

Improving the Welfare of Border Communities: The Mediating Role of Good Governance on the Relation between Intellectual Capital and Social Capital

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ABSTRACT

Purpose: This study aims to identify the role of good governance in mediating the relationship between the influence of intellectual capital and social capital toward improving the welfare of people in border villages.

Design/Methodology/Approach: The methodology used in this study is quantitative, with data collection by online questionnaires and analysis using Partial Least Square (PLS).

Findings: Good governance mediates the relationship between intellectual capital's influence and full mediation's characteristics. Good governance also mediates the relationship between social capital's influence and partial mediation's characteristics.

Conclusion: This study concludes that the values and sanctions contained in good governance encourage village financial managers to follow the rules and policies that have been set. In addition, social capital embedded in border village communities shows that village fund management based on customary values strongly influences community welfare.

Research Limitations/Implications: This study may be limited to data taken from specific villages in the Belu Regency, which may lead to difficulties in generalizing these findings to other border villages that may have different social, economic, or political contexts.

Practical Implications: The importance of strengthening good governance in managing village funds, as well as the need to consider customary values in managing resources to improve the welfare of communities in border villages.

Contribution to the Literature: The study provides new insights into the role of good governance in mediating the relationship between intellectual capital and social capital, and its impact on community welfare in the context of border villages.

Keywords: *Belu regency, Community welfare, Good governance, Intellectual capital, Social capital.*

1. INTRODUCTION

Research on *intellectual capital* in the public sector in Indonesia is still limited. The *intellectual capital* component will be sought based on the *public sector intellectual capital* model developed in Spain. This model is possible to apply because there is no *intellectual capital model* developed specifically in Indonesia for the public sector (Ulum, Mudrifah, & Sulistyono, 2023). The proposed formulation of *intellectual capital* components is expected to assist leaders in their duties to evaluate and improve the activities, achievements, and strengths of the entity (internal management), and to provide information on administrative performance to external users for decision-making (external information). *Intellectual capital* in village financial management is the main strength of an organization, which includes knowledge, information, and intellectual property that can find opportunities and manage threats in the life of an organization so that it can affect durability and competitive advantage in various ways (Halim, 2024). Problems related to *social capital* in the management of village funds are shown in the study of the Corruption Eradication Commission (CEC), namely: (1) The Village Law and supporting regulations have not been fully understood by *stakeholders*; (2) there is still a high potential for corruption in the regions; (3) villages are relatively easy to use to get votes during regional elections and elections; (4) participation, accountability, and transparency

are still low. There is still not a maximum participation in community cooperation. The low participation of the community in activities sourced from village funds also shows the lack of community involvement and lack of communication from the village government to the community.

The development of the idea of *good governance* in the government sector emerged at the same time as the reform of the political system towards a more democratic direction (Knieć & Goszczyński, 2022). The issue of *good governance* or called government governance itself has become a debate because of the demand for change in the management of state life (Basri, Findayani, & Zarefar, 2021). The implementation of local government autonomy at the village level will not be strong and beneficial to local communities if it is not supported by the principles of transparency, accountability, participation, and responsiveness. In addition, in reality, the practice of *good governance* of village funds in its management is more aimed at the central government, not the community. Findings in the field were obtained that the mechanism of the concept of village community development in the development built in Belu Regency has not been implemented properly. This condition causes the inhibition of development and community development programs through the use of innovation, so it is not surprising that many aids are delayed, and unused, and even the existence of assistance received by the community becomes a burden felt by the community and also the local government (Martinidis, Komninos, Dyjakon, Minta, & Hejna, 2021; Saporita, Hidajat, & Apriliyadi, 2019; Tarlani, Dariah, & Rani, 2022) Stated that *intellectual capital* has a positive influence on financial performance, and even intellectual capital can be an indicator of future financial performance. Thus, *intellectual capital* can improve the performance of village officials and the community in village development.

This study makes an important contribution by showing that good governance acts as a bridge that connects the positive influence of intellectual capital and social capital on organizational performance. Good governance, which includes transparency, accountability, and participation, ensures that the values of intellectual capital and social capital are effectively implemented in the decision-making process and organizational operations. Then this research provides new insights into the importance of *good governance* in strengthening the relationship between *intellectual capital* and *social capital*. It emphasizes that the success of an organization depends not only on the intellectual and social capital it has but also on the extent to which the principles of good governance are applied to optimize the use of such capital. Thus, this research makes theoretical and practical contributions to the literature on organizational management and governance.

2. LITERATURE REVIEW

2.1. Intellectual Capital

Intellectual Capital refers to the value contained in the knowledge, skills, experiences, and relationships possessed by individuals and organizations, this concept includes three main dimensions: human capital, structural capital, and relationship capital (Gomezelj Omerzel & Smolčić Jurdana, 2016; Martinidis et al., 2021) Human capital refers to the knowledge, skills, and competencies of individuals within an organization, which are valuable assets to create added value. Structural capital consists of systems, procedures, and technologies that support the formation, storage, and dissemination of knowledge within the organization (Martinidis et al., 2021) Meanwhile, relationship capital includes networks and relationships both internal and external that facilitate the exchange of knowledge and experience. Effective management of *Intellectual Capital* can provide great benefits to organizations, including improved performance, innovation, competitiveness, and market value (Nurcahyono, Sinarasri, Pamungkas, & Hanum, 2023) *Intellectual Capital* also goes beyond traditional material assets in determining the value of an organization Although physical assets such as land, buildings, and equipment remain important, in a growing knowledge economy, the added value of an organization is often more influenced by excellence in terms of knowledge, creativity, and innovation (Alfaro-Navarro, López-Ruiz, & Peña, 2017). Investment in the development of intellectual capital is a strategic key for organizations to survive and thrive in a competitive business environment (Gomezelj Omerzel & Smolčić Jurdana, 2016). Wise management of human, structural, and relationship capital is an important step to ensure organizations can harness their full potential and remain relevant amid continuous changes in markets and technology. It is therefore important for leaders and managers to understand the important role of *Intellectual Capital* and to develop the right strategies to maximize the value of their intellectual assets.

