International Journal of Sustainable Development and Planning
Vol. 20, No. 12, December, 2025, pp. 5289-5298
Journal homepage: http://iieta.org/journals/ijsdp

The Influence of Government Policy, Local Wisdom, and Information Technology on Good Governance and Village Fund Management in Pinrang Regency

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https://doi.org/10.18280/ijsdp.201221

Received: 27 October 2025
Revised: 4 December 2025
Accepted: 11 December 2025
Available online: 31 December 2025

Keywords:
VFM, GG, IT

ABSTRACT

This study investigates the influence of government policy (GP), local wisdom (LW), and information technology (IT) on good governance (GG) and village fund management (VFM) in Pinrang Regency, Indonesia. Using a quantitative descriptive approach supported by Structural Equation Modeling (SEM) with LISREL 8.8, data were collected from 109 respondents representing 69 villages and 40 sub-districts. The findings indicate that GP has a positive but insignificant effect on both governance and VFM, reflecting uneven policy implementation. In contrast, LW exerts a positive and significant influence on both governance and financial outcomes, highlighting the role of cultural values such as *lempu* (honesty), *siri*' (dignity), *getteng* (firmness), and *awwaraniang* (moral courage) as social capital that enhances accountability and budgetary discipline. IT demonstrates a significant impact on fund management but not on governance, underscoring its more direct contribution to performance through improved information systems. GG itself significantly strengthens VFM, with transparency, accountability, and participation identified as key determinants. Mediation analysis reveals that governance significantly channels the influence of LW but not GP or IT. These results emphasize the need to strengthen institutional capacity, integrate LW into governance systems, and optimize digital infrastructure to achieve sustainable improvements in VFM.

1. INTRODUCTION

Indonesia is a country characterized by remarkable diversity in ethnicity, religion, and culture, which is distributed across various administrative levels, from provinces, cities, and districts to villages and sub-districts. According to the Minister of Home Affairs Regulation No. 56 of 2015, the total number of villages and sub-districts amounts to 83,184 (74,754 villages and 8,430 sub-districts). As stipulated in Law No. 6 of 2014, a village is defined as a legal community unit vested with authority to manage governance and local interests based on original rights and traditions. Within this framework, villages serve as autonomous units responsible for financial management, including the Village Fund Allocation (Alokasi Dana Desa/ADD), which is provided by district governments as part of fiscal decentralization [1, 2].

The ADD constitutes a vital instrument for rural development. It is derived from a share of local taxes and intergovernmental transfers from central to regional governments, which are then proportionally allocated to villages. The allocation formula accounts for geographical conditions, population size, and mortality rates [3, 4]. These funds are intended to support governance, development, community capacity-building, and empowerment. The overarching objective is to strengthen village self-reliance by improving public services, creating equitable employment opportunities, and reinforcing community institutions. As stipulated in Minister of Home Affairs Regulation No. 20 of 2018, village fund management (VFM) must be guided by principles of transparency, accountability, participation, and fiscal discipline.

Despite its strategic importance, the implementation of ADD faces persistent challenges, particularly in the capacity of village officials. The Village Budget Realization Reports of Pinrang Regency, South Sulawesi, reflect fluctuations in financial management performance during 2019-2023. In 2019, budget realization reached 95.18% of the planned amount, decreasing slightly to 93.84% in 2020. A sharper decline occurred in 2021, with realization dropping to 86.18% despite increased transfers from the General Allocation Fund (DAU) and the Special Allocation Fund (DAK). This trend reversed in 2022, when substantial increases in DAU and DAK boosted revenues and budget realization nearly perfectly to 99.62%. The positive trend continued in 2023 with 98.72% realization. Overall, the data suggest that village governments manage revenues and expenditures relatively consistently, though outcomes remain dependent on central transfers and the effectiveness of program implementation.

Delays in fund absorption are largely attributable to limited human resource capacity in financial management [5, 6].

Capacity-building efforts have been undertaken but are constrained by funding limitations. The case of Pinrang Regency, South Sulawesi, illustrates this challenge. The regency comprises 69 villages and 40 sub-districts, where the allocation of village funds presents both opportunities and risks in realizing accountable development. While budget realization in Pinrang shows high levels of expenditure, funds allocated for community development remain relatively small. The effectiveness of fund utilization depends heavily on the application of good governance (GG) principles, particularly accountability. Strengthening accounting information systems (AIS) is essential to enhance transparency, although cases of fraud and corruption remain prevalent.

In the past six years, the District Attorney's Office of Pinrang has recorded at least three cases of corruption involving village funds, with five suspects and losses totaling approximately one billion rupiah. Cases in Wiring Tasi, Barang Palie, and Bababinanga highlight the vulnerability of fund management. To mitigate these risks, local governments and prosecutors have conducted intensive monitoring, yet formal oversight proves insufficient without the reinforcement of LW. Permata and Hapsari [7] found that local traditions in Lerep Village prevented fraudulent practices, while Latuconsina and Kamala Soleman [8] emphasized the role of customary teachings, symbols, and local legends in fostering collective responsibility.

