





Community participation, spiritual intelligence, and sustainable village development: The role of Tri Hita Karana in traditional fund management

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ABSTRACT

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This study examines the management of Traditional Village Funds (*Dana Desa Adat*) and their impact on village development based on *Tri Hita Karana* philosophy in Tabanan Regency, Bali Province. The research investigates the influence of community participation, spiritual intelligence, village characteristics, and monitoring and evaluation on fund management and traditional village development. This quantitative research employed a survey method with 78 traditional villages in Tabanan Regency as samples, selected using the Slovin formula from a population of 349 traditional villages. Data were collected through structured questionnaires and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 3.0. The results reveal that community participation (Mean=4.292), spiritual intelligence (Mean=4.141), village characteristics (Mean=4.224), and monitoring and evaluation (Mean=4.154) significantly influence traditional village fund management (Mean=4.253). Furthermore, these variables, along with fund management, demonstrate significant positive effects on traditional village development based on *Tri Hita Karana* principles (Mean=4.137). This study contributes to the literature by integrating the indigenous Balinese philosophy of *Tri Hita Karana* into rural development theory and practice. It provides empirical evidence on the critical role of spiritual intelligence and cultural characteristics in public fund management, offering valuable insights for policymakers in designing culturally sensitive development programs in indigenous communities.

Contribution/Originality: By incorporating the indigenous Balinese philosophy of Tri Hita Karana into rural development theory and practice, this study adds to the literature. It demonstrates the importance of spiritual intelligence and cultural context in managing public funds and has implications for policymakers in meeting these needs for culturally relevant development programs in indigenous communities.

1. INTRODUCTION

Rural areas are important and strategic in national and regional development because they uphold the principle of equity and address the interests of the majority of society living in rural areas (Nugroho & Dahuri, 2016). In Indonesia, the promulgation of Law No. 6/2014 concerning Villages has provided legal certainty regarding village revenue sources, granting villages the authority to independently manage development, governance, and resources. This law aims to improve the welfare of villages and their inhabitants, enhance the quality of life, reduce poverty

through the provision of necessities, infrastructure development, and increased capacity for the local economy, as well as ensure the sustainable use of natural resources (Purbadharmaja, Setiawan, Irwansyah, & Narmaditya, 2023; Purnamasari & Rahayu, 2019).

A progressive move has already been made in the Bali Province by recognizing and empowering traditional villages (*Desa Adat*) through the Provincial Regulation No. 4 of 2019 concerning Traditional Villages in Bali (Government of Bali Province, 2019). This regulation recognizes the conventional village throughout *Tri Hita Karana* and Indonesian society, as well as traditional wisdom *Sad Kerthi*, which have provided meaningful contributions to sustainability in the establishment of the nation. *Tri Hita Karana*, or the three causes of well-being, includes the harmonious relationship between humans and God (*Parahyangan*), among humans (*Pawongan*), and humans toward their environment (*Palemahan*) (Suartika, 2018; Windia & Dewi, 2017).

Starting in 2020, the provincial government has been providing IDR 300 million for Village Funds to every traditional village in all nine regencies and city areas. It is also home to the highest number of *Desa Adat*, totaling 349, which makes it a strategic area for assessing fund management effectiveness (Agency, 2021). Despite its good objectives, some funds have experienced mismanagement, such as audit results in *Desa Adat* Wongaya (Penebel District) and cases of embezzlement in *Desa Adat* Belumbang (Kerambitan District) (Dewata, 2023; PotensiBadung.com, 2021). These examples illustrate the need to characterize aspects of successful fund management in traditional villages.

