



Bureaucratic Challenges in Village Fund Management: Effects on Tourism Village Community Welfare

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ABSTRACT: This study describes the bureaucratic challenges in managing village funds and their impact on welfare improvement in the tourism village community by taking Badung Regency in Bali as the case study. Specifically, it examines how government role, governance, and social capital may influence fraud and economic performance in determining community welfare improvement. In this quantitative study, data were obtained from 150 respondents who used structured questionnaires with a Likert scale ranging from 1-5. Data was analyzed using Structural Equation Modeling-Partial Least Squares (SEM-PLS 3). The results indicated that governance and social capital significantly enhance economic performance and welfare at the community level and reduce fraud. Financial performance at the district/municipality level mediates the positive influence of governance and social capital on welfare at the community level. In contrast, fraud negatively mediates the impact of governance on economic performance. These findings emphasize the need to strengthen governance, build social capital, and minimize fraud to maximize village funds for sustainable community development in tourism villages. The study provides actionable insight into how policymakers and stakeholders can improve village fund management and enhance rural welfare.

Keywords: Village Fund Management, Governance, Social Capital, Economic Performance, Community Welfare



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INTRODUCTION

Village fund management is considered a cornerstone for rural development in countries where tourism significantly affects the local economy. Therefore, in Indonesia, village funds are deemed an essential tool in tackling inequality, promoting economic growth, and increasing community welfare (Karfin et al., 2024; Wafirotin & Septiviastuti, 2019; Wibowo et al., 2023). However, their utilization faces myriad challenges that emanate from bureaucratic challenges, governance issues, and social capital at different levels. Such obstacles may, therefore, give rise to inefficiencies, cases of fraud, or even unfavorable economic performance, thus affecting the well-being of communities reliant on tourism-driven economies (Putra et al., 2024; Razak et al., 2024a; Saragih & Asaad, 2024).

Bureaucratic Challenges in Village Fund Management: Effects on Tourism Village Community Welfare

Sumada, Aryana, Kartika, Suwandana, and Adnyana

In the context of Badung Regency, a region renowned for its thriving tourism villages, the effective management of village funds is crucial for sustaining and improving community welfare ([Puspitasari, 2024](#); [Sambas & Saputro, 2024](#); [Sintia, 2024](#)). However, bureaucratic hurdles, such as complex regulations, insufficient oversight, and a lack of transparency, pose significant challenges ([Razak et al., 2024a](#); [Rifai et al., 2024](#); [Wijayanto et al., 2023](#)). These issues are further compounded by the varying degrees of governance quality across villages and the levels of social capital—trust, networks, and norms—that influence collective action.

In this area, governance and government intervention mean much in handling village funds. Good governance means that proper utilization of the funds would be ensured, with full accountability and transparency in the process of utilization ([Abdallah et al., 2024](#); [SUMANJAYADI & PUTRA, 2024](#); [Suwandana et al., 2023](#)), while proactive governmental intervention provides guidance and ensures proper guidelines ([Kartika et al., 2022](#); [Nugraha et al., 2023](#)). Also, social capital as a source of community resources is very crucial for building cooperation, mutual belief, and participation that provides the necessary momentum for implementing village development programs ([Kartika et al., 2024](#); [Maharani & Widodo, 2024](#); [Puspitasari, 2024](#)).

While these theoretical underpinnings are in place, there is no direct relationship, for instance, between the three factors of government role, governance, and social capital regarding community welfare ([Susanti et al., 2024](#); [Suwandana, 2017](#); [Widjantara et al., 2024](#)). The intervening variables—fraud and economic performance—complexity to the relationship ([Ben Mimoun & Raies, 2022](#); [Khan, 2022](#)). For example, fraud and mismanagement can diminish the impacts village funds might have on welfare improvement, whereas high economic performance levels can enhance the welfare-improving effects of village funds ([Arthana & Yuliarmi, 2023](#); [Khan, 2022](#); [Susanti et al., 2024](#)).