In line with this, Saputra et al. [9] underscore the role of *Tri Hita Karana* in Bali as a mechanism to prevent misuse of village funds, while Darmada et al. [10] highlight accountability rooted in LW through the practice of *pade gelahang*. These examples demonstrate that cultural values not only strengthen social cohesion but also establish internal oversight systems that are difficult to replicate externally. The measurement of VFM must capture efficiency, effectiveness, and compliance with budgetary plans. Fund management serves to evaluate the effectiveness and efficiency of achieving objectives [11]. VFM, however, cannot be assessed solely through financial indicators. Non-financial perspectives are essential for sustaining long-term financial outcomes. In the context of Pinrang, fund management assessed through the lens of LW provides relevant feedback for governance improvement [12].

The development of AIS represents a strategic solution. Romney et al. [13] affirmed that the adoption of information systems adds value to planning, control, and decision-making processes. Advances in information technology (IT) have shifted fund management from manual practices to faster and more accurate online data processing. Reliable fund reporting enables villages to uphold the principle of public accountability. Nonetheless, the effectiveness of AIS is deeply influenced by local culture.

Ultimately, VFM is shaped by two critical factors: the quality of information systems and the prevailing cultural context. When these factors function effectively, village performance improves substantially. This aligns with Indonesia's policy direction following Law No. 6 of 2014, which grants autonomy to villages in promoting community welfare [14]. However, corruption cases in Pinrang expose weaknesses in the commitment of village officials, including heads of villages as top leaders. Although technological support for financial reporting is increasingly available, transparency has yet to be fully realized. This situation can be examined through the Resource-Based View (RBV), as Barney [15] posits that sustainable advantage arises only from unique, rare, and inimitable resources, such as local culture. LW is thus regarded as a critical determinant of organizational behavior. Robbins and Judge [16] note that culture encompasses outcome orientation, attention to detail, and organizational stability, all of which influence both financial and non-financial management. Accordingly, the combination of GP, IT, and local culture forms the foundation of sound village governance. Based on this background, this study examines the influence of GP, LW, and IT on GG and VFM in Pinrang Regency.

2. LITERATURE REVIEW

2.1 Theoretical review

Government functions as the organizer of state sovereignty, mandated to protect societal needs and deliver public services. Budiardjo [17] defines governance as a multi-process system that responds to public demands as both consumers and citizens and stresses its role as a public service organ. Although governance is often narrowly identified with the executive, it more broadly encompasses legislative and judicial institutions. Ndraha [18] frames public administration as the study of how collective needs are addressed normatively and empirically, involving authority, responsibility, and system formation. Rosenthal, cited in Ndraha's [18] study, views it as an autonomous discipline analyzing the workings of internal and external structures in policy and decision-making.

In Indonesia, the village is recognized as a legal community with original structures and rights. Law No. 6 of 2014 grants villages authority to regulate local affairs, led by the village head and assisted by administrative staff. As the most numerous governance unit, villages require robust structures to function effectively. Government Regulation No. 43 of 2014 confirms village authority in matters of origin, local needs, and delegated tasks. Establishing a new village requires a minimum age for the parent village, sufficient population, resource potential, clear boundaries, and administrative infrastructure. Villages thus combine territory, population, and social systems (*bintarao*) and are granted rights to information, services, representation, and protection, while obligated to build, safeguard the environment, uphold collective values, and participate in development [19].

GP is a crucial instrument for regulating and guiding society. According to Government Regulation No. 11 of 2019, the village is a legal community with defined boundaries and authority to manage local interests. Village heads are responsible for governance, development, community affairs, and empowerment (Art. 26), supported by village officials (Art. 48). Yet, limited human resources, often with only high school education, constrain regulatory comprehension, weakening budget management and service delivery.

Decentralization policy expands village authority to manage development, empower communities, and enhance human resources through non-formal education. Minister of Home Affairs Regulation No. 84 of 2015 obliges village heads to administer governance and empowerment, reinforcing the goal of fostering autonomous, democratic, and modern villages aligned with national identity [19].

LW represents cultural values resilient amid globalizations. Law No. 32 of 2009 defines it as noble values shaping community life and environmental stewardship. It is described

as region-specific values guiding daily conduct. Santoso and Meyrasyawati [20] highlighted its role in corruption prevention and emphasizes moral and cultural reinforcement in governance. Its dimensions include knowledge, values, skills, resources, decision-making mechanisms, and solidarity, serving functions such as filtering external culture, integrating traditions, and guiding development. In VFM, LW strengthens accountability and social control [7, 8].

