

GOVERNING RURAL FINANCE: THE MEDIATING ROLE OF FRAUD PREVENTION ON MOSLEM COMMUNITY WELFARE

Sartiyah^{1*}

Yusrizal²

Suriani³

Musliadi Bin Usman⁴

^{1,2,3}Faculty of Economics and Business, Syiah Kuala University

⁴The Asian Development for Education and Research Studies

*Corresponding Email: sartysabang@usk.ac.id

ABSTRACT - This study investigates the mediating role of fraud prevention in the relationship between human capital, village financial planning, and moslem community welfare. Focusing on 260 villages in South Aceh, a sample of 120 respondents from 40 randomly selected village fund recipients was surveyed, comprising village financial staff, development planning staff, and members of the Village Council (*Tuha Peut*). The study employs the Structural Equation Modeling–Partial Least Squares (SEM–PLS) approach, with bootstrapping techniques used to assess mediation effects. The findings indicate that the quality of human resources directly influences both community welfare and fraud prevention. However, fraud prevention does not significantly mediate the relationship between human resource quality and community welfare. Conversely, it plays a significant mediating role in the relationship between village financial planning and community welfare. These results underscore the strategic importance of implementing robust fraud prevention mechanisms within financial planning processes to enhance moslem community welfare. The study recommends prioritizing fraud prevention initiatives alongside human capital development to maximize the impact of village fund programs on moslem welfare outcomes.

Keywords: Fraud Prevention, Human Resource Quality, Village Financial Planning, Moslem Community Welfare, Mediation.

ABSTRAK - Tata Kelola Dana Desa: Peran Mediasi Pencegahan Kecurangan terhadap Kesejahteraan Masyarakat Muslim. Penelitian ini mengkaji peran mediasi pencegahan kecurangan dalam hubungan antara kualitas sumber daya manusia, perencanaan keuangan desa, dengan kesejahteraan masyarakat muslim. Kajian ini terfokus pada 260 desa di Aceh Selatan, dengan sampel terdiri dari 120 responden dari 40 desa penerima dana desa yang dipilih secara acak, yaitu staf keuangan desa, staf perencanaan pembangunan, dan anggota Tuha Peut (dewan penasehat desa). Penelitian ini menggunakan pendekatan Structural Equation Modeling–Partial Least Squares (SEM–PLS), dengan teknik bootstrapping untuk menguji efek mediasi. Hasil penelitian menunjukkan bahwa kualitas sumber daya manusia secara langsung berpengaruh terhadap kesejahteraan masyarakat dan pencegahan kecurangan. Namun, pencegahan kecurangan tidak memediasi secara signifikan hubungan antara kualitas sumber daya manusia dan kesejahteraan masyarakat. Sebaliknya, pencegahan kecurangan memediasi secara signifikan hubungan antara perencanaan keuangan desa dan kesejahteraan masyarakat. Temuan ini menegaskan pentingnya penerapan mekanisme pencegahan kecurangan yang kuat dalam proses perencanaan keuangan untuk meningkatkan kesejahteraan dalam konteks masyarakat muslim. Penelitian ini merekomendasikan agar upaya pencegahan kecurangan dan pengembangan sumber daya manusia menjadi prioritas dalam program dana desa guna mengoptimalkan dampaknya terhadap kesejahteraan masyarakat muslim.

Kata Kunci: Pencegahan Kecurangan, Kualitas Sumber Daya Manusia, Perencanaan Keuangan Desa, Kesejahteraan Masyarakat Muslim, Mediasi

INTRODUCTION

Village development is a national priority in Indonesia's efforts to enhance community welfare, especially in rural areas with untapped economic potential. In accordance with Law No. 6/2014, villages are entitled to receive funding from the state budget, which includes Village Fund Allocation (ADD) as stipulated in Government Regulation No. 47/2015. This allocation forms part of the village's official revenue and falls under public financial responsibility, aimed at accelerating local development (Hartojo et al., 2023). Empirical evidence shows that village funds have a significant impact on improving community welfare, particularly in underdeveloped areas where development can reduce disparities between regions. However, the effective use of these funds is frequently hampered by challenges such as limited infrastructure, low-quality human resources, inadequate monitoring systems, and weak financial governance (Ibrahim, 2018).

Public financial accountability at the village level remains vulnerable to fraud, stemming from institutional weaknesses, lack of oversight, and overlapping administrative authority. Poor reporting mechanisms and non-compliance with established norms open pathways for financial irregularities, including manipulation and misappropriation of village funds (Chen et al., 2021). Therefore, effective village financial planning and governance—supported by community participation—are crucial to ensuring transparency and responsiveness to local needs. Yet, as Damayanti and Syarifuddin (2020) observed, village planning often lacks inclusive representation, typically dominated by village leaders with direct government ties, while the broader community is rarely engaged in meaningful decision-making.

