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Transparency, Accountability, and Public Trust in Indonesian Village Fund Governance: A SmartPLS Investigation with Corruption Risk as a Boundary Condition

Ahmad Albar Tanjung [1], M. Syafii [2], Julpian Harahap [3]
[1-3] Doctoral Program in Economics,
Faculty of Economics and Business, Universitas Sumatera Utara,
Medan, Indonesia
Email: alb4rt4njung@gmail.com, syafiimuhammad91@gmail.com
julpian90@gmail.com

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ABSTRACT

Despite substantial fiscal decentralisation through Indonesia's Village Fund Programme, persistent governance deficits continue to erode public trust. This study tests a theoretical model positioning accountability as the core mechanism mediating the relationship between transparency of fund reporting and community engagement with public trust. Additionally, it investigates perceived corruption risk as a boundary condition that may attenuate this mechanism.A cross-sectional survey was conducted with 437 respondents from purposively selected villages across three districts in North Sumatera Province: Deli Serdang, Simalungun, and Mandailing Natal. These areas represent diverse administrative and socio-economic contexts. The data was analyzed using Partial Least Squares Structural Equation Modelling (PLS-SEM) via SmartPLS 4 to evaluate mediation and moderation effects in the structural model.The findings reveal that transparency (significantly driven by digital reporting systems) and community engagement exert strong positive effects on accountability, which robustly predicts public trust. Accountability fully mediates the transparency–trust pathway and partially mediates the community engagement–trust pathway. Crucially, perceived corruption risk significantly moderates the accountability–trust link; high corruption risk perception substantially weakens accountability's trust-building capacity, even when formal practices are strictly observed.While constrained by a cross-sectional design, the practical implications urge village governments to institutionalize digital platforms and participatory budgeting alongside robust anti-corruption communication. Extending prior Java-centric research to North Sumatera's customary governance context, this study highlights that structural accountability reforms remain insufficient for restoring public trust as long as entrenched corruption risk beliefs persist among citizens.

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Introduction

Fiscal decentralisation constitutes one of the most consequential policy instruments through which central governments seek to realign public expenditure with local preferences, thereby advancing allocative efficiency and democratic accountability (Oates, 2005; Weingast, 2014). Indonesia's Village Fund Programme (*Dana Desa*), inaugurated under Law No. 6 of 2014 and operationalised from 2015 onwards, represents a landmark experiment in this tradition: it channels direct central government transfers to more than 74,000 villages, with annual disbursements exceeding IDR 70 trillion by 2022 (Ministry of Finance Indonesia, 2023). Yet the scale of these transfers has been matched by the scale of governance challenges. Between 2015 and 2022, the Corruption Eradication Commission (*Komisi Pemberantasan Korupsi* [KPK])

documented 686 corruption cases involving village funds, representing the most rapidly growing domain of sub-national corruption in the country (KPK, 2022). This juxtaposition of substantial fiscal devolution and persistent institutional failure raises a fundamental question that animates the present study: under what conditions do governance practices within Indonesian village government generate, rather than deplete, public trust?

Public trust in government is not merely a normative desideratum; it constitutes a functional prerequisite for the legitimate exercise of public authority and the voluntary compliance upon which effective public service delivery depends (Grimmelikhuijsen et al., 2013; Levi & Stoker, 2000). Within the public governance literature, transparency and accountability are consistently identified as the primary institutional mechanisms through which government earns and sustains public trust (Meijer, 2015; Worthy, 2010). This relationship, however, is neither automatic nor unconditional. The translation of formal accountability into citizen trust is contingent upon the broader institutional environment, particularly upon the degree to which citizens perceive the risk of corruption as structurally embedded within the governing apparatus (Rothstein & Teorell, 2008; Uslaner, 2002). Prior studies have largely examined these constructs in isolation or within advanced-economy contexts, leaving unresolved how they interact within low-trust, high-corruption-salience environments characteristic of Indonesia's village governance landscape.

Three theoretical and empirical gaps motivate this investigation. First, existing transparency–trust research predominantly treats accountability as an outcome rather than a mechanism, thereby obscuring the specific pathways through which disclosure practices reach citizens' trust dispositions (Grimmelikhuijsen & Meijer, 2014; Porumbescu et al., 2017). Second, community engagement, despite its centrality to deliberative governance frameworks and Indonesia's village development planning forums (*Musyawarah Perencanaan Pembangunan* [Musrenbang]), has received limited attention as a co-determinant of accountability alongside transparency within quantitative village governance research. Third, the conditioning role of perceived corruption risk on the accountability–trust relationship has not been empirically interrogated in a moderated-mediation framework, even though public economics theory predicts that scepticism about institutional probity should substantially attenuate citizens' willingness to convert observable accountability signals into trust (Rothstein, 2011). This study addresses all three gaps simultaneously.

We develop and test a theoretically grounded model positing that (1) transparency of village fund reporting and community engagement are antecedents of accountability; (2) accountability fully or partially mediates the effects of both antecedents on public trust; and (3) perceived corruption risk negatively moderates the accountability–trust pathway, constituting a boundary condition on the trust-generating capacity of accountability practices. Additionally, we examine digital reporting systems as an upstream determinant of perceived transparency, reflecting Indonesia's ongoing push toward e-government at the village level. The model is estimated using Partial Least Squares Structural Equation Modelling (PLS-SEM) via SmartPLS 4, applied to survey data from 437 respondents across villages in three districts of North Sumatera Province. The study makes three contributions. Theoretically, it advances public governance and public economics scholarship by demonstrating the conditional nature of the accountability–trust nexus, extending principal-agent and social contract frameworks to explain why formal accountability reforms may fail to build trust when corruption risk beliefs are entrenched. Methodologically, it offers a moderated mediation analysis within a village governance context characterised by customary (*adat*) governance traditions that complicate formal accountability mechanisms, providing a more nuanced account than extant additive models. Practically, the findings carry direct implications for Indonesia's village governance reform agenda, particularly regarding the sequencing of transparency investments, community participation mechanisms, and anti-corruption communication strategies.

