Research Paper

Public Trust and Governance in Driving Urban-Rural Economic Mobility through Licensing Ease

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Abstract

Economic mobility between urban and rural areas is essential for regional development, particularly in Southeast Sulawesi. This study investigates the relationship between business licensing in the transportation sector, good governance, and public trust in enhancing economic mobility. Specifically, it examines how the ease of business licensing influences public trust (H1) and good governance (H2), and how public trust mediates the relationship between licensing reforms and governance outcomes (H3). Adopting a quantitative approach within a positivist paradigm, data were collected through surveys targeting stakeholders involved in transportation-sector licensing. The analysis utilized Structural Equation Modeling with the Partial Least Squares method (SEM-PLS) to test causal relationships. Results indicate that streamlined business licensing significantly improves public trust, thereby strengthening good governance practices.

Furthermore, public trust serves as a mediating factor, linking licensing reforms to improved governance outcomes, underscoring its importance for effective policy implementation. These findings underscore the strategic role of licensing reforms in reducing bureaucratic barriers, enhancing transparency, and fostering public confidence—key drivers for urban-rural economic integration. For policymakers, the study highlights that optimizing licensing processes, strengthening governance, and building trust can facilitate investment, improve transportation infrastructure, and accelerate regional economic connectivity. Future research should examine the broader socio-economic implications of licensing system improvements across different sectors and regions to develop more comprehensive strategies for sustainable regional development.

Keywords: Economic mobility; urban-rural connectivity; business licensing; transportation sector; good governance, public trust

INTRODUCTION

Economic mobility refers to the ability of individuals, families, or entire communities to improve their economic status over time. Strengthening economic mobility between urban and rural areas is essential for reducing regional disparities, enhancing social equity, and ensuring sustainable economic growth. The concept of economic mobility is rooted in theories that emphasize the flow of resources, labor, capital, and knowledge across geographic spaces. According to Todaro (1976) and Harris and Todaro (1970), economic migration between urban and rural regions is driven by disparities in employment opportunities, wages, and infrastructure development. This theoretical framework suggests that balanced economic mobility can be achieved by enhancing connectivity, improving infrastructure, and implementing supportive policies to facilitate investment and entrepreneurship in both regions.

In developing regions like Southeast Sulawesi, Indonesia, strengthening economic mobility is particularly critical due to the socioeconomic divide between urban and rural areas. Urban centers typically attract investment, talent, and business development, while rural areas often face challenges due to limited market access, deficient infrastructure, and restricted economic opportunities. Addressing these gaps requires targeted interventions that promote business development, improve public services, and ensure efficient governance.

As a developing nation, Indonesia requires both domestic and foreign investment to drive economic growth, particularly following the economic downturn triggered by the COVID-19 pandemic that began in early 2020. Recognizing the crucial role investment plays in boosting the economy, the Indonesian government has introduced several economic policy initiatives to simplify licensing procedures and encourage greater investment across various regions. However, this goal faces challenges due to persistent issues in the field, notably the lengthy, complex licensing bureaucracy, which continues to hinder economic progress.

In response, the government has taken significant steps by establishing a One-Stop Integrated Service Institution in all regions, in accordance with Presidential Regulation Number 97 of 2014 on the Implementation of One-Stop Integrated Services. This policy is intended to streamline business processes, provide investors with convenience and certainty, and increase regional competitiveness.

The mandate of Law Number 11 of 2020 concerning Job Creation encourages the birth of derivative regulations that serve as guidelines for the work of the Central Government and Regional Governments, especially regarding ease of doing business and services in the regions. Various previous studies (Olagunju & Ikeolumba, 2019; Keping, 2018) emphasize that an efficient licensing process is crucial to creating a conducive environment for business activities, especially for micro, small, and medium enterprises (MSMEs), which play an important role in driving regional economic growth.

The transportation sector is one of the strategic sectors that requires improvement in licensing procedures to support economic mobility. By simplifying licensing in this sector, the government wants to improve connectivity between urban and rural areas, thus facilitating the movement of goods, services, and people. This approach aligns with the broader objectives of the Southeast Sulawesi Provincial Government, namely improving governance and promoting regional economic growth.

Despite these initiatives, licensing issues in Indonesia remain complex and lengthy. The bureaucratic system, including licensing procedures managed by government agencies, still reflects a lack of responsiveness. Government officials are often indifferent to the community as recipients of services, and there is a tendency to shift responsibility when problems arise. According to Herniati (2021), these licensing constraints significantly hamper investment growth in Indonesia. However, as the digital era advances, the licensing process has undergone substantial transformation through the introduction of an electronic licensing system and a risk-based approach, designed to streamline and improve licensing management (Ekawati & Sarikun, 2023).