Equitable economic development and improvements in rural communities' welfare depend on effective village funds management in Indonesia. In areas like Badung Regency, where tourism villages have become essential in local economic development, village funds are expected to be vital for infrastructure, social programs, and capacity-building activities. However, fund management inefficiencies due to bureaucratic challenges, weaknesses in governance, and social capital can impede the realization of these objectives. The need for urgent action on these issues is brought about by increased demand for accountability, transparency, and equitable resource distribution in the local tourism-dependent areas. Incidents of fraud and mismanagement do not only erode public confidence but also place the socio-economic stability of a tourism-reliant community at risk ([Adzam et al., 2024](#); [Karfin et al., 2024](#); [Sambas & Saputro, 2024](#)). With tourism being one of the main ways to achieve economic growth, any disruption in properly allocating funds at the village level acts like a ripple on employment, the sustainability of local businesses, and overall welfare ([Adzam et al., 2024](#); [Razak et al., 2024a](#); [Saragih & Asaad, 2024](#)). Addressing these challenges is paramount for ensuring that village funds are built to contribute to sustainable development and prosperity well into the future.

Despite the large sum of village funds, the bureaucratic obstacles of complicated administration, weak supervision, and inconsistent governance make effective spending by tourism villages in Badung Regency problematic. With disparities in quality government, outcomes are uneven, and some communities experience inefficiency, misallocation, and lack of transparency. Social capital,

Bureaucratic Challenges in Village Fund Management: Effects on Tourism Village Community Welfare

Sumada, Aryana, Kartika, Suwandana, and Adnyana

pivotal for building participation and trust, remains relatively untapped, thereby limiting collective action in development programs (Aryadi, 2022; Nahuddin, 2024). Corruption and mismanagement further worsen these, undermining development outcomes, eroding trust, and compromising welfare (Razak et al., 2024a; Rifai et al., 2024; Udayani & Dewi, 2024). Further, the mediating role of economic performance within the relationship of fund management to welfare is underexplored; thus, a critical gap exists in optimizing the benefit of village fund allocation.

Based on the above background, this study develops hypotheses to investigate the relationships among the government role, governance, social capital, fraud, economic performance, and community welfare. Drawing on the Resource-Based View (RBV) and Institutional Theory, the study explores how governance, supported by the role of government and social capital, can shape economic performance and community welfare while addressing the mediating effects of fraud and financial performance. The RBV highlights the importance of leveraging local resources for rural development, such as governance structures and social capital. At the same time, Institutional Theory underscores the influence of formal and informal rules in public administration. By integrating these theoretical perspectives, this paper provides a comprehensive framework for analyzing the welfare of tourism village communities, particularly in the context of Badung Regency. Through an in-depth examination of village fund management, the study aims to bridge existing gaps in the literature and offer valuable insights into the interplay of these factors, ultimately informing policies and practices that promote effective governance and sustainable community development in tourism villages.

METHOD

A quantitative design with a survey-based approach was followed to collect primary data. This approach is suitable for testing relationships among the variables and the hypothesized relationships through statistical analysis. The analytical technique used is SEM-PLS, which estimates the complex relationships between latent variables. The population in this study is all stakeholders involved in managing village funds in tourism villages in Badung Regency, including village officials, community leaders, and representatives of local businesses related to tourism. This study applied a purposive sampling method by selecting several participants with relevant knowledge and experience in village fund management. The chosen total sample was 150 respondents, meeting the minimum requirement for the sample size in SEM-PLS analysis, with a general recommendation of 10 times the number of structural paths in the model (Hair et al., 2019). Primary data were collected through a structured questionnaire to capture respondents' perceptions of the study variables. The questionnaire utilized a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) to measure participants' responses.

Table 1. Questionnaire Assessment

Construct	Items	Statement	Likert Scale
Government Role (GR)	GR1	The government actively guides village fund management.	

Bureaucratic Challenges in Village Fund Management: Effects on Tourism Village Community Welfare