2.2. Social Capital

Social Capital is a resource that individuals obtain through their relational network. According to [Hill-Briggs et al. \(2021\)](#) social capital functions as a productive resource that can be utilized by organizations or individuals as long as the relationship is still established. However, these resources are lost when the relationship is broken ([Knieć & Goszczyński, 2022](#)). Many entrepreneurs achieve success thanks to the innovations they make. Unfortunately, not all entrepreneurs realize that their ability to do business and innovate is greatly influenced by the social factors around them. This includes support from family members, neighborhoods, schools, co-workers, and performance networks in doing business. Encouragement from family, friends, and business associates also plays an important role in shaping this ability ([Aldrich & Meyer, 2015](#)).

Social capital can be understood as a product of human relationships, especially those that are intimate and consistent. This includes networks, norms, and beliefs that have the potential to affect people's productivity ([Aldrich & Meyer, 2015](#); [Tarighi, Salehi, Moradi, & Zimon, 2022](#)). In this context, social capital consists of three main components, namely: Trust: It is a hope that develops in society, which is reflected in honest, orderly, and cooperative behavior based on shared norms. Norms: Consist of understandings, values, expectations, and goals that are believed and carried out together by a group of people. These norms can come from a variety of sources, such as religion, moral guidelines, or professional codes of ethics. Norms are built on the history of cooperation in the past and serve to support a climate of cooperation. Network: It is a dynamic infrastructure of social capital that includes a network of cooperation between communities. These networks facilitate communication and interaction, which allows for the growth of trust and strengthens cooperation. Healthy societies tend to have strong social networks, which in turn builds solid inter-community relationships, both formally and informally. A close social network will strengthen the sense of cooperation among its members and increase the benefits of participation ([Colombo, Franzoni, & Rossi-Lamastra, 2015](#)).

2.3. Good Governance

Good governance is good governance in a business based on professional ethics in doing business ([Zakrzewska, 2017](#)). Understanding *good governance* is a form of acceptance of the importance of a set of regulations or good governance to regulate the relationships, functions, and interests of various parties in business affairs and public services ([Knieć & Goszczyński, 2022](#)). The understanding of *good governance* is to create performance management excellence in both manufacturing business companies (good corporate governance) and service companies, as well as public/government service institutions (good government governance). Understanding *good governance* is a form of respect for good systems and structures to manage the Company to increase business productivity ([Hidayah, Hapsari, Saputra, Dharmawan, & Yadiati, 2023](#)). [Basri et al. \(2021\)](#) *good governance* is something new for Indonesian society, and the application of this concept often depends on the cooperation of the government and the community to achieve two goals, namely a clean and democratic government ([Hermanto, Lusy, & Widyastuti, 2021](#)). Stated that *good governance* creates a balance between the process of optimizing the role of public administration and the role of market mechanisms because the need for *good governance* in public services and administration is important with the need for efficiency of market mechanisms. The definition of *good governance* according to [Rodríguez Casallas \(2020\)](#) is a concept of approach that focuses on the development of the public sector by good governance. Furthermore, according to the [Wasdi \(2023\)](#) *good governance* is a concept in the implementation of solid and responsible development management in line with democracy and efficient markets, avoiding the misallocation of scarce investments and preventing corruption both politically and administratively, implementing budget discipline and creating a legal *framework* for the growth of entrepreneurial activities. In addition, the World Bank also synonymizes *good governance* as a synergistic and constructive relationship between countries, the private sector, and the community.

2.4. Community Welfare

The concept of welfare has been developed to be broader than just measuring the aspect of nominal income. Welfare is *the standard of living, well-being, welfare, and quality of life* ([Putu, Ernawatiningsih, Agung, Marhaeni, & Yuliarmi, 2023](#)) States welfare as a quality-of-life satisfaction that aims to measure the position of community members in building a life balance including, a). Material welfare b). Community welfare c). Emotional welfare d). Security. Welfare can be measured from several aspects of life: a. By looking at the quality of life in terms of

materials, such as the quality of the house, food, and so on. b. By looking at the quality of life from a physical perspective, such as body health, the natural environment, and so on. c. By looking at the quality of life from a mental perspective, such as educational facilities, cultural environment and so on [Kotkas and Veitch \(2016\)](#). Efforts to improve family welfare are indispensable to reducing poverty rates, thus understanding the causes of poverty is important to formulating poverty alleviation strategies ([Taylor-Gooby, 2009](#)). Research on family welfare is generally carried out partially using various indicators, until now there have been many indicators used to measure the level of family welfare such as World Bank indicators, Central Bureau of Statistics (Indonesia) and other welfare indicators ([Abrahamson, 1999](#)).