Literature Review

2.1 Village Fund Governance in the Indonesian Fiscal Architecture

Indonesia's village governance system occupies a distinctive position within the comparative public administration literature because it combines constitutionally mandated decentralisation with centralised fiscal oversight, creating structural tensions that are theoretically productive for governance research. Law No. 6 of 2014 on Villages granted legal recognition to customary village institutions and established a formula-based fiscal transfer mechanism that allocates funds based on population, poverty index,

geographic area, and development difficulty index (Antlöv et al., 2016). Unlike block grants characterising earlier decentralisation rounds, *Dana Desa* carries specific expenditure mandates, primarily village infrastructure, poverty alleviation, and community economic development, creating accountability obligations that span fiscal management, service delivery, and participatory governance (Lewis, 2023).

The governance architecture at the village level involves three principal actors: the village head (*kepala desa*) and executive apparatus, the Village Consultative Body (*Badan Permusyawaratan Desa*, or BPD), and the village community assembly (*musyawarah desa*). This tripartite structure institutionalises horizontal accountability between the executive and deliberative bodies and vertical accountability between village government and community residents (Antlöv et al., 2016; Vel & Bedner, 2015). However, institutional design does not guarantee institutional function. Persistent capacity gaps in village financial management, including weaknesses in reporting quality and accountability practices, have been documented in Indonesian village contexts (Sofyani et al., 2021; Nurlinah & Haryanto, 2020), while elite dominance and non-inclusive participation have been documented as persistent features of Indonesian village development planning, with forums controlled by village heads and proximate elites rather than ordinary residents (Damayanti & Syarifuddin, 2020). The broader fiscal decentralisation architecture further complicates governance: higher fiscal independence at the local level has paradoxically been associated with greater corruption risk, suggesting that transfer design must be accompanied by robust oversight and transparency mechanisms (Paranata, 2022). These structural realities provide the contextual backdrop against which formal transparency and accountability practices must be evaluated.

The governance context of North Sumatera Province, the setting of the present study, adds layers of institutional complexity absent from Java-centric research. The province encompasses more than 5,400 villages (*desa*) across 25 districts, governed by communities representing Batak Toba, Batak Karo, Batak Simalungun, Mandailing, Melayu, and Nias ethnic traditions, each with distinct customary (*adat*) governance norms that shape how formal accountability obligations are interpreted and enacted (Vel & Bedner, 2015). In Mandailing Natal, for instance, the *dalihan na tolu* kinship system continues to structure community decision-making alongside formal village governance institutions, creating parallel accountability channels whose interaction with *Dana Desa* governance requirements has not been systematically studied. This cultural heterogeneity, combined with significant variation in geographic accessibility and administrative capacity across the province's coastal, highland, and remote interior districts, makes North Sumatera a theoretically rich and practically important context for village fund governance research.

The digital governance dimension adds further complexity. The Ministry of Home Affairs mandated the use of the Village Financial Management System (*Sistem Keuangan Desa*, or *Siskeudes*) from 2018, requiring villages to record, report, and disclose financial data electronically. This mandate was subsequently reinforced through the Village Financial Reporting Information System (*Sistem Informasi Pelaporan Keuangan Desa*, SIPADES) and real-time dashboard systems accessible to district (*kabupaten*) oversight bodies. While these platforms represent significant infrastructure investments, their penetration and utilisation remain heterogeneous across rural Indonesia's diverse administrative landscape (Permatasari et al., 2024; Nurlinah & Haryanto, 2020). The governance implications of uneven digital adoption for perceived transparency and public trust remain an empirically open question, particularly in provinces like North Sumatera where geographic dispersion and connectivity challenges constrain technology diffusion.

2.2 Transparency and Fiscal Accountability: Theoretical Foundations

The transparency–accountability relationship is most parsimoniously theorised through the principal-agent framework, wherein voters (principals) delegate fiscal authority to elected officials (agents) and employ information disclosure as the primary instrument for reducing agency costs arising from information asymmetry (Fearon, 1999; Persson et al., 1997). Transparency in this framework is not a diffuse normative concept but a specific institutional mechanism that increases the observability of agent behaviour, thereby enabling principals to evaluate performance and apply sanctions through electoral or participatory channels (Adsera et al., 2003; Besley & Case, 1995). Cross-national meta-analytic evidence confirms that transparency mechanisms significantly reduce perceived corruption, with fiscal and e-transparency instruments demonstrating stronger effects than general information disclosure laws, though effectiveness remains contingent on functioning sanction channels (Chen & Ganapati, 2021). In the village fund context, fiscal transparency encompasses the disclosure of budget allocations, expenditure reports,

procurement processes, and project outcomes, information types specifically mandated by *Peraturan Menteri Dalam Negeri* (Permendagri) No. 20 of 2018 on Village Financial Management.

Beyond agency reduction, transparency has been theorised as a trust-building mechanism through the lens of social contract theory, wherein government openness signals commitment to public interest and creates a reciprocal basis for citizen trust (Blind, 2007; Grimmelikhuijsen et al., 2013). A distinction between objective transparency (actual information disclosure) and subjective transparency (citizens' perception of being informed) has been advanced in the digital governance literature, with the latter argued to more proximately predict governance outcomes including trust (Meijer, 2015). This distinction is particularly salient in the Indonesian village context, where official disclosure requirements may be formally satisfied while residents remain informationally excluded due to literacy, language, or geographic barriers.

Accountability, as employed in this study, follows a multidimensional conception encompassing the obligation to explain and justify conduct (answerability), the capacity of forums to evaluate those explanations (transparency-enabling), and the existence of meaningful consequences for performance (enforceability) (Bovens, 2007). This formulation extends beyond mere reporting compliance to capture the quality of the governance relationship between village government and citizens. Fiscal accountability specifically concerns the stewardship of public resources and encompasses procedural compliance with financial management regulations and substantive responsiveness to community expenditure priorities (Olken, 2007; Shah, 2007). The distinction between procedural and substantive accountability has particular relevance for village governance, where high procedural compliance scores can coexist with substantive non-responsiveness to community needs (Antlöv et al., 2016). Empirical evidence from Indonesian regional governance contexts indicates that transparency strengthens accountability through improved audit compliance and governance reform follow-through, though the accountability gains depend critically on whether disclosed information is rendered accessible to oversight actors (Masdar et al., 2021).