IT integrates computing and high-speed communication to process [21] store, and disseminate information, which includes hardware, software, and communication channels. Indriantoro [22] highlights its role in generating relevant, accurate, and timely information for decision-making. Adoption is influenced by social factors, perceived utility, task alignment, long-term consequences, available facilities, and system complexity [23].

IT provides efficiency and accessibility but can also foster negative effects such as plagiarism, pornography, and weakened social interaction. Common forms include telecommunications, digital media, computers, and email. In village governance, systems such as SISKEUDES improve accountability and transparency in fund management [24, 25].

GG involves interaction among the state, private sector, and society. It requires transparent, participatory, accountable, and responsive decision-making and implementation. The shift from centralization to decentralization positions community participation as a central pillar of village governance. Its goals include combating corruption, improving administrative effectiveness, fostering democracy, and ensuring institutional legitimacy.

Principles central to VFM include accountability, participation, responsiveness, and transparency. Accountability demands honest, accessible financial reporting [26], while participation requires community involvement in decision-making and monitoring [27]. Responsiveness reflects government sensitivity to public needs [28], and transparency ensures accurate information to prevent fraud and build trust [29].

VFM is the financial condition of village organizations assessed through realized revenues and expenditures. It is evaluated using indicators of effectiveness and efficiency. The Indonesian Institute of Accountants (2017) emphasizes that it reflects the ability to allocate and manage resources. At the village level, this indicates capacity to mobilize local revenues and reduce dependence on central transfers.

Measurement aims to improve management, optimize resource allocation, and ensure public accountability. Indicators include financial independence, effectiveness, efficiency, revenue contribution, and expenditure growth [30]. As such, VFM becomes both an evaluative tool and a foundation for strategic decision-making.

2.2. Conceptual framework

Prior studies consistently link GP, LW, IT, and governance with VFM. Wijaya and Aprilia [31] confirmed that public policy improves fund management, while Sudaryati and Heriningsih [32] highlighted organizational culture as a determinant of performance. Masruhin and Kaukab [33] stressed the importance of competence, participation, and commitment, while Wardana and Atmadja [25] demonstrated that IT significantly supports accountability. Other research underscores the relevance of GG [34], financial systems [24], and moderating factors such as trust and periodic audits.

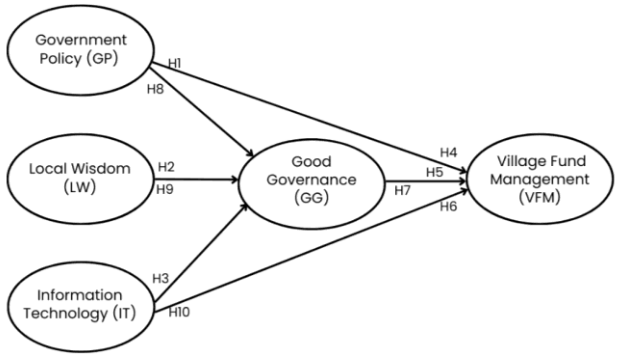

Figure 1. Conceptual framework

This framework (Figure 1) draws on stewardship theory, which positions village officials as stewards obligated to manage funds transparently and accountably in the public interest [35]. VFM is thus measured by the ability to manage revenues and expenditures in line with regional financial standards. Oversight ensures the prevention of misuse, while GG strengthens management outcomes. GP provides regulatory foundations, LW acts as social control, IT enhances efficiency and transparency, and governance mediates these influences on fund management. Technology Acceptance Model (TAM) [36] explains IT adoption, while Resource-Based View (RBV) [15] emphasizes LW as a unique and sustainable resource. Accordingly, this study positions GP, LW, and IT as independent variables, governance as the mediating variable, and VFM as the outcome.

3. METHODOLOGY

3.1 Research design

3.1.1 Research design

This study employed a quantitative descriptive approach, which aims to address actual problems by presenting, analyzing, interpreting, and systematically describing data, phenomena, facts, or events with accuracy in relation to the characteristics of a specific population. Through this approach, the research sought to obtain an empirical picture of village governance and VFM in Pinrang Regency. To strengthen its theoretical foundation, the study was also supported by library research, drawing on literature such as books, articles, journals, and prior research reports.

The research was conducted across all villages and sub-districts in Pinrang Regency, comprising 69 villages and 40 sub-districts. The fieldwork was carried out over four months, from August to November 2024. The selection of this location was based on its active implementation of VFM, making it a relevant context for examining governance practices, the role of LW, and the application of IT in improving VFM.

The data consisted of both primary and secondary sources. Primary data were collected directly from village and sub-district officials in Pinrang Regency and included information on the number of officials as well as responses to research instruments related to GP, LW, IT, governance, and VFM. Secondary data were derived from literature, including official documents, regulations, financial reports, books, scholarly journals, articles, dissertations, and relevant online sources. These secondary materials served as supporting evidence to

explain the variables and provide comparisons for the field findings.