Accountability and transparency are foundational to good governance and are contingent on the quality of human resources (Hakam et al., 2022). Without adequate education, skills, and ethical commitment, village officials may struggle to uphold integrity in managing public finances. Kamri et al (2014) argue that moral sensitivity, transparency, and accountability are significant deterrents to fraud. When village officials possess high moral awareness, they are more likely to adhere to ethical standards and refrain from corrupt practices.

In the context of Islamic economics, fraud and deception are categorically condemned. Islam emphasizes *amanah* (trustworthiness), justice, and public accountability in financial dealings. Fraudulent behavior is classified as *fasad*



(corruption), which causes harm to the collective good and is explicitly forbidden. Yurmarini (2017) and Alfian (2016) emphasize that Moslems are obliged to act honestly and avoid deceit, as such actions contradict the ethical foundations of Islamic governance. The Qur'an reinforces this in Surah An-Nisa (4:58): *"Indeed, Allah commands you to render trusts to whom they are due and when you judge between people to judge with justice. Excellent is that which Allah instructs you. Indeed, Allah is ever Hearing and Seeing."* This verse underscores the divine command for integrity in leadership and governance.

The role of qualified, honest human resources is central to minimizing fraud in village fund management. Human capital development—through education, moral formation, and skill-building—is a strategic component of Islamic development goals. As the Qur'an states in Surah Al-Mujadila (58:11), *"Allah will raise those who have believed among you and those who were given knowledge, by degrees."* This elevation of knowledge highlights the importance of intellectual and ethical development in societal progress.

Community welfare encompasses multiple dimensions such as income, health, education, and overall quality of life. Zeng (2023) posits that enhancing welfare requires a multidimensional approach including infrastructure, services, and human capital development. Jamal et al. (2023) add that social and cultural values also contribute to the wellbeing of rural communities. Despite extensive research on the effects of development programs (Mizuno et al., 2016), limited attention has been paid to the role of village governance and internal controls in influencing outcomes. Most studies focus on the roles of central or regional governments (Januar et al., 2021), overlooking the dynamics at the village level. Additionally, the persistence of fraud in local governance reflects structural weaknesses and negative public perceptions of village-level institutions, which are often seen as ineffective or corrupt (Hatu et al, 2024).

Addressing these challenges requires a holistic approach that integrates sound financial planning, fraud prevention, and human resource development within the framework of Islamic ethical governance. Majid et al. (2022) noted that internal motivation and moral conviction are essential to curbing fraudulent behavior and reducing public financial losses.

This study focuses on how fraud prevention mediates the relationship between human resource quality, village development planning, and community



welfare. It employs a structural approach to examine both direct and indirect influences, aiming to contribute to a more effective, transparent, and ethically grounded model of village governance. The specific objectives of this research are: (1) to analyze the influence of human resource quality on community welfare, (2) to assess the effect of village development planning on community welfare, (3) to evaluate the roles of fraud prevention, human resources, and planning on welfare outcomes, and (4) to examine the mediating role of fraud prevention in the relationship between human resources, planning, and community welfare.

LITERATURE REVIEW

Village Financial Planning

Village financial planning is a strategic and participatory process aimed at enhancing the welfare of rural communities through the identification of needs, potential, and development priorities. Sutopo (2024) asserts that this planning process requires the active involvement of key stakeholders, including village governments, local organizations, and community members. The process begins with data collection on the village's socio-economic and environmental conditions. These data—covering infrastructure, education, health, and economic indicators—serve as the foundation for comprehensive development planning.

A central component of village financial planning is the village deliberation forum, which allows residents to express aspirations and concerns that are then incorporated into the village government's work plan. Hatu et al. (2024) highlight that such forums ensure not only the inclusion of community voices but also foster transparency and accountability. This participatory approach helps align village programs with local priorities while cultivating a collective sense of ownership and responsibility.

Sustainability is another critical aspect of village financial planning. According to Sugianto and Permady (2020), a participatory and sustainable planning model strengthens the community's capacity to independently manage local resources, aligning with the United Nations' Sustainable Development Goals. The integration of economic, social, and environmental factors ensures long-term impacts from village programs.



Furthermore, an enabling legal and policy framework is essential to successful planning. Law No. 6 of 2014 provides the legal basis for village autonomy in managing development and public finances. Megasyara and Imawan. (2023) found a negative correlation between village fund allocations and poverty levels between 2019 and 2021, indicating that increasing village funds may reduce poverty. However, excessive reliance on government transfers could hinder village independence and even exacerbate poverty if not managed effectively.

Zhang et al. (2022) emphasize that effective rural governance—characterized by democratic practices, rule of law, and community ethics—is essential for rural modernization. Equally important is continuous monitoring and evaluation of development programs, which help identify obstacles and facilitate adaptive planning.