2.3 Community Engagement and Deliberative Accountability

Community engagement, in the deliberative governance tradition, is theorised as simultaneously an input to and an output of accountability (Fung, 2015; Nabatchi, 2010). As an input, participatory mechanisms, including village planning meetings (*Musrenbang*), social audits, and community monitoring activities, generate accountability pressure by making citizens' preferences visible and creating social norms against resource misappropriation (Fox, 2015; Olken, 2007). As an output, effective accountability raises citizens' confidence that their engagement is consequential, thereby sustaining participatory behaviour over time. This recursive relationship implies that engagement and accountability are mutually constitutive rather than causally unidirectional, a dynamic that cross-sectional survey designs can capture only partially. Empirical research on community participation in fiscal governance has documented mixed effects on accountability outcomes, with effectiveness contingent upon the institutional design of participatory mechanisms, the organisational capacity of civil society, and the degree of elite capture in local governance structures (Mansuri & Rao, 2013; Platteau, 2004). *Musrenbang* participation has been shown to positively predict community accountability perceptions when the deliberative process is substantive rather than ceremonial (Antlöv et al., 2016), yet evaluations of Musrenbang practice consistently find significant departures from democratic, inclusive, and responsive participation criteria (Akbar et al., 2020). Conversely, highly clientelistic village political economies have been shown to systematically transform formal participatory spaces into mechanisms of elite legitimation rather than genuine accountability (Berenschot & Mulder, 2019; Sidik & Habibi, 2023). These divergent findings underscore the importance of examining community engagement's effect on accountability empirically rather than assuming a universal positive relationship. Digital engagement platforms, including village websites, WhatsApp groups established for official village communications, and mobile applications linked to *Siskeudes* outputs, represent an emerging dimension of community engagement that intersects with the digital transparency agenda. Government provision of quality information through digital channels has been shown to enhance citizens' trust and sense of engagement with public institutions (Mansoor, 2021). Analogously, Indonesian regulatory frameworks increasingly mandate digital channels for community feedback on village fund utilisation, though the governance implications of such mandates remain empirically underexplored in peer-reviewed literature.

2.4 Public Trust in Government: Institutional and Contextual Determinants

Public trust in government is a multi-level construct encompassing cognitive evaluations of competence and integrity and affective orientations toward political institutions (Blind, 2007; Mishler & Rose, 2001). At the institutional level, trust is predominantly shaped by performance, citizens' assessments of government's capacity to deliver services effectively and honestly (Van Ryzin, 2011). At the contextual level, trust is mediated by cultural orientations toward authority, historical experiences of institutional failure, and social trust generalisations (Rothstein & Uslaner, 2005; Uslaner, 2002). The interaction between institutional performance signals and contextual trust dispositions is theoretically central to understanding why identical accountability reforms may generate divergent trust outcomes across administrative contexts.

In low-trust environments characterised by high corruption salience, a description that applies to substantial portions of Indonesia's village governance landscape (Transparency International, 2022), the trust-generating capacity of positive performance signals is theoretically constrained by the "social trap" dynamic, wherein citizens who believe corruption to be systemic discount formal accountability evidence as either inconsequential or manipulated (Rothstein, 2011). Experimental evidence has established that transparency effects on trust are moderated by prior institutional trust levels (Grimmelikhuijsen & Klijn, 2015), and that transparency can paradoxically reduce trust when decision-making processes are perceived as unfair or corrupt (de Fine Licht, 2014; Hsu, 2023). A meta-analysis of 49 empirical studies confirms that the average transparency–trust relationship is positive but small, with effects approaching zero for computer-mediated and process-focused transparency forms (Wang & Guan, 2022) — a pattern consistent with the full mediation model advanced in this study. The implication for village governance is that accountability reforms must be accompanied by credible anti-corruption signals if they are to translate into sustained trust gains. When transparency operates without credible expectations of sanction, disclosure tends to generate citizen cynicism rather than trust, a dynamic that is particularly acute in environments where corruption is perceived as endemic (Schnell, 2023).

Prior research in the Indonesian village context has documented a complex accountability-trust relationship. Formal accountability practices have been found not to predict community trust significantly in Indonesian villages, while perceived transparency and participatory processes emerge as stronger determinants of trust in village government (Sofyani et al., 2021). The trust-depleting effects of corruption perceptions are further compounded when the quality of digital information from government channels is perceived as inadequate or incomplete (Mansoor, 2021). These Indonesian findings are consistent with the broader public economics literature demonstrating that citizens in high-corruption environments develop institutionally rational scepticism resistant to short-term transparency interventions (Van de Walle & Migchelbrink, 2022; Mungiu-Pippidi, 2015).

2.5 Digital Reporting Systems and Perceived Transparency

E-government transparency platforms have attracted substantial research attention as instruments for reducing information asymmetry between citizens and public administrators (Meijer & Bolívar, 2016; Nam, 2012). The theoretical premise is that digitalisation reduces disclosure costs, standardises information formats, and broadens access to fiscal data, thereby enhancing both objective and perceived transparency (Cucciniello et al., 2017). Government digital information quality has been shown to significantly enhance citizens' perceived transparency and institutional trust (Mansoor, 2021). Proactive online disclosure of performance data has similarly been found to increase citizens' information satisfaction beyond the effects of traditional accountability reporting (Meijer, 2015).

In the Indonesian village context, the introduction of *Siskeudes* created a standardised digital infrastructure for village financial management and reporting, but its trust-building potential depends critically upon the accessibility and intelligibility of disclosed information to village residents. Government provision of quality digital information has been positively associated with citizen trust and perceived transparency across governance contexts (Mansoor, 2021), while systematic assessment of village fund reporting systems in Indonesia has documented persistent gaps between formal reporting compliance and substantive accountability outcomes that undermine trust (Permatasari et al., 2024). These findings suggest that digital reporting systems function not merely as disclosure mechanisms but as signals of institutional modernity and openness that shape citizens' perceptions of government transparency independently of the informational content disclosed.

2.6 Hypotheses Development

Drawing on the principal-agent framework and the fiscal transparency literature, this study posits that transparency of village fund reporting constitutes a structural precondition for accountability. When village governments proactively disclose budget allocations, expenditure reports, and audit outcomes through accessible channels, physical notice boards, village assemblies, and digital platforms, they reduce information asymmetry and create the informational basis upon which communities can evaluate fiscal stewardship and exercise accountability pressure (Besley & Case, 1995; Olken, 2007). Perceived transparency has been established as a positive predictor of government accountability assessments in digital governance contexts (Meijer, 2015), a relationship replicated across diverse national contexts (Grimmelikhuijsen et al., 2013). Applied to the village governance context, this reasoning supports the following hypothesis:

H1: Transparency of village fund reporting is positively associated with accountability perceptions.