3.2 Data collection methods

Data were collected through four main techniques. Observation involved direct examination of village officials' activities to obtain factual, unaltered information. Interviews were conducted face-to-face using open-ended questions to gain deeper insights into organizational mechanisms, the roles of village officials, and the implementation of fund management. Questionnaires were distributed using a five-point Likert scale, ranging from strongly agree (5) to strongly disagree (1), to measure respondents' perceptions of the research variables. Documentation involved gathering information from official records, reports, and archives related to village governance and finance.

3.2.1 Population and sample

The population of this study comprised all villages and sub-districts in Pinrang Regency, totaling 109 administrative units, with 69 villages and 40 sub-districts. Considering the analytical model employed, Structural Equation Modeling (SEM) using Maximum Likelihood Estimation (MLE), the ideal sample size ranges from 100 to 200 respondents. Because the population size was relatively limited (109), the entire population was included as the sample (total sampling). This strategy ensured data representativeness and enhanced the validity of the findings.

3.3 Data analysis methods

3.3.1 SEM

Data analysis was performed using SEM with LISREL 8.8 software. Prior to analysis, the instruments were tested for validity, reliability, normality, and classical assumptions to ensure data quality. Validity testing assessed whether each questionnaire item accurately measured the intended variable; an item was considered valid if the calculated r-value exceeded the table value. Reliability was tested using Cronbach's Alpha to evaluate internal consistency, with instruments considered reliable if the alpha coefficient exceeded the minimum threshold.

SEM analysis involved two main stages: the measurement model and the structural model. The measurement model examined the relationship between manifest variables (indicators) and latent variables (constructs) through confirmatory factor analysis, while the structural model tested causal relationships among latent variables using a system of simultaneous equations.

3.3.2 Operational definitions of variables

Based on the conceptual framework, the study utilized three groups of variables: independent, dependent, and mediating. GP (X1) referred to village government actions in managing village funds for public purposes, measured through planning, allocation, management, and supervision. LW (X2) encompassed knowledge, beliefs, and customs shaping community behavior, with indicators including *lempu* (honesty), *siri* (dignity), *getteng* (firmness), and awaraniang (moral courage). IT (X3) referred to hardware, software, databases, and communication networks used for data processing and dissemination. GG (Y) denoted the realization of governance principles in village administration, measured by transparency, accountability, orderliness, and discipline. VFM (Z) was defined as the village's capacity to manage finances efficiently, effectively, and economically, indicated by efficiency, effectiveness, economy, fund growth, and capital expenditure.

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

4. RESULT AND DISCUSSION

4.1 Characteristics of respondents

The study involved 109 respondents drawn from 69 villages and 40 sub-districts in Pinrang Regency. All questionnaires were returned completely, yielding a 100% response rate.

Table 1. Characteristics of respondents

Characteristic	Category	n	%
Gender	Male	108	99%
	Female	1	1%
Age	30-40	27	24,8%
	41-50	42	38,5%
	51-60	38	34,9%
	> 60	2	1,8%
Education	Senior high school	53	48,6%
	Bachelor's degree	56	51,4%

Table 1 shows that the respondents were predominantly male (99%), with only one female respondent (1%). In terms of age distribution, the majority belonged to the middle productive age group: 38.5% were between 41 and 50 years old, followed by 34.9% between 51 and 60 years, 24.8% between 30 and 40 years, and only 1.8% above 60 years. With respect to educational attainment, more than half (51.4%) held undergraduate degrees, while 48.6% were senior high school graduates. These characteristics indicate that village heads and apparatus in Pinrang are generally men of mature age and possess relatively adequate formal education, particularly at the undergraduate level, which provides a reasonable foundation for carrying out administrative and fund management responsibilities.

4.2 Descriptive statistics

This study investigated three exogenous variables, GP, LW, and IT, one mediating variable, GG, and one endogenous variable, VFM. Descriptive statistics were used to summarize respondents' answers to the indicators constituting each variable (Table 2).

4.2.1 Government policy (GP)

This variable was assessed through four indicators: budget planning, allocation, management, and supervision of village funds. The overall mean was 4.50, categorized as "very good." Fund management recorded the highest score (4.62), followed by supervision (4.58), while planning and allocation each scored 4.40. These results highlight that management and supervisory aspects are considered more effective compared to planning and allocation.