Prevention of Fraudulent Use of Village Funds

Preventing fraud in village fund management is essential to ensure that funds are utilized for their intended developmental purposes. Rahmawati et al. (2020) note that fraud frequently results from weak oversight mechanisms and a lack of transparency. Mismanagement of funds often undermines welfare efforts, as resources meant for public benefit are diverted for private gain.

Selvia and Arza (2023) emphasize the role of transparency and accountability in mitigating fraud. In an Islamic framework, fraud violates key ethical principles such as justice (*al-‘adalah*), trust (*al-amānah*), and responsibility (*al-mas’uliyah*). The principle of *amar ma’ruf nahi munkar* (enjoining good and forbidding evil) serves as a religious imperative for disclosing and preventing fraudulent practices (Tofin, 2013).

Internal and external oversight mechanisms are also vital. Novasari and Kusumo (2022), along with Islamiyah et al. (2020), Pratama et al. (2021), and Sugito et al. (2023), argue that supervision by Village Consultative Bodies (BPD), the Inspectorate, and the Audit Board of Indonesia (BPK) helps prevent and detect irregularities. These agencies play complementary roles in ensuring that financial records are accurate and that complaints of misconduct are investigated promptly.

Community participation is another cornerstone of fraud prevention. According to Djafar et al. (2024) and Megasyara and Imawan (2023), the public plays a critical role in monitoring and reporting financial misconduct. Enhancing



access to information and promoting civic education can empower communities to participate more effectively in safeguarding village funds.

Quality of Village Human Resources

Human resource quality is a determining factor in the success of village development programs. Insani (2019) outlines that human resources encompass educational attainment, skill levels, health status, and moral integrity. Maruhun and Asmony (2019) stress that enhancing these dimensions should be a central objective in development policy.

Education is particularly influential in enabling villagers to adopt innovations and engage in productive activities. Hakam et al. (2022) argue that quality education improves technological adoption and economic participation. Health is another vital component; Sutopo (2023) demonstrates that healthier individuals contribute more effectively to development efforts. Similarly, skill development tailored to local industries—such as agriculture and tourism—can significantly enhance economic productivity (Syafitri & Sadad, 2022; Azhari et al., 2023).

Equipping village officials with financial management skills is also critical. Yanti and Damis (2022) recommend targeted training in budgeting, accounting, and auditing to mitigate corruption risks. Finance et al. (2024) further emphasize the importance of technical support in maintaining effective and efficient fund management.

Moral values and work ethics are integral to resource stewardship. Rahadi (2023) highlights that honesty, discipline, and cooperation must be instilled through education and social initiatives. These virtues not only contribute to a cohesive society but also reduce the likelihood of fraudulent practices. A comprehensive strategy is needed to improve village human capital, combining efforts in education, healthcare, skill enhancement, and moral education. Through these efforts, rural communities in Indonesia can become more independent, innovative, and resilient.

Welfare of the Village Community

Improving the welfare of rural communities is the ultimate objective of village development efforts. Rozikin (2019) defines welfare through indicators such as income, health, education, and overall life satisfaction. Achieving this goal



necessitates a holistic and sustained approach. Income generation is a key metric for welfare improvement. Telaumbanua and Ziliwu (2022) suggest that leveraging village resources for local economic development can significantly increase household earnings.

Health services are equally important; adequate healthcare infrastructure and personnel can enhance community productivity and well-being (Weraman, 2024; Sugiono et al., 2021). Education also plays a pivotal role in improving welfare. Sudirman and Tantuka (2024) argue that higher education levels empower villagers to respond to changing economic conditions and contribute meaningfully to local development. Ultimately, the interplay of income, health, and education determines the overall quality of life in rural areas, as presented in Figure 1.

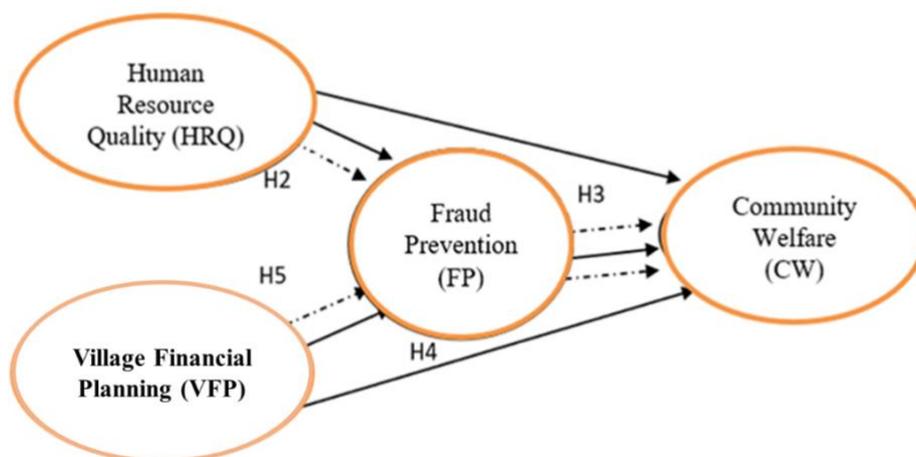


Figure 1. Conceptual Framework

METHODOLOGY

Research Design

This study employs a quantitative research design aimed at testing hypotheses and analyzing the structural relationships between variables through numerical data. Quantitative approaches are particularly effective for assessing the influence and mediation effects between latent variables using statistical modeling (Pakpahan et al., 2021; Sundari et al., 2024). The design facilitates the generalization of findings to a broader population of villages through inferential analysis.



