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

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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 mechanisms 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 (Albalate et al., 2020; Pfisterer, 2017; Zangoueinezhad & 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 (Albalate 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 iCikarang iListrindo | Greenfield       | 1992 | 137                | BOO       |
| 2   | PT iPuncak iJaya iPower | Greenfield       | 1994 | 215.5              | BOO       |
| 3   | Karaha iBodas iCompany | Greenfield       | 1994 | 380                | BOO       |
| 4   | PT iPaiton iEnergy iCompany i(Paiton iI) | Greenfield | 1995 | 2470              | BOT       |
| 5   | Gunung iSalak iGeothermal iPower iPlant | Greenfield | 1996 | 434                | BOT       |
| 6   | Sibolga-A iCoal-Fired iPower iPlant | Greenfield | 1996 | 317                | BOT       |
| 7   | PT iEnergi iSengkang | Greenfield       | 1996 | 225                | BOT       |
| 8   | Pare iPare iPower iPlant | Greenfield       | 1996 | 70                 | BOT       |
| 9   | Dieng iGeothermal iPower iPlant | Greenfield | 1996 | 450                | BOT       |
| 10  | PT iJawa iPower     | Greenfield       | 1996 | 1707.6             | BOT       |
| 11  | PT iAsrigita iPrasarana | Greenfield     | 1997 | 150                | BOT       |
| 12  | Darajat iGeothermal iPower iPlant | Greenfield | 1997 | 125                | BOO       |
| 13  | Patuha iPower iLtd. | Greenfield       | 1997 | 650                | BOT       |
| 14  | Tanjung iJati iB iCoal iPlant iUnits i1-4 | Greenfield | 1997 | 1800              | BOT       |
| 15  | Wayang iWindu iPower iProject | Greenfield  | 1998 | 330                | BOO       |
| 16  | Darajat iGeothermal iPower iPlant | Greenfield | 1999 | 125                | BOO       |
| 17  | Tanjung iBatu iPower iPlant | Greenfield       | 2003 | 20                 | BOO       |
| 18  | Cilacap iPower     | Greenfield       | 2003 | 510                | BOO       |
| 19  | Darajat iGeothermal iPower iPlant | Greenfield | 2004 | 128                | BOO       |
| 20  | Panaran ii         | Greenfield       | 2004 | 30                 | BOO       |
| 21  | Tawaeli iCoal-fired iPP | Greenfield      | 2005 | 32                 | BOO       |
| 22  | Gunung iMegang iGas iPower iPlant | Greenfield | 2006 | 45                | BOO       |
| 23  | Panaran iii        | Greenfield       | 2006 | 28.9               | BOO       |
| No. | Project                                      | Type         | Year | Investment (USD M) | Operation |
|-----|----------------------------------------------|--------------|------|--------------------|-----------|
| 24  | Medco i/Pati i/Galung i/Plant               | Greenfield   | 2006 | 22                 | BOT       |
| 25  | Embalut i/Coal-Fired i/Steam i/Power i/Plant | Greenfield   | 2006 | 49                 | BOO       |
| 26  | Sibayak i/Geothermal i/Power i/Plant        | Greenfield   | 2006 | 14.6               | BOO       |
| 27  | Asahan i/Hydropower i/Plant                | Greenfield   | 2006 | 270                | BOO       |
| 28  | PT i/Energi i/Sengkang                     | Greenfield   | 2007 | 102                | BOT       |
| 29  | Panaran i/II                              | Greenfield   | 2007 | 16.2               | BOO       |
| 30  | Wayang i/Windu i/Power i/Project           | Greenfield   | 2007 | 305                | BOO       |
| 31  | PLTA i/Poso                                | Greenfield   | 2008 | 134                | BOO       |
| 32  | Medco i/Multidaya i/Prima i/Elektrindo i/Plant | Greenfield   | 2008 | 22                 | BOT       |
| 33  | Pontianak i/Power i/Plant                  | Greenfield   | 2008 | 56.2               | BOO       |
| 34  | Bangka i/Power i/Plant                     | Greenfield   | 2008 | 23                 | BOO       |
| 35  | Wayang i/Windu i/Power i/Project           | Greenfield   | 2008 | 450                | BOO       |
| 36  | Tanjung i/Jati i/B i/Coal i/Plant i/Units i/1-4 | Greenfield   | 2008 | 2200               | BOT       |
| 37  | Cirebon i/Coal-fired i/Power i/Plant       | Greenfield   | 2010 | 850                | BOT       |
| 38  | Paiton i/III i/Thermal i/Power i/Plant     | Greenfield   | 2010 | 1450               | BOO       |
| 39  | PT i/Energi i/Sengkang                    | Greenfield   | 2011 | 205                | BOT       |
| 40  | Atadei i/Geothermal i/Power i/Plant        | Greenfield   | 2011 | 35                 | BOO       |
| 41  | PT i/Tanjung i/Kasam i/Coal i/Plant        | Greenfield   | 2011 | 126                | BOT       |
| 42  | SGI-Mitabu i/Solar i/Plant i/Phase ii     | Greenfield   | 2012 | 104                | BOO       |
| 43  | Aboitz i/Tudaya i/2 /SHPPs                | Greenfield   | 2012 | 42.4               | BOO       |
| 44  | KOMIPO i/Wampu i/SHPP                     | Greenfield   | 2012 | 174                | BOT       |
| 45  | PT i/Medco i/Sarulla i/Geothermal i/Plant  | Greenfield   | 2012 | 1540               | BOO       |
| 46  | Bina i/Puri i/Desa i/Patteneteang i/SHPP  | Greenfield   | 2012 | 10                 | BOO       |
| 47  | PLN/GE i/Sumba i/Biomass i/Plant           | Greenfield   | 2012 | 5                  | BOO       |
| 48  | Supbraco i/Gumanti i & ii i/SHPP          | Greenfield   | 2012 | 25.6               | BOO       |
| 49  | Banten i/Coal-Fired i/Power i/Plant       | Greenfield   | 2013 | 1000               | BOT       |
| 50  | Cilacap i/Power i/Plant i/Phase ii        | Greenfield   | 2013 | 900                | BOT       |
| 51  | Kreung i/sep i/Hydropower i/Project       | Greenfield   | 2013 | 30.7               | BOO       |
| 52  | Sarulla i/Geothermal i/Project            | Greenfield   | 2014 | 1540.5             | BOO       |
| 53  | Rajamandala i/Hydro i/Power i/Plant       | Greenfield   | 2014 | 150                | BOT       |
| 54  | Semangka i/HPP                            | Greenfield   | 2015 | 191                | BOO       |
| 55  | Cilacap i/Power i/Plant i/Expansion i/Phase ii | Brownfield | 2016 | 1398               | BOO       |
| 56  | Hasang i/Hydroelectric i/Plant            | Greenfield   | 2016 | 210.8              | BOO       |
| 57  | Bengkulu i/Coal-Fired i/Power i/Plant     | Greenfield   | 2016 | 360                | BOT       |
| 58  | Central i/Java i/Coal-Fired i/IPP         | Greenfield   | 2016 | 4300               | BOT       |
| 59  | Java i/Power i/Station                    | Greenfield   | 2016 | 1800               | BOT       |
| 60  | Sorik i/Marapi i/Geothermal i/Power i/Plant | Greenfield   | 2017 | 244.8              | BOO       |
| 61  | Cirebon i/2 i/Coal i- i/Fired i/Power i/Plant | Brownfield | 2017 | 2175               | BROT      |
| 62  | Muara i/Laboh i/Geothermal i/Power i/Plant | Greenfield   | 2017 | 587.7              | BOO       |
| 63  | Tolo i/Windu i/Park                      | Greenfield   | 2017 | 160                | BOO       |
| 64  | Sumsel i/1                               | Greenfield   | 2017 | 750                | BOO       |
### PPP In Indonesia: Transportation Industry

