

INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS & SOCIAL SCIENCES



Trust in Government and Public-Private Partnership on Infrastructure Financing: Indonesian Experience

Ahmad Amin, Mohamad Azmi Nias Ahmad, Mahfud Sholihin, Rahayu Abdul Rahman

To Link this Article: <http://dx.doi.org/10.6007/IJARBSS/v12-i10/14861> DOI:10.6007/IJARBSS/v12-i10/14861

Received: 12 August 2022, **Revised:** 13 September 2022, **Accepted:** 29 September 2022

Published Online: 06 October 2022

In-Text Citation: (Amin et al., 2022)

To Cite this Article: Amin, A., Ahmad, M. A. N., Sholihin, M., & Rahman, R. A. (2022). Trust in Government and Public-Private Partnership on Infrastructure Financing: Indonesian Experience. *International Journal of Academic Research in Business and Social Sciences*, 12(10), 727 – 741.

Copyright: © 2022 The Author(s)

Published by Human Resource Management Academic Research Society (www.hrmars.com)

This article is published under the Creative Commons Attribution (CC BY 4.0) license. Anyone may reproduce, distribute, translate and create derivative works of this article (for both commercial and non-commercial purposes), subject to full attribution to the original publication and authors. The full terms of this license may be seen at: <http://creativecommons.org/licenses/by/4.0/legalcode>

Vol. 12, No. 10, 2022, Pg. 727 – 741

<http://hrmars.com/index.php/pages/detail/IJARBSS>

JOURNAL HOMEPAGE

Full Terms & Conditions of access and use can be found at
<http://hrmars.com/index.php/pages/detail/publication-ethics>



INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS & SOCIAL SCIENCES



www.hrmars.com

ISSN: 2222-6990

Trust in Government and Public-Private Partnership on Infrastructure Financing: Indonesian Experience

Ahmad Amin¹, Mohamad Azmi Nias Ahmad², Mahfud Sholihin³,
Rahayu Abdul Rahman⁴

^{1,3}Faculty of Economics and Business, Universitas Gadjah Mada, Yogyakarta, Indonesia,

²Faculty of Accountancy, Universiti Teknologi MARA, Pahang Branch, Malaysia, ⁴Faculty of Accountancy, Universiti Teknologi MARA, Perak Branch, Malaysia Corresponding Author's

Email: rahay916@uitm.edu.my

Abstract

There has been a huge shift in infrastructure development since the introduction of public-private partnership. However, one of the government's challenges continues to be the absence of private sector engagement in such an arrangement. Therefore, the purpose of this study is to explore non-financial factors that influence investors' decisions to fund PPP projects. This study specifically aims to present a conceptual examination of how private sector investment decisions in PPP in Indonesia are influenced by trust in government and its components, including government service quality, government transparency, and similarity of values. The findings show that trust in government and its attributes play important roles in PPP investment decision. Overall, the findings highlight the significance of non-financial variables in attracting the private sector to participate in government programs, including PPP.

Keywords: Indonesia, Public-private Partnership, Public Infrastructure, Trust in Government

Introduction

A country's ability to meet the needs of the general people, including providing infrastructure like power, internet, trains, roads, ports, and airports, indicates its level of development. In et al (2017);Kociemska (2020) contend that infrastructure investment may enhance livelihoods and welfare as it make people's lives easier and better. Whereas in macro theory, infrastructure development is a tool to boost regional competition and guarantee the economic growth is sustainable, particularly through growing a variety of export and trade facilities (Jianqing, 2016). Indeed, Jianqing (2016) argues that a country's infrastructure development is a key factor in sustaining economic growth, luring foreign direct investment (FDI), and fostering trade. Therefore, it is expected that if public infrastructure is not provided, a country's ability to support economic growth will decline.

However, many countries face numerous problems and challenges in delivering public infrastructure. Some of the main causes of infrastructure development include financial factors, geographic factors, demographic issues, environmental concerns, human factors,

and, most importantly, less importance given to infrastructure development in national development (Clark et al., 2018; Walter, 2016). In solving the challenges particularly on the lack of government financial capacity to meet infrastructure funding needs, the government has initiated alternative funding mechanism by involving the private sector.

The public-private arrangements, also known as public-private partnerships (PPP) are becoming an increasingly attractive option for governments to deliver public infrastructure services (Albalade et al., 2020; Pfisterer, 2017; Zangouinezhad & Azar, 2014). The PPPs were initially implemented in the United Kingdom in the early 1990s, which regarded as the beginning of the contemporary pattern of PPP adoption. PPP have also evolved in a number of developing countries, such as Indonesia, Malaysia and South Korea in Asia, Colombia, Brazil, Bulgaria, and Slovenia in Eastern Europe, and Chile in Latin America (Ismail et al., 2019; Mohamad et al., 2018; Pfisterer, 2017).