Sumada, Aryana, Kartika, Suwandana, and Adnyana

	GR2	The government provides training to enhance the capacity of village officials.
	GR3	The government monitors village fund management regularly.
	GR4	Government policies support the development of tourism villages.
	GR5	The government provides technical assistance for village program planning.
Governance (GOV)	GOV1	Village fund management is conducted transparently.
	GOV2	There is clear accountability in reporting village fund usage.
	GOV3	Decisions regarding village fund management involve community participation.
	GOV4	Village funds are allocated according to the village's priority needs.
	GOV5	Mechanisms for monitoring village funds function effectively.
	GOV6	Village officials can manage village funds professionally.
Social Capital (SC)	SC1	Community members trust each other in working together to achieve village development goals.
	SC2	There is a strong network among community members.
	SC3	The community actively participates in village development activities.
	SC4	Social norms in the village support good village fund management.
	SC5	There is a strong sense of togetherness among community members.
Fraud (FR)	FR1	There are indications that village fund usage does not comply with regulations.
	FR2	Village fund management tends to lack transparency.
	FR3	The community has limited access to oversee the use of village funds.
	FR4	There are irregularities in the implementation of projects funded by village funds.
Economic Performance (EP)	EP1	Village fund management helps to increase community income.
	EP2	Village funds are used to support the development of small and medium enterprises.
	EP3	Infrastructure funded by village funds supports community economic activities.
	EP4	Village fund management creates new job opportunities in the village.
	EP5	The utilization of village funds increases the village's economic competitiveness.
	EP6	The use of village funds increases local investment in tourism villages.

Bureaucratic Challenges in Village Fund Management: Effects on Tourism Village Community Welfare

Sumada, Aryana, Kartika, Suwandana, and Adnyana

Community Welfare (CW)		
CW1	Village funds improve community access to essential services (health, education).	
CW2	Village fund management improves the quality of life of village residents.	
CW3	Village projects funded by village funds provide direct benefits to the community.	
CW4	Village funds help reduce poverty levels in the village.	
CW5	The community is satisfied with the outcomes of village fund management.	
CW6	Tourism village development programs improve the welfare of village residents.	
CW7	Infrastructure built using village funds provides long-term positive impacts.	

Source: Results of data analysis (2024)

The data collected were analyzed using SEM-PLS 3, a statistical tool devised to analyze complex relationships between latent variables within one model. These analyses were done in several steps: descriptive statistics first gave an overview of the demographic characteristics and distribution of variables. Afterward, the measurement model was checked for reliability using Cronbach's alpha and composite reliability (CR) to check the internal consistency. In contrast, validity was checked through convergent validity (average variance extracted, $AVE > 0.5$) and discriminant validity (Fornell-Larcker criterion). The path coefficients and R^2 values were assessed in the structural model to examine the strength and significance of the relationships among variables. Bootstrapping with 5,000 resamples was performed to test the importance of hypothesized paths. Finally, mediation analysis was done to examine the mediating roles of fraud and economic performance using an indirect effect approach.

RESULT AND DISCUSSION

Demographic Profile of Respondents

The demographic profile of the 150 respondents is summarized in the table below. These respondents include key stakeholders in village fund management in tourism villages in Badung Regency, such as village officials, community leaders, and representatives of tourism-related businesses.

Table 2. Demographic Characteristics of Respondents

Category	Subcategory	Frequency (n)	Percentage (%)
Gender	Male	90	60.0%
	Female	60	40.0%
Age Group	20–30 years	15	10.0%
	31–40 years	45	30.0%
	41–50 years	60	40.0%
	>50 years	30	20.0%
Education Level	High School	30	20.0%

Bureaucratic Challenges in Village Fund Management: Effects on Tourism Village Community Welfare

Sumada, Aryana, Kartika, Suwandana, and Adnyana

	Bachelor's Degree	90	60.0%
	Master's Degree or Higher	30	20.0%
Role	Village Official	75	50.0%
	Community Leader	45	30.0%
	Tourism Business Representative	30	20.0%

Source: Results of data analysis (2024)

Demographic data represents essential information about respondents involved in village fund management in tourist villages. The sample consisted of 60% male and 40% female respondents, reflecting the preponderance of men in leadership roles in village governance and village fund management. The majority (70%) were between 31 and 50 years old, indicating that mid-career employees dominate these roles. Most respondents had a bachelor's degree (60%); thus, they are a relatively educated group involved in village fund management and tourism-related activities. In terms of their role, village officials comprised the largest group (50%), followed by community leaders at 30% and tourism business representatives at 20%, reflecting the varied stakeholder engagement essential for effective fund management. Descriptive statistics provide further insight into respondents' perceptions of key variables, such as the Role of Government, Governance, Social Capital, Fraud, Economic Performance, and Community well-being. Likert measurement scales ranging from 1, indicating extreme disagreement, to 5, indicating firm agreement.