Balinese traditional villages, which are closely related to Hindu philosophy and customary law (*adat*), are distinct from *Desa Dinas* and should be managed with a cultural approach to development and fund management (Suryawan & Mahendra, 2019). The globalization of Balinese culture and its associated negative impacts on development and tourism have raised concerns over cultural conservation; therefore, the importance of traditional villages has increased (Arisusila, 2020; Picard, 2017). Nevertheless, little research has been conducted on the way indigenous cultural factors, such as spiritual intelligence, intersect with conventional governance attributes to explain fund management and developmental outcomes in traditional communities. The issue of village fund management has been discussed from several viewpoints, such as policy implementation (Akbar, 2017; Ramly, 2017), community empowerment (Tobing, 2021) infrastructure development (Ferdinandus, 2020; Kurniawan, 2021). Unfortunately, these studies are more specific to administrative villages and rarely address the unique features of traditional (*pura*) villages based on customary law regulation or indigenous philosophy systems. Although spiritual intelligence has the potential to be particularly important in religious and culture-based communities (Emmons, 2000; Zohar & Marshall, 2021), there is limited research on this topic in public fund management.

This research fills this gap by analyzing the role of community participation, spiritual intelligence, village characteristics, and monitoring and evaluation that affect traditional village fund management in development with the *Tri Hita Karana* based. This study makes a number of contributions to the literature. The first point is that it combines an indigenous philosophy, *Tri Hita Karana*, with rural development theory to illustrate how cultural values may be converted into action in development planning and implementation. Second, it investigates whether SQ is an empirically feasible tool and a new era supply chain management model as one of the antecedents in public fund management, contributing to extending extant research about the application of this construct for individual and organizational levels toward community governance. Thirdly, it offers applied lessons to policymakers on how to design culture-sensitive development programs that recognize and use traditional knowledge.

2. LITERATURE REVIEW

2.1. Theoretical Foundation of *Tri Hita Karana* Philosophy

Tri Hita Karana is a local wisdom of Balinese based on three conceptions that should be implemented and achieved: *Parahyangan* (harmony with God), *Pawongan* (harmony among human beings), and *Palemahan* (harmony with the environment) (Widia & Dewi, 2017). It is this way of thinking that has influenced Balinese life throughout

the ages and is considered an international model for sustainability (Pitana & Setiawan, 2019; Suartika, 2018). Relating to development in the traditional village, *Tri Hita Karana* is a comprehensive approach that incorporates spiritual, social, and environmental aspects instead of casual rural development, which emphasizes more on economic and physical infrastructure without concern for spiritual and cultural dimensions.

2.2. Traditional Village Fund Management

The management of funds in the public sector is carried out systematically, covering planning, budgeting, implementation, and reporting & accountability (Bastian, 2015; Rahayu, 2022). In traditional village settings, however, the management of funds must be negotiated between modern legal accountability and procedural standards for increased participation versus custom-based modes of deliberation and cultural preferences (Nordholt & Klinken, 2017). Good fund management consists of transparency, accountability, participation, administrative order, and compliance with the rules (Mardiasmo, 2018).

2.3. Community Participation and Fund Management

Community participation is the process of enabling local people to participate in and contribute to development projects and services at the grassroots level (Cohen & Uphoff, 1980; Yadav, 1980). In more traditional village settings, such community participation usually occurs within prescribed customary arrangements and decision-making mechanisms similar to the village assembly (*paruman desa*), where members of the respective community gather to discuss important issues (Geria, 2015). Prior studies have reported a positive correlation between community participation and the effectiveness of village financial management (Ferdinandus, 2020; Tobing, 2021). When local people are engaged in determining development needs, project planning, implementation, monitoring, and assessment of results, resources are used more equitably, transparently, and responsively to community needs (Ramly, 2017).

2.4. Spiritual Intelligence and the Fund Management

Spiritual intelligence (SQ) refers to the capacity to discover meaning, purpose, and connections in life experiences and to utilize spiritual resources for problem-solving and well-being (Emmons, 2000; Zohar & Marshall, 2021). The main traits of a spiritually intelligent person are flexibility, vision, and mission regarding the future, thinking for collective welfare, a holistic approach, and commitment to nearly and widely (Zohar & Marshall, 2021). In the organizational and leadership domain, spiritual intelligence has been associated with ethical decision-making (Mohammadesmaeli, Salmani, Kazemnejad, Zayeri, & Farahani, 2019), transformational leadership (Fry & Nisiewicz, 2019), and organizational social responsibility (Haddiya, Janfi, & Guedira, 2020; Saleh, Abdul Latif, & Abu Bakar, 2018). Within a traditional village fund management system that allocates large public resources to leaders (*prajuru Desa Adat*), spiritual intelligence could act as an internal guiding morality in determining what is right or wrong and transforming selfishness into stewardship (Paramita & Sukartha, 2021). As a result of the deep-seated Hindu religious base in Balinese traditional villages and dharma (righteous duty) orientation in village leadership, spiritual intelligence is presented as a plausible locally based factor associated with fund management quality.

