TRUST-BASED VILLAGE FINANCIAL GOVERNANCE: TRANSPARENCY, ACCOUNTABILITY, PARTICIPATION, AND VILLAGE FUND SUCCESS

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Abstract

This study examines how transparency, accountability, and community participation shape community trust and how such trust influences the perceived success of village fund management in Konawe Selatan Regency, Indonesia. Using a quantitative survey design, data were collected from 384 village community members and analysed using partial least squares structural equation modelling (PLS-SEM). The findings reveal that transparency, accountability, and community participation significantly enhance community trust, with transparency emerging as the strongest governance predictor. Community trust strongly predicts perceived village fund management success, indicating that citizens evaluate village fund performance not only through administrative compliance or program realization but also through confidence in village government integrity, competence, and responsiveness. The theoretical contribution of this study lies in advancing a trust-based village financial governance perspective by integrating Good Governance Theory, Institutional Trust Theory, and Public Value Theory. This perspective explains how governance practices generate public trust and how trust translates village financial governance into perceived public value. The study provides practical implications for strengthening citizen-friendly transparency, social accountability, and meaningful participation in rural public financial management.

Keywords: Village Financial Governance; Community Trust; Transparency; Accountability; Village Fund Management

Introduction

The governance of public finance at the village level has become increasingly important in debates on fiscal decentralization, inclusive development, and local accountability. In Indonesia, the Village Fund policy represents a major rural public finance instrument intended to strengthen village development, community empowerment, and local service delivery. However, greater fiscal authority at the village level also increases the need for credible governance mechanisms that can assure citizens that public funds are managed openly, responsibly, and for collective benefit. Recent studies on Indonesian village funds have emphasized accountability, reporting systems, and governance quality, but the literature still needs stronger citizen-centred explanations of how village communities evaluate the success of fund management (Diansari et al., 2023; Permatasari et al., 2024; Pratolo et al., 2022; Sofyani et al., 2020).

The state-of-the-art literature indicates that transparency, accountability, and participation are core governance mechanisms for strengthening public trust. Transparency reduces information asymmetry by allowing citizens to observe how public resources are planned, allocated, and reported (Alessandro et al., 2021; Bisogno & Cuadrado-Ballesteros, 2022; Matheus et al., 2023; Ripamonti, 2024). Accountability strengthens confidence when public officials justify decisions, provide evidence of responsibility, and respond to public concerns (Bovens, 2007; Hartanto et al., 2021). Participation allows citizens to move from passive beneficiaries to active evaluators and co-producers of public value (Campbell, 2023; Holum, 2023; Osborne et al., 2016). Yet, these principles do not automatically generate trust; their effects depend on whether citizens perceive them as meaningful, accessible, and connected to outcomes that matter in their communities.

Digital transformation has expanded the governance debate by showing that information systems, open data, and digital communication can improve transparency and citizen engagement, but only when information is useful, understandable, and supported by institutional responsiveness (Khorana et al., 2024; Matheus et al., 2023; Nurlinah et al., 2025; Yang et al., 2024). This insight is important for village fund governance because rural transparency cannot be reduced to uploading budget documents or displaying figures. Village communities often rely on visible program realization, public notice boards, deliberation forums, and social communication to assess whether financial governance is credible. Therefore, village fund success should be interpreted not only as administrative compliance but as a citizen-based evaluation of public value.

Although previous studies have advanced knowledge of village fund governance, four gaps remain. First, many studies still emphasize administrative accountability, official reporting, village officials' capacity, or compliance-oriented governance rather than citizens' evaluation of fund success. Second, public trust is often treated as a governance outcome, while fewer studies position trust as the mechanism translating governance practices into perceived success. Third, transparency, accountability, and participation are frequently examined separately, although rural fund governance requires their integrated explanation. Fourth, evidence

from peripheral rural contexts such as Konawe Selatan Regency remains limited, even though such settings provide important insights into how citizens evaluate financial governance through direct experience, local visibility, deliberation, and perceived benefit distribution.

This study responds to these gaps by developing a trust-based village financial governance model. The model examines how transparency, accountability, and community participation influence community trust and how community trust shapes the perceived success of village fund management. The novelty lies in repositioning village fund management success from an administrative compliance issue to a trust-based public value issue. By integrating Good Governance Theory, Institutional Trust Theory, and Public Value Theory, this study explains how governance practices generate public trust and how trust becomes the central pathway through which citizens evaluate whether village funds create value. Empirically, the study uses survey data from 384 village community members in Konawe Selatan Regency and applies PLS-SEM to test a prediction-oriented model of rural public financial governance.