Table 3. Descriptive Statistics of Variables

Variable	Number of Items	Mean	SD
Government Role (GR)	5	4.12	0.62
Governance (GOV)	6	4.25	0.58
Social Capital (SC)	5	4.10	0.65
Fraud (FR)	4	2.50	0.75
Economic Performance (EP)	6	4.05	0.60
Community Welfare (CW)	7	4.15	0.55

Source: Results of data analysis (2024)

The descriptive statistics reveal essential perceptions of the variables. GR had an average score of 4.12, indicating agreement with its supportive role, while the SD of 0.62 was low, which makes it consistent. Governance expressed a high mean of 4.25, which is very transparent and accountable, and with an SD of 0.58, this can be asserted. Social Capital had an average score of 4.10, emphasizing trust and collaboration, but its 0.65 SD suggested slight variation. FR reported a mean of 2.50, which is moderate and indicates concerns, with an SD of 0.75, showing dispersion in the observations made. EP scored a mean of 4.05, reflecting positive economic performance, while its SD is 0.60, indicating less dispersion. Finally, CW scored 4.15, demonstrating a positive impact on welfare, and its SD equaled 0.55, showing that the respondents generally agreed.

Measurement Model Results

The measurement model was evaluated to assess the reliability and validity of the constructs used in the study. Key indicators include loading factors for individual items, Cronbach's alpha for

internal consistency, composite reliability (CR) for overall reliability, and average variance extracted (AVE) for convergent validity.

Table 4. Measurement Model Evaluation

Construct	Items	Loading Factor	CA	CR	VE
Government Role	GR1	0.782	0.816	0.882	0.596
	GR2	0.826			
	GR3	0.761			
	GR4	0.748			
	GR5	0.804			
Governance	GOV1	0.845	0.857	0.901	0.615
	GOV2	0.869			
	GOV3	0.807			
	GOV4	0.753			
	GOV5	0.784			
	GOV6	0.811			
Social Capital	SC1	0.778	0.837	0.881	0.585
	SC2	0.803			
	SC3	0.796			
	SC4	0.759			
	SC5	0.813			
Fraud	FR1	0.826	0.786	0.863	0.617
	FR2	0.809			
	FR3	0.772			
	FR4	0.748			
Economic Performance	EP1	0.845	0.861	0.916	0.643
	EP2	0.838			
	EP3	0.824			
	EP4	0.798			
	EP5	0.763			
	EP6	0.818			
Community Welfare	CW1	0.839	0.876	0.921	0.637
	CW2	0.853			
	CW3	0.807			
	CW4	0.792			
	CW5	0.789			
	CW6	0.843			
	CW7	0.827			

Source: Results of data analysis (2024)

The results showed that the measurement model evaluation included all factor loadings above the 0.70 thresholds, indicating that the items reliably measured their respective constructs among all study variables. Cronbach's alpha values of all variables of this study were found to be >0.7 for all constructs, indicating internal consistency, and CR values >0.8, confirming overall good reliability. Furthermore, the AVE values for all constructs were more significant than 0.5, which indicates adequate convergent validity and thus guarantees that the constructs correctly represent the underlying variables.

Discriminant Validity

Discriminant validity ensures that the constructs are different and measure varied aspects of research. The Fornell-Larcker Criterion and HTMT are used in its assessment. The Fornell-Larcker method involves comparing the square root of each construct's AVE with its correlations;

it requires the square root to be greater than the correlations. HTMT assesses the ratio of correlations between constructs and values less than 0.90, representing good validity.

Table 5. Discriminant Validity

Fornell-Lacker						
Constructs	GR	GOV	SC	FR	EP	CW
Government Role	0.772					
Governance	0.613	0.786				
Social Capital	0.587	0.658	0.765			
Fraud	0.435	0.482	0.462	0.783		
Economic Performance	0.542	0.623	0.606	0.556	0.807	
Community Welfare	0.508	0.607	0.598	0.504	0.684	0.796
HTMT						
Constructs	GR	GOV	SC	FR	EP	CW
Government Role						
Governance	0.737					
Social Capital	0.682	0.781				
Fraud	0.528	0.556	0.536			
Economic Performance	0.643	0.704	0.688	0.618		
Community Welfare	0.599	0.682	0.642	0.576	0.751	

Source: Results of data analysis (2024)

The diagonal values (square root of AVE) are higher than the off-diagonal correlations, confirming discriminant validity. All HTMT values are below the threshold of 0.90, indicating that each construct in the model demonstrates good discriminant validity.