Community engagement, operationalised as the active and substantive participation of village residents in planning, monitoring, and evaluating village fund utilisation, is theorised as an accountability driver through deliberative mechanisms. When community members participate meaningfully in *Musrenbang* processes, attend social audit forums, and provide feedback on project outcomes, they create bottom-up accountability pressure that constrains opportunistic agent behaviour and reinforces prosocial accountability norms (Fox, 2015; Fung, 2015). High-quality participatory processes have been shown to predict stronger community accountability assessments in the Indonesian context (Antlöv et al., 2016). Accordingly:

H2: Community engagement is positively associated with accountability perceptions.

Accountability, in turn, is expected to generate public trust through multiple mechanisms. Procedurally, demonstrable accountability signals government competence and integrity, satisfying citizens' performance-based trust calculus (Van Ryzin, 2011). Substantively, accountability creates a track record of responsive governance that builds institutional credibility over time (Levi & Stoker, 2000). Accountability has been identified as the strongest predictor of institutional trust in comparative governance research (Grimmelikhuijsen & Meijer, 2014), with procedural accountability signals shown to enhance trust across political contexts (Porumbescu et al., 2017). In municipal governance settings, audited financial reporting combined with accessible fiscal information has been shown to generate institutional trust when accountability mechanisms are observable to citizens (Estrada & Bastida, 2020). This yields:

H3: Accountability is positively associated with public trust in village government.

The mediating role of accountability in the transparency–trust relationship is grounded in the information processing model of trust formation, whereby governance transparency does not directly produce trust but does so indirectly by enabling citizens to assess and affirm the accountability of public institutions (de Fine Licht, 2014; Grimmelikhuijsen & Meijer, 2014). Without observable accountability, transparency may raise awareness of governance deficits rather than trust. Conversely, without the informational foundation that transparency provides, accountability assessments lack empirical grounding. The mediation hypothesis thus reflects the sequential logic: transparency enables accountability evaluation, which generates trust.

H4: Accountability mediates the positive relationship between transparency of village fund reporting and public trust.

Similarly, community engagement's trust-generating effect is theorised to operate through the accountability channel rather than directly. The act of participation, however substantive, does not in itself constitute institutional trust-building; rather, participation creates accountability pressure that, when it demonstrably influences governance outcomes, generates the performance record upon which trust is built (Fox, 2015; Nabatchi, 2010). Where participatory mechanisms are decoupled from accountability outcomes, a documented pathology in clientelistic village environments (Berenschot & Mulder, 2019), community engagement will yield neither improved accountability perceptions nor enhanced trust. This reasoning supports:

H5: Accountability mediates the positive relationship between community engagement and public trust.

The moderating role of perceived corruption risk is theorised as a boundary condition on the accountability–trust pathway. Drawing on the social traps framework (Rothstein, 2011) and the distinction between particularised and generalised trust (Uslaner, 2002), this study posits that citizens who perceive corruption risk as high will discount accountability signals as either manipulated, ceremonial, or insufficient to offset structural institutional deficits. Empirically, this predicts that the positive effect of accountability

on public trust will be weakened at higher levels of perceived corruption risk, consistent with evidence that corruption perceptions and institutional quality jointly moderate the trust effects of accountability signals (Van de Walle & Migchelbrink, 2022), that purpose-designed targeted transparency yields only contingent and modest trust gains that vary substantially by contextual factors (Grimmelikhuijsen et al., 2023), that formal accountability practices alone do not suffice to generate community trust in Indonesian village contexts (Sofyani et al., 2021), and that transparency without credible sanction expectations tends to breed cynicism rather than trust in high-corruption settings (Schnell, 2023).

H6: Perceived corruption risk negatively moderates the positive relationship between accountability and public trust, such that the relationship is weaker when perceived corruption risk is higher.

Finally, grounded in the e-government transparency literature (Meijer & Bolívar, 2016; Mansoor, 2021), this study posits that digital reporting systems, measured as the quality, accessibility, and utilisation of digital fiscal disclosure platforms, are a positive antecedent of perceived transparency. Digital systems reduce disclosure costs, standardise formats, and broaden citizen access to fiscal information, each of which contributes to enhanced perceived transparency.

H7: Digital reporting systems quality is positively associated with transparency of village fund reporting.

Method

3.1 Research Design and Philosophical Stance

This study employs a quantitative, cross-sectional survey design consistent with the predictive-explanatory goals of PLS-SEM. A quantitative design is appropriate given the deductive theoretical framework, the availability of validated measurement scales for the study's constructs, and the moderated mediation hypotheses requiring variance-based structural modelling (Hair et al., 2022).

3.2 Population, Sampling, and Sample Size

The target population comprised adult residents (aged ≥18 years) of rural villages receiving *Dana Desa* transfers, village officials (including village heads, village secretaries, and finance officers), BPD members, and beneficiaries of village fund-financed programmes. This heterogeneous respondent pool was selected to capture diverse perspectives on village fund governance while maintaining substantive familiarity with the accountability context being investigated. Respondents were drawn from three districts (*kabupaten*) of North Sumatera Province, Deli Serdang (representing peri-urban governance with relatively developed administrative capacity and high *Dana Desa* allocations), Simalungun (representing intermediate plantation-belt administrative contexts shaped by Batak Simalungun *adat* governance traditions), and Mandailing Natal (representing geographically remote, high-poverty frontier governance with elevated KPK risk scores), to enhance geographic and administrative variation within a single provincial context.

A multi-stage purposive sampling strategy was adopted. In the first stage, three sub-districts (*kecamatan*) per district were selected based on maximum variation in KPK Village Fund Risk Index scores, yielding nine sub-districts across three districts. Within each sub-district, four villages were purposively selected based on variation in *Dana Desa* fund size and village governance classification under the Ministry of Home Affairs Village Development Index (*Indeks Desa Membangun*, IDM), yielding 36 villages. Within each village, 12–15 respondents were systematically sampled using a household roster approach, with additional snowball sampling used to identify BPD members and village officials. Sample size adequacy was assessed using three criteria. First, following the ten-times rule for PLS-SEM (Hair et al., 2019), the minimum sample size equals ten times the maximum number of paths directed at any latent variable in the structural model (here, four paths toward accountability), yielding a minimum of 40; the achieved sample of 437 substantially exceeds this threshold. Second, a power analysis using G*Power 3.1 (Faul et al., 2007) for multiple regression with five predictors, $\alpha = 0.05$, power = 0.80, and a medium effect size ($f^2 = 0.15$) indicated a minimum of 92 observations; the achieved sample provides power exceeding 0.99. After excluding 31 incomplete questionnaires (response rate: 93.4%), the analytical sample comprised 437 respondents.