3. METHODOLOGY

This study uses a quantitative approach with an explanatory or causal design that aims to explain how one variable affects or is responsible for changes in other variables. *Crosssectional* data was collected at once and only once by distributing questionnaires to respondents. This study uses a survey method where the researcher uses a questionnaire instrument to obtain data on the research subject in a relatively short period. The operational definition in this study is in the form of a complete set of instructions on what to observe and how to measure the variables used in the research. The following is presented the definitions for each variable are presented in [Table 1](#).

Table 1. Operational definition.

Dimensions	Indicators	Sources
<i>Intellectual capital</i>		
Quality of competency (X11)	The existence of human resource development programs can improve the quality of competencies (X11.11)	(Lee & Hu, 2012; Nurcahyono et al., 2023; Riwu & Mattunruang, 2024) .
	The existence of the village development program improves the quality of competence (X1.12)	
	The existence of economic development programs can improve the quality of competencies (X1.13)	
Organizational commitment (X12)	The existence of human resource development programs can create organizational commitment (X1.21)	
	The existence of village development programs can create organizational commitment (X1.22)	
	The existence of economic development programs can create organizational commitment (X1.23)	
Job control (X13)	The existence of human resource development programs can create control in work (X1.31)	
	The existence of village development programs can create control in work (X1.32)	
	The existence of economic development programs can create control in work (X1.32)	
<i>Social capital</i>		
Belief (X21)	Involvement of indigenous leaders in every policy-making (X2.11)	(Adler & Kwon, 2002; Aldrich & Meyer, 2015; Tarighi et al., 2022; Tsai & Mutuc, 2020) .
	Traditional leaders represent the aspirations of the village community (X2.12)	

Networking (X22)	Cooperation between traditional leaders and village government officials (X2.21)		
	Involvement of traditional leaders and policy socialization (X2.22)		
Norm (X23)	Village fund policy contains customary sanctions in decision making (X2.31)		
	Customary sanctions are treated fairly in the Decision (X2.32)		
<i>Good governance</i>			
Participant (Y11)	Involvement in planning on village funds (Y1.11)	(Basri et al., 2021; Hermanto et al., 2021; Kniec & Goszczyński, 2022; Zakrzewska, 2017).	
	Involvement in the implementation of development activities (Y1.12)		
	Involvement in monitoring and evaluating programs on village funds (Y1.13)		
Transparency (Y12)	Transparency in managing village funds (Y1.21)		
	Publication of village fund accountability reports (Y1.22)		
Independence (Y13)	Professional implementation of work programs (Y1.31)		Regulation of the minister of home affairs of the republic of Indonesia number 113 of 2014 concerning village financial management.
	Independent implementation without intervention from other parties (Y1.32)		
Accountable (Y14)	Use of an effective accounting system in administration (Y1.41)		
	Availability of financial statements for village funds (Y1.42)		
Accountability (Y15)	Management of village funds according to existing rules (Y1.51)		
	Management of village funds according to community needs (Y1.52)		
Fairness (Y16)	The village government has managed village funds honestly (Y1.61)		
	The village government has managed village funds reasonably (Y1.62)		
<i>Community welfare</i>			
Income (Y21)	Assisting village economic activities (Y2.11)	(Abrahamson, 1999; Kotkas & Veitch, 2016; Putu et al., 2023; Riwu & Mattunruang, 2024; Taylor-Gooby, 2009)	
	Increase employment (Y2.12)		
	Increasing my income and my family (Y2.13)		
Basic needs (Y22)	Fulfillment of clothing and food needs (Y2.21)		
	Fulfillment of board needs (home improvement) (Y2.22)		
Education (Y23)	Fulfilling the needs of the education sector (Y2.31)		
	Improving the quality of education (Y2.32)		
Health (Y24)	Improving public health conditions (Y2.41)		
	Increasing public awareness of environmental cleanliness (Y2.42)		

The population in this study is people living in border villages of Belu Regency. Based on data from the Belu Regency

Regional Border Management Agency in 2021, the number of residents in border villages reached 58,016 people, spread across 28 villages with a total of 26,475 heads of families in 7 sub-districts. A sample is a part of a population whose characteristics are considered representative of the entire population (Martínez-Mesa, González-Chica, Duquia, Bonamigo, & Bastos, 2016). To determine the number of samples to be taken, the Slovin formula is used (Tejada, Raymond, & Punzalan, 2012). With a set error rate of 8%, the calculation using the Slovin method resulted in a sample of 155 heads of families. The analysis in this study was carried out using quantitative descriptive analysis and Structural Equation Model (SEM) with the Partial Least Square (PLS) approach. Some of the reasons for choosing PLS in this study are as follows (Hair & Alamer, 2022): Method Suitability: PLS is an appropriate statistical method to test the influence of predicting relationships between variables in a model. Sample Flexibility: PLS can be applied to small sample quantities, so it does not require a variety of strict assumptions. Ability to Test Models: PLS allows for effective testing of research models, providing relevant results in the context of analysis of relationships between variables.

4. RESULTS

A summary of the respondents' perception answer criteria can be presented in Table 2.

Table 2. Summary of respondent perception criteria.