Despite the broad acceptance of public-private partnerships in many developing countries, the extent to which they are successfully implemented differs from one nation to the next. Prior studies on the determinants of PPP successful highlight several financial, economic and environmental factors such as general and operational risk (Xu et al., 2010; Cruz and Marques, 2012; Martin and Halachmi, 2012); return (Harris and Raviv, 2010); operational and cost recovery (Albalade et al., 2013); ownership (Walter, 2016), risk of political instability (Schwartz et al., 2014; Walter, 2016), risk of exogenous uncertainty (Engel et al., 2013) and environmental, development impacts and sustainability (Walter, 2016). However, there are limited studies that have been conducted to examine how non-financial factors such as investor trust in the government, influence the decision of investors to finance public infrastructure through PPP arrangements. Thus, this study contributes to the existing knowledge by highlighting the important role of non-financial factor; trust in the government as one of the determinants in increasing the participation of private investors in PPP projects. Also, the strength of the relationship between these variables would be heightened by three elements namely; investor's perception on government service quality, investor's perception on government transparency, and values similarity between private investors and government. With appropriate finance arrangement, private investors will be motivated to invest in PPP projects to boost country's infrastructure development as well as their competitive position in the marketplace.

This study chooses Indonesia as a research setting. Similar to other developing countries, the government has introduced PPP as one of the alternative mechanisms to finance public infrastructure projects of the county. However, despite the surge in PPP projects for infrastructure development, the private sector's participation is still low as the scheme dominated by Indonesian state-owned enterprise. Hence, this study makes an attempt to improve understanding how PPP enhance infrastructure development in Indonesia and explores the impact of trust in the government on PPP investment decisions among private sector.

With the above understanding in mind, this study proceeds with the extant literature on public infrastructure in Indonesia and role of PPP in accelerating infrastructure development in Section 2. In Section 3 we discuss the potential impact of non-financial factor namely trust in government and its attributes on PPP arrangement. Finally, Section 4 concludes with a brief discussion of the findings and some closing remarks.

Literature Review

Public infrastructure in Indonesia

According to data from the World Bank and Organization for Economic Co-operation and Development (OECD), Indonesia has lagged behind in providing for basic needs of the community when compared to a number of its neighbors in East Asia and the Pacific. According to Donaubauer et al (2016), Indonesia is ranked 102 (poor) in terms of infrastructure, while Singapore, Malaysia, Thailand, and the Philippines are placed 2, 38, 58, and 90, respectively. Due to Indonesia's infrastructural shortcomings, public and commercial facilities were not always available, which in turn reduced economic growth (Donaubauer et al., 2016; Walter, 2016).

Therefore, one of the prerequisites that Indonesia must do to accelerate growth and fulfill the basic needs of the community is that authorities must accelerate infrastructure development and improve the quality of the business environment (IMF, 2017). Table 1 indicates the availability of public infrastructure in Indonesia, East Asia and the Pacific countries (EAP) and lower middle income countries.

Table 1

Public infrastructure availability in Indonesia, East Asia and the Pacific countries and lower middle income countries

Indicators	Indonesia	East Asia and Pacific	Lower middle income
Gross National Income (GNI) per capita, Atlas method (current US\$)	1,650	2,358	1,540
Access to electricity (% of population)	53	63	48
Electric power consumption (kwh per capita)	509	1,182	940
Improved water source (%)	80	79	79
Facilities (% of population with access)	52	62	57
Total telephone subscribers per 100 inhabitants	35	33	33

Source: Private Participation in Infrastructure Database (WB) 2000-2017

PPP and Public infrastructure in Indonesia

Many governments throughout the world have used public-private partnership frameworks to hasten the construction of public infrastructure (Liu and Wilkinson, 2011). 132 developing countries have so far allowed private investment in infrastructure projects, including Indonesia (The World Bank Group, 2014). According to the World Bank, public-private partnership is described as mutual cooperation between the government and private sectors on a specific project, in which the private sector can benefit by providing facilities and services to the general public (Ke et al., 2010). Meanwhile, Grimsey and Lewis (2004) defines PPP as a risk-sharing relationship based on the division of tasks and responsibilities between the public sector and private sectors or voluntary sectors to provide mutually agreed public services. Both definitions implicitly emphasize the existence of two distinct interests in each PPP

project, namely the public sector's desire to provide reliable and high-quality services and the private sector's desire to make a profit (Sharma et al., 2010; Farris, 2019). As a result, these two interests must be taken into account in a contract as a collective agreement.

In Indonesia, the economic crisis that hit the country in 1997 and 1998 provided the impetus for the founding of the Indonesian PPP (Carnis and Yuliawati, 2013). Like other countries in East Asia and the Pacific, Indonesia's infrastructure investment was impacted by the global financial crisis. The state funding for public works projects in Indonesia is currently only 80% of what it was prior to the financial crisis. The federal government allocated around 14 billion dollars in 1994 for various building projects. Of this total, 57% went toward enhancing the physical infrastructure. In 2002, just about 5 billion US dollars, or roughly 5 billion, were spent on development, which is 30% decrease from the amount spent in 1994. However, the development of Indonesia's infrastructure serves as the cornerstone upon which the nation's sociocultural life and economy are based (Carnis and Yuliawati, 2013). Given that, PPP is regarded as an alternative mechanism to accelerate infrastructure development in the country. Tables 2.1, 2.2, and 2.3 present Indonesia's experience with PPP implementation in the information technology, transportation (port, road, and airport), and energy sectors.