Table 2. Descriptive statistics

Variable	Indicators	Mean	Category
GP	Budget Planning (4.40); Allocation (4.40); Management (4.62); Supervision (4.58)	5	Very Good
LW	*Lempu* (4.32); *Siri*' (4.45); *Getteng* (4.61); *Awwaraniang* (4.19)	4.39	Good
IT	Hardware (4.49); Software (4.41); Database (4.40); Network (4.35)	4.41	Good
GG	Transparency (4.75); Accountability (4.44); Orderliness (4.42); Discipline (4.45)	4.52	Very Good
VFM	Efficiency (4.62); Effectiveness (4.55); Economy (4.52); Fund Growth (4.00); Capital Expenditure (4.55)	4.45	Good

4.2.2 Local wisdom (LW)

LW was measured through four Bugis-Makassar values: *lempu* (honesty), *siri*' (dignity), *getteng* (firmness), and *awwaraniang* (moral courage). The overall mean was 4.39, categorized as "good." Among the indicators, *getteng* recorded the highest mean (4.61), followed by *siri*' (4.45) and *lempu* (4.32). *Awwaraniang*, while still in the "good" range, scored lower at 4.19. This suggests that firmness and dignity play stronger roles in VFM than moral courage, which may require further strengthening.

4.2.3 Information technology (IT)

The IT variable included hardware, software, databases, and network facilities. The overall mean was 4.41, which falls into the "good" category. Hardware scored highest (4.49), followed by software (4.41) and databases (4.40), while networks were rated lowest (4.35). This implies that while basic infrastructure such as hardware and software is sufficient, connectivity and integration remain weaker elements at the village level.

4.2.4 Good governance (GG)

GG was assessed through transparency, accountability, orderliness, and discipline. The overall mean was 4.52, categorized as "very good." Transparency recorded the highest score (4.75), followed by discipline (4.45), accountability (4.44), and orderliness (4.42). These findings confirm transparency as the dominant element of GG, a crucial basis for public trust.

4.2.5 Village fund management (VFM)

This construct was measured through efficiency, effectiveness, economy, fund growth, and capital expenditure. The overall mean was 4.45, categorized as "good." Efficiency, effectiveness, and capital expenditure each scored 4.55, while economy scored 4.52. In contrast, fund growth received a lower score of 4.00, suggesting that while funds are managed efficiently and effectively, the capacity to expand resources remains limited, largely due to dependency on central government transfers.

4.3 Model testing

4.3.1 Validity and reliability tests

Validity was assessed using item-total correlations, with items deemed valid when the correlation coefficient exceeded 0.30 at the 0.05 significance level [37, 38]. All items measuring GP, LW, IT, GG, and VFM met this threshold, confirming strong construct validity.

Reliability was assessed using Cronbach's Alpha, with instruments considered reliable if the alpha value exceeded 0.60 (Sekaran, 2003). Results showed that all variables achieved excellent reliability: KP (0.869), KL (0.918), TI (0.893), TKB (0.916), and KKD (0.946). Thus, the instruments demonstrated both validity and reliability (Table 3).

4.3.2 Goodness of fit of SEM model

Prior to structural estimation, assumptions were tested. Outlier analysis using Mahalanobis distance identified some extreme values, but mean-standard deviation comparisons showed no disruption to analysis. Normality tests confirmed univariate normality, with skewness and kurtosis CR values between -1.96 and +1.96. Multivariate kurtosis was 99.316 with a CR of 16.681, considered acceptable for SEM. Linearity tests confirmed linear relationships across variables.

Initial model testing showed marginal fit, with chi-square = 700.746 (p = 0.000), RMSEA = 0.086, GFI = 0.849, AGFI = 0.806, TLI = 0.891, CFI = 0.906, and CMIN/DF = 3.893. These results indicated a need for modification. Based on modification indices, error term correlations were added without altering causal paths, which significantly improved fit.

The modified model showed substantial improvement: chi-square = 255.693 (p = 0.169), RMSEA = 0.022, GFI = 0.872, AGFI = 0.905, TLI = 0.987, CFI = 0.990, and CMIN/DF = 1.144. All indices met the recommended cut-off values, confirming a good model fit (Table 4).

The instrument and data used in this study met all statistical requirements for SEM. The questionnaire demonstrated high validity and reliability, the dataset satisfied assumptions of normality and linearity, and the final SEM model achieved strong goodness of fit. These findings confirm the robustness of the research framework in explaining the effects of GP, LW, and IT on GG and VFM in Pinrang Regency.

Table 3. Validity and reliability results

Variable	Indicators	Correlation Coefficient (r)	Sig.	Remark	Cronbach's Alpha	Remark
GP	GP1-GP4	0.910-0.947	0	Valid	0.869	Reliable
LW	LW1-LW4	0.931-0.946	0	Valid	0.918	Reliable
IT	IT1-IT4	0.863-0.871	0	Valid	0.893	Reliable
GG	GG1-GG4	0.918-0.946	0	Valid	0.916	Reliable
VFM	VFM1-VFM5	0.924-0.947	0	Valid	0.946	Reliable

Table 4. SEM goodness of fit results

Index	Initial Model	Final Model	Cut-off	Result
Chi-Square	700.746	255.693	Smaller	Good
Probability	0	0.169	≥ 0.05	Good
RMSEA	0.086	0.022	≤ 0.08	Good
GFI	0.849	0.872	≥ 0.90	Good
AGFI	0.806	0.905	≥ 0.90	Good
TLI	0.891	0.987	≥ 0.95	Good
CFI	0.906	0.99	≥ 0.95	Good
CMIN/DF	3.893	1.144	≤ 2.00	Good

4.4 Confirmatory analysis

This study employed the variables GP, LW, IT, GG, and VFM, each of which was measured using several indicators. To ensure the indicators were significant as measures of their respective constructs, a confirmatory factor analysis (CFA) was conducted using AMOS 27.

