

Table 6. Integration of Findings into the Theoretical Framework

<i>Theory/ Concept</i>	Main Focus of the Theory	Field Practice Findings	Integration of Risk Management and Governance Implications	The Role of Leadership Behavior (Strengthening Performance/Red ucing Risk)
<i>Institutional Theory</i>	Focus on Legitimacy (Isomorphism), Rule Compliance, Regulation, and External Pressures	Centralized administrative compliance—where all villages are required to use the SISKEUDES-based system, and the coding structure is standardized nationwide. However, villages are free to add account codes without having to delete any primary account codes	Institutional compliance has been shown to reduce the risk of missing documents and incomplete documentation. However, this leads to a loss of autonomy and a lack of necessary expertise. Mitigation – request guidance from the subdistrict level	Strengthening institutional legitimacy—leaders encourage the fulfillment of compliance indicators in the stages of planning, implementation, reporting, and proper accountability, focusing on the final evaluation process as a form of oversight to maintain the village’s legitimacy
<i>Agency Theory</i>	Highlighting potential conflicts of interest and information asymmetry between the government and officials, this can trigger moral hazard	The hoarding of funds and errors in record-keeping constitute vulnerabilities to moral hazard, where funds for implementers and activities are not immediately returned to the village treasury. Additionally, information asymmetry	Fraud and cash risk mitigation—strict controls. This is carried out through a multi-tiered verification process by the secretariat and approved by the village head. In addition, the requirement to close the cash books at the end of each accounting period serves as a precaution against this risk.	Reducing Risk Factors – Efforts to reduce moral hazard by strengthening oversight of fund disbursements (SPP). The village head serves as a verifier in the process of accepting or rejecting requests. Focusing on a digital selection process to secure resources for

		resulted from the negligence of treasurers in two villages found not to have uploaded documents and one village found to have errors in record-keeping		meeting required competencies
<i>Stewardship Theory</i>	Emphasizes that government agents are not always motivated by personal interests. Rather, they act as stewards oriented toward the public good	Local economic empowerment and transparency—implementers act as stewards with a focus on prioritizing development projects through a self-management system. The goal is to procure materials and labor independently and ensure that allocations do not flow out of the village. The village government also reports its accountability to the community.	Mitigating Participation Risks – risks of public rejection and minimizing conflicts of interest with the community. By prioritizing participatory principles and public transparency, this approach also reduces friction and builds a strong foundation for good governance from the grassroots level	Strengthening the Role of Leadership – Leaders enhance performance not through punishments that violate ethics, but through learning opportunities. Leaders create innovative programs that serve as guides, as well as programs that support a facilitative approach to education, motivation, and mentoring
<i>Understanding Risk Management</i>	Identifying, evaluating, and controlling operational vulnerabilities to prevent	Weaknesses in capacity and motivation of human resources—the main constraints lie	Integrated mitigation strategies—digital system errors are controlled through a combination of motivation,	Reducing Risk Impact – Leaders consistently guide efforts to reduce performance risk tendencies by encouraging self-

failure in achieving organizational goals	in low work motivation, mismatched educational backgrounds, and officials' lack of diligence in utilizing SISKEUDES	education, and periodic guidance, complemented by tiered and consistent evaluations conducted by subdistricts and regencies	development among staff members identified as needing it. Monitoring and evaluation processes are conducted periodically by subdistrict heads, village heads, and the DPMD.
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Source: Processed data, NotebookLM, 2026.