Data Collection

Data were collected through structured questionnaires using a 5-point Likert scale. The scale ranged from Strongly Disagree (1) to Strongly Agree (5). The population of this study includes all 260 villages in South Aceh Regency, which are eligible recipients of village funds. A simple random sampling technique was applied to ensure that every village in the population had an equal probability of being selected (Sugiyono, 2013). From this population, 40 villages were randomly selected as the sample. In each village, three key village officials were chosen as respondents: (1) the village finance staff, (2) the village development planning staff, and (3) a member of the Tuha Peut (village consultative body), yielding a total of 120 respondents.

The sample size adheres to Roscoe's rule of thumb, which states that a sample size between 30 and 500 is adequate for most research (Ibrahim, 2023). Furthermore, for structural equation modeling (SEM), a sample size between 100 and 200 is considered sufficient to conduct reliable path analysis (Hair & Sarstedt, 2021; Hoyle, 1995). Following Sarstedt et al. (2022), purposive criteria were applied to ensure that respondents had direct involvement in village fund management. Only officials actively engaged in village development activities and financial administration were included. This sampling ensured alignment with the study's objectives focused on governance, planning, and fraud prevention in village financial systems.

Analytical Method and Structural Model

This study uses Structural Equation Modeling–Partial Least Squares (SEM–PLS) to test both direct and indirect (mediated) relationships among the latent variables. The model allows for the simultaneous analysis of multiple dependent and independent variables, including mediation effects. The direct structural equations are formulated as follows:

Model 1: Direct Effects

$$FP_i = \beta_0 + \beta_1 HRQ_i + \beta_2 VFP_i + \varepsilon_{i2} \quad (1)$$

$$CW_i = \alpha_0 + \alpha_1 HRQ_i + \alpha_2 FP_i + \alpha_3 VFP_i + \varepsilon_{1i} \quad (2)$$

Model 2: Mediation Model (Fraud Prevention as Mediator)



$$CW_i = \gamma_0 + \gamma_1VFP_i + \gamma_2FP_i + \gamma_3HRQ_i + \varepsilon_{i3} \quad (3)$$

Where:

CW = Community Welfare

HRQ = Human Resource Quality

FP = Fraud Prevention

VFP = Village Financial Planning

α, β, γ = Coefficients of the respective variables

ε = Error term

i = Individual respondent

Mediation Analysis and Validity Testing

The study explores both direct and indirect effects of Human Resource Quality and Village Financial Planning on Community Welfare, with Fraud Prevention as a mediating variable. Mediation testing was conducted using the bootstrapping method, which is recommended for assessing indirect effects in SEM models (Afthanorhan et al., 2020; Vrigazova, 2021).

To ensure the construct validity and reliability of the measurement model, standard PLS-SEM tests were conducted, including composite reliability, convergent validity, and discriminant validity (Alfons et al., 2022). This ensures that the indicators accurately reflect the latent constructs and that the model demonstrates adequate internal consistency.

RESULTS AND DISCUSSION

Respondent Characteristics

The analysis of respondent demographics offers essential context for interpreting the study's findings. Based on age distribution, the largest proportion of respondents were aged 50 years and above, accounting for 44 individuals (36.7%) of the total sample. This suggests that senior village officials are significantly involved in village governance and financial planning. In contrast, the youngest age group (20–29 years) was the least represented, with only 9 respondents (7.5%), indicating limited involvement of younger generations in village fund management.

The 30–39 and 40–49-year age groups were relatively balanced, with 34 respondents (28.3%) and 33 respondents (27.5%), respectively. This balanced representation among middle-aged respondents suggests that village



governance is predominantly managed by experienced individuals in their productive working years. Regarding gender, the data reveal a notable disparity: male respondents constituted 90% of the sample, while female respondents comprised only 10%. This indicates a male-dominated administrative structure in the management of village funds and planning activities, reflecting the gender imbalance often observed in rural governance contexts.

In terms of educational background, the majority of respondents had completed senior high school, representing 50.8% of the total sample. Meanwhile, respondents holding a Diploma (D3) made up the smallest portion at 12.5%. Notably, 44 respondents (36.7%) possessed a bachelor’s degree (S1), indicating that a significant proportion of village officials have attained higher education, which is crucial for competent financial management and program planning. These demographic insights are important in interpreting the behavioral and decision-making patterns related to village fund governance. The concentration of older, male, and moderately educated individuals may influence both the structure and efficacy of financial decision-making in rural development.