2.5. Village Characteristics and Management of Funds

In general, village characteristics include morphological, demographic, economic, and socio-cultural aspects that differentiate one village from others (Asy'ari, 1993; Damayanti, 2014). The capacity of a village to absorb funds and the pattern of fund allocation are clearly influenced by the village's character (Huda, Rini, Mardoni, & Putra, 2012; Putra, 2017). Socio-cultural aspects in Balinese society are highly prominent in traditional villages. The leadership of traditional institutions (*adat*), the level of community involvement in religion and cultural practices, and obedience to customary law (*awig-awig*) create a specific governance environment that significantly influences fund management behavior (Geria, 2015; Suryawan & Mahendra, 2019).

2.6. Monitoring and Evaluation

M&E is a continuous, systematic process used to determine how well a program or project is functioning and how it could be improved (Daft, 2020; Kusek & Rist, 2018). According to Daft (2020), there are three control mechanisms: feedforward control (aimed at preventing problems before they occur), concurrent control (monitoring activities as they happen), and feedback control (evaluating performance after activities are completed). In the context of public fund management, M&E serves various roles, including compliance monitoring, anti-fraud and anti-corruption efforts, decision-making support, and ensuring accountability to stakeholders (Mackay, 2017).

Additionally, M&E is likely to mediate the association between community participation and fund management. The positive impact of community participation on fund management may be amplified when robust M&E systems are in place, as monitoring provides information that supports better participation, and evaluation creates feedback loops to strengthen participatory-based decision-making (World Bank, 2019).

2.7. Management of Funds and Development

Efficient management of funds is key to successful development. When resources are managed transparently, accountably, and efficiently, they can be converted into real assets in infrastructure, services, and societal welfare (Bastian, 2015; Mardiasmo, 2018). Studies on village funds find significant positive effects on infrastructure improvement, poverty reduction, and community empowerment when the funds are managed well. (Kurniawan, 2021; Tobing, 2021).

2.8. Integrated Model of Development

We develop an integrated model that explains traditional village development from the contribution of community involvement, spiritual intelligence, village characteristics, and monitoring and evaluation to fund management, both directly as well as indirectly. These indirect effects of fund management may be as or more significant than the direct impacts, implying that efforts to bolster these intermediating roles will offer development dividends primarily by changing how funds are managed and used.

3. HYPOTHESIS DEVELOPMENT

H₁: Community participation has a significant positive influence on the management of the traditional village fund.

H₂: Spiritual intelligence positively and significantly affects the management of traditional village funds.

H₃: Village traits have a strong positive influence on traditional village fund management.

H₄: Monitoring and evaluation have a positive influence on the management of the traditional village fund.

H₅: Monitoring and evaluation have a moderating positive effect on the relationship between community participation and traditional village fund management.

H₆: Management of traditional village funds has a positive and significant influence on the development of traditional villages through Tri Hita Karana.

H₇: Community involvement has an indirect positive influence on traditional village development, which is mediated by fund management.

H₈: Spiritual intelligence has a significant positive indirect effect on the development of traditional villages through fund management.

H₉: Village characteristics are positively and significantly indirectly related to traditional village development through fund management.

H₁₀: Monitoring and evaluation have a significant positive indirect effect on traditional village development through fund management.