Literature Review and Hypothesis Development

This study is grounded in an integrated governance-trust perspective. Good Governance Theory explains transparency, accountability, and participation as principles that make public financial management more open, responsible, and inclusive. Agency Theory strengthens this argument by viewing transparency and accountability as mechanisms for reducing information asymmetry between village officials as fund managers and citizens as beneficiaries and principals. Institutional Trust Theory explains how citizens develop confidence when public institutions are perceived as competent, honest, benevolent, and consistent. Public Value Theory further suggests that public sector success should be assessed through value perceived by citizens rather than through administrative output alone ((Abdulkareem & Ramli, 2022; Mansoor, 2021; Van Ryzin, 2011)

Transparency refers to citizens' perception that information on village fund planning, implementation, realization, and reporting is open, accessible, clear, timely, and understandable. In public financial management, transparency reduces uncertainty and enables citizens to evaluate whether resources are used for collective interests. Empirical studies show that credible and useful public information can strengthen citizens' trust in government (Alessandro et al., 2021; Mansoor, 2021; Porumbescu, 2017). In the village context, (Pratolo et al., 2022) found that transparency is associated with public trust in village governments, while digital government studies show that transparent information systems can support trust when citizens can access and use the information (Matheus et al., 2023; Nurlinah et al., 2025). Therefore,
H1 is proposed: Transparency has a positive effect on community trust.

Accountability refers to citizens' perception that village fund management is conducted responsibly, complies with regulations, is supported by evidence, is properly reported, is evaluated, and is responsive to complaints. Accountability is a governance signal because it shows that officials are answerable for public resources. (Diansari et al., 2023) emphasize accountability as a central issue in Indonesian village fund management, while (Permatasari et al., 2024) show that village fund management and reporting systems still face important accountability challenges. When citizens perceive that officials can justify fund use and respond to concerns, they are more likely to view the village government as reliable. Therefore,
H2 is proposed: Accountability has a positive effect on community trust.

Community participation refers to citizens' involvement in village deliberation, aspiration delivery, decision-making, implementation, monitoring, and evaluation. Participatory governance argues that trust is strengthened when citizens have opportunities to influence public decisions. Recent studies show that participation is associated with trust when it is meaningful rather than symbolic (Campbell, 2023; Holum, 2023; Nabatchi & Amsler, 2014). In public value literature, participation also supports co-creation because citizens are not merely recipients but contributors to program design and evaluation (Osborne et al., 2016). Therefore,
H3 is proposed: Community participation has a positive effect on community trust.

Community trust refers to citizens' confidence that village governments manage funds with integrity, competence, concern, consistency, and reliability. Trust is central in local public finance because citizens cannot fully observe all administrative procedures and therefore rely on institutional signals to evaluate fund management. Public trust studies show that good governance and high-quality information can strengthen citizens' confidence, while e-government and public value research indicates that trust is crucial for evaluating public sector performance (Abdulkareem & Ramli, 2022; Mansoor, 2021). In village fund governance, citizens are likely to perceive fund management as successful when they trust that the funds address local needs, produce visible benefits, and are managed by credible institutions.

Therefore, H4 is proposed: Community trust has a positive effect on the perceived success of village fund management.

Beyond direct relationships, this study positions community trust as a mediating mechanism. Transparency, accountability, and participation provide institutional signals of openness, responsibility, and

inclusion; however, these signals may not produce positive evaluations of success unless they first generate trust. Accordingly,

H5, H6, and H7 propose that community trust mediates the relationships between transparency, accountability, and community participation and the perceived success of village fund management. The conceptual logic is summarized in Fig. 1.