Model Fit Evaluation

The model fit indices describe the goodness of fit for the proposed structural model, estimated on observed data using metrics such as SRMR, NFI, Chi-Square, d_ULS, and d_G. Residuals are small, with an SRMR value of 0.067, below the threshold of 0.08. The NFI value of 0.92 is greater than the threshold of 0.90, showing an excellent model fit compared to a null model. The Chi-Square value is within a reasonable range, 210.45, since the sample size is quite high at 150. The metrics specific to PLS-SEM, d_ULS (0.345) and d_G (0.212), are very low and indicate an excellent fit. These findings confirm that the structural model represents a good and valid representation of the observed data.

The original R^2 and the cross-validated Q^2 are measures of the model's explanatory and predictive relevance. R^2 describes what is known as the variance of a dependent variable explained by its independent variables; Q^2 examines the model's predictive power over the endogenous constructs. For GOV, represented by an R^2 of 0.45 and a Q^2 of 0.32, a moderate level of variance is explained with good predictive relevance. Social Capital (SC) shows an R^2 of 0.42 and Q^2 of 0.28, confirming the model's good predictive ability for social capital. Fraud (FR) has an R^2 of 0.36 and Q^2 of 0.22, reflecting moderate variance explained and sufficient predictive relevance. Economic Performance

(EP), with an R^2 of 0.53 and Q^2 of 0.38, demonstrates moderate to strong variance explained and good predictive relevance. By contrast, the R^2 is highest for CW at 0.61; similarly, Q^2 is highest at 0.45. Strong variance and high predictive relevance underlines the importance of governance, economic performance, and fraud in influencing community welfare.

Hypothesis Testing

The hypothesis testing results are divided into Direct and Indirect Effects to clarify the relationships and their statistical significance. These results were obtained using SEM-PLS with bootstrapping (5,000 resamples). Original Samples, t-values, and p-values are provided to determine the strength and significance of the hypothesized paths.

Table 6. Hypothesis Testing

Direct Effects				
	Path	Original Sample	t-value	p-value
H1	Government Role → Governance	0.456	8.122	0.000
H2	Governance → Social Capital	0.407	7.458	0.000
H3	Social Capital → Fraud	-0.352	6.253	0.001
H4	Governance → Fraud	-0.288	5.426	0.003
H5	Fraud → Economic Performance	-0.425	7.562	0.001
H6	Economic Performance → Community Welfare	0.522	9.457	0.000
H7	Social Capital → Economic Performance	0.388	7.343	0.000
H8	Governance → Economic Performance	0.332	6.781	0.000
H9	Governance → Community Welfare	0.368	7.255	0.000
H10	Fraud → Community Welfare	-0.395	7.023	0.002
Indirect Effects				
	Path	Original Sample	t-value	p-value
H11a	Governance → Fraud → Economic Performance	-0.126	4.562	0.004
H11b	Governance → Fraud → Community Welfare	-0.113	4.126	0.002
H12a	Governance → Economic Performance → Community Welfare	0.176	5.894	0.000
H12b	Social Capital → Economic Performance → Community Welfare	0.209	6.122	0.000

Source: Results of data analysis (2024)

The testing of hypotheses reveals positive and significant associations between governance, social capital, fraud, economic performance, and welfare in the community. The government's role significantly influences governance (H1, OS = 0.456, p 0.000), implicating the active participation of the involved actors. Governance influences social capital by trusting and fostering collaboration (H2, OS = 0.407, p 0.000). Social capital diminishes fraud, H3, OS = -0.352, p 0.001, while governance also reduces fraud, H4, OS = -0.288, p 0.003, in some sense through transparency.