4. RESEARCH METHODOLOGY

4.1. Research Design and Sample

This study utilises a positivist paradigm through the use of a quantitative research design employing survey methods (Creswell & Creswell, 2018). The study population comprises all 349 traditional villages in Tabanan Regency, Bali Province. The total sample size was calculated using Slovin's formula with a desired precision of 10% ($e = 0.10$): $n = N / (1 + N(e^2)) = 349 / (1 + 349(0.10^2)) = 78$ villages. Respondents were selected using proportionate stratified random sampling across ten sub-districts to ensure representativeness (Sekaran & Bougie, 2016).

4.2. Variables and Measurement

This study examines six latent variables: community participation (X1), spiritual intelligence (X2), village characteristics (X3), monitoring and evaluation (M), traditional village fund management (Y1), and traditional village development based on Tri Hita Karana (Y2). Each latent variable is measured through multiple indicators using five-point Likert scales ranging from 1 (strongly disagree) to 5 (strongly agree). Community involvement comprised four components: involvement in decision-making; implementation, monitoring, and evaluation; and the utilization of outputs (Yadav, 1980). Five indicators were used to gauge spiritual intelligence: flexibility, clear vision/mission, service to others, holistic thinking, and dedication/responsibility (Zohar & Marshall, 2021). Village features consisted of spacing, demographic, economic, and socio-cultural (Asy'ari, 1993). Control and monitoring were feedforward, concurrent, and feedback (Daft, 2020). Management of funds comprised planning, budgeting, implementation, and reporting/accountability (Rahayu, 2022). The degree of village advancement was assessed in terms of *Parahyangan*, *Palemahan*, and *Parwongan* dimensions (Government of Bali Province, 2019).

4.3. Data Collection and Analysis

Data were gathered through questionnaires, which had a predetermined format presented to *Bendesa Adat* from March to May 2024. The questionnaire was tested on ten villages that were not part of the final sample. Data were analyzed utilizing Partial Least Squares Structural Equation Modeling (PLS-SEM) via SmartPLS 3.0 software. The analysis logically adopted a two-stage approach, namely, (1) measurement model by evaluating the reliability and validity of factors; and (2) structural model in testing hypotheses through bootstrapping with 5,000 sub-samples set at a 5% significance level (Hair, Risher, Sarstedt, & Ringle, 2019).

5. RESULTS

5.1. Descriptive Statistics

Descriptive statistics for all variables are shown in Table 1. Mean values suggest that the constructs are viewed positively in general, with means between 4.137 and 4.292 (5-point Likert scale). The participation of the community ($M=4.292$, $SD=0.594$) was rated highest, indicating that traditional village development is strongly inclusive of the local community.

Table 1. Descriptive statistics.

Variable	Mean	Std. deviation	Min.	Max.	N
Community participation (X1)	4.292	0.594	3.000	5.000	78
Spiritual intelligence (X2)	4.141	0.507	3.000	5.000	78
Village characteristics (X3)	4.224	0.560	3.000	5.000	78
Monitoring and evaluation (M)	4.154	0.591	2.667	5.000	78
Fund management (Y1)	4.253	0.605	3.000	5.000	78
<i>Tri Hita Karana</i> development (Y2)	4.137	0.445	3.000	5.000	78

5.2. Measurement Model Assessment

All constructs have acceptable internal consistency reliability; Cronbach's alpha ranges from 0.782 to 0.891, and composite reliability ranges from 0.859 to 0.922, which are higher than the threshold level (Nunnally & Bernstein, 2019). Convergent validity is established as all AVE values are between 0.607 and 0.748, surpassing the minimum criterion of 0.50 (Fornell & Larcker, 1981). The Fornell-Larcker criterion and HTMT estimates (all <0.85) support discriminant validity (Henseler, Ringle, & Sarstedt, 2015).

5.3. Structural Model Assessment

5.3.1. Direct Effects

The results of the hypothesis tests are organized in Table 2. The model accounts for 72.8% of the variance in managing funds ($R^2=0.728$) and 68.5% of the variance in traditional development of the village ($R^2=0.685$), both with significant explanatory power (Hair, Hult, Ringle, & Sarstedt, 2021).

Table 2. Direct effects - Hypothesis testing results.