No.	Variable	Average	Perception criteria
1	<i>Intellectual capital</i>	3.96	High
2	<i>Social capital</i>	3.75	High
3	<i>Good governance</i>	3.67	Medium
4	The welfare of village communities	3.63	Medium

Table 2 shows that 2 variables are in high perception and 2 variables are in medium perception criteria. This shows that *Intellectual Capital* and *Social Capital* are highly related to the management of village funds in border villages. In addition, to *good governance*, the welfare of the village community is at a moderate criterion in the management of border village funds, so efforts are needed to improve these criteria for the better.

Summary of *Structural Equation Models (SEM)-Partial Least Square* using *path analysis* (Hair et al., 2021).

4.1. Evaluation Outer Model

4.1.1. Validity Test

The *validity test* can be determined from the results of *convergent validity* and *discriminant validity* calculated using PLS. The results of the *Convergent Validity* show that the *loading factor* value is between 0.70 and 1.00 which is greater than 0.5 as recommended (Henseler, Ringle, & Sarstedt, 2015). The construct's AVE value is between 0.596 and 1.00. This value is greater than 0.5 which means that the construct in this study can measure the corresponding latent variables.

4.1.2. Discriminant Validity

Validity is calculated using *discriminant validity* through the *listed cross-loading* values. The indicator has the highest correlation with its latent variables compared to other latent variables. This shows that the results of the study show that overall valid indicators and *discriminant validity* are met.

4.1.3. Reliability Test

Reliability testing is calculated using PLS through *internal consistency reliability*. For *internal consistency reliability*, the *composite reliability* and *Cronbach's alpha* values showed values higher or equal to 0.7 which means that the latent variables in this study had consistent and reliable results (Henseler et al., 2015).

4.2. Evaluation Inner Model (Structural Model)

This evaluation step was carried out to confirm the theoretical model poured into the research structural model through three indicators: R^2 , *predictive relevance* (Q^2), and *goodness of fit* (Gof).

4.2.1. Value R²(R-Square)

The value of R² in this PLS calculation represents the number of variances contained in the model. The R² value in this study is listed in Table 3.

Table 3. R square value (R²) on endogenous variables.

Variable	Value R square (R ²)
Good governance	0.750
Community welfare	0.733

4.2.2. Predictive Relevance

The Q² predictive relevance value in a structural model is used to measure how well the observation value is produced by the model and also the estimation of its parameters. The Q² value in this study is calculated by the following formula:

$$\begin{aligned}
 Q^2 &= 1 - (1-R_1^2) (1-R_2^2). \\
 &= 1 - (1-(0,750)^2) (1-(0,733)^2). \\
 &= 1 - (1-0,563) (1-0,537). \\
 &= 1 - (0,437) (0,463). \\
 &= 0,898.
 \end{aligned}$$

This value means that the contribution of the variables Village Government Role (X1), Good Governance (X2), Social Capital (X3) and Village Economic Performance (Y1) as a whole to the community welfare variable (Y2) is 89.80 percent, while the remaining 10.20 percent is the contribution of other variables that are not included in this model.