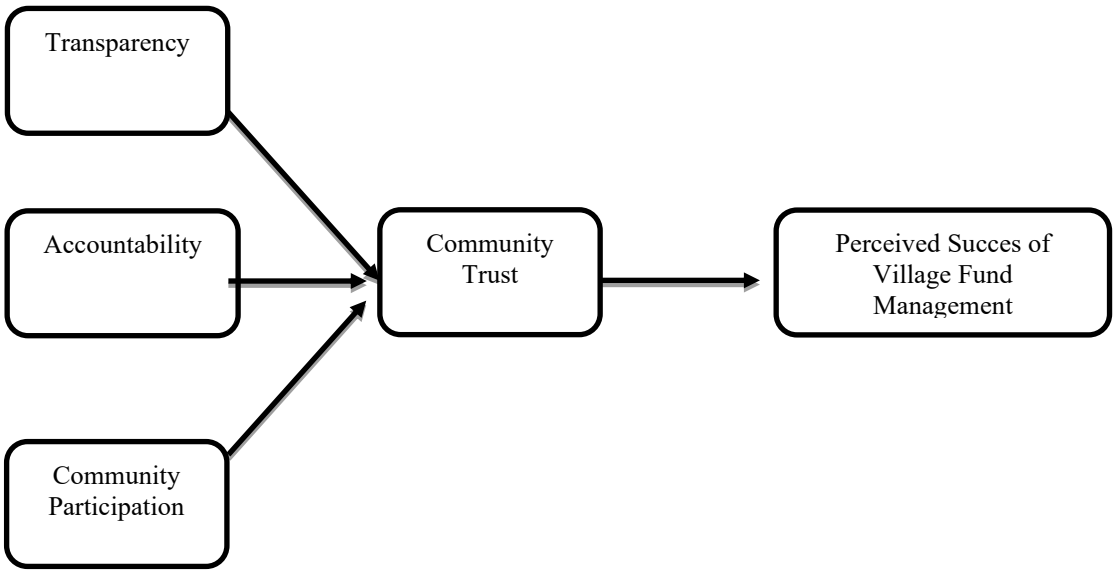

Fig. 1. Conceptual and structural model of trust-based village financial governance.

Table 1. Summary of Hypotheses

Hypothesis	Relationship	Theoretical logic
H1	Transparency -> Community trust	Open and understandable information reduces information asymmetry and strengthens trust.
H2	Accountability -> Community trust	Responsibility, reporting, and responsiveness signal institutional reliability.
H3	Community participation -> Community trust	Meaningful involvement creates legitimacy and citizen ownership.
H4	Community trust -> Perceived success	Trust translates governance experience into perceived public value.
H5-H7	Community trust as mediator	Governance practices improve perceived success partly through trust.

Methods

This study used a quantitative explanatory design and a survey approach to examine theoretically derived relationships among latent constructs. The research was conducted in villages in Konawe Selatan Regency, Southeast Sulawesi, Indonesia. Based on Village Potential Statistics 2025, the regency has 351 village-level administrative areas consisting of 336 villages and 15 urban subdistricts. Because the study focused on village fund management, the territorial population was limited to the 336 villages receiving village funds.

The target respondents were community members living in villages that receive village funds. Respondents were selected because they are beneficiaries, observers, and evaluators of village development programs. A multistage sampling approach was applied: villages were treated as territorial clusters, while respondents were selected purposively based on three criteria. Eligible respondents were at least 17 years old or married, had lived in the village for at least one year, and had knowledge of or experience with village fund programs. Village officials directly responsible for managing funds were not prioritized because the study aimed to capture citizen-based perceptions.

A total of 420 questionnaires were distributed, 397 were returned, and 13 were excluded due to incomplete responses, straight-lining, or failure to meet eligibility criteria. The final dataset consisted of 384 usable responses. The response rate was 94.52%, and the usable response rate was 91.43%. The sample size was considered adequate for PLS-SEM because it exceeded the minimum requirement based on the 10-times rule and was consistent with power-based sample size recommendations for PLS-SEM (Kock & Hadaya, 2018). The largest number of structural paths directed to an endogenous construct was four; thus, the minimum sample requirement was 40 respondents, far below the final sample of 384.

The questionnaire measured five reflective constructs: transparency, accountability, community participation, community trust, and perceived success of village fund management. The instrument contained

31 items measured using a five-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree. Items were adapted from public financial management, local governance, transparency, accountability, citizen participation, public trust, and public value literature, then contextualized for village fund management. Before the main survey, the items were reviewed for clarity, contextual relevance, and readability for village community respondents.

Data were analysed using SmartPLS 4. The measurement model was evaluated using outer loading, Cronbach's alpha, rho_A, composite reliability, AVE, Fornell-Larcker criterion, and HTMT. The structural model was assessed using VIF, path coefficients, t-statistics, p-values, f-square, R-square, adjusted R-square, SRMR, and Q2predict. These procedures follow recommended PLS-SEM practices for reflective measurement models and prediction-oriented structural analysis (Hair et al., 2020; Henseler et al., 2015; Shmueli et al., 2019). Participation was voluntary, responses were anonymous, and data were analysed in aggregate form.