3.3 Measurement Instrument

All constructs were measured using multi-item reflective scales adapted from validated instruments in the governance transparency, public trust, and accountability literature. Table 1 presents the construct

definitions, scale sources, and item counts. Transparency of village fund reporting (TVF, 5 items) was adapted from the government transparency scale (Grimmelikhuijsen & Meijer, 2014) and contextualised to reflect *Dana Desa* disclosure obligations under Permendagri No. 20 of 2018. Community engagement (CE, 5 items) drew on the participatory governance scale (Nabatchi, 2010) adapted to the *Musrenbang* context (Antlöv et al., 2016). Accountability (ACC, 5 items) was operationalised through items assessing answerability, transparency-enabling, and enforceability at the village level (Bovens, 2007). Public trust (PT, 4 items) was adapted from the institutional trust battery (Van Ryzin, 2011), modified for village government specificity. Perceived corruption risk (PCR, 4 items) was operationalised through items reflecting the perceived likelihood of fund misappropriation, grounded in Rothstein's (2011) quality of government framework. Digital reporting systems (DRS, 4 items) were adapted from the digital information quality scale (Mansoor, 2021). All items were measured on a five-point Likert scale anchored at 1 (*strongly disagree*) to 5 (*strongly agree*). The questionnaire was developed in English and translated into Bahasa Indonesia using a forward–backward translation protocol (Brislin, 1970). Two bilingual public administration scholars reviewed the translated items for construct equivalence. A pilot study involving 45 respondents from villages excluded from the main sample was conducted to assess item clarity and scale reliability; items with corrected item-total correlations below 0.40 were revised or removed.

Table 1: Construct Definitions and Scale Sources

Construct	Abbr.	Items	Scale Source	Definition
Transparency of VF Reporting	TVF	5	Grimmelikhuijsen & Meijer (2014)	Perceived proactive disclosure of village fund information
Community Engagement	CE	5	Nabatchi (2010); Antlöv et al. (2016)	Active participation in village fund planning and monitoring
Accountability	ACC	5	Bovens (2007)	Perceived answerability and enforceability of village governance
Public Trust	PT	4	Van Ryzin (2011)	Confidence in village government competence and integrity
Perceived Corruption Risk	PCR	4	Rothstein (2011)	Perceived likelihood of fund misappropriation by officials
Digital Reporting Systems	DRS	4	Mansoor (2021)	Quality and accessibility of digital fiscal disclosure platforms

3.4 Justification for PLS-SEM

Partial Least Squares Structural Equation Modelling (PLS-SEM) was selected over covariance-based SEM (CB-SEM) for three methodologically grounded reasons (Hair et al., 2022). First, the structural model is complex, incorporating mediation paths, a moderation interaction term, and composite constructs, for which PLS-SEM is specifically recommended. Second, the product-indicator moderation approach introduces non-normality in the interaction term; PLS-SEM's distribution-free bootstrapping estimation is robust to this violation. Third, the governance constructs include a composite measurement structure requiring variance-based estimation. SmartPLS 4 (Ringle et al., 2022) was used for all analyses.

3.5 Common Method Bias Treatment

Given the cross-sectional, self-report nature of the data, common method bias (CMB) was addressed through procedural and statistical remedies (Podsakoff et al., 2012). Procedurally, predictor and criterion items were separated within the questionnaire by a page break and an unrelated distractor task, and anonymity assurances were provided to reduce evaluation apprehension. Statistically, Harman's single-factor test revealed that the largest factor explained 26.4% of variance (well below the 50% threshold), and a full-collinearity VIF assessment confirmed all VIF values below 3.3, indicating that pathological collinearity was absent (Podsakoff et al., 2012).

3.6 Outer Model Assessment

Measurement model quality was assessed sequentially. Indicator reliability was evaluated by examining outer loadings; all loadings exceeded 0.70, with the exception of two items initially below this threshold that were retained because their loadings exceeded 0.60 and their removal did not improve

composite reliability (Hair et al., 2022). Internal consistency reliability was assessed via Composite Reliability (CR); all constructs exceeded the 0.70 threshold recommended for exploratory research and the 0.90 ceiling advised to prevent over-reliance on indicator redundancy (Bagozzi & Yi, 1988). Convergent validity was assessed using Average Variance Extracted (AVE); all AVE values exceeded the 0.50 threshold (Fornell & Larcker, 1981). Discriminant validity was evaluated using both the Fornell–Larcker criterion and the Heterotrait-Monotrait ratio of correlations (HTMT; Henseler et al., 2015); all HTMT values remained below the conservative 0.85 threshold, confirming discriminant validity. Table 2 presents full measurement model results.

Table 2: Measurement Model Results

Construct	AVE	CR	α	Loading Range	Max HTMT
TVF	0.612	0.888	0.852	0.731–0.821	0.782
CE	0.598	0.881	0.844	0.718–0.808	0.761
ACC	0.633	0.895	0.862	0.742–0.837	0.812
PT	0.621	0.869	0.821	0.751–0.826	0.798
PCR	0.607	0.860	0.806	0.726–0.804	0.743
DRS	0.589	0.850	0.793	0.712–0.799	0.767

Note. TVF = Transparency of Village Fund Reporting; CE = Community Engagement; ACC = Accountability; PT = Public Trust; PCR = Perceived Corruption Risk; DRS = Digital Reporting Systems. CR = Composite Reliability; α = Cronbach's Alpha; HTMT = Heterotrait-Monotrait ratio. All AVE > 0.50; all HTMT < 0.85.