The CFA results indicated that all indicators were significant at the 5% level, with several specified as fixed indicators in the model (Table 5). For GP, allocation of village funds (GP2), fund management (GP3), and supervision (GP4) were significant, while budget planning (GP1) was designated as the fixed indicator. LW was significantly influenced by *lempu* (LW1), *siri'* (LW2), and *awwaraniang* (LW4), with *getteng* (LW3) as the fixed indicator. IT was significantly determined by hardware (IT1), software (IT2), and network facilities (IT4), while databases (IT3) served as the fixed indicator.

GG was significantly reflected in accountability (GG2), orderliness (GG3), and discipline (GG4), while transparency (GG1) acted as the fixed indicator. For VFM, the indicators of effectiveness (VFM2), economy (VFM3), fund growth (VFM4), and capital expenditure (VFM5) were significant, with efficiency (VFM1) established as the fixed indicator (Figures 2 and 3).

Table 5. Results of confirmatory factor analysis

Variable	Significant Indicators	Fixed Indicator	Note
GP	GP2, GP3, GP4	GP1	All significant, GP1 fixed
LW	LW1, LW2, LW4	LW3	All significant, LW3 fixed
IT	IT1, IT2, IT4	IT3	All significant, IT3 fixed
GG	GG2, GG3, GG4	GG1	All significant, GG1 fixed
VFM	VFM2, VFM3, VFM4, VFM5	VFM1	All significant, VFM1 fixed

4.5 Results of SEM

Hypothesis testing was conducted using SEM in AMOS 27. The p-value was applied to assess the significance of the relationships among variables, with $p < 0.05$ indicating a significant effect. The model examined direct, indirect, and total effects among the constructs.

The results in Table 6 demonstrate that, out of the ten hypothesized paths, five were found to be positive and significant: LW → GG, LW → VFM, IT → VFM, GG → VFM, and LW → GG → VFM. In contrast, the direct effect of GP on VFM was negative and not significant, while the paths IT → GG and GP → GG also failed to reach significance.