Table 2. Population, Sampling, and Response Rate

Component	Information
Territorial population	336 villages in Konawe Selatan Regency
Target respondents	Community members living in villages receiving village funds
Questionnaires distributed	420
Questionnaires returned	397
Questionnaires excluded	13
Usable questionnaires	384
Response rate	94.52%
Usable response rate	91.43%
Minimum sample size	Fulfilled; 384 exceeds the 10-times rule and power-based considerations

Table 3. Construct Measurement

Construct	Code	Items	Measurement focus
Transparency	TR	6	Openness, accessibility, clarity, timeliness, realization disclosure, and public information media
Accountability	AK	6	Rule compliance, responsibility, reporting completeness, evidence of fund use, evaluation, and complaint handling
Community participation	PM	6	Village deliberation, aspiration delivery, decision-making, implementation, monitoring, and evaluation
Community trust	KM	6	Integrity, competence, benevolence, consistency, trust in reports, and general trust
Perceived success of village fund management	PK	7	Target relevance, benefits, effectiveness, output quality, benefit distribution, welfare improvement, and satisfaction

Results and Discussion

The final sample consisted of 384 respondents representing diverse demographic and social backgrounds. Male respondents accounted for 53.4%, while female respondents accounted for 46.6%. The largest age group was 36-45 years (32.3%), and the dominant educational level was senior or vocational high school (46.4%). Most respondents worked as farmers or plantation workers (30.7%), and 47.9% had lived in their village for more than 20 years. In addition, 55.7% had participated in village deliberation forums, and 74.5% were aware of village fund programs. These characteristics indicate that the respondents had sufficient social and contextual familiarity to evaluate village fund governance.

Hypotheses testing was performed using a bootstrapping procedure with 5,000 subsamples to calculate path coefficients, t-statistics, and p-values, as summarized in Table 2.

Table 4. Respondent Characteristics

Characteristic	Dominant category	Frequency	Percentage
Gender	Male	205	53.4%
Age	36-45 years	124	32.3%
Education	Senior/vocational high school	178	46.4%
Occupation	Farmer/plantation worker	118	30.7%
Length of residence	More than 20 years	184	47.9%
Community status	General community member	238	62.0%
Village deliberation experience	Participated	214	55.7%
Knowledge of village fund programs	Aware	286	74.5%
Benefit from village fund programs	Did not directly benefit but knew the program	184	47.9%

The measurement model indicates that the constructs achieved adequate reliability and convergent validity. Outer loadings ranged from 0.625 to 0.836. Although several items were below the ideal threshold

of 0.708, they were retained because the overall reliability and AVE values remained acceptable and the indicators were theoretically relevant. Cronbach's alpha ranged from 0.837 to 0.887, rho_A ranged from 0.841 to 0.889, composite reliability ranged from 0.882 to 0.912, and AVE ranged from 0.556 to 0.622. These results indicate that the reflective constructs were measured consistently and explained sufficient variance in their indicators.

Discriminant validity was evaluated using Fornell-Larcker and HTMT. Most construct relationships showed acceptable separation. However, the association between transparency and perceived success was very high, with the HTMT value reaching 1.128 and the Fornell-Larcker correlation reaching 0.991. This result is methodologically important and was not ignored. It suggests that citizens may perceive transparency as an inherent part of successful village fund management rather than as a fully separate antecedent. In rural financial governance, open information is often one of the most visible signals that funds are managed properly. Therefore, the finding can be interpreted as a transparency-success overlap phenomenon, while also indicating that future research should refine success indicators to focus more sharply on welfare improvement, benefit distribution, infrastructure quality, and service satisfaction.

Table 5. Measurement Model and Discriminant Validity Summary

Construct	Loading range	Alpha	CR	AVE	Key discriminant validity note
Accountability	0.625-0.826	0.837	0.882	0.556	Acceptable reliability and convergent validity
Community trust	0.629-0.818	0.856	0.894	0.585	Acceptable; high relation with accountability but interpretable
Perceived success	0.663-0.807	0.887	0.912	0.599	Acceptable; overlaps strongly with transparency
Community participation	0.735-0.836	0.878	0.908	0.622	Strong measurement quality
Transparency	0.694-0.823	0.870	0.902	0.608	Strong measurement quality; HTMT with perceived success = 1.128

The structural model shows strong explanatory and predictive capacity. Accountability, community participation, and transparency explained 74.7% of the variance in community trust, while community trust explained 66.0% of the variance in perceived success of village fund management. These values indicate that the model has substantial explanatory power for trust and moderate-to-substantial explanatory power for perceived success. VIF values ranged from 1.000 to 2.458, indicating that collinearity was not a serious issue. The Q2predict values of 0.740 and 0.796 further indicate strong predictive relevance, while the SRMR value of 0.102 suggests a marginal model fit that should be interpreted cautiously.