Table 2

PPP In Indonesia: Electricity Industry

No.	Project	Type	Year	Investment (USD M)	Operation
1	PT <i>i</i> Cikarang <i>i</i> Listrindo	Greenfield	1992	137	BOO
2	PT <i>i</i> Puncak <i>i</i> Jaya <i>i</i> Power	Greenfield	1994	215.5	BOO
3	Karaha <i>i</i> Bodas <i>i</i> Company	Greenfield	1994	380	BOO
4	PT <i>i</i> Paiton <i>i</i> Energy <i>i</i> Company <i>i</i> (Paiton <i>i</i> l)	Greenfield	1995	2470	BOT
5	Gunung <i>i</i> Salak <i>i</i> Geothermal <i>i</i> Power <i>i</i> Plant	Greenfield	1996	434	BOT
6	Sibolga-A <i>i</i> Coal-Fired <i>i</i> Power <i>i</i> Plant	Greenfield	1996	317	BOT
7	PT <i>i</i> Energi <i>i</i> Sengkang	Greenfield	1996	225	BOT
8	Pare <i>i</i> Pare <i>i</i> Power <i>i</i> Plant	Greenfield	1996	70	BOO
9	Dieng <i>i</i> Geothermal <i>i</i> Power <i>i</i> Plant	Greenfield	1996	450	BOT
10	PT <i>i</i> Jawa <i>i</i> Power	Greenfield	1996	1707.6	BOT
11	PT <i>i</i> Asrigita <i>i</i> Prasarana	Greenfield	1997	150	BOT
12	Darajat <i>i</i> Geothermal <i>i</i> Power <i>i</i> Plant	Greenfield	1997	125	BOO
13	Patuha <i>i</i> Power <i>i</i> Ltd.	Greenfield	1997	650	BOT
14	Tanjung <i>i</i> Jati <i>i</i> B <i>i</i> Coal <i>i</i> Plant <i>i</i> Units <i>i</i> 1-4	Greenfield	1997	1800	BOT
15	Wayang <i>i</i> Windu <i>i</i> Power <i>i</i> Project	Greenfield	1998	330	BOO
16	Darajat <i>i</i> Geothermal <i>i</i> Power <i>i</i> Plant	Greenfield	1999	125	BOO
17	Tanjung <i>i</i> Batu <i>i</i> Power <i>i</i> Plant	Greenfield	2003	20	BOO
18	Cilacap <i>i</i> Power	Greenfield	2003	510	BOO
19	Darajat <i>i</i> Geothermal <i>i</i> Power <i>i</i> Plant	Greenfield	2004	128	BOO
20	Panaran <i>i</i> l	Greenfield	2004	30	BOO
21	Tawaeli <i>i</i> Coal-fired <i>i</i> PP	Greenfield	2005	32	BOO
22	Gunung <i>i</i> Megang <i>i</i> Gas <i>i</i> Power <i>i</i> Plant	Greenfield	2006	45	BOO
23	Panaran <i>i</i> ll	Greenfield	2006	28.9	BOO

No.	Project	Type	Year	Investment (USD M)	Operation
24	Medco iPati iGalung iPlant	Greenfield	2006	22	BOT
25	Embalut iCoal-Fired iSteam iPower iPlant	Greenfield	2006	49	BOO
26	Sibayak iGeothermal iPower iPlant	Greenfield	2006	14.6	BOO
27	Asahan-I iHydropower iplant	Greenfield	2006	270	BOO
28	PT iEnergi iSengkang	Greenfield	2007	102	BOT
29	Panaran ill	Greenfield	2007	16.2	BOO
30	Wayang iWindu iPower iProject	Greenfield	2007	305	BOO
31	PLTA iPoso	Greenfield	2008	134	BOO
32	Medco iMultidaya iPrima iElektrindo iPlant	Greenfield	2008	22	BOT
33	Pontianak iPower iPlant	Greenfield	2008	56.2	BOO
34	Bangka iPower iPlant	Greenfield	2008	23	BOO
35	Wayang iWindu iPower iProject	Greenfield	2008	450	BOO
36	Tanjung iJati iB iCoal iPlant iUnits i1-4	Greenfield	2008	2200	BOT
37	Cirebon iCoal-fired iPower iPlant	Greenfield	2010	850	BOT
38	Paiton iIII iThermal iPower iPlant	Greenfield	2010	1450	BOO
39	PT iEnergi iSengkang	Greenfield	2011	205	BOT
40	Atadei iGeothermal iPower iPlant	Greenfield	2011	35	BOO
41	PT iTanjung iKasam iCoal iPlant	Greenfield	2011	126	BOT
42	SGL-Mitabu iSolar iPlant iPhase il	Greenfield	2012	104	BOO
43	Aboitiz iTudaya i1-2 iSHPPs	Greenfield	2012	42.4	BOO
44	KOMIPO iWampu iSHPP	Greenfield	2012	174	BOT
45	PT iMedco iSarulla iGeothermal iPlant	Greenfield	2012	1540	BOO
46	Bina iPuri iDesa iPatteneteang iSHPP	Greenfield	2012	10	BOO
47	PLN/GE iSumba iBiomass iPlant	Greenfield	2012	5	BOO
48	Supraco iGumanti il i& ill iSHPP	Greenfield	2012	25.6	BOO
49	Banten iCoal-Fired iPower iPlant	Greenfield	2013	1000	BOT
50	Cilacap iPower iPlant iPhase ill	Greenfield	2013	900	BOT
51	Kreung ilsep iHydropower iProject	Greenfield	2013	30.7	BOO
52	Sarulla iGeothermal iProject	Greenfield	2014	1540.5	BOO
53	Rajamandala iHydro iPower iPlant	Greenfield	2014	150	BOT
54	Semangka iHPP	Greenfield	2015	191	BOO
55	Cilacap iPower iPlant iExpansion iPhase ill	Brownfield	2016	1398	BOO
56	Hasang iHydroelectric iPlant	Greenfield	2016	210.8	BOO
57	Bengkulu iCoal-Fired iPower iPlant	Greenfield	2016	360	BOT
58	Central iJava iCoal-Fired iPP	Greenfield	2016	4300	BOT
59	Java i7 iPower iStation	Greenfield	2016	1800	BOT
60	Sorik iMarapi iGeothermal iPower iPlant	Greenfield	2017	244.8	BOO
61	Cirebon i2 iCoal i- iFired iPower iPlant	Brownfield	2017	2175	BROT
62	Muara iLaboh iGeothermal iPower iPlant	Greenfield	2017	587.7	BOO
63	Tolo iWind iPark	Greenfield	2017	160	BOO
64	Sumsel i1	Greenfield	2017	750	BOO