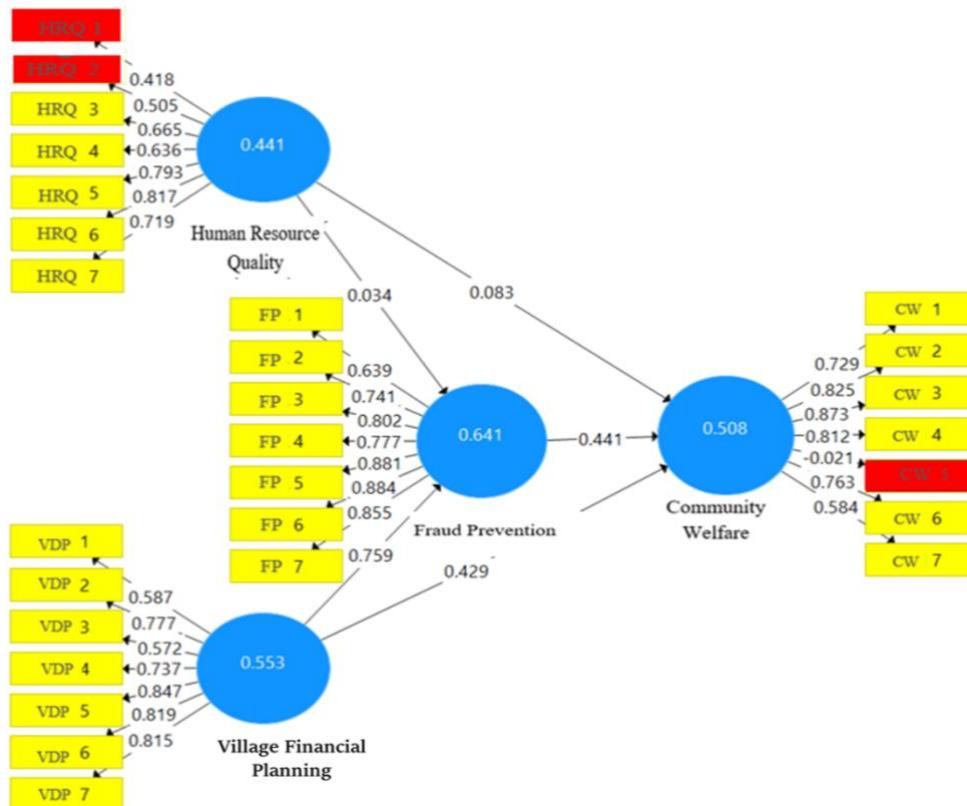


Figure 2. First Test of Analysis Results



Path Analysis and Construct Validity

Figure 2 illustrates the initial structural model, assessing the latent constructs: Community Welfare (CW), Human Resource Quality (HRQ), Fraud Prevention (FP), and Village Financial Planning (VFP). In the initial test, some indicators exhibited outer loading values below the acceptable threshold of 0.5, indicating weak correlations with their respective constructs.

Notably, HRQ1 recorded a loading of 0.418, and CW5 showed a negative value of -0.021, both of which fall short of convergent validity criteria. These indicators were therefore removed from the model to improve reliability. The revised outer loading values are summarized in Table 1. All remaining indicators demonstrated loadings above 0.5, validating their continued inclusion in the model.

Table 1. Outer Loading of Construct Indicators

Variable	Community Welfare	Human Resource Quality	Fraud Prevention	Village Financial Planning
CW 1	0.729			
CW 2	0.825			
CW 3	0.873			
CW 4	0.812			
CW 5	-0.021			
CW 6	0.763			
CW 7	0.584			
HRQ 1		0.418		
HRQ 2		0.505		
HRQ 3		0.665		
HRQ 4		0.636		
HRQ 5		0.793		
HRQ 6		0.817		
HRQ 7		0.719		
FP 1			0.639	
FP 2			0.741	
FP 3			0.802	
FP 4			0.777	
FP 5			0.881	
FP 6			0.884	
FP 7			0.855	
VFP 1				0.587
VFP 2				0.777
VFP 3				0.572
VFP 4				0.737
VFP 5				0.847
VFP 6				0.819
VFP 7				0.815

(Source: Primary Data Processed, 2024)



Reliability and Validity Testing

Construct reliability and validity were assessed across three stages, with results shown in Table 2. In the first stage, the Human Resource Quality (HRQ) variable had acceptable reliability (CA = 0.778, CR = 0.841), but its AVE value (0.441) fell below the threshold of 0.5, indicating a lack of sufficient convergent validity (Afthanorhan et al., 2020).