Hypothesis testing supports all main relationships. Transparency has the strongest effect on community trust, followed by accountability and community participation. Community trust has a very strong effect on perceived success of village fund management. Additional direct-effect estimates also show that transparency, accountability, and community participation are positively related to perceived success, but the main theoretical contribution of the model lies in the trust-based pathway. Accordingly, the findings support the argument that governance mechanisms shape citizens' perceptions of success largely by generating institutional confidence.

Table 6. Structural Model and Hypothesis Testing

Relationship	Beta	t-value	p-value	f2	Decision
Accountability -> Community trust	0.285	6.796	<0.001	0.137	Supported
Community participation -> Community trust	0.199	4.434	<0.001	0.064	Supported
Transparency -> Community trust	0.482	11.800	<0.001	0.441	Supported
Community trust -> Perceived success	0.812	43.822	<0.001	1.943	Supported

Table 7. Model Quality and Predictive Relevance

Criterion	Value	Interpretation
R2 Community trust	0.747	Substantial explanatory power
Adjusted R2 Community trust	0.745	Stable explanatory power
R2 Perceived success	0.660	Moderate-to-substantial explanatory power
Adjusted R2 Perceived success	0.659	Stable explanatory power
VIF range	1.000-2.458	No serious collinearity problem
SRMR	0.102	Marginal; model refinement is advisable
Q2predict	0.740; 0.796	Strong predictive relevance

The results show that the perceived success of village fund management is fundamentally trust-based. Citizens do not evaluate village funds merely through budget absorption, administrative compliance, or physical outputs; rather, they evaluate whether village governments are open, responsible, inclusive, and credible. This finding extends Good Governance Theory by showing that transparency, accountability, and

participation operate not only as formal administrative principles but also as institutional signals that generate public trust. It also supports the broader public governance literature, which emphasizes that credible information, responsible conduct, and responsiveness can strengthen citizens' confidence in public institutions (Mansoor, 2021; Pratolo et al., 2022; Sofyani et al., 2020).

The central role of community trust is the most important theoretical finding. Trust transforms governance practices into perceived public value because citizens are more likely to evaluate village fund management positively when they believe that village officials act with integrity, competence, benevolence, and consistency. This finding supports Institutional Trust Theory and Public Value Theory: public fund management is judged successful not only when funds are spent, but when citizens believe that resources are managed for collective welfare. In the village context, trust functions as a bridge between governance experience and citizens' evaluation of development outcomes. This moves the discussion beyond compliance-based fund management toward trust-based village financial governance.

Transparency is the strongest driver of community trust. This finding means that citizens place high importance on accessible, timely, clear, and socially understandable financial information. Transparency reduces information asymmetry between village officials and citizens, supporting Agency Theory and open government logic. However, the practical meaning of transparency in rural communities is different from a purely technical publication of reports. Citizens need information that is visible, explained in simple language, and connected to program realization. Thus, village governments should move from passive transparency, such as displaying documents, toward communicative transparency, where financial information is actively explained and made meaningful for citizens (Asraf et al., 2025; Grimmelikhuijsen et al., 2013; Porumbescu, 2017; Ripamonti, 2024).

The strong overlap between transparency and perceived success provides a deeper insight into how rural citizens interpret financial governance. In the measurement model, transparency and perceived success were not fully distinct, indicating that citizens may view transparency as part of success itself. This should not be treated only as a limitation; it also reveals a contextual phenomenon. For citizens who cannot access technical budget details, openness of information becomes one of the clearest signs that funds are well managed. Nevertheless, future studies should refine the outcome construct by emphasizing realized benefits, welfare improvement, quality of infrastructure, equitable distribution, and satisfaction, so that perceived success is empirically separated from the transparency process (Hair et al., 2020; Henseler, 2021).