No.	Project	Type	Year	Investment (USD M)	Operation
65	KaI Sel iCoal-Fired iPower iPlant	Greenfield	2017	558	BOT
66	Sidrap iWind iFarm	Greenfield	2017	150	BOO
67	Tanjung iJati iB iCoal-Fired iPower iPlant	Brownfield	2017	4194	BROT

Source: World Bank Report on PFI, rearranged for the research purposes

BOO : Build Own Operate

BOT : Build Operate Transfer

ROT : Rehabilitate Operate Transfer

BROT : Build Rehabilitate Operate Transfer

Table 3

PPP In Indonesia: Transportation Industry

No.	Project	Type	Year	Investment (USD M)	Operation
1	Tanjung iPriok iKoja iContainer iTerminal	Brownfield	1995	111.1	ROT
2	Pulau iLaut	Greenfield	1995	110	BOT
3	Balikpapan iCoal iTerminal	Greenfield	1995	50	BOT
4	Tanjung iPerak iContainer iTerminal i	Brownfield	1999	473	BROT
5	PT iJakarta iInternational iContainer	Brownfield	1999	555	BROT
6	PT iJakarta iInternational iContainer	Brownfield	2009	160	BROT
7	Samudera iPalaran iTerminal	Greenfield	2009	60	BOT
8	Jakarta iBandung iHigh-Speed iRailway	Greenfield	2017	6000	BOT
9	Merak-Tangerang iToll iRoad	Brownfield	1990	116	BROT
10	Karawang iTimur iToll iRoad	Brownfield	1991	10.8	ROT
11	Cibitung-Cikampek iToll iRoad	Brownfield	1992	38.5	ROT
12	Cawang-Cibitung iToll iRoad	Brownfield	1992	76	ROT
13	Jakarta iOuter iRing iRoad	Brownfield	1993	300	BROT
14	Kebon iJeruk-Tangerang iToll iRoad	Brownfield	1993	51.5	ROT
15	Karawaci iToll iRoad	Brownfield	1994	14	ROT
16	Cibitung iToll iRoad	Brownfield	1994	7	ROT
17	Kali iHurip iToll iRoad	Brownfield	1994	5.7	ROT
18	Sentul iSelatan iToll iRoad	Brownfield	1995	7.7	ROT
19	Jakarta iOuter iRing iRoad i	Brownfield	1995	224	BROT
20	Waru iJuanda iToll iRoad	Greenfield	2004	155.5	BOT
21	Magelang iToll iRoad i	Greenfield	2004	3.7	BOT
22	Cikarang-Tanjung iPriok iRoad	Greenfield	2006	372	BOT
23	Kanci-Pejagan iToll iRoad	Greenfield	2007	228.6	BOT
24	Makassar iSeksi iIV iToll iRoad	Greenfield	2007	49	BOT
25	Jakarta iOuter iRing iRoad iSection iW1	Greenfield	2007	241	BOT
26	Cikampek iPalimanan iToll iRoad i	Greenfield	2012	1300	BOT
27	Serpong iBalaraja iToll iRoad	Greenfield	2016	462	BOT