Hypothesis	Path	β	t-value	p-value	Decision	f^2
H1	X1 \rightarrow Y1	0.285	3.847	0.000***	Supported	0.163
H2	X2 \rightarrow Y1	0.231	3.124	0.002**	Supported	0.108
H3	X3 \rightarrow Y1	0.196	2.758	0.006**	Supported	0.076
H4	M \rightarrow Y1	0.318	4.296	0.000***	Supported	0.198
H6	Y1 \rightarrow Y2	0.437	5.821	0.000***	Supported	0.312
	X1 \rightarrow Y2	0.189	2.541	0.011*		0.068
	X2 \rightarrow Y2	0.203	2.738	0.006**		0.082
	X3 \rightarrow Y2	0.156	2.184	0.029*		0.047
	M \rightarrow Y2	0.214	2.896	0.004**		0.091

*Note: *p<0.05, **p<0.01, ***p<0.001; $Q^2(Y1)=0.541$; $Q^2(Y2)=0.498$.

All expected direct effects are significant. Community Involvement ($\beta=0.285$, $p=0.001$, $f^2=0.198$) has a significant influence on fund management efficacy. Monitoring and evaluation is the most powerful. Fund management has the greatest and a substantially positive effect on village development ($\beta=0.437$, $p<0.001$, $f^2=0.312$) as well as the strongest predictor of development position outcomes among others. The direct effects of all independent variables on village development are also found to be statistically significant. The positive Q^2 values evidence the predictive ability of the model.

5.3.2. Moderating Effect

The results of the moderating effect are shown in Table 3. There is a significant positive coefficient on the interaction term (X1 \times M) ($\beta=0.147$, $t=2.319$, $p<0.05$), which confirms H5. This means that M&E enhances the positive relationship between CP and fund use.

Table 3. Moderating effect test.

Hypothesis	Path	β	t-value	p-value	Decision	ΔR^2
H5	X1 \times M \rightarrow Y1	0.147	2.319	0.021*	Supported	0.021

*Note: *p<0.05.

5.3.3. Indirect Effects

Indirect effects through fund management are provided in Table 4. All four posited indirect effects are significant, thus accepting H7, H8, H9, and H10. The values of VAF are in the range of 33.2%–39.8%, indicating partial mediation (Hair et al., 2021).

Table 4. Indirect effects through fund management.

Hypothesis	Path	β	t-value	p-value	Decision	VAF
H7	$X_1 \rightarrow Y_1 \rightarrow Y_2$	0.125	3.214	0.001**	Supported	39.8%
H8	$X_2 \rightarrow Y_1 \rightarrow Y_2$	0.101	2.847	0.004**	Supported	33.2%
H9	$X_3 \rightarrow Y_1 \rightarrow Y_2$	0.086	2.489	0.013*	Supported	35.5%
H10	$M \rightarrow Y_1 \rightarrow Y_2$	0.139	3.576	0.000***	Supported	39.4%

*Note: *p<0.05, **p<0.01, ***p<0.001.

6. DISCUSSION

6.1. Community Participation and Fund Management

The regression result indicates that community participation has a significant effect on fund management, with $\beta=0.285$ and $p<0.001$, which is in line with the notion that participatory approaches are central in public resources management. One of the particular mechanisms of collective decision-making in Balinese traditional villages is *paruman desa*, the village assembly that predates contemporary participatory development frameworks (Geria, 2015). The medium effect size, $f^2=0.163$, suggests that community participation is a practically significant factor influencing the quality of fund management. However, effective community participation extends beyond formal consultation. As Arnstein's ladder of participation indicates, true empowerment involves communities' decision-making authority. The large direct effect on village development, $\beta=0.189$, $p<0.05$, and indirect effect through the fund management, $\beta=0.125$, $p<0.01$, confirm both pathways. With a VAF of 39.8%, this means that 40% of the community participation's total effect on development goes through fund management, while 60% goes through other means, such as mobilizing voluntary labor and social capital (Putnam, 2015).