Accountability also strengthens community trust, although its effect is weaker than transparency. This suggests that citizens value responsibility, evidence, rule compliance, reporting, evaluation, and complaint handling, but these mechanisms generate trust only when they are visible and understandable. Formal accountability may satisfy supervisory requirements but fail to build public trust if citizens do not understand the reports or cannot question decisions. Accountability therefore needs to become social answerability. Village officials should not only prepare reports for higher authorities; they should also explain fund use, justify priorities, respond to complaints, and allow community-based evaluation (Bovens, 2007; Diansari et al., 2023; Permatasari et al., 2024).

Community participation has a significant but comparatively smaller effect on trust. This indicates that participation matters, but its current trust-building capacity may be limited. In many local governance settings, participation can become procedural, where citizens attend meetings but have limited influence over priorities, program selection, monitoring, and evaluation. The finding supports participatory governance literature, which distinguishes symbolic involvement from meaningful influence (Nabatchi & Amsler, 2014; Osborne et al., 2016). For village fund governance, participation should be redesigned from attendance-based consultation into influence-based engagement, where citizen voices have observable consequences for budget and development decisions.

Taken together, the findings support an integrated governance-trust-public value model. Transparency, accountability, and participation function as governance signals; community trust converts these signals into perceived legitimacy; and perceived success reflects whether citizens believe village fund management creates value. This interpretation contributes to village fund studies that have mostly focused on administrative accountability and reporting systems by placing the citizen perspective at the centre. It also provides a conceptual basis for trust-based village financial governance, which explains why public fund success in rural settings depends not only on fund allocation but also on the credibility of the governance process.

The policy implications are clear. Village governments should prioritize trust-building as a strategic objective of fund management. Transparency should be strengthened through public notice boards, village forums, simplified financial summaries, and appropriate digital communication. Accountability should be strengthened through complaint mechanisms, public explanation of budget decisions, and participatory evaluation. Community participation should be made more substantive by ensuring that aspirations influence development priorities. District governments should support these efforts by providing citizen-friendly reporting templates, training village officials in public budget communication, and including citizen trust as a performance indicator in village fund monitoring.

The study also has broader relevance for fiscal decentralization and inclusive public finance. Decentralization does not automatically produce legitimacy; legitimacy must be built through open information, responsible conduct, and meaningful citizen involvement. This insight is relevant beyond Indonesia because rural and peripheral communities in many developing countries face similar challenges: limited information access, weak social oversight, procedural participation, and distance between administrators and citizens. Digital governance may help address these problems, but only when digital tools are combined with accountability, inclusion, and citizen capacity (Khorana et al., 2024; Nurlinah et al., 2025; Yang et al., 2024).

Methodologically, the use of PLS-SEM enabled the study to test a complex perceptual model involving governance practices, trust, and public value. The strong R2 and Q2predict values indicate that the model has meaningful explanatory and predictive capability. Nevertheless, the high overlap between transparency and perceived success and the marginal SRMR suggest that model refinement is necessary. Future research should test alternative model specifications, use higher-order constructs such as digital-ethical village financial governance, and incorporate objective financial data, audit findings, or longitudinal designs to examine how trust develops over time.

Detailed Results and Discussion Enhancement

To strengthen the analytical depth of the Results and Discussions section, this revised manuscript provides additional detail on respondent distribution, indicator-level measurement performance, discriminant validity, direct effects, and predictive relevance. These additions are important because the study relies on citizen perceptions; therefore, the credibility of the sample, the quality of the reflective constructs, and the interpretation of the governance pathways must be shown transparently. The deeper presentation also clarifies why the model contributes not only to Indonesian village fund research but also to broader public financial management debates on trust, accountability, and public value.

Table 8. Detailed Respondent Distribution

Characteristic	Category	Frequency	Percentage
Gender	Male	205	53.4%
	Female	179	46.6%
Age	17-25 years	48	12.5%
	26-35 years	96	25.0%
	36-45 years	124	32.3%
	46-55 years	82	21.4%
	>55 years	34	8.9%
Education	Elementary school	38	9.9%
	Junior high school	62	16.1%
	Senior/vocational high school	178	46.4%
	Diploma	34	8.9%
	Bachelor degree	68	17.7%
	Postgraduate degree	4	1.0%
Occupation	Farmer/plantation worker	118	30.7%
	Fisherman	34	8.9%
	Trader/entrepreneur	76	19.8%
	Private employee	42	10.9%
	Civil servant/honorary worker	36	9.4%
	Housewife	54	14.1%
	Others	24	6.3%
Length of residence	1-5 years	32	8.3%
	6-10 years	56	14.6%
	11-20 years	112	29.2%
	>20 years	184	47.9%
Community status	General community member	238	62.0%
	Community leader	36	9.4%
	Youth figure	28	7.3%
	Women/PKK figure	32	8.3%
	Beneficiary of village programs	50	13.0%
Village deliberation	Participated	214	55.7%
	Never participated	170	44.3%
Knowledge of village fund programs	Aware	286	74.5%
	Less aware	78	20.3%
	Not aware	20	5.2%
	Directly benefited	162	42.2%
	Did not directly benefit but knew the program	184	47.9%
	Did not know program benefits	38	9.9%