Source: World Bank Report on PFI, rearranged for the research purposes

BOO : Build Own Operate

BOT : Build Operate Transfer

ROT : Rehabilitate Operate Transfer

BROT : Build Rehabilitate Operate Transfer

Table 4

PPP In Indonesia: Information Technology (IT) Industry

No.	Project	Type	Year	Investment (USD M)	Operation
1	PT <i>i</i> Satelindo <i>i</i> Palapa <i>i</i> Indonesia	Greenfield	1993	250	Merchant
2	PT <i>i</i> Indosat	Divestiture	1994	1119	Partial
3	PT <i>i</i> Telkomunikasi <i>i</i> Selular	Divestiture	1995	1580	Partial
4	PT <i>i</i> Komselindo <i>i</i>	Greenfield	1995	136	Merchant
5	PT <i>i</i> Ariawest <i>i</i> International	Brownfield	1996	615	BROT
6	PT <i>i</i> Pramindo <i>i</i> kat <i>i</i> Nusantara	Brownfield	1996	635	BROT
7	PT <i>i</i> Bukaka <i>i</i> Singtel <i>i</i> International	Brownfield	1996	400	BROT
8	PT <i>i</i> Daya <i>i</i> Mitra <i>i</i> Telekomunikasi	Brownfield	1996	20	BROT
9	PT <i>i</i> Mitra <i>i</i> Global <i>i</i> Telekomunikasi	Brownfield	1996	575	BROT
10	PT <i>i</i> Telekomunikasi <i>i</i> Selular	Divestiture	1996	392	Partial
11	Palapa <i>i</i> Ring <i>i</i> West <i>i</i> Broadband	Greenfield	2016	97.5	BOT
12	Palapa <i>i</i> Ring <i>i</i> Central <i>i</i> Broadband	Greenfield	2016	106.5	BOT
13	Palapa <i>i</i> Ring <i>i</i> East <i>i</i> Broadband	Greenfield	2017	385.26	BOT

Source: World Bank Report on PFI, rearranged for the research purposes

BOO : Build Own Operate

BOT : Build Operate Transfer

ROT : Rehabilitate Operate Transfer

BROT : Build Rehabilitate Operate Transfer

Despite the surge in PPP projects for infrastructure development, the private sector's participation is still low as the scheme dominated by Indonesian state-owned enterprise. The decision of private investors to invest in infrastructure projects as a collaboration with the central government will determine the success of the government in meeting the needs of the community and, overall, increasing the country's competitiveness (Donaubauer et al., 2014; Walters, 2016). Thus, one of the issues facing the government is how to attract and fulfil the private sector's expectations to engage in government infrastructure projects, particularly in an uncertain economic environment.

Trust in Government and Investor Decision on PPP

In PPP context, the government and the private sector need to work together in order for a public-private partnership project to be successful. In addition to formal coordination, this cooperation must also be built on mutual trust between the two sectors. Previous studies have indicated that investors' levels of trust are a significant element in determining whether or not they will participate in a particular investment transaction (Kim et al., 2018; Liu et al., 2022; Xu et al., 2022). Indeed, Akhtar and Das (2019) stress that trust influences an investor's decision to invest.

Given that, private sector participation in a PPP project is likely to be influenced by trust in the government. Trust in government can be defined as something mutual and reciprocal

that must be done by both sides, namely the government and the citizens (Beshi & Kaur, 2020), and that applies reciprocally. If the public sees and experiences the government's performance for the welfare of the people, public confidence in the government will increase. The population's trust will grow as a result of the relationship between organizations that give services to the population in the direction of prosperity (Grimmelikhuijsen et al., 2013) and empower the people (Lind, 2018). People's trust in the government will arise if the government clearly demonstrates its performance. However, the opposite performance will lead to people's distrust in the government (Rim & Dong, 2018).

Trust in government involves cognitive, emotional, and behavioral elements (Lind, 2018; Van Prooijen, 2019). First, increases in citizen trust reflect favorable assessments of relevant constructs such as a government's credible commitment, compassion, honesty, competency, and justice. Second, trust in government develops on both an organizational and interpersonal level, particularly in terms of government performance and ethics (Kim & Baniamin, 2021).

Prior studies highlight three primary factors that contribute to trust in government, namely government service quality (Fledderus, 2015; Pinem et al., 2018; Sultan & Wong, 2019), government transparency (Albu & Flyverbom, 2019; Bastida Albaladejo, 2019); and values similarity (Albu & Flyverbom, 2019; Andaleeb et al., 2022; Bayly & Bumpus, 2020).

Service Quality

The level of trust that people have in their government will be directly proportional to the quality of the services it provides (Martinez & Bosque, 2013). The inability of the government to provide the people with the services it promises has the effect of degrading the government's image, which, in essence, will result in a reduction in trust in the government (Habibov et al., 2017). Public trust in the government will grow when the relationship between organizations that provide services to the community leads to prosperity, which states that the government must lead. The way the government works and the way they serve the community will affect people's trust in government services.

Public trust in the government will emerge if the government clearly shows its performance and vice versa. In the end, poor service will lead to public distrust of the government. Therefore, the government in all its activities will be good if it is also good in providing services to the community. For the PPP context, the investors consider that when the government provides high quality services, they will have a higher level of trust in the government. The experience of the investors when receiving services from the government, both direct services by government agencies and public services provided by proxies of government agencies will be reflected in the assessment of the satisfaction index, which will then describe the quality of government services which in turn attract them to participate in PPP programs.

Transparency

Zhao and Hu (2017) argue that transparency plays important role in strengthening trust in relationships. In addition, transparency creates a climate of trust among people, encourages more belief in government, and promotes an open environment in which citizens can manage the system and participate in the decision-making process (Foscht et al., 2018; Nunkoo et al., 2018).

Government transparency is defined as the openness and availability of access to information. Several previous studies have strongly confirmed the importance of the concept

of transparency in the public service system (Beshi & Kaur, 2020; Grimmelikhuijsen et al., 2013). The existence of transparency by the government in policy making can be an entry point for the public to obtain information so that they can check and balance the government. Transparency in government administration will make the government accountable for providing information to the public. This is due to the role of the government as a provider of information to the public as one of the main stakeholders in a country.

