as symbolic rather than substantive. Therefore, enhancing trust requires demonstrating that accountability efforts are not merely procedural requirements but are effectively reducing corruption risks.

5. Conclusion

This study highlights the significant role of accountability and community participation in building public trust. While community participation was found to enhance trust, accountability unexpectedly had a negative direct effect. These findings suggest that formal procedures alone are insufficient; what matters is how the public perceives the intent and impact of those efforts. Importantly, perceived corruption plays a key role in shaping trust. Even when accountability and participation mechanisms are present, they will not build trust unless they help reduce suspicions of corruption. In other words, trust grows not just from governance practices, but from how people interpret and believe in those practices. Thus, this study highlights that effective governance is not just about systems but also about relationships and perceptions. It means village governments must move beyond symbolic actions and demonstrate a genuine commitment to transparency while inviting meaningful public participation, not merely formal compliance. When people feel heard and believe their leaders are acting in good faith, trust naturally follows.

This study has several limitations. The sample was restricted to village officials and consultative council members in 27 villages in Denpasar, Bali Province, which limits the generalisability of the findings. Future research could broaden the scope by examining similar issues in other regions of Indonesia or in comparative international contexts, thereby enhancing the applicability of the study's insights. In addition, employing qualitative methods alongside surveys would provide richer perspectives and serve as a valuable complement to the single-method approach used in this study.

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GOOD GOVERNANCE AND TRUST IN VILLAGE FUND: THE ROLE OF ACCOUNTABILITY AND COMMUNITY PARTICIPATION

Summary

This study examines the role of good governance in village governments, focusing on community participation and accountability in managing village funds. Public trust has been under strain, largely due to widespread corruption, particularly in the use of village funds. Although accountability has been widely studied, its direct link to public trust remains unclear. Since the implementation of Indonesia's Village Law (Law No. 6 of 2014), which granted greater autonomy and funding to villages, concerns have grown over the risk of corruption in the absence of strong oversight. The findings reveal a paradoxical outcome: higher levels of accountability do not necessarily enhance trust and may even reduce it. This suggests that accountability mechanisms, when perceived as procedural or symbolic, can fuel public disappointment rather than strengthen legitimacy, particularly when concerns about fund misuse remain prominent. In contrast, community participation demonstrates a consistently positive association with trust. When citizens are actively engaged in planning, decision-making, and oversight, they feel included and represented, which enhances confidence in village governments. Perceptions of corruption emerge as a key factor explaining these dynamics. Substantive accountability and genuine participation reduce corruption suspicions and, in turn, foster greater trust. Conversely, when governance practices are perceived as symbolic, they fail to dispel doubts. This study underscores that building trust requires more than compliance with formal procedures. Village governance must be transparent, responsive, and genuinely participatory. Strengthening both accountability and community involvement is essential for restoring public trust and ensuring the effective management of village funds.

Keywords: *accountability, community participation, corruption, trust, village fund*

DOBRO UPRAVLJANJE I POVJERENJE U UPRAVLJANJE SEOSKIM FONDOVIMA: ULOGA ODGOVORNOSTI I SUDJELOVANJA GRAĐANA

Sažetak

Ovaj rad razmatra ulogu dobrog upravljanja u upravljačkim tijelima sela s posebnim naglaskom na sudjelovanje građana i odgovornost u upravljanju sredstvima sela. Povjerenje javnosti je narušeno, ponajprije zbog raširene korupcije, osobito u korištenju seoskih sredstava. Iako je odgovornost često predmet istraživanja, njezina izravna povezanost s povjerenjem javnosti ostaje nejasna. Nakon donošenja indonezijskog Zakona o selima (Zakon br. 6 iz 2014.) kojim je selima dodijeljena veća autonomija i značajnija financijska sredstva, porasla je zabrinutost zbog rizika od korupcije u uvjetima nedostatnog nadzora. Rezultati istraživanja otkrivaju paradoksalan ishod: viša razina odgovornosti ne mora nužno povećati povjerenje građana, već ga može čak i smanjiti. To upućuje na to da mehanizmi odgovornosti, kada se doživljavaju kao proceduralni ili simbolični, mogu potaknuti razočaranje javnosti umjesto jačanja legitimiteta, osobito kada su sumnje u zlouporabu sredstava i dalje prisutne. Nasuprot tome, sudjelovanje građana pokazuje dosljedno pozitivnu povezanost s povjerenjem. Kada su građani aktivno uključeni u planiranje, donošenje odluka i nadzor, osjećaju se uključenima i zastupljenima što povećava povjerenje u seoske vlasti. Percepcija korupcije pojavljuje se kao ključni čimbenik koji objašnjava ove odnose. Supstancijalna odgovornost i istinsko sudjelovanje građana smanjuju sumnju u korupciju i time potiču veće povjerenje. Suprotno tome, kada se aktivnosti upravljačkih tijela percipiraju samo kao simbolične, to ne umanjuje sumnje građana. Ovaj rad naglašava da izgradnja povjerenja zahtijeva više od pukog poštivanja formalnih procedura. Upravljanje na razini sela mora biti transparentno, odgovorno i istinski participativno. Jačanje odgovornosti i uključenosti zajednice ključno je za obnovu povjerenja javnosti i osiguravanje učinkovitog upravljanja seoskim fondovima.

Ključne riječi: odgovornost, sudjelovanje građana, korupcija, povjerenje, seoski fond