The detailed respondent distribution reinforces the suitability of the sample for assessing village fund governance. The dominance of long-term residents indicates that respondents were not temporary observers but community members with sustained exposure to village development processes. The relatively high proportion of respondents who knew village fund programs and had participated in village deliberation also strengthens the interpretive validity of the data. These characteristics are important because constructs such as transparency, accountability, participation, and trust require respondents to have contextual awareness of village fund practices.

Table 9. Indicator-Level Measurement Results

Item	Loading	Construct	Interpretation
The use of Village Funds in my village is carried out in accordance with applicable regulations.	0.625	Accountability	Retained; theoretically relevant despite moderate loading
The village government is accountable for every program financed by Village Funds.	0.660	Accountability	Retained; supports responsibility dimension
The village government prepares complete reports on the use of Village Funds.	0.782	Accountability	Strong
Every use of Village Funds is supported by clear administrative evidence.	0.792	Accountability	Strong
The village government provides opportunities for evaluating the implementation of Village Fund programs.	0.768	Accountability	Strong
The village government follows up on community complaints related to the use of Village Funds.	0.826	Accountability	Strong
I believe that the village government manages Village Funds honestly.	0.755	Community trust	Strong
I believe that the village government has the capability to manage Village Funds.	0.760	Community trust	Strong
I believe that the village government uses Village Funds for the benefit of the community.	0.800	Community trust	Strong
I believe that Village Fund programs are implemented according to the plans that have been communicated.	0.813	Community trust	Strong
I believe that the reports on the use of Village Funds submitted by the village government are accountable.	0.818	Community trust	Strong
In general, I trust the village government in managing Village Funds.	0.629	Community trust	Retained; captures general trust dimension
Programs financed by Village Funds are aligned with community needs.	0.770	Perceived success	Strong
Village Funds provide tangible benefits for village development.	0.787	Perceived success	Strong
Village Funds are used for programs that are genuinely important to the community.	0.795	Perceived success	Strong
The outcomes of Village Fund programs are of good quality and can be utilized by the community.	0.807	Perceived success	Strong
The benefits of Village Funds are experienced by various groups within the village community.	0.801	Perceived success	Strong
Village Fund management contributes to improving the welfare of village communities.	0.782	Perceived success	Strong
In general, I am satisfied with the management of Village Funds in my village.	0.663	Perceived success	Retained; captures satisfaction
The community is involved in deliberations for planning Village Fund programs.	0.735	Community participation	Strong
The community is given opportunities to submit proposals regarding the use of Village Funds.	0.799	Community participation	Strong
Community aspirations are considered in determining the priorities of Village Fund programs.	0.781	Community participation	Strong
The community is involved in implementing activities funded by Village Funds.	0.803	Community participation	Strong
The community participates in monitoring the implementation of Village Fund programs.	0.836	Community participation	Strong
The community is given opportunities to evaluate the outcomes of programs financed by Village Funds.	0.775	Community participation	Strong
The village government provides information to the community regarding the planned use of Village Funds.	0.800	Transparency	Strong
Information about Village Funds is easily accessible to village communities.	0.822	Transparency	Strong
Information on the use of Village Funds is communicated in clear and understandable language.	0.823	Transparency	Strong
Information on the realization of Village Fund utilization is delivered to the community in a timely manner.	0.808	Transparency	Strong
The village government provides updates on the progress of programs funded by Village Funds.	0.694	Transparency	Retained; close to threshold and substantive
Information about Village Funds is available through media that are easily visible to the community, such as public information boards, village deliberation forums, or village digital media.	0.720	Transparency	Strong

At the indicator level, the model shows that most items performed strongly. A small number of indicators had loadings below 0.708, but they were retained because the composite reliability and AVE values were acceptable and because the indicators represented important dimensions of the constructs. This decision is defensible in PLS-SEM when the deletion of items would reduce content validity and when construct-level reliability remains adequate. In this study, retaining these items helps preserve the multidimensional meaning of accountability, trust, transparency, and perceived success in the village fund context.