Government transparency enables potential investors to get information on what the government is doing. The form of providing such information can be in the form of reports on every program carried out by the government through each ministry and department which is updated on the website as well as social media, print and electronic on a regular and ongoing basis. The ease access to this information makes the basis for investors to make investment decisions and increase their trust in the government which in turn motivate them to join government programs like PPP.

Similarity Values

The similarity of values between investors and the government is a form of how much investors perceive what has been, is being, and will be implemented also by the government. This value then becomes the basis for investors whether it has something in common with the value that the government wants to provide. If the measure of this value is then close to the same between the government and investors, it will result in an increase in investor trust in the government.

The basis of the relationship between values similarity and trust in government is the opinion expressed by Siegrist et al (2000) which indicates that people base trust on the feeling that government agencies share similar thoughts, values, and opinions. Therefore, the assessment of similarity values is linked first with the salient values of each person whose value is being assessed (Mehrotra et al., 2021). Salient values are the values that people have, which according to them, are important goals or processes that they have and follow in certain situations.

According to stakeholder theory, the similarity of values increase investors trusts in the government. The implication on the effect of values similarity on trust in government is that the public, in this context is the private sector, pays attention to how the government holds values that have been mutually agreed upon. When the government proves that the policies taken have been based on shared values, the community will increasingly trust the government. In the case the public sector has the hope that the private sector is interested in being involved in the development of infrastructure projects through public private partnerships, the government needs to understand the similarity value between them to increase trust in government which will eventually encourage the private sector to invest in the projects offered by the government. Figure 1 shows three factors affect trust in government which ultimately influence investor decision on PPP investment.

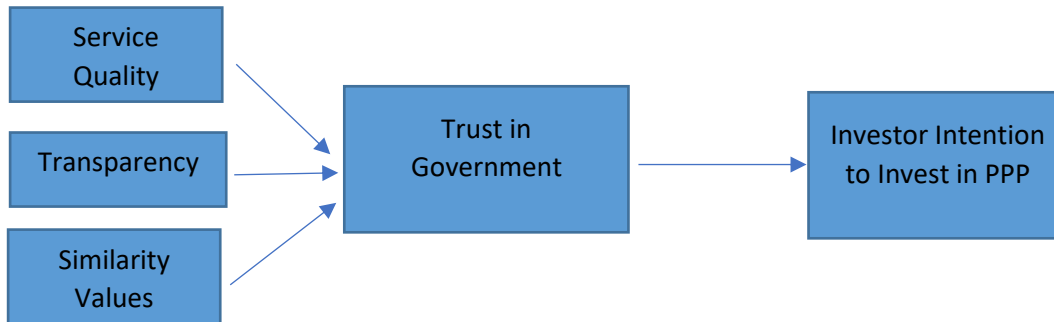


Figure 1. Conceptual model of trust in government and PPP investor decision

Conclusion

This study examines the relationship between trust in government and investors' intention to invest in PPP. Contradict to prior research, which placed a greater emphasis on financial factors such as return and potential risks, this study concentrates on non-financial factors and how they affect private sector decisions in Indonesian PPP projects. In general, this study adds to the body of knowledge that private sector engagement in government projects can be significantly boosted by private sector trust in the government. The results also show that three factors—government service quality, government transparency, and similarity of values—are responsible for the degree of public trust in government. Thus, in order to increase investors' intention to invest, the government must strive the efforts to provide high quality services and be transparent. In addition, the government need to be planned with values that are currently accepted in the business world. Given that no empirical investigation was included in this research, we encourage future research to empirically investigate the relationship between trust in government and investors' intention to invest in PPP.

Acknowledgements

We acknowledge the Accounting Research Institute, Universiti Teknologi MARA that have given full support to this project.