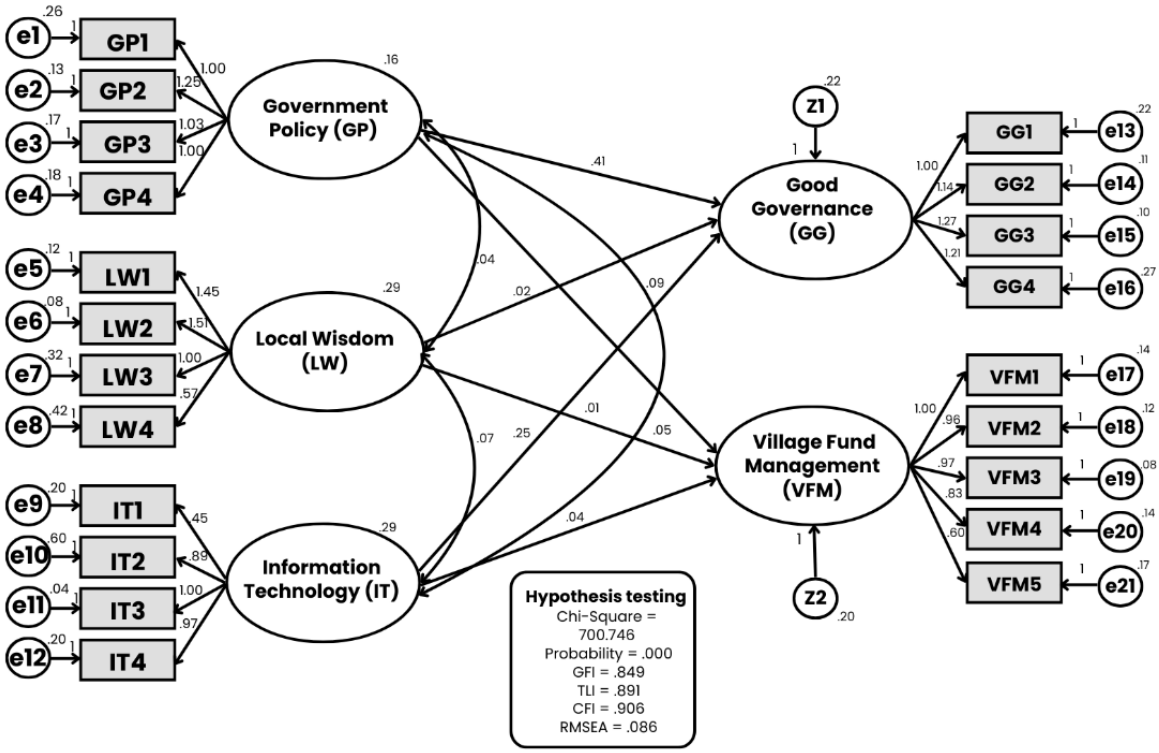

Figure 2. First goodness of fit test

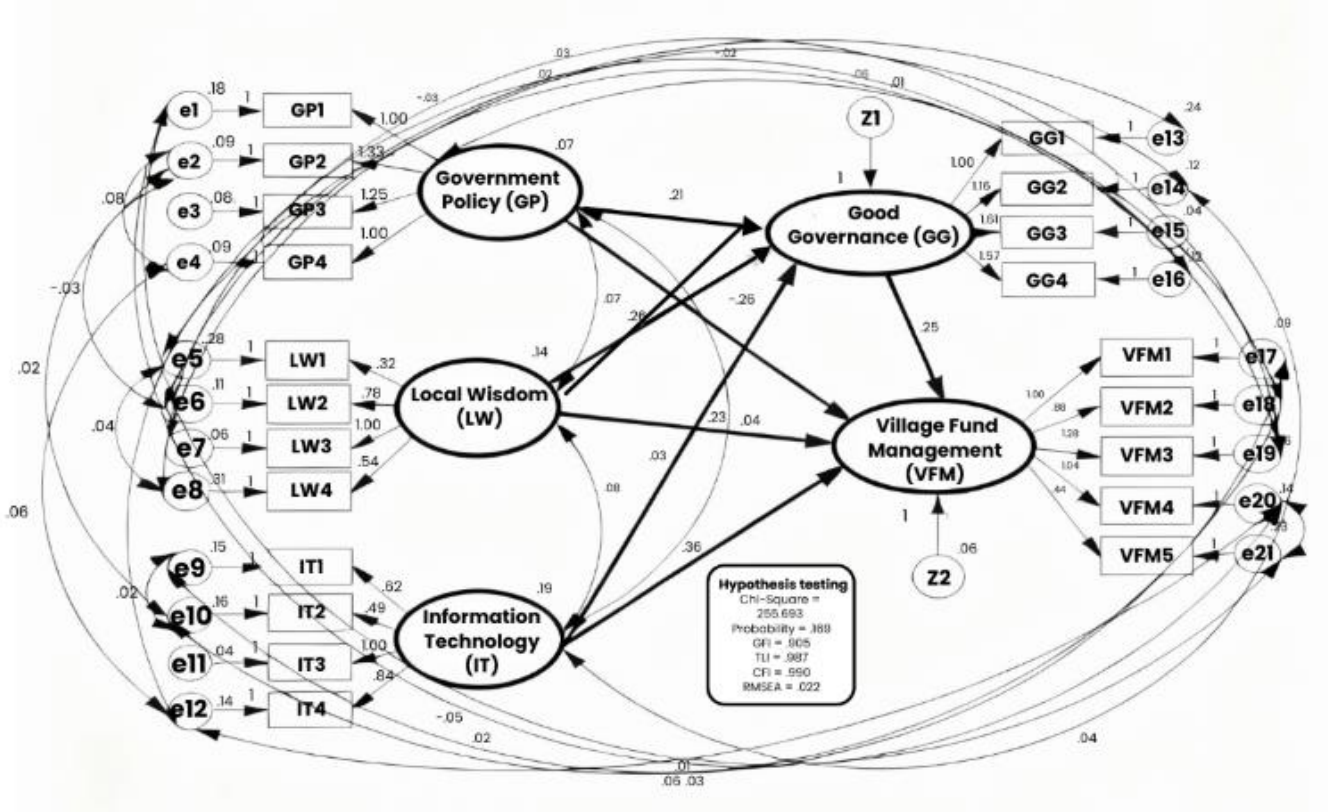

Figure 3. Second goodness of fit test

Table 6. Results of SEM hypothesis testing

Path	Direct Effect	Indirect Effect	Total Effect	P-Value	Remark
GP → GG	0.2	-	0.2	0.087	Positive, not significant
LW → GG	0.343	-	0.343	0.039	Positive, significant
IT → GG	0.053	-	0.053	0.266	Positive, not significant
GP → VFM	-0.218	-	-0.218	0.172	Negative, not significant
LW → VFM	0.27	-	0.27	0.046	Positive, significant
IT → VFM	0.471	-	0.471	0	Positive, significant
GG → VFM	0.216	-	0.216	0.041	Positive, significant
GP → GG → VFM	-0.218	0.043	-0.175	0.143	Not significant
LW → GG → VFM	0.27	0.074	0.344	0.018	Positive, significant
IT → GG → VFM	0.471	0.012	0.483	0.1	Not significant

4.6 Discussion

This discussion links the empirical findings to the theoretical framework of village governance and fund management. GP, channeled through the transfer of village funds and supported by governance strengthening such as training and the acceleration of the SISKEUDES system, including its online version, was positively but not significantly associated with GG. Although policy design encompassed budget planning, allocation, management, and supervision, the statistical impact remained weak. These results align with arguments that policy implementation requires adequate institutional prerequisites and administrative capacity for its effects to be fully realized in governance practices [39].