6.2. Spiritual Intelligence and Management of Fund

The substantial positive impact of spiritual intelligence on fund management ($\beta=0.231$, $p<0.01$) is a new addition to the public resource management literature. Although spiritual intelligence has been explored in the context of organizations (Fry & Nisiewicz, 2019; Wigglesworth, 2019), this criterion of leadership applied to community governance is underexplored. In Balinese community-based villages, where local tradition is based on the philosophy of Hinduism (*adat*) that spreads as a social culture in the way of life, spiritual intelligence can serve as a moral compass guiding the decisions of fund managers (Paramita & Sukartha, 2021).

It implies that capacity-building programs on financial management should not only focus on skills related to technical financial management but also on ethical leadership. The strong indirect effect ($\beta=0.101$, $p<0.01$) with a VAF of 33.2% suggests that spiritual intelligence positively contributes to development outcomes primarily through the improvement of fund management quality, while the potent direct effect ($\beta=0.203$, $p<0.01$) indicates other significant pathways such as cooperation and ecology care (Emmons, 2000).

6.3. Village Features and Operating Fund

The statistically significant descriptive power of the village characteristics on fund management ($\beta=0.196$, $p<0.01$), therefore, confirms that contextual factors form a part of villages' ability to use development funds productively (Huda et al., 2012). The moderate effect size ($f^2 = 0.076$) implies that village-specific factors are influential during P, while behavioral determinants such as community participation and M&E play a more prominent role. This observation carries important policy implications; policy prescriptions that distribute funds uniformly and treat villages homogeneously are likely to yield uneven results (Olken & Pande, 2012).

The socio-cultural aspect is particularly strong in Balinese traditional villages. Strong traditional settlements with high levels of participation in cultural practices and successful customary law show benefits in terms of improved social accountability (Geria, 2015; Ostrom, 2019). With a VAF of 35.5%, it indicates clear mediation through fund

management, and at the same time, significant direct effects also show that village factors in place allow (even without formal funding) for better resource pooling.

6.4. Predictors and Moderators of Monitoring and Evaluation

The strong and direct effect of M&E on fund management ($\beta=0.318$, $p<0.001$, $f^2=0.198$) is indicative of the importance placed on accountability mechanisms (Kusek & Rist, 2018; Mackay, 2017). Three forms of control, feedforward (pre-action), concurrent (steering), and feedback (post-action), complement each other in overall improving the quality of management within a fund (Daft, 2020).

The strong mediating effect ($\beta=0.147$, $p<0.05$) indicates that it is key to creating synergy. When such effective M&E systems exist, community participation is stronger because monitoring provides information that permits "informed participation" and evaluation creates feedback that supports participatory decision-making (World Bank, 2019). This implies that investment in M&E capability is not only about compliance but also about access to means for effective engagement and collective learning.

The VAF is highest for fund management at 39.4%, which indicates that M&E profiles development outcomes significantly through its influence on fund management; however, the large estimate of the direct effect ($\beta=0.214$, $p<0.01$) shows that it also does so through enabling adaptive decision making and organizational learning (Vaessen & Leeuw, 2019).

6.5. Management of the Fund and Development of Tri Hita Karana

The significant positive effect of fund management on village development ($\beta=0.437$, $p<0.001$, $f^2=0.312$) indicates the importance of proper fund management to achieve development realizations (Bastian, 2015; Mardiasmo, 2018). The metaphysical notion of *Tri Hita Karana* offers an understanding that incorporates the spiritual (*Parahyangan*), social (*Parwongan*), and ecological (*Palemahan*) realms (Suartika, 2018; Windia & Dewi, 2017). By contrast, villages practicing well-managed, transparent, and accountable financing in an old way attain balanced development of all three dimensions.

This result has important implications for resource allocation policies. According to the Technical Guidelines, there should be an even distribution across *Tri Hita Karana* elements (Government of Bali Province, 2020). The evidence here also supports this approach, suggesting that addressing world poverty requires a focus on spiritual, social, and environmental aspects rather than elevating one of these above the others.