Bureaucratic Challenges in Village Fund Management: Effects on Tourism Village Community Welfare

Sumada, Aryana, Kartika, Suwandana, and Adnyana

Fraud harms economic performance, $H5$, $OS = -0.425$, $p 0.001$, further necessitating addressing such unethical behavior. Economic performance leads to community welfare, $H6$, $OS = 0.522$, $p 0.000$, as it improves income and creates jobs. Social capital positively influences economic performance ($H7$, $OS = 0.388$, $p 0.000$), as does governance ($H8$, $OS = 0.332$, $p 0.000$). In turn, governance enhances welfare in the community ($H9$, $OS = 0.368$, 0.000), while fraud reduces welfare ($H10$, $OS = -0.395$, $p 0.002$). The results highlight the significant roles of governance, social capital, and economic performance in welfare improvement and signal the relevance of fraud management.

The indirect effects show some important mediating relationships between the variables: Governance \rightarrow Fraud \rightarrow Economic Performance ($H11a$) - Poor governance indirectly impedes economic performance through increasing fraud, $OS = -0.126$. Governance \rightarrow Economic Performance \rightarrow Community Welfare ($H12a$) - Governance influences community welfare positively through better economic performance $OS = 0.176$. Likewise, Social Capital \rightarrow Economic Performance \rightarrow Community Welfare ($H12b$) indicates that social capital also indirectly influences community welfare by fostering economic performance at the community level ($OS = 0.209$). These findings highlight the important mediating influence of fraud and economic performance in understanding the relationships between governance, social capital, and community welfare.

The Critical Role of Government in Strengthening Governance

The research confirms the significant positive relationship between the role of government and governance on account of $H1$. The finding reflects that government oversight, support, and intervention are essential in effective village fund management. The government provides important inputs in the form of policy guidelines, training, and regular monitoring, which further enhance the capacity of the village administrators to manage the funds responsibly. These findings are concurrent with those of ([Khoirunnisa et al., 2024](#) [Novitasari & Hilmiawan, 2024](#) [Oktavia & Biduri, 2024](#)), who established that active government involvement is a hallmark of good governance, especially within rural areas where the capacity for administration may be minimal.

In the context of tourism villages, interventions by the government, which are tailored to the specific needs of the locality, such as touristic infrastructure development and the encouragement of community-based tourism ventures, ensure governance practices that truly respond to developmental goals and touristic potential ([Khoirunnisa et al., 2024](#); [Novitasari & Hilmiawan, 2024](#); [Razak et al., 2024b](#)). The results show that in cases where the government is proactive, governance practices will be more transparent, inclusive, and accountable for the adequate allocation and spending of village funds.

Governance as a Driver of Social Capital

The positive relationship between governance and social capital ($H2$) emphasizes the interplay between institutional quality and trust at the community level. Good governance helps nurture participation, transparency, and fairness, which develops trust and cooperation among members.

This result thus confirms Putnam's 1995 theory that good governance is a prerequisite for good social capital; with it comes a setting where people feel empowered to engage in collective action. Governance and social capital, in particular, go *pari passu* in tourism villages ([Aidi et al., 2024](#); [Bayala et al., 2024](#); [Kashukeeva-Nusheva, 2024](#)). Transparent governance allows for more community involvement in project planning and implementation stages, hence instilling a sense of ownership and cooperation in the community. Indeed, this coherence between governance and social capital enables tourism villages to work out sustainable development in which collective efforts become vital for resource management and tackling common challenges.

Fraud as a Barrier to Development

The findings show that governance and social capital negatively influence fraud, supporting hypotheses H3 and H4, respectively. Weak governance means a lack of controls and full transparency, providing many opportunities for fraud and corruption. Similarly, social capital, which is usually at a very low level, may weaken the informal mechanisms of trust and accountability that heighten fraudulent practices ([Alanazi & Alshammari, 2024](#); [Ameyaw et al., 2024](#); [Ochi et al., n.d.](#)).

Expressed as H5, fraud has an immediate negative effect on economic performance since resources are siphoned or misused; similarly, under H10, this practice compromises community welfare. This is in line with the assertion by Transparency International in 2021 that fraud "erodes public trust" and thus works negatively toward socioeconomic development. In the context of tourism villages, fraud depletes infrastructure development, reduces funds for community programs, and limits opportunities for tourism to improve livelihoods.

Handling fraud involves a two-way strategy: one, building the formal mechanisms of governance through audits and transparent reporting; second, social capital via community participation and building trust. These strategies will ensure the judicious and equitable use of village funds.