LW demonstrated a positive and significant influence on village governance. Values such as *lempu* (honesty), *siri'* (dignity), *getteng* (firmness), and *awwaraniang* (moral courage) served as social capital that reinforced transparency, accountability, order, and discipline in fund management. This finding supports earlier studies emphasizing that local philosophies, such as *siri' na pacce* in South Sulawesi, foster accountability in reporting and cultivate a collective ethic of anti-corruption and selfless service [9]. Integrating such values into the policy cycle enhances community acceptance and strengthens social oversight mechanisms.

The utilization of IT also showed a positive, though insignificant, relationship with GG. IT enables faster, more integrated processing and transmission of information, for instance, reporting from village governments to central authorities, which reduces error and strengthens audit trails. However, the literature presents mixed evidence: some studies highlight significant positive effects, while others report negative or insignificant outcomes [40]. Within the TAM framework, user acceptance depends on perceived usefulness and ease of use, but without sufficient human resource capacity, infrastructure, and integrity, the effects of IT on governance may be diminished.

Another notable finding is that GP exerted a negative and insignificant effect on VFM. While formal policies are in place, the uneven quality of implementation in planning, allocation, management, and supervision limits improvements in efficiency, effectiveness, and economy. This underscores the need to refine implementation design and strengthen

control mechanisms to ensure that policy translates into measurable performance improvements [39].

LW, by contrast, played a crucial role in enhancing VFM. Honesty, social shame associated with norm violations, firmness, and moral courage curtailed opportunities for misuse while reinforcing budgetary discipline. These values contributed to improved efficiency, effectiveness, and economy, consistent with literature positioning *siri' na pacce* as a social regulator against opportunism [41]. From a stewardship perspective, such values orient village officials toward public interest and accountability.

IT was shown to have a positive and significant effect on VFM. IT accelerated access and accuracy of information, facilitated report analysis, and improved timeliness in fiscal decision-making. This mechanism aligns with the definition of IT as a resource that transforms data into strategic information, as well as with the TAM framework, which emphasizes usefulness and ease of use [22, 42-47]. With sufficient readiness, IT can thus make a significant contribution to performance outcomes.

GG itself exerted a positive and significant influence on VFM. Transparency, participation, and accountability enhanced the credibility of planning, execution, and reporting processes, thereby promoting expenditure efficiency and fiscal compliance. Prior research also highlighted the role of governance in strengthening fund management [48, 49]. Nevertheless, capacity building for village apparatus remains necessary to prevent governance principles from remaining purely normative.

The mediation analysis revealed that GG did not significantly mediate the effect of GP on VFM, indicating that policies have not been effectively translated into improved outcomes through governance practices. Conversely, LW significantly influenced performance through GG, suggesting that cultural values function as catalysts strengthening governance discipline and fiscal results. For IT, mediation through GG was not significant, implying that IT's effects are currently realized more directly through managerial system improvements than through behavioral changes in governance. This highlights the need to reinforce procedures and accountability mechanisms so that IT investments also improve governance processes.

5. CONCLUSION

This study found that GP in VFM exerted a positive yet insignificant influence on both governance and fund management. By contrast, LW demonstrated a positive and significant effect on both dimensions, indicating that cultural values such as *lempu* (honesty), *siri'* (dignity), *getteng* (firmness), and *awwaraniang* (moral courage) function as social capital that strengthens transparency, accountability, and budgetary discipline. IT also showed a positive influence, although its effect on governance was not significant, while its contribution to fund management was more pronounced. GG emerged as an important determinant of performance, affirming that transparency, participation, and accountability remain the principal pillars in the management of village funds. These findings are consistent with the study's objective to examine the role of public policy, LW, and IT in shaping GG and enhancing VFM.

The practical implications of these results highlight the need to strengthen the capacity of village officials in budget planning and fund management, accompanied by continuous training to ensure more effective policy implementation. LW should be further internalized as a foundation of social accountability in village governance, while the use of IT must be optimized through enhanced digital literacy and infrastructure. The synergy between public policy, LW, and IT will accelerate the realization of good village governance and, in turn, promote sustainable improvements in VFM.

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