Table 2. Construct Reliability and Validity Test Results

Stage of construct	Variable	Cronbach Alpha (CA)	Composite Reliability (CR)	Average Variance Extracted (AVE)
I	Community Welfare	0.798	0.858	0.508
	Quality of Human Resources	0.778	0.841	0.441
	Fraud Prevention	0.905	0.925	0.641
	Village financial planning	0.862	0.895	0.553
II	Community Welfare	0.860	0.896	0.593
	Quality of Human Resources	0.792	0.857	0.513
	Fraud Prevention	0.905	0.925	0.641
	Village financial planning	0.862	0.895	0.553
III	Community Welfare	0.860	0.896	0.593
	Quality of Human Resources	0.847	0.889	0.619
	Fraud Prevention	0.905	0.925	0.641
	Village Financial Planning	0.862	0.895	0.553

(Source: Primary Data Processed, 2024)

As a result, HRQ2, which had an outer loading of 0.359, was eliminated in the next phase. After indicator refinement, the third stage demonstrated strong measurement properties for all variables:

- CW: CA = 0.860; CR = 0.896; AVE = 0.593
- HRQ: CA = 0.847; CR = 0.889; AVE = 0.619
- FP: CA = 0.905; CR = 0.925; AVE = 0.641
- VFP: CA = 0.862; CR = 0.895; AVE = 0.553

The findings indicate that all constructs now demonstrate satisfactory reliability and validity, establishing a solid basis for structural modeling. These test results pave the way for the final analysis of the model, as illustrated in Figure 3.



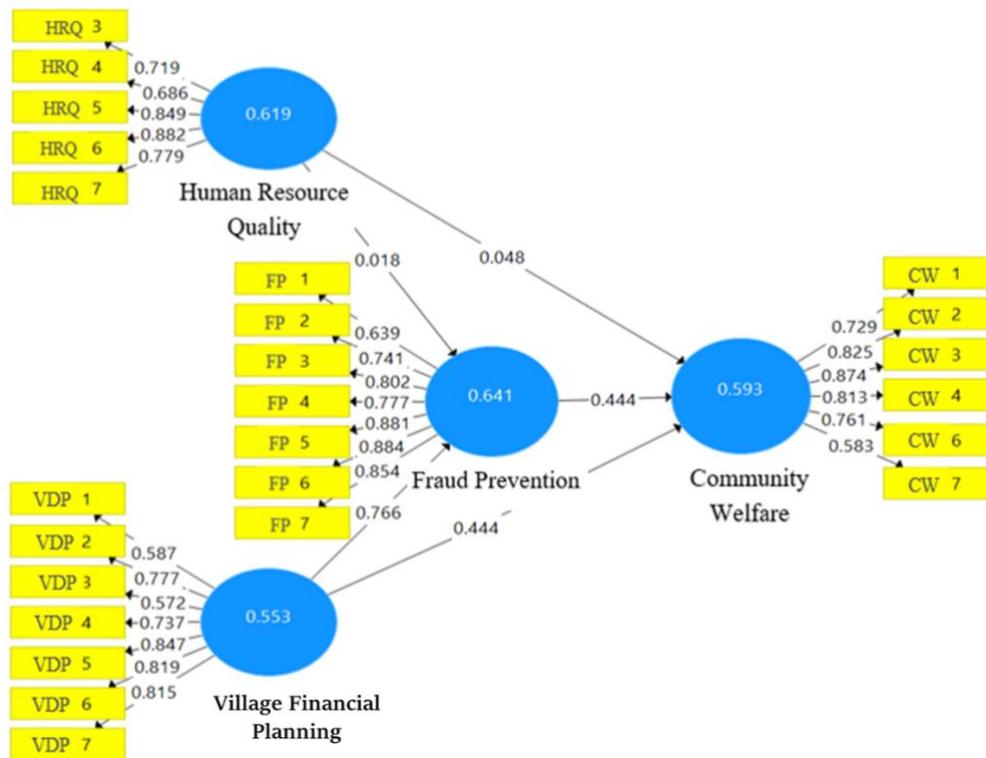


Figure 3. Results of the Final Test of Path Analysis

Model R² Test (Explained Variance)

The explanatory power of the model was evaluated using the R² and Adjusted R² values, as shown in Table 3.

Table 3. R-Square Values

Variable	R Square	R Square Adjusted
Community Welfare	0.294	0.276
Fraud prevention	0.596	0.590

(Source: Primary Data Processed, 2024)

The model explains 29.4% of the variance in community welfare and 59.6% of the variance in fraud prevention. This suggests that while the model has moderate explanatory power for community welfare, it performs strongly in explaining fraud prevention mechanisms related to village fund management.



Model Fit Evaluation

To assess model fit, standard indices were evaluated including SRMR, d_ ULS, d_ G, Chi-Square, and NFI (see Table 4).

Table 4. Model Fit Indices

Type	Saturated Model	Estimated Model
SRMR	0.087	0.087
d_ ULS	2.440	2.440
d_ G	1.168	1.168
Chi-Square	712.542	712.542
NFI	0.676	0.676

(Source: Primary Data Processed, 2024)

While the SRMR is slightly above the ideal cutoff (0.08), the model remains within acceptable limits given its complexity. The NFI value of 0.676 suggests a moderate fit, supporting the model's suitability in explaining the relationships among variables (Vrigazova, 2021).