3.7 Inner Model Assessment

Structural model quality was assessed prior to hypothesis testing. Multicollinearity among predictor variables was examined using variance inflation factors (VIF); all VIF values ranged between 1.21 and 2.47, well below the conservative threshold of 5.0 (Hair et al., 2022), confirming the absence of problematic collinearity. The moderation interaction term (ACC × PCR) was created using the product-indicator approach for reflective-reflective interactions (Henseler & Chin, 2010). The model's explanatory power was assessed using the coefficient of determination (R^2); the R^2 for accountability was 0.514 and for public trust was 0.479, indicating substantial and moderate predictive accuracy respectively (Cohen, 1988). Predictive relevance was confirmed through Stone-Geisser's Q^2 values obtained via blindfolding (omission distance = 7), with Q^2 values of 0.318 (ACC) and 0.291 (PT) exceeding the zero threshold (Hair et al., 2022). Effect sizes (f^2) were computed for each path; values ranged from 0.062 (small) to 0.241 (medium-large), consistent with governance research norms (Cohen, 1988). The Standardised Root Mean Square Residual (SRMR) for the estimated model was 0.063, below the 0.08 threshold (Hu & Bentler, 1999), confirming acceptable model fit. All hypothesis tests employed bootstrapping with 5,000 subsamples, no sign change, and 95% bias-corrected confidence intervals.

Results and Discussion

4.1 Respondent Profile

The analytical sample of 437 respondents comprised village residents (52.6%), village officials (20.1%), BPD members (15.1%), and village fund beneficiaries (12.2%). Female respondents constituted 44.6% of the sample. The majority held secondary education qualifications (48.3%), followed by tertiary education (31.1%) and primary education (20.6%). Respondents were distributed across 36 villages in nine sub-districts spanning Deli Serdang, Simalungun, and Mandailing Natal districts, with between 11 and 14 valid responses per village. Mean village fund awareness score, a three-item composite assessing self-reported knowledge of *Dana Desa* amounts and expenditure categories, was 3.42 (SD = 0.81) on a five-point scale, indicating moderate familiarity with village fund governance.

4.2 Structural Model and Hypothesis Testing

Table 3 presents the full structural model results, comprising direct effects, indirect (mediation) effects, and the moderation interaction term, together with bootstrapped standard errors, t-statistics, p-values, and 95% bias-corrected confidence intervals. H1 (TVF to ACC: β = 0.341, SE = 0.048, t = 7.104,

$p < 0.001$, CI [0.247, 0.435]) was supported, confirming that perceived transparency of village fund reporting is a significant positive predictor of accountability perceptions. H2 (CE to ACC: β = 0.298, SE = 0.052, $t = 5.731$, $p < 0.001$, CI [0.196, 0.400]) was likewise supported, establishing community engagement as an independent positive contributor to accountability. H3 (ACC to PT: β = 0.412, SE = 0.044, $t = 9.364$, $p < 0.001$, CI [0.326, 0.498]) was strongly supported, consistent with the governance trust literature. H7 (DRS to TVF: β = 0.387, SE = 0.046, $t = 8.413$, $p < 0.001$, CI [0.297, 0.477]) confirmed digital reporting systems as a significant antecedent of perceived transparency.

Table 3: Structural Model Results

Path	β	SE	*t*	*p*	95% CI	f^2/VAF	Decision
H1: TVF → ACC	0.341	0.048	7.104	< 0.001	[0.247, 0.435]	$f^2 = 0.141$	Supported
H2: CE → ACC	0.298	0.052	5.731	< 0.001	[0.196, 0.400]	$f^2 = 0.108$	Supported
H3: ACC → PT	0.412	0.044	9.364	< 0.001	[0.326, 0.498]	$f^2 = 0.241$	Supported
H4: TVF → ACC → PT	0.140	0.024	5.833	< 0.001	[0.093, 0.188]	VAF = 67.6%	Supported (Full)
H5: CE → ACC → PT	0.123	0.028	4.393	< 0.001	[0.068, 0.178]	VAF = 56.7%	Supported (Partial)
H6: ACC × PCR → PT	−0.147	0.039	3.769	< 0.001	[−0.224, −0.070]	$f^2 = 0.062$	Supported
H7: DRS → TVF	0.387	0.046	8.413	< 0.001	[0.297, 0.477]	$f^2 = 0.196$	Supported

Note. Bootstrapping: 5,000 subsamples, bias-corrected 95% CI. f^2 = Cohen's effect size for direct and interaction paths; VAF = Variance Accounted For by the mediator for indirect paths. H4: direct path TVF to PT non-significant after mediation (β = 0.067, $p = 0.145$), confirming full mediation. H5: direct path CE to PT remains significant (β = 0.094, $p = 0.022$), confirming partial mediation.

4.3 Mediation Analysis

Mediation hypotheses (H4 and H5) were tested using the bootstrapped indirect effect approach recommended for PLS-SEM (Hair et al., 2022; Zhao et al., 2010). For H4, the indirect effect of TVF on PT via ACC was β = 0.140 (SE = 0.024, $t = 5.833$, $p < 0.001$, CI [0.093, 0.188]). The direct effect of TVF on PT, controlling for ACC, was non-significant (β = 0.067, SE = 0.046, $t = 1.457$, $p = 0.145$), indicating full mediation. The variance accounted for (VAF) was 67.6%, consistent with full mediation in the presence of a non-significant direct effect (Zhao et al., 2010). H4 was supported. For H5, the indirect effect of CE on PT via ACC was β = 0.123 (SE = 0.028, $t = 4.393$, $p < 0.001$, CI [0.068, 0.178]). The direct effect of CE on PT remained significant (β = 0.094, SE = 0.041, $t = 2.293$, $p = 0.022$), indicating partial rather than full mediation (VAF = 56.7%). H5 was supported in the partial mediation form, consistent with community engagement retaining a direct trust-building channel, potentially through social cohesion and felt civic efficacy mechanisms operating independently of formal accountability evaluations.

4.4 Moderation Analysis

H6 posited that perceived corruption risk negatively moderates the accountability–trust relationship. The interaction term (ACC × PCR) was constructed using the product-indicator approach in SmartPLS 4. The interaction path coefficient was β = −0.147 (SE = 0.039, $t = 3.769$, $p < 0.001$, CI [−0.224, −0.070]), confirming significant negative moderation. To interpret the interaction, simple slope analysis was conducted at one standard deviation above and below the mean of PCR. At low PCR (−1 SD), the ACC to PT slope was β = 0.512 ($t = 11.42$, $p < 0.001$); at high PCR (+1 SD), the slope was β = 0.271 ($t = 5.18$, $p < 0.001$). The Johnson-Neyman technique identified PCR = 3.71 on the five-point scale as the floodlight threshold above which the accountability–trust relationship becomes significantly weaker than the low-PCR baseline. The interaction effect size ($f^2 = 0.062$) corresponds to a small but substantively meaningful boundary condition effect (Cohen, 1988). H6 is supported. Overall, the structural model explained 51.4% of variance in accountability and 47.9% of variance in public trust, with SRMR = 0.063 indicating acceptable model fit.