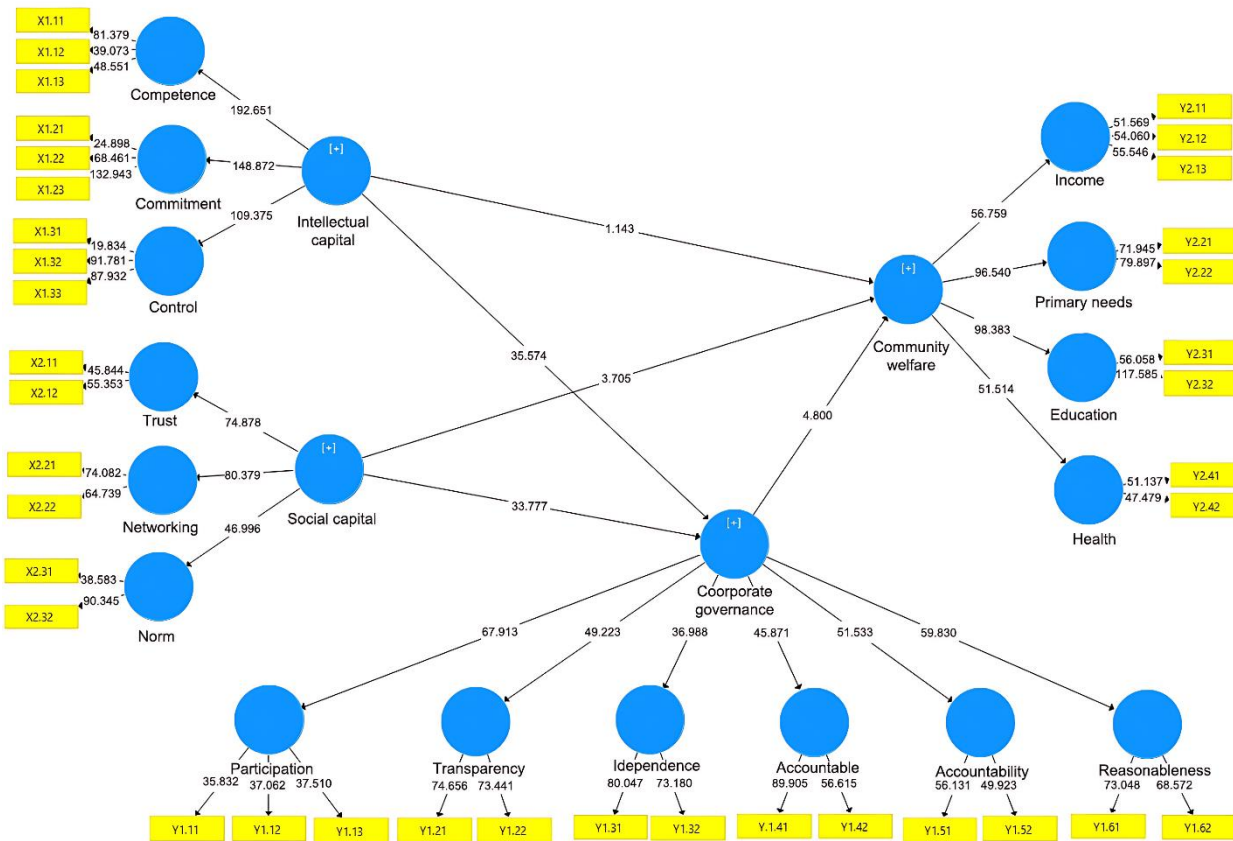


Figure 1. Variable presentation results.

4.3. Hypothesis Testing

Hypothesis testing was carried out after bootstrapping *resampling*. Hypothesis testing on the management of village funds towards a prosperous society in border villages in Belu Regency, East Nusa Tenggara Province, was carried out by comparing T-Statistics and P-Values and observing the *original sample marks* in the *Path Coefficients table*. If the T-statistic value > t-table (1.96), then the variable is declared to have a significant effect. If the p-value is <0.05, then there is a significant influence. A two-sided test with a *level of significance* of 5 percent, a variable is considered to affect other variables if it has a minimum t of 1.96, while for a one-sided test (a hypothesis with a positive or negative influence with a P-Value of 0.10 or a minimum t of 1.65. Hypothesis testing is based on the results of testing the significance of the influence on *the structural model*. The following is [Table 4](#) of the Results of the Direct Influence Test on the Structural Model.

Table 4. Results of direct influence test on structural models.

Hypothesis	Direct influence	Original sample (O)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values	Information
1	X1 -> Y1	0.954	0.060	35.574	0.000	Significant
2	X2 -> Y1	0.860	0.025	33.777	0.000	Significant
3	X1 -> Y2	0.044	0.038	1.143	0.254	Not-significant
4	X2 -> Y2	0.388	0.105	3.705	0.000	Significant
5	Y1 -> Y2	0.502	0.104	4.800	0.000	Significant

Note: Information:
 X_1 = Intellectual capital. X_2 = Social capital.
 Y_1 = Good governance. Y_2 = Community welfare.

1. First hypothesis: Intellectual Capital (X1) has a positive and significant effect on Good Governance (Y1) is acceptable. The direct influence of Intellectual Capital (X1) on Good Governance (Y1) showed a significant value of 35.574, which was greater than 1.96. The results of the influence test showed a probability value of 0.000, which was less than 0.05, and a positive original sample estimate value of 0.000. This shows that the direction of influence between Intellectual Capital (X1) and Good Governance (Y1) is positive and significant.
2. Hypothesis Two: Social Capital (X2) has a positive and significant effect on Good Governance (Y1) is also acceptable. The influence of Social Capital (X2) on Good Governance (Y1) was significant with a value of 33.777, which was greater than 1.96. The results of the influence test showed a probability value of 0.000, which was less than 0.05, and a positive original sample estimate value of 0.860. This shows that the direction of the influence of Social Capital (X2) on Good Governance (Y1) is positive.
3. Third Hypothesis: Intellectual Capital (X1) has a positive and insignificant effect on people's welfare (Y2) is unacceptable. The influence of Intellectual Capital (X1) on community welfare (Y2) showed a significant value of 1.143, which was greater than 1.96. However, the results of the influence test showed a probability value of 0.254, which was greater than 0.05, and a positive original sample estimate value of 0.044. This suggests that although there is a positive influence, it is not significant.
4. Fourth Hypothesis: Social Capital (X2) has a positive and significant effect on people's welfare (Y2) is acceptable. The influence of Social Capital (X2) on people's welfare (Y2) was significant with a value of 3.705, which was greater than 1.96. The results of the influence test showed a probability value of 0.000, which was less than 0.05, and a positive original sample estimate value of 0.388. This shows that the direction of the influence of Social Capital (X2) on people's welfare (Y2) is positive.
5. Fifth hypothesis: Good Governance (Y1) has a positive and significant effect on people's welfare (Y2) is acceptable. The influence of Good Governance (Y1) on community welfare (Y2) was significant with a score of 4,800, which was greater than 1.96. The results of the influence test showed a probability value of 0.000, which was less than 0.05, and a positive original sample estimate value of 0.502. This shows that the direction of the influence of Good Governance (Y1) on the welfare of the community (Y2) is positive.

Mediation role analysis using the Mediator Analysis Procedure according to [Hair et al. \(2021\)](#) contained in [Table 5](#).

Table 5. Results of the indirect influence (Mediation) test of the structural model.

Hypothesis	Indirect influence	Original sample (O)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values	Information
6	X1 -> Y1 -> Y2	0.479	0.017	4.601	0.000	Full mediation
7	X2 -> Y1 -> Y2	0.431	0.095	4.543	0.000	Partial mediation

Note: Information:
 X_1 = Intellectual capital. X_2 = Social capital.
 Y_1 = Good governance. Y_2 = Community welfare.