| No. | Project                                         | Type     | Year | Investment (USD M) | Operation |
|-----|-------------------------------------------------|----------|------|--------------------|-----------|
| 65  | KalSel 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                          | 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 iAEC 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
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 fulfill 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.

### Table 4
**PPP In Indonesia: Information Technology (IT) Industry**

| No. | Project                          | Type           | Year | Investment (USD M) | Operation |
|-----|----------------------------------|----------------|------|--------------------|-----------|
| 1   | PT /Satelindo /Palapa /Indonesia | Greenfield     | 1993 | 250                | Merchant  |
| 2   | PT /Indosat                      | Divestiture    | 1994 | 1119               | Partial   |
| 3   | PT /Telkomunikasi /Selular      | Divestiture    | 1995 | 1580               | Partial   |
| 4   | PT /Komselindo                  | Greenfield     | 1995 | 136                | Merchant  |
| 5   | PT /Ariawest /International      | Brownfield     | 1996 | 615                | BROT      |
| 6   | PT /Pramindo /Ikat /Nusantara   | Brownfield     | 1996 | 635                | BROT      |
| 7   | PT /Bukaka /Singtel /International| Brownfield     | 1996 | 400                | BROT      |
| 8   | PT /Daya /Mitra /Telekomunikasi| Brownfield     | 1996 | 20                 | BROT      |
| 9   | PT /Mitra /Global /Telekomunikasi| Brownfield     | 1996 | 575                | BROT      |
| 10  | PT /Telekomunikasi /Selular     | Divestiture    | 1996 | 392                | Partial   |
| 11  | Palapa /Ring /West /Broadband   | Greenfield     | 2016 | 97.5               | BOT       |
| 12  | Palapa /Ring /Central /Broadband| Greenfield     | 2016 | 106.5              | BOT       |
| 13  | Palapa /Ring /East /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
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 increases 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.
Conclusion
This study examines the relationship between trust in government and investors’ intention to invest in PPP. Contrary 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.

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