Table 10. Fornell-Larcker Criterion

Construct	AK	KM	PK	PM	TR
Accountability	0.746				
Community trust	0.747	0.765			
Perceived success	0.644	0.812	0.774		
Community participation	0.722	0.732	0.669	0.789	
Transparency	0.660	0.805	0.991	0.678	0.779

Table 11. HTMT Interpretation

Construct pair	HTMT	Interpretation
Community trust vs Accountability	0.893	High but still interpretable
Perceived success vs Accountability	0.754	Acceptable
Perceived success vs Community trust	0.829	Acceptable under liberal criterion
Community participation vs Accountability	0.841	Acceptable under liberal criterion
Community participation vs Community trust	0.845	Acceptable under liberal criterion
Community participation vs Perceived success	0.758	Acceptable
Transparency vs Accountability	0.779	Acceptable
Transparency vs Community trust	0.830	Acceptable under liberal criterion
Transparency vs Perceived success	1.128	Problematic; indicates construct overlap
Transparency vs Community participation	0.775	Acceptable

The discriminant validity evidence requires a balanced interpretation. Most construct pairs are empirically distinguishable, but transparency and perceived success show a problematic overlap. This does not invalidate the entire model because the main theoretical pathway emphasizes transparency as an antecedent of trust and trust as an antecedent of perceived success. However, it does suggest that direct relationships involving transparency and perceived success should be interpreted cautiously. The overlap also offers a substantive insight: in village communities, citizens may treat transparency as a visible component of successful fund management. Future models should distinguish more sharply between governance processes and outcome-based success indicators.

Table 12. Additional Direct Effects on Perceived Success

Relationship	Beta	t-value	p-value	Interpretation
Accountability -> Perceived success	0.232	6.996	<0.001	Significant positive effect
Community participation -> Perceived success	0.162	4.491	<0.001	Significant positive effect
Transparency -> Perceived success	0.392	10.079	<0.001	Significant positive effect; interpret cautiously due to HTMT issue

The additional direct effects show that the three governance mechanisms are also directly associated with perceived success. Nevertheless, the stronger and more theoretically meaningful explanation lies in the trust pathway. Direct effects indicate that citizens associate transparent, accountable, and participatory governance with successful fund management, while the trust pathway explains why these governance practices become meaningful. Trust functions as the institutional mechanism that converts governance signals into perceived public value. This is the core contribution of the model.

Overall, the expanded results confirm three important messages. First, transparency is the most visible governance mechanism for rural citizens and therefore the strongest driver of trust. Second, accountability has a meaningful but more moderate effect because formal reporting must be communicated to become socially trusted. Third, participation matters, but its weaker effect indicates that participation must become more substantive and influential. These insights provide practical guidance for village governments: improve communicative transparency, strengthen social accountability, and redesign participation from mere attendance to meaningful influence.

Conclusion

This study concludes that the perceived success of village fund management is shaped by trust-based governance. Transparency, accountability, and community participation significantly strengthen community trust, and community trust strongly improves citizens' evaluation of village fund management success. These findings demonstrate that village fund success should not be understood only as budget realization or administrative compliance; it should also be understood as the extent to which governance practices create public confidence and perceived public value.

The theoretical contribution of this study lies in advancing a trust-based village financial governance perspective. By integrating Good Governance Theory, Institutional Trust Theory, Agency Theory, and Public Value Theory, the study explains how openness, responsibility, and participation generate trust and how trust translates governance practices into perceived success. Practically, the findings suggest that village governments should make transparency communicative, accountability socially answerable, and participation

substantively influential. District governments should support this through simplified reporting systems, community-based monitoring, and capacity building for village officials.

This study has limitations. The data are based on citizen perceptions and do not incorporate objective financial realization, audit findings, or village-level budget documents. The cross-sectional design cannot capture changes in trust over time, and the focus on Konawe Selatan limits generalization. Future studies should combine survey data with administrative records, compare districts or provinces, use longitudinal designs, and examine additional mechanisms such as digital literacy, perceived fairness, ethical leadership, and substantive participation. Overall, the study shows that successful village fund management depends not only on how funds are administered but also on how village governance practices build trust and public value among citizens.

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