1. The sixth hypothesis that Good Governance (Y1) mediates the influence of Intellectual Capital (X1) on the welfare of the community (Y2) is acceptable. The influence of Intellectual Capital (X1) on community welfare (Y2) through Good Governance (Y1) shows a calculation value of 4.601 with a significance of 0.000. The significance value of less than the error level of 0.05 shows that Intellectual Capital (X1) can have an indirect effect on the welfare of the community (Y2) through Good Governance (Y1). According to Hair and Alamer (2022) the type of mediation that is built is Indirect-only (Full mediation), which means that the variable Intellectual Capital (X1) can directly affect the variable of community welfare (Y2), as well as indirectly through Good Governance (Y1).
2. The seventh hypothesis that states that Good Governance (Y1) mediates the influence of Social Capital (X2) on the welfare of the community (Y2) is acceptable. The influence of social capital (X3) on community welfare (Y2) through Good Governance (Y1) shows a calculation value of 4.543 with a significance of 0.015. The significance value of less than the error rate of 0.05 shows that Social Capital (X2) can have an indirect effect on the welfare of the community (Y2) through Good Governance (Y1). The type of mediation that is built is Complementary (partial mediation), which means that the variable Social Capital (X2) can directly affect the variable of community welfare (Y2), as well as indirectly through Good Governance (Y1).

5. DISCUSSION

5.1. The Direct Influence of Intellectual Capital on Good Governance of the Community in Border Villages

The results of the research and data analysis show that Intellectual Capital has an influence and significance on Good Governance in Border villages. Optimal Intellectual Capital in border village communities causes good governance to increase. The qualifications of village apparatus resources are related to the factors of professionalism, expectations, specialization, and capabilities in the selection of alternatives and the handling of policy information. Village officials with a professional bureaucracy, expert, and specialist, performance is always marked by the existence of abilities in the field of review analysis, cross-impact analysis, and translation of values in good governance. Village officials do not have sufficient experience and are not professional and far from satisfactory to handle development issues based on governance. The results of the study support the research (Nurcahyono et al., 2023). Intellectual capital on good corporate governance has a positive effect, if a company has a good intellectual capital value, then the value of good corporate governance can also affect the company's performance. Likewise, when village officials have a good quality of intellectual capital, they will be able to improve the performance of village officials if they implement corporate governance. Intellectual Capital in border villages is optimal for understanding more about development based on good corporate governance. Good governance refers to a process in which society can regulate its economy, institutions, and social and political resources not only for development, but also to create cohesion, integration, and for the welfare of its people. Therefore, the role of the people in public administration facilitated by village officials is in a decisive position in the constellation of balance.

5.2. The Direct Influence of Social Capital on Good Governance of the Community in Border Villages

The results of the research and data analysis show that social capital has a significant effect on good governance in Border villages. Optimal social capital in border village communities causes good governance to increase. Social capital in Border Villages includes (1) social networks and relationships between residents, (2) trust between community members, (3) common norms and values, and (4) participation in community activities. This encourages the implementation of village development to be carried out with good management. The relationship between social capital and good governance includes strong social capital that can increase citizen participation in village affairs, trust between residents facilitates communication with the village government, Shared Norms encourage

behavior that supports good governance and social networks facilitate the dissemination of information and community supervision. The results of this study support the research (Knieć & Goszczyński, 2022). Related to natural disaster management in integrating existing *social capital* in the community to contribute to developing community resilience after natural disasters with *good governance values*. This activity invites religious leaders and communities in the village to raise confidence in the community.

5.3. The Direct Influence of Intellectual Capital on Community Welfare in Border Villages

The results of the research and data analysis show that *Intellectual Capital* has no effect and is significant on the welfare of the community in Border villages. *Intellectual Capital* is not optimal in border village communities, causing family welfare to also decrease. The quality of competence makes the community responsible for village development and together in creating the village economy, but what happens is that the quality of human resources is low due to (1) education and competence in managing village funds are still low, (2) training in improving human resources is still minimal, (3) border information related to financial management policies is limited. Strengthening *the Intellectual Capital* of the community in Border villages can develop and be able to mobilize community resources, so the strengthening of community-based intellectual capital capacity, in the sense that the elements of community development and empowerment in Border villages are carried out by the community in a participatory manner for the common good. Good communication between communities, kinship, and added optimism in forming the strength of the network. The achievement of the use of village funds through community participation is carried out by increasing community participation starting from development planning by paying attention to the needs of the community, involving the community in compiling a priority agenda for developers to strengthen and focus on the performance of development implementation, as well as empowering the community in the implementation of development to increase self-help participation and cooperation. The results of this study support the research (Gomezelj Omerzelj & Smolčić Jurdana, 2016). The results of the study show that intellectual capital partially does not have a significant influence on the performance of banking companies. In contrast to research (Mukaro, Deka, & Rukani, 2023) This shows that *Intellectual Capital* has a positive and significant effect on the company's current and future performance and the average growth of *Intellectual Capital* has a positive and significant effect on the company's performance in the future.