Discussion

The full mediation of the transparency–trust pathway by accountability (H4) is the study's most theoretically consequential finding. It establishes that disclosure of village fund information, however extensive, does not independently build public trust; rather, it does so by enabling citizens to assess and affirm the accountability of their village government. This finding challenges the implicit assumption in much e-government research that digital transparency creates direct value for citizens (Porumbescu et al., 2022) and instead positions accountability as the essential mechanism through which transparency reaches trust dispositions. The observation that transparency without perceived procedural fairness can paradoxically undermine trust by heightening awareness of governance deficits (de Fine Licht, 2014) has direct institutional resonance in the North Sumateran context, where transparency exposes the full extent of participatory shortfalls and budget deviations in environments where formal and customary accountability channels coexist uneasily.

The partial mediation of the community engagement–trust pathway (H5) is equally revealing. The retention of a direct CE to PT path suggests that participation itself carries intrinsic trust-building value beyond its accountability effects, possibly through the social cohesion and civic identity mechanisms theorised in the social capital literature (Fung, 2015; Putnam, 2000). Village residents who actively participate in *Musrenbang* assemblies and village fund monitoring activities may derive trust from the experience of collective deliberation independent of whether participation translates into formal accountability outcomes. This finding supports the contention that participatory governance generates 'governance legitimacy' beyond instrumental performance effects (Nabatchi, 2010), and extends it to a North Sumateran context where *adat* deliberative traditions pre-date formal village governance structures. Prior Indonesian research documented that participatory quality predicted accountability assessments but did not examine the direct trust channel (Antlöv et al., 2016), a gap the present study fills.

The negative moderation of the accountability–trust relationship by perceived corruption risk (H6) is the study's most practically consequential finding and its most significant contribution to the governance trust literature. The Johnson-Neyman floodlight analysis reveals that above a corruption risk perception score of 3.71 on the five-point scale, a threshold exceeded by 38.7% of respondents in this sample, the trust-generating capacity of accountability practices is substantially and significantly diminished. This is not merely a statistical interaction; it represents a governance trap in which formal institutional reforms lose their trust-building efficacy precisely in the communities that most urgently need trust restoration. This finding aligns theoretically with the social traps framework (Rothstein, 2011) but extends it by providing empirical parameter estimates for the attenuation effect in a specific institutional context. It also converges with evidence that institutional quality and corruption jointly condition the trust effects of accountability signals across governance contexts (Van de Walle & Migchelbrink, 2022), and with findings that formal accountability practices do not independently generate community trust in Indonesian village government (Sofyani et al., 2021). The present study goes further by demonstrating a moderated mediation structure: corruption risk does not merely depress trust levels overall, but specifically attenuates the pathway through which accountability translates into trust, representing a fundamentally different governance challenge with distinct policy implications. The North Sumateran contextual specificity of this finding merits emphasis. Mandailing Natal, the most geographically remote district in the sample, carried the highest mean corruption risk perception scores ($M = 3.89$), while Deli Serdang, with its more developed oversight infrastructure, recorded the lowest ($M = 3.21$). This within-province variation confirms that corruption risk perceptions are not uniformly distributed and are shaped by local governance histories and oversight capacity, consistent with the broader public economics literature demonstrating that citizens in high-corruption environments develop institutionally rational scepticism resistant to short-term transparency interventions (Mungiu-Pippidi, 2015).

The confirmation of digital reporting systems as a significant antecedent of perceived transparency (H7, $\beta = 0.387$) reflects the meaningful role that e-governance infrastructure plays in reshaping citizens' information environment at the village level. This magnitude is consistent with evidence from broader international contexts that government digital information quality generates meaningful transparency gains across diverse governance settings (Mansoor, 2021; Porumbescu et al., 2022). The North Sumateran result is notable given the documented heterogeneity in *Siskeudes* adoption and village website quality within the province, suggesting that even partial digital infrastructure generates perceived transparency gains relative

to the pre-digital baseline. However, the indirect effect of digital reporting systems on public trust, operating sequentially through perceived transparency and then accountability, is substantially attenuated in high-corruption-risk communities. This implies that investments in digital reporting infrastructure will generate trust gains primarily in communities where corruption risk perceptions are moderate to low, and will have diminished returns in communities where institutional scepticism is entrenched. This boundary condition on digital transparency's trust-building function has not been previously documented in the village governance literature and carries direct policy implications for the sequencing of e-government and anti-corruption reform investments.

5.1 Theoretical Implications

This study extends public governance and public economics theory in three interconnected directions. First, it advances the transparency–accountability–trust scholarship by establishing the full mediation structure of the transparency–trust pathway and the partial mediation of the community engagement–trust pathway, thereby resolving a theoretical ambiguity in the governance trust literature. Prior scholarship has variously treated accountability as an outcome of transparency (Olken, 2007), a predictor of trust alongside transparency (Grimmelikhuijsen et al., 2013), or an independent governance quality dimension (Bovens, 2007). The present study integrates these competing theoretical positions by demonstrating that accountability occupies a mediating position in the causal sequence, without which transparency fails to reach trust. This contribution is particularly significant for public economics literature on fiscal federalism, where transparency is frequently assumed to produce trust as a first-order effect (Weingast, 2014) without modelling the intermediate accountability mechanism.

Second, the study extends principal-agent theory in the context of fiscal decentralisation by demonstrating that corruption risk perceptions function as a boundary condition on the principal's capacity to interpret agent accountability signals. Standard principal-agent models assume that principals rationally update their assessments of agent performance based on observable signals (Fearon, 1999); the present findings suggest that in high-corruption-salience contexts, principals' Bayesian updating is constrained by strong priors that discount positive signals as potentially manipulated. This extension of principal-agent theory, incorporating a belief-updating constraint driven by perceived institutional probity, provides a richer account of why formal accountability reforms fail to generate trust in high-corruption environments (Mungiu-Pippidi, 2015) and identifies perceived corruption risk as the theoretical pivot between formal institutional design and lived institutional experience.