Direct Effects Hypothesis Testing

Direct path coefficients and their significance levels are reported in Table 5.

Table 5. Hypothesis Testing – Direct Effects

Hipotesis	Path Coefficient	P Values
Quality of Human Resources → of Community Welfare	0.052	0.040
Fraud Prevention → Community Welfare	0.030	0.444
Village Financial Planning → Community Welfare	0.458	0.104
Quality of Human Resources → Fraud Prevention	0.088	0.018
Village Financial Planning → Fraud Prevention	0.765	0.766

(Source: Primary Data Processed, 2024)

These results indicate that Human Resource Quality (HRQ) has a significant positive effect on Community Welfare ($p = 0.040$) and on Fraud Prevention ($p = 0.018$). However, Fraud Prevention (FP) does not directly impact Community Welfare ($p = 0.444$), nor does Village Financial Planning (VFP) exert a direct effect ($p = 0.104$). These findings are partially supported by Sutopo (2024), who notes that ineffective fund management often fails to improve welfare



outcomes. However, Kushandajani and Alfirdaus (2019) argue that transparent and participatory management can significantly impact rural economic growth.

Mediation Effects: Bootstrapping Analysis

Mediation was tested using the bootstrapping method, which offers robust estimates for indirect effects (Hair & Sarstedt, 2021). Confidence intervals for direct effects are shown in Table 6.

Table 6. Confidence Interval of Direct Effects

Hipotesis	Path Coefficients	2.5%	97.5%
1. Quality of Human Resources → Community Welfare	0.052	-0.079	0.205
2. Quality of Human Resources → Fraud Prevention	0.030	-0.091	0.127
3. Fraud Prevention → Community Welfare	0.458	0.139	0.665
4. Village Financial Planning → Community Welfare	0.088	-0.164	0.363
5. Village Financial Planning → Fraud Prevention	0.765	0.638	0.867

(Source: Primary Data Processed, 2024)

Only the FP → CW and VFP → FP paths have confidence intervals that exclude zero, confirming their significance. Further mediation results are shown in Table 7.

Table 7. Hypothesis Testing – Mediation Effects

Hipotesis	Path Coefficients	Standard Deviation	T Statistics	P Values
1. Quality of Human Resources → Fraud Prevention → Community Welfare	0.008	0.026	0.308	0.758
2. Village Financial Planning → Fraud Prevention → Community Welfare	0.340	0.107	3.181	0.002

(Source: Primary Data Processed, 2024)

These results demonstrate that fraud prevention significantly mediates the relationship between village financial planning and community welfare ($p = 0.002$), confirming that well-planned development combined with fraud prevention mechanisms can substantially improve rural welfare outcomes. On the other hand, fraud prevention does not mediate the relationship between



human resource quality and community welfare ($p = 0.758$). This may be due to weak institutionalization of governance norms and accountability frameworks, as suggested by Nurhayati et al. (2021).

This finding aligns with Hamid and Nasih (2021) and Purba et al. (2022), who argue that fraud prevention supports equitable development and enhances rural quality of life. Tofiin (2013) also emphasizes that fraud prevention reflects the Islamic principles of *al-adālah* (justice), *al-amānah* (trust), and *al-mas'uliyah* (responsibility), which should underpin public financial management. Furthermore, Djafar et al. (2024) and Pratiwi et al. (2024) highlight the importance of community participation and administrative competence as critical factors in improving fund governance and community welfare.

Discussion

The findings provide valuable insights into the relationships between human resource quality, village financial planning, fraud prevention, and community welfare in the context of rural development in South Aceh, Indonesia. Several key results emerged from the structural model and mediation analysis that align with, extend, or challenge existing literature and theoretical expectations.

The Role of Human Resource Quality in Community Welfare

The study found that human resource quality (HRQ) has a significant direct effect on community welfare, supporting the hypothesis that qualified, competent, and ethical village officials are crucial for successful development outcomes. This finding aligns with the perspective of Maruhun and Asmony (2019), who emphasized that education, skills, and values of village apparatus significantly contribute to their ability to plan and execute development programs effectively. Additionally, this result corroborates the theory of human capital, which posits that investment in education and skill development enhances productivity and socio-economic wellbeing (Ibrahim, 2018).

This relationship is also consistent with Islamic teachings that elevate knowledge and trustworthy behavior as foundations for effective leadership and governance. As stated in the Qur'an (QS. Al-Mujadila: 11), "Allah will raise those who have believed and those who were given knowledge by degrees," reinforcing the importance of human development in achieving *maslahah* (public welfare).