5.4. The Direct Influence of Social Capital on Community Welfare in Border Villages

The Social Capital that has developed in border villages in Belu Regency has given the village community the strength to implement village programs through the Village Fund, but the problem that arises today is that most Indigenous people, especially the younger generation, do not know the traditional leaders and the rules of the customary institutions or institutions. As a result, the implementation of various provisions or rules of customary law becomes ambiguous or not practiced properly and correctly, according to the meaning contained in it. In addition, *social capital* applied in the short term tends to only increase welfare momentarily. For example, when information from traditional leaders is related to the needs of the community in the community, traditional leaders will try to convey it to the village government. After the assistance is given, the responsibility of the community is not accompanied by a report from the community. The assistance that the community wants is only personal, not collective. When assistance is collectively given, *social capital* through the role of indigenous leaders becomes so important again when conflicts occur in the community. This study is in line with the research (Nugrahani, Suharni, & Saptatiningsih, 2019). Which shows that *social capital* has a significant influence on people's behavior in various community activities to strive to achieve welfare. Meanwhile Carradore (2022) States that Social Capital is not only built by individuals but collectively, and lies in the tendency that grows in one community group to socialize and establish cooperation in the form of participation as an important part of the values that are inherent in community life. The study of *social capital* lies in how the ability of the community in a group entity to participate in building a network to achieve common goals in the form of mutually beneficial interactions built based on trust and supported by positive social norms and values.

5.5. The Direct Influence of Good Governance on Community Welfare in Border Villages

The success of the Village Fund management in improving village economic development is due to the participation of the community in programs and activities related to the Village Fund. The management of village funds based on

the principles of *good governance* recognized by the village community is very helpful in maximizing the management of Village Funds to achieve village economic development goals. The results of this study show that *good governance* of village funds has a significant positive effect on community welfare in border villages in Belu Regency. *Good governance* in the management of village funds can improve the handling of community welfare problems in border villages in the Belu Regency directly and significantly. *Good governance* has a significant direct influence on the welfare of the community in border villages in Belu Regency, In the management of village funds, the application of *good governance principles* is needed in its management. *Good governance* must be carried out to the maximum to maintain the reputation and accountability of the village government. According to the results of the study [Putradana \(2023\)](#) accountability, transparency, and community participation in village financial management have a simultaneous effect on village economic development. The welfare of the village community will be realized if the Village Fund program is suitable for the needs of the community, a positive relationship between the Village Fund Management carried out on village economic development and the empowerment of the village community, especially in building a spirit of participation for the community so that it becomes greater and community concern increases. In the implementation of the management of the Village Fund, the principles and values in village finance have been applied, namely the principles of transparency, accountability, participation, order, and budget discipline.

5.6. Good Governance (Y1) Mediates the Influence of Intellectual Capital (X1) on the Welfare of the Community (Y2)
The results of the study show that: (1) *Intellectual Capital (X1)* directly has a positive and significant effect on *Good Governance (Y1)*, (2) *Good Governance (Y1)* has a direct positive and significant effect on the welfare of the village community, and (3) *Intellectual Capital* directly has a positive and insignificant effect on the welfare of the community (Y2), so the nature of mediation in the relationship between *the Intellectual Capital (X1)* of the Village Fund and the welfare of the community in the border village in Belu Regency mediated by *the Good Governance (Y1)* of the village is that it has an indirect influence *relationship (indirect-only or full mediation)*. The concept of good governance of Village Funds is not a new issue in the field of public sector accounting, but there has not been much research that discusses the topic of *good governance* in village financial management as the lowest government agency in Indonesia. Previous research has been conducted to determine the effectiveness of the management of Village Fund Allocation ([Azheri & Anggunsuri, 2018](#); [Revida et al., 2023](#)) as well as a study of the concept of accountability as one of the components of *good governance* ([Basri et al., 2021](#)). The importance of accountability is emphasized in *non-governmental organizations* as non-profit organizations ([Knieć & Goszczyński, 2022](#)). The disbursement of village funds in border villages has limited human resources related to the quality of competence, organizational commitment, and work control. This is due to the characteristics of border villages far from the center of government, limited infrastructure, low levels of education and skills, lack of access to the latest technology and information, and the risk of border conflicts or cross-border legal activities. However, the existence of village financial management that applies *good governance* values to *Intellectual Capital* shows that related parties in implementing village fund management minimize fraud. This has an impact on improving the welfare of the community in border villages. This is due to the three dimensions in the variable *Intellectual Capital* having a low perception value, including Competency Quality (X11) with an indicator that the existence of economic development programs can improve the quality of competence (X1.13) with a value of 4.019. Organizational commitment (X12) with the indicator of the existence of an economic development program can create organizational commitment (X1.23) with a value of 4.019. Likewise, the existence of work control (X13) with a value of 3,987 each includes the indicator that the existence of village development programs can create control in work (X1.32) and the existence of economic development programs can create control in work (X1.32).