The government continues to strive to improve the ease of doing business by reducing the number of procedures, minimizing processing time, and lowering costs through revisions to technical regulations across various ministries and related institutions. Research findings (Lee & Yu, 2013; Myeong et al., 2014; Khattab et al., 2015) show that simplifying licensing procedures can encourage good governance, thereby strengthening public trust. Public trust has been recognized as an important factor mediating the relationship between business licensing reform and better governance outcomes (Fakhoury & Baker, 2016; Purwanto & Susanto, 2018; Handoyo, 2018; Munyoka & Maharaj, 2019; Yadav et al., 2020).

Another important finding is that good governance positively influences public trust, reinforcing the importance of transparent and efficient licensing processes in building trust among business stakeholders and the public (Saputra et al., 2024; Beshi & Kaur, 2020).

Drawing on theoretical foundations and empirical findings, this study aims to analyze the influence of business licensing in the transportation sector on public trust and good governance. The novelty of this study lies in its examination of how improvements in transportation-sector licensing procedures, mediated by public trust, strengthen economic mobility between urban and

rural areas in Southeast Sulawesi Province, Indonesia.

LITERATURE REVIEW

Economic mobility, particularly the movement of resources, investment, and labor between urban and rural areas, plays a critical role in promoting balanced development. Strengthening economic mobility requires strategic policy interventions that remove bureaucratic barriers, encourage business growth, and improve regional connectivity. One important strategy to achieve this is to improve licensing regulations, especially in sectors that facilitate inter-regional economic activity, such as transportation.

Policies are fundamental tools for governments to implement structured strategies that achieve specific economic and social goals. As Howlett and Cashore (2014) highlight, policies are essentially deliberate actions designed to address identified problems, propose effective solutions, and outline clear steps for implementation. In the context of economic mobility, well-designed policies can directly impact the ease of doing business, stimulate investment, and improve public service delivery. Licensing reforms are particularly impactful in this regard, as they remove barriers that often hinder business expansion and investment.

In Indonesia, where regional disparities between urban and rural areas remain a significant challenge, simplifying business licensing has emerged as an important strategy to stimulate economic growth. Bureaucratic complexity has long hampered investment, especially in rural areas that are often considered less attractive to businesses. According to research by Ani (2015), Bonga & Mahuni (2018), Oktaviana and Wulandari (2022), Anggraini and Inaba (2020), and Nawawi et al. (2021), simplifying licensing procedures can effectively reduce barriers to entry for entrepreneurs, accelerate investment inflows, and create job opportunities. By simplifying licensing processes, businesses face fewer administrative constraints, allowing them to focus more on innovation, production, and market expansion. This positive shift can significantly improve economic connectivity between urban centers and surrounding rural areas, leading to a more balanced economic structure.

In addition, a better licensing system has broad socio-economic benefits. Research by Gizaw et al. (2023) shows that improving licensing procedures can raise living standards and reduce economic instability. Simplifying the licensing framework minimizes bureaucrats' discretionary powers, reduces the risk of corruption, and promotes a more transparent regulatory environment. As a result, businesses become more confident in working with government agencies, which in turn encourages investment, especially in underserved rural areas. This confidence is essential for building a vibrant economy that bridges urban wealth with rural development opportunities.

In addition to policy improvements, strengthening public trust is essential to ensure that licensing reforms are effective and sustainable. Public trust increases citizens' confidence in government institutions and encourages compliance with the regulatory framework. As noted by Mardiyanta (2013), public trust is a critical factor in determining the success of public administration initiatives. Without adequate public support, even well-designed policies will struggle to achieve meaningful results.

Building public trust requires investment in the quality and competence of government officials. Houston and Harding (2014) emphasize that competent civil servants are essential to ensuring efficient service delivery, especially in sectors such as licensing and transportation that have direct implications for economic mobility. When government officials demonstrate professionalism, integrity, and responsiveness, public trust is strengthened. These positive perceptions not only strengthen trust in government services but also encourage greater cooperation between authorities and businesses, thereby accelerating economic activity across the region.

In addition, effective governance is essential to strengthening economic mobility. According to Salminen and Ikola-Norrbacka (2010), developing good governance practices is essential to building public trust and improving policy outcomes. Good governance involves collaboration between government agencies, civil society groups, and the private sector to ensure that policies are designed to address real-world challenges and achieve economic balance across regions. In the Indonesian context, effective governance mechanisms can help ensure that licensing reforms reach beyond urban centers to benefit rural areas, thereby closing development gaps and enhancing regional economic integration.

The transportation sector is critical to facilitating economic mobility