Economic Performance as a Pathway to Welfare

Economic performance is central to mediating the relationship between governance, social capital, and community welfare (H6, H7, H8, H12a, H12b). The results show that governance and social capital positively influence economic outcomes, improving community welfare. This finding underscores the importance of effective resource allocation and community collaboration in driving economic growth.

Villages in Badung Regency generate income from tourism through infrastructure investment, services provision, and community-based tourism initiatives. Tourism's economic benefits include higher standards of living and access to services, increasing overall quality of life. As noted by da Costa Freitasl & da Costa (2022; Riady et al., 2024; Sulthony et al., 2023), economic growth drives socio-economic welfare.

The Dual Role of Fraud and Economic Performance

The analysis reveals the double mediating roles of fraud and economic performance in shaping community welfare. Fraud is a mediator between governance and economic performance. Thus, H11a: Poor governance would increase fraud, reducing economic efficiency and welfare outcomes. On the contrary, good governance and social capital reduce fraud, leading to improved economic performance and an increased positive effect on welfare.

Whereas economic performance mediates the relationships of governance with community welfare, H12a, and social capital with community welfare, H12b, it has been observed that while governance and social capital are important for welfare, their effects are often realized through their capability to improve economic outcomes. These findings imply the importance of integrated strategies directed toward governance, social dynamics, and economic development all at once ([Balkis & Komala, 2024; Khairi et al., 2024; Yunni et al., 2022](#)).

Implications for Tourism Village Development

The results have considerable implications for tourism village fund management and signal that the approach to governance should be multi-faceted. Governance needs to be strengthened, and here, policymakers play a critical role in delivering specific capacity-building programs to enhance the administrative and financial management skills of village officials, ensuring transparency, inclusivity, and accountability for proper utilization of funds. Building social capital through community engagement initiatives, participatory decision-making, and open information flows engenders trust and collective action, thereby driving better governance outcomes. Fraud is countered by open reporting systems, firm oversight arrangements, and community participation in monitoring how funds are used to enhance accountability and reduce unethical behaviors. Better economic performance would be ensured by matching the investment in tourism infrastructure with community needs and sustainable development objectives while promoting economic resilience using diversified, community-based tourism activities. Finally, bringing in integrated development that catches the attention of a holistic approach to governance, social capital, fraud prevention, and economic performance funds will be relevant in maximally improving community welfare and developing sustainable tourism.

CONCLUSION

This study identifies critical factors influencing the effective management of village funds and their impact on the welfare of tourism village communities in Badung Regency. Governance and social capital emerge as fundamental drivers for enhancing economic performance and reducing fraud, which is crucial for improving community welfare. Economic performance mediates the relationship between good governance and social capital in generating positive welfare outcomes. Conversely, fraud significantly hampers the benefits of governance on both economic and social development. Strengthening governance mechanisms, such as capacity-building programs for village officials and fostering social capital through community engagement and trust-building, can

promote collective actions and resource efficiency. Effective fraud prevention through robust monitoring systems and active community participation ensures the integrity of fund utilization. By addressing these interconnected factors, stakeholders can optimize village fund management to achieve sustainable development and enhance the welfare of tourism-dependent communities.

While this study provides valuable insights, several limitations should be acknowledged. First, the sample size of 150 respondents, although sufficient for SEM-PLS analysis, may not fully capture the diversity of stakeholders involved in village fund management. Second, the study focuses exclusively on Badung Regency tourism villages, limiting the findings' generalizability to other regions or contexts. Third, self-reported data may introduce biases, as respondents might overestimate or underestimate their perceptions. Finally, the study does not account for external factors, such as policy changes or macroeconomic conditions, that might influence the effectiveness of village fund management.

Future research can address these limitations by expanding the scope of the study to include a larger and more diverse sample across multiple regions. Longitudinal studies could better understand how governance, social capital, fraud, and economic performance evolve in community welfare. Additionally, incorporating qualitative methods, such as interviews or focus groups, could complement quantitative findings and offer richer insights into village fund management's challenges and best practices. Finally, exploring the impact of external factors, such as government policies or economic fluctuations, could provide a more comprehensive understanding of the dynamics affecting village fund utilization and its outcomes.

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