5.7. Good Governance (Y1) Mediates the Influence of Social Capital (X2) on People's Welfare (Y2)
The type of mediation that is built is *Complementary (partial mediation)*, which means that the *variable Social Capital (X2)* is directly able to be indirectly through *Good Governance (Y1)* affects the variable of community welfare (Y2), ([Tarlani et al., 2022](#)). This development paradigm requires a balance between the government, the private sector and the community, *good governance* emphasized that the government must interact conducive with the community in building villages through the use of village funds and supported by village economic performance so that development will realize its goal, namely welfare. The role of the government began to be limited so that it no

longer monopolized development. Strengthening the government, private sector, and community sectors with the use of village funds, the government as a facilitator, regulator, and dynamizer in development using the principle of entrepreneurship (*reinventing government/privatization*). This paradigm emphasizes the role of the government in adopting principles that exist in the private sector, one of which is the principle of entrepreneurship and the principles that exist in society, namely self-management, which has been considered the key to the success of the private sector and/or society, as well as the downsizing of bureaucracy (Knieć & Goszczyński, 2022; Revida et al., 2023) state that in the end a new paradigm will be born by presenting new potentials in development to strengthen the growth and welfare of society, justice and sustainability of society itself, which is then referred to as people-centered development. The results show that from the three dimensions in the variable *social capital*, there is a low perception value in the dimension of Trust (X21) in the indicator of the involvement of Indigenous leaders in every policy-making (X2.11) with a value of 3.75. Network Dimension (X22) in the indicator Cooperation of traditional leaders and village government officials (X2.21) with a value of 3.74. Likewise, the Norm (X23) in the Customary Sanctions indicator is treated fairly in the Decision (X2.32) with a value of 3.65.

6. CONCLUSION

Intellectual Capital significantly affects Good Governance in Border Villages. Professional, expert and specialized village apparatus can effectively handle development issues, leading to better performance and the implementation of good governance. High-quality intellectual capital in border villages contributes to the understanding of development based on good governance. Social Capital significantly affects Good Governance in Border Villages. Social capital in Border Villages includes social networks, trust, common norms, and community participation. These factors encourage good management in village development. Strong social capital increases citizen participation, trust facilitates communication, shared norms encourage good governance behavior, and social networks help disseminate information and supervise the community.

Intellectual Capital does not have a significant impact on the welfare of people in border villages. The low quality of competence and education in managing village funds, the lack of training in improving human resources, and limited information on financial management policies are factors that cause a decline in family welfare. Strengthening the community's Intellectual Capital can help mobilize resources and increase community participation in development initiatives. Social Capital has provided strength for border village communities in implementing village programs through the Village Fund. However, the lack of knowledge about customary figures and rules among the younger generation has resulted in confusion and inappropriate application of customary law rules. Social capital applied in the short term tends to only improve current welfare, while social capital through Indigenous leaders is important in resolving conflicts.

The management of Village Funds based on the principles of good governance has significantly increased the economic development of villages in border villages of Belu Regency. This is due to the participation of the community in programs and activities related to the Village Fund. Good governance in the management of Village Funds can directly and significantly improve the handling of community welfare problems in the border villages. Intellectual Capital has a positive and significant effect on Good Governance, which in turn has a positive and significant effect on the welfare of the village community. However, Intellectual Capital has a positive but not significant effect on people's welfare. Therefore, Good Governance mediates the influence of Intellectual Capital on the welfare of the community, which indicates an indirect influence relationship.

Border villages face challenges such as limited human resources, low levels of education and skills, lack of access to technology and information, and the risk of border conflicts. However, with the application of good governance values in Intellectual Capital, related parties in the implementation of village fund management can minimize the occurrence of fraud, to improve community welfare. Research on Good Governance in village financial management is important, especially in border villages that have limited human resources and infrastructure. The values of Good Governance in Intellectual Capital can minimize fraud in the management of village funds, thus having an impact on improving community welfare. The three dimensions of Intellectual Capital have a low perception value on Competency Quality, Organizational Commitment, and Work Control. This development paradigm demands a balance between the government, the private sector, and the community. The role of the government has changed from a monopolist to a facilitator, regulator, and dynamic actor in development. The new paradigm, called people-centered development, emphasizes justice, sustainability, and the growth and well-being of communities.

7. LIMITATIONS OF THE STUDY

Limitations of Data and Regional Representation: This study may be limited to data taken from specific villages in the Belu Regency, which may lead to difficulties in generalizing these findings to other border villages that may have different social, economic, or political contexts.

Other Variables Not Researched: Many other variables may affect good governance and community well-being, such as cultural aspects, private sector involvement, or local political dynamics, that were not taken into account in this study. These factors can affect the results and should be explored more deeply.

Limitations of Intellectual Capital Measurement: Intellectual capital is only seen from the point of view of competence, education, and training. This may not be broad enough to capture other dimensions of intellectual capital, such as innovation, creativity, and adaptability to change, which also play an important role in good governance.

Unexplored Long-Term Impacts: This study places more emphasis on the short-term impact of social capital on well-being, but does not explore long-term impacts that may be more complex. A deeper understanding of how social capital can be sustainable in the long term may need to be explored further.

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INSTITUTIONAL REVIEW BOARD STATEMENT

This study was approved by the Institutional Review Board (IRB) of University of Nusa Cendana on October 15, 2024 (Ref. No. 29/UN15.198/TU/2024).

TRANSPARENCY

The authors confirm that the manuscript is an honest, accurate, and transparent account of the study; that no vital features of the study have been omitted; and that any discrepancies from the study as planned have been explained. This study followed all ethical practices during writing.

DATA AVAILABILITY STATEMENT

Data available within the article or its supplementary materials

COMPETING INTERESTS

The authors declare, no competing interests

AUTHORS' CONTRIBUTIONS

Author 1 (Conceptualized, Data Collection, Review), Author 2 (Methodology, Review), Author 3 (Analyzed, Formatting, Translation, Review)

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