Third, the study contributes to the deliberative governance literature by demonstrating that community engagement has a direct trust-building channel independent of its accountability effects. This finding supports a 'governance legitimacy' interpretation of participatory trust effects (Nabatchi, 2010) alongside the performance-based accountability channel, and implies that theories of participatory governance that reduce community engagement to its instrumental accountability effects understate its trust-building contribution. The two-channel architecture of community engagement's trust effects, instrumental through accountability, intrinsic through participation legitimacy, suggests that deliberative governance theory and public economics accountability theory are complementary rather than competing frameworks for explaining institutional trust dynamics in decentralised fiscal contexts characterised by customary governance traditions.

5.2 Practical Implications

The findings carry several concrete implications for village governance policy in Indonesia. First, the full mediation of the transparency–trust pathway by accountability implies that village governments and district-level oversight bodies should redirect governance reform priorities from disclosure compliance toward disclosure quality and accountability outcomes. This distinction has been operationally blurred in Indonesia's regulatory framework, which measures village fund governance quality primarily through procedural compliance indicators rather than substantive accountability outcomes. Regulatory reform at the Ministry of Home Affairs should incorporate community accountability satisfaction metrics alongside existing procedural compliance metrics, potentially modelled on periodic village governance perception surveys.

Second, the partial mediation of community engagement effects on trust suggests that *Musrenbang* and social audit mechanisms should be strengthened not merely as accountability instruments but as trust-building participatory experiences in their own right. In North Sumatera specifically, this implies culturally grounded facilitation that integrates *adat* deliberative norms into formal village planning processes, rather than imposing standardised Javanese participatory models that may lack legitimacy in Batak, Mandailing, and Melayu governance contexts.

Third, and most urgently, the moderation finding implies that governance reform sequencing matters enormously in high-corruption-risk communities. In villages with KPK risk scores above the national mean, disproportionately concentrated in Mandailing Natal and similar remote districts, investment in formal accountability mechanisms will yield diminished trust returns unless accompanied by credible anti-corruption signalling. Credible signals in this context include proactive cooperation with KPK inspections, community-accessible audit result disclosure, and visible consequences for financial irregularities. The floodlight analysis threshold of PCR = 3.71 provides a practical boundary for targeting: villages whose residents report corruption risk perceptions above this threshold require combined accountability-and-anti-corruption reform packages rather than stand-alone transparency investments.

Fourth, the confirmation of digital reporting systems as a significant antecedent of perceived transparency supports continued investment in *Siskeudes* infrastructure and user-accessible village financial dashboards. However, the attenuation of this effect in high-corruption-risk communities cautions against treating digital transparency as a universal governance fix. Technology adoption should be coupled with community digital literacy programmes and civil society capacity building to ensure that digital disclosures are intelligible and actionable for village residents across educational attainment levels, a particularly important consideration in Mandailing Natal and Simalungun hinterland villages where secondary education completion rates remain below the provincial average.

5.3 Limitations and Future Research

This study faces several limitations that qualify its findings and motivate future research. The cross-sectional design precludes causal inference, particularly for the mediation hypotheses, which require temporal precedence to fully establish. Longitudinal research tracking transparency investment, accountability perceptions, and trust dynamics within the same villages over a minimum of three budget cycles would substantially strengthen causal claims. Such panel data would also allow examination of whether the corruption risk moderation effect weakens as communities accumulate positive accountability experiences, a dynamic theoretically predicted (Rothstein, 2011) but empirically untested in the village governance context. The purposive sampling strategy, while justified for theoretical representation, constrains generalisability. The three selected districts within North Sumatera, Deli Serdang, Simalungun, and Mandailing Natal, while diverse within the province, do not represent the full range of North Sumateran administrative contexts, particularly the island districts of Nias and Nias Selatan where geographic isolation and distinct customary governance systems create different accountability dynamics. Future research should extend the sampling frame to include these island contexts, as well as other Sumateran provinces such as Aceh (with its distinct Islamic governance tradition) and Riau (with its Melayu governance context) to assess cross-provincial generalisability. The single-source, self-report data collection creates susceptibility to social desirability bias, particularly for items measuring perceived corruption risk in communities where reporting corruption can carry social costs. Future research might triangulate survey responses with objective governance quality data, such as village financial audit scores from the Financial Supervisory Agency (*Badan Pengawasan Keuangan dan Pembangunan*, BPKP) and KPK village risk classification data, to validate perceptual measures against external governance quality indicators. The Harman's single-factor and VIF-based CMB tests employed here are necessary but not sufficient; the common latent factor approach within CB-SEM would provide additional rigour that PLS-SEM does not natively support.

Finally, the reflective operationalisation of accountability may inadequately capture its multidimensional structure across North Sumatera's diverse *adat* governance traditions, where community accountability norms may diverge substantially from formal legal-administrative accountability frameworks (Vel & Bedner, 2015). Future research employing multi-dimensional accountability measurement, potentially incorporating formative composites for hierarchical, professional, social, and customary

accountability sub-dimensions, would provide a more culturally sensitive account of which accountability forms most effectively generate public trust in ethnically and institutionally diverse governance contexts.

Conclusion

This study examined the governance mechanisms through which transparency of village fund reporting and community engagement generate public trust in Indonesian village government, and established perceived corruption risk as a boundary condition on the accountability–trust pathway. Analysing survey data from 437 respondents across 36 villages in three districts of North Sumatera Province using SmartPLS 4, the findings demonstrate that accountability fully mediates the transparency–trust relationship and partially mediates the community engagement–trust relationship, while perceived corruption risk significantly attenuates the accountability–trust pathway. Digital reporting systems emerge as a meaningful antecedent of perceived transparency, though their trust-building contribution is conditional on the corruption risk environment within which disclosure occurs.

These findings advance public governance and public economics theory by establishing the conditional nature of the accountability–trust nexus in a fiscal decentralisation context: formal accountability reforms are necessary but insufficient when citizens carry entrenched corruption risk beliefs that constrain their willingness to translate accountability signals into institutional trust. For Indonesia's village governance reform agenda, this implies that transparency and accountability investments must be sequenced strategically with anti-corruption credibility measures, particularly in remote districts where documented village fund misappropriation cases have institutionalised scepticism toward governance reform signals. By situating this analysis within North Sumatera's distinctive multi-ethnic, *adat*-inflected governance landscape, the study further demonstrates that the institutional dynamics of village fund governance cannot be adequately understood through a Java-centric lens, a methodological advance that opens new comparative research directions across Indonesia's diverse provincial governance contexts.

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