6.6. Theoretical and Practical Implications

The current study has a few theoretical contributions. First, it contributes to rural development theory by demonstrating how indigenous philosophy (*Tri Hita Karana*) can be applied in the planning and evaluation of development projects. Theories of development often originate from a Western perspective and may not accurately reflect the values of non-Western communities (Escobar, 2015). Second, it enriches the literature on spiritual intelligence by extending the concept to community governance. Third, it advances understanding of how participatory governance influences development by examining both direct and indirect effects.

From a practical perspective, the results indicate that the fund management strengthening programme should develop a multicomponent package involving community participation, spiritual intelligence, village configuration, and M&E. For capacity-building programmes, they must be culture-specific, using local participation mechanisms and ethical paradigms. The allocation formula of funds should consider villages that are different, then give additional assistance to small-capacity villages. Investing in M&E should be made about these two purposes: promoting accountability (what worked according to what has formally been planned) and facilitating participatory learning.

7. LIMITATIONS

This study has several limitations. There are several disadvantages to this cross-sectional study design, which prevent causal inferences. Further research is warranted to investigate the temporal ordering of these associations. Second, the analysis is based on perceived rather than objective measures. Subsequent work should include objective measures, such as audit results and independent development assessments. Third, the generalization of the study is limited by its focus on Tabanan Regency. Studies in different regions would improve the generalization of the results. Fourth, it is not designed for the analysis of non-linear associations or distributional results. These dimensions could be further investigated through more sophisticated analysis and consideration of equity issues in future studies.

8. CONCLUSION AND RECOMMENDATIONS

8.1. Conclusion

Research was conducted on the management of the Traditional Village Fund lending toward *Tri Hita Karana*-based development in Tabanan Regency, Bali. Results from 78 conventional villages, PLS-SEM indicate that community participation, spiritual intelligence, characteristics of the village, and monitoring & evaluation significantly affect the management of funds, and together they explain 72.8% of the variance. Fund management is a significant influence on village development ($\beta=0.437$, $p<0.001$), and the model accounts for 68.5% of the variance in development. M&E serves as a moderator between participation management, where all four dimensions are statistically significant indirectly through fund management (VAF: 33.2-39.8%).

These results contribute to the existing bodies of knowledge by mainstreaming indigenous philosophy in rural development theory, broadening the application of spiritual intelligence in community governance, and empirically validating participatory governance instruments. The findings suggest that indigenous values and governance systems can improve effectiveness in public resource management when incorporated through culturally sensitive means.

8.2. Recommendations

For policymakers: (1) Build *paruman desa* as structures for indigenous participation in fund management; (2) promote the development of spiritual intelligence within capacity-building training programs which employ Balinese ethics-based frameworks for traditional leaders; (3) establish differentiated strategies to support variation between villages; (4) develop comprehensive M&E systems balancing external accountability and indigenous monitoring currents; and, (5) adopt balanced *Tri Hita Karana* development guidelines across dimensions of spirituality, society, and environment.

For Traditional Village Leaders: (1) Engage the community in every stage of fund management; (2) Foster dharma-based spiritual leadership competency; (3) Optimize village potentials and cultural strengths; (4) Monitor and evaluate M&E with a preventive, concurrent, and evaluation-control system; (5) Implement the approach based on *Parahyangan*, *Parwongan*, and *Palemahan* for solidarity development.

For researchers: (1) Undertake more longitudinal research to determine causality; (2) Create measures that move beyond perception-based data; (3) Examine mechanisms using qualitative methodologies; (4) Explore equity and distributional effects of access to nature and potential differences in benefit attenuation or enhancement among groups with higher versus lower social capital for relations between health-related outcomes and access to nature; and (5) Investigate the extent of the geographic generalizability of this study.

Empirical evidence that substantiates culturally sensitive rural development strategies in indigenous areas is available from this study. The incorporation of earthen wisdom and modern governance provides a culturally rooted model of development that can be extended to all other indigenous communities around the world facing issues of modernity and cultural identity.

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Transparency: The authors state that the manuscript is honest, truthful, and transparent, that no key aspects of the investigation have been omitted, and that any differences from the study as planned have been clarified. This study followed all writing ethics.

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