The Limited Role of Fraud Prevention as a Direct Predictor of Welfare

Contrary to expectations, fraud prevention did not have a significant direct impact on community welfare. While transparency and accountability are widely acknowledged as essential governance principles (Irawan, 2020), this finding suggests that their effectiveness depends on other mediating or contextual factors, such as actual implementation, enforcement, or community engagement. It also highlights that fraud prevention efforts, though important, may not directly translate into welfare gains unless paired with active service delivery and efficient resource allocation.

This observation is consistent with the findings of Sutopo (2024), who reported that misaligned or poorly executed fund management efforts fail to produce tangible welfare improvements. Moreover, Nurhayati et al. (2021) found that even when fraud prevention mechanisms exist, lack of adherence to transparent and participatory governance standards can undermine their effectiveness.

Village Financial Planning and Its Indirect Effect via Fraud Prevention

The direct relationship between village financial planning (VFP) and community welfare was not statistically significant, although it approached the threshold of significance. However, the indirect effect—mediated by fraud prevention—was significant, indicating that the quality of financial planning influences welfare outcomes through the effectiveness of fraud prevention mechanisms.

This confirms the findings of Hamid and Nasih (2021), who emphasized that strategic planning only leads to improved outcomes when embedded within a system of transparency, internal control, and oversight. Similarly, Purba et al. (2022) concluded that financial integrity mediates the impact of development programs on community welfare.

From a theoretical standpoint, this result supports the good governance framework, which holds that accountability, transparency, and rule-based administration are mediating channels through which policies impact development. In the Islamic framework, this reflects the practice of *al-amanah* (trustworthiness) and *al-mas'uliyah* (responsibility), where leaders are custodians of public resources and must ensure fair and efficient allocation (Tofin, 2016).



Human Resources as a Driver of Fraud Prevention

The significant influence of human resource quality on fraud prevention reinforces the argument that competent and morally upright village officials are more likely to enforce and adhere to anti-corruption norms. This supports Rahadi (2023), who argued that a combination of technical capacity and ethical orientation reduces the risk of financial misconduct in village governance.

This finding also aligns with the Islamic principle of *amar ma'ruf nahi munkar* (enjoining good and forbidding evil), which underpins the ethical obligation to prevent fraud, promote justice (*al-'adalah*), and uphold accountability in public service (Yurmarini, 2017).

Implications for Participatory Governance and Community Engagement

The results suggest that without strong human capital and fraud prevention mechanisms, even well-planned development programs may fail to achieve their objectives. This underscores the importance of not only technical planning but also community participation, as emphasized by Damayanti and Syarifuddin (2020), and the engagement of the *Tuha Peut* and civil society in monitoring budget implementation. Empowering communities to participate in planning and budgeting aligns with the Islamic principle of *shura* (consultation) and modern participatory development theory, both of which advocate for inclusive governance to enhance effectiveness and legitimacy (Pratiwi et al., 2024).

In summary, this study confirms the centrality of human resource quality and fraud prevention as critical enablers of effective village fund management and community welfare. While village financial planning sets the foundation for development, its effectiveness is contingent upon the integrity and capacity of those who implement it. The findings reinforce both empirical and normative arguments for investing in human capital, ethical leadership, and accountable governance structures, particularly within the context of Islamic values and participatory development.

CONCLUSION

This study investigated the relationships between human resource quality, village financial planning, fraud prevention, and community welfare in the context of village fund governance. The results reveal that human resource



quality significantly and directly affects community welfare, suggesting that better-educated, more skilled, and ethically grounded village officials are key drivers of rural development. However, fraud prevention and village financial planning did not show significant direct effects on community welfare. Notably, human resource quality was also found to significantly influence fraud prevention, indicating that competent personnel are essential for enforcing integrity and oversight mechanisms. In contrast, village financial planning did not significantly influence fraud prevention, suggesting that planning alone, without supporting institutional capacity, may be insufficient to curb misuse.

The mediation analysis uncovered an important distinction: fraud prevention significantly mediates the relationship between village financial planning and community welfare, but not the relationship between human resource quality and community welfare. This implies that village financial planning becomes more impactful when coupled with strong fraud prevention measures such as transparency, accountability, and trustworthiness. Strengthening fraud prevention mechanisms—particularly within the context of Islamic ethical values such as *amanah* (trust), *mas'uliyah* (responsibility), and *al-'adalah* (justice)—can substantially enhance the effectiveness of development planning and improve social outcomes in rural communities.

Despite offering meaningful insights, this study has several limitations. The research relied on a relatively small sample limited to one regency, which may constrain the generalizability of the findings. Future research should expand the geographic scope and sample size to capture greater variation in village governance practices. Additionally, the role of community participation—a critical factor in both planning and fraud oversight—was not included in the current model and should be integrated in future studies. Policymakers are also encouraged to invest in continuous training for village officials in Sharia-compliant financial management and to enhance fraud prevention mechanisms through government-led supervision and mentoring programs.

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