References

- Akhtar, F., & Das, N. (2019). Predictors of investment intention in Indian stock markets: Extending the theory of planned behaviour. *International Journal of Bank Marketing*, 37(1), 97–119. <https://doi.org/10.1108/IJBM-08-2017-0167>.
- Albaladejo, D., Bel, G., & Geddes, R. R. (2013). Recovery Risk and Labor Costs in Public-Private Partnerships: Contractual Choice in the US Water Industry. *Local Government Studies*, 39(3), 332–351. <https://doi.org/10.1080/03003930.2013.778831>.
- Albaladejo, D., Bel, G., & Geddes, R. R. (2020). Do Public-Private-Partnership-Enabling Laws Increase Private Investment in Transportation Infrastructure? *The Journal of Law and Economics*, 63(1), 43–70. <https://doi.org/10.1086/706247>.
- Albu, O. B., & Flyverbom, M. (2019). Organizational Transparency: Conceptualizations, Conditions, and Consequences. *Business and Society*, 58(2), 268–297. <https://doi.org/10.1177/0007650316659851>.
- Andaleeb, S. S., Saleh, M. A., & Ali, M. Y. (2022). The moderating role of cultural similarity in developing commitment in the industrial importer-supplier relationship. *Journal of Business and Industrial Marketing*, 37(3), 657–672. <https://doi.org/10.1108/JBIM-07-2020-0309>.
- Bastida Albaladejo, F. J. (2019). Transparency and government trust. *Public Sector Economics*, 43(1), 15–19. <https://doi.org/10.3326/PSE.43.1.3>
- Bayly, B. L., & Bumpus, M. F. (2020). Patterns and implications of values similarity, accuracy, and relationship closeness between emerging adults and mothers. *Journal of Moral Education*, 49(4), 496–511. <https://doi.org/10.1080/03057240.2019.1669545>.
- Beshi, T. D., & Kaur, R. (2020). Public Trust in Local Government: Explaining the Role of Good Governance Practices. *Public Organization Review*, 20(2), 337–350. <https://doi.org/10.1007/s11115-019-00444-6>.
- Carnis, L., & Yuliawati, E. (2013). Nusantara: Between sky and earth could the PPP be the solution for Indonesian airport infrastructures?. *Case Studies on Transport Policy*, 1(1-2), 18-26.
- Chan, A. P. C., & Oppong, G. D. (2017). Managing the expectations of external stakeholders in construction projects. *Engineering, Construction and Architectural Management*, 24(5), 736–756. <https://doi.org/10.1108/ECAM-07-2016-0159>.
- Clark, S. S., Seager, T. P., & Chester, M. V. (2018). A capabilities approach to the prioritization of critical infrastructure. *Environment Systems and Decisions*, 38(3), 339–352. <https://doi.org/10.1007/s10669-018-9691-8>.
- Cruz, N. F. da, & Marques, R. C. (2012). Delivering Local Infrastructure through PPPs: Evidence from the School Sector. *Journal of Construction Engineering and Management*, 138(12), 1433–1443. [https://doi.org/10.1061/\(asce\)co.1943-7862.0000558](https://doi.org/10.1061/(asce)co.1943-7862.0000558).
- Donaubauer, J., Meyer, B. E., & Nunnenkamp, P. (2016). A New Global Index of Infrastructure: Construction, Rankings and Applications. *World Economy*, 39(2), 236–259. <https://doi.org/10.1111/twec.12290>.
- Engel, E., Fischer, R., & Galetovic, A. (2010). The economics of infrastructure finance: Public-Private Partnerships versus public provision. *EIB Paper*, 15(1), 40–59.
- Fledderus, J. (2015). Building trust through public service co-production. *International Journal of Public Sector Management*, 28(7), 550–565. <https://doi.org/10.1108/IJPSM-06-2015-0118>.

- Foscht, T., Lin, Y., & Eisingerich, A. B. (2018). Blinds up or down?: The influence of transparency, future orientation, and CSR on sustainable and responsible behavior. *European Journal of Marketing*, 52(3–4), 476–498. <https://doi.org/10.1108/EJM-10-2016-0576>.
- Grimmelikhuisen, S., Porumbescu, G., Hong, B., & Im, T. (2013). The Effect of Transparency on Trust in Government: A Cross-National Comparative Experiment. *Public Administration Review*, 73(4), 575–586. <https://doi.org/10.1111/puar.12047>
- Grimsey, D., & Lewis, M. K. (2004). *Public Private Partnerships: The Worldwide Revolution in Infrastructure Provision and Project Finance* (1st ed.). Edward Elgar Publishing Ltd.
- Habibov, N., Cheung, A., & Auchynnikava, A. (2017). Does social trust increase willingness to pay taxes to improve public healthcare? Cross-sectional cross-country instrumental variable analysis. *Social Science and Medicine*, 189, 25–34. <https://doi.org/10.1016/j.socscimed.2017.07.023>.
- Harris, M., & Raviv, A. (2010). The Society for Financial Studies Control of Corporate Decisions : Shareholders vs . Management. *The Review of Financial Studies*, 23(11), 4115–4147.
- In, S. Y., Casemiro, L. A. S., & Kim, J. (2017). A decision framework for successful private participation in the airport sector. *Journal of Air Transport Management*, 62, 217–225. <https://doi.org/10.1016/j.jairtraman.2017.05.001>.
- Ismail, S., Musawa, M. S., & Ahmad, H. (2019). Transparency of public private partnership (PPP): the extent of mandatory information disclosure. *Built Environment Project and Asset Management*, 9(5), 655–668. <https://doi.org/10.1108/BEPAM-01-2018-0020>.
- Jianqing, J. (2016). The Role of Financial Institutions in Economic Development. *Central Banking*. https://doi.org/10.1007/978-1-4615-4040-3_13.
- Ke, Y., Wang, S., Chan, A. P., & Lam, P. T. (2010). Preferred risk allocation in China’s public–private partnership (PPP) projects. *International Journal of Project Management*, 28(5), 482–492.
- Kim, S., & Baniamin, H. M. (2021). Understanding the Dynamics of Institutional Trust in Indonesia, Malaysia, and Thailand. *International Journal of Public Administration*, 00(00), 1–11. <https://doi.org/10.1080/01900692.2021.1948566>.
- Kim, S., Lee, J., & Lee, J. (2018). Citizen participation and public trust in local government: The Republic of Korea case. *OECD Journal on Budgeting*, 18(2), 73–92. <https://doi.org/10.1787/budget-18-5j8fz1kqp8d8>.
- Kociemska, H. (2020). Public- Private Partnership: Reconciling Mainstream and Islamic Finance in sub-Saharan Africa. *Emerging Markets Finance and Trade*, 56(12), 2891–2907. <https://doi.org/10.1080/1540496X.2019.1695594>.
- Lind, E. A. (2018). Transparency, trust and public value. In J. Wanna & S. Vincent (Eds.), *Opening Government* (pp. 87–105). ANU Press. <https://www.jstor.org/stable/j.ctv1rmjnj.12>.
- Liu, J., Lei, X., Zhou, Y., & Zeng, J. (2022). Analyzing Factors Influencing Government Control Rights in PPP Projects from the Perspective of Investors. *Discrete Dynamics in Nature and Society*, 2022, 1–9. <https://doi.org/10.1155/2022/9394382>.
- Liu, T., & Wilkinson, S. (2011). Adopting innovative procurement techniques: Obstacles and drivers for adopting public private partnerships in New Zealand. *Construction Innovation*, 11(4), 452–469. <https://doi.org/10.1108/14714171111175918>.
- Martin, L. L. (2016). Making sense of public-private partnerships (P3s). *Journal of Public Procurement*, 16(2), 191–207. <https://doi.org/10.1108/jopp-16-02-2016-b002>.

- Martínez, P., & Rodríguez del Bosque, I. (2013). CSR and customer loyalty: The roles of trust, customer identification with the company and satisfaction. *International Journal of Hospitality Management*, 35, 89–99. <https://doi.org/10.1016/J.IJHM.2013.05.009>.
- Mehrotra, S., Jonker, C. M., & Tielman, M. L. (2021). More Similar Values, More Trust? - The Effect of Value Similarity on Trust in Human-Agent Interaction. In *AIES 2021 - Proceedings of the 2021 AAAI/ACM Conference on AI, Ethics, and Society* (Vol. 1, Issue 1). Association for Computing Machinery.
- Mohamad, R., Ismail, S., & Mohd Said, J. (2018). Performance objectives of public private partnership implementation in Malaysia: perception of key players. *Journal of Asia Business Studies*, 12(1), 17–30. <https://doi.org/10.1108/JABS-09-2015-0167>.
- Nunkoo, R., Ribeiro, M. A., Sunnassee, V., & Gursoy, D. (2018). Public trust in mega event planning institutions: The role of knowledge, transparency and corruption. *Tourism Management*, 66, 155–166. <https://doi.org/10.1016/j.tourman.2017.11.010>.
- Pfisterer, S. (2017). Public–Private Partnership for Development: Governance Promises and Tensions Stella. In *The Emerald Handbook of Public–Private Partnerships in Developing and Emerging Economies* (pp. 141–164). <https://doi.org/https://doi.org/10.1108/978-1-78714-493-420171005>.
- Pinem, A. A., Immanuella, I. M., Hidayanto, A. N., Phusavat, K., & Meyliana. (2018). Trust and its impact towards continuance of use in government-to-business online service. *Transforming Government: People, Process and Policy*, 12(3–4), 265–285. <https://doi.org/10.1108/TG-02-2018-0008>.
- Rim, H., & Dong, C. (2018). Trust and distrust in society and public perception of CSR: A cross-cultural study. *Social Responsibility Journal*, 14(1), 1–19. <https://doi.org/10.1108/SRJ-01-2017-0016>.
- Sharma, C. (2012). Determinants of PPP in infrastructure in developing economies. *Transforming government: people, process and policy*.
- Siegrist, M., Siegrist, M., Cvetkovich, G., & Roth, C. (2000). Salient Value Similarity , Social Trust , and Risk / Benefit Perception. *Risk Analysis*, 20(3), 353–362. <https://doi.org/10.1111/0272-4332.203034>.
- Sultan, P., & Wong, H. Y. (2019). How service quality affects university brand performance, university brand image and behavioural intention: the mediating effects of satisfaction and trust and moderating roles of gender and study mode. *Journal of Brand Management*, 26(3), 332–347. <https://doi.org/10.1057/s41262-018-0131-3>.
- Van Prooijen, A. M. (2019). Public trust in energy suppliers' communicated motives for investing in wind power. *Journal of Environmental Psychology*, 61(January), 115–124. <https://doi.org/10.1016/j.jenvp.2019.01.004>.
- Walter, I. (2016). Legal Structures and Frameworks. In *The Infrastructure Finance Challenge* (pp. 31–38). New York University. <https://doi.org/10.11647/obp.0106.04>.
- World Bank Group. (2014). *The World Bank Group A to Z 2015*. World Bank Publications.
- Xu, X., Xie, Y., Xiong, F., & Li, Y. (2022). The Impact of COVID-19 on Investors' Investment Intention of Sustainability-Related Investment: Evidence from China. *Sustainability (Switzerland)*, 14(9). <https://doi.org/10.3390/SU14095325>.
- Xu, Y., Chan, A. P. C., & Yeung, J. F. Y. (2010). Developing a Fuzzy Risk Allocation Model for PPP Projects in China. *Journal of Construction Engineering and Management*, 136(8), 894–903. [https://doi.org/10.1061/\(asce\)co.1943-7862.0000189](https://doi.org/10.1061/(asce)co.1943-7862.0000189).

Zangouinezhad, A., & Azar, A. (2014). How public-private partnership projects impact infrastructure industry for economic growth. *International Journal of Social Economics*, 41(10), 994–1010. <https://doi.org/10.1108/IJSE-04-2013-0083>.

Zhao, D., & Hu, W. (2017). Determinants of public trust in government: empirical evidence from urban China. *International Review of Administrative Sciences*, 83(2), 358–377. <https://doi.org/10.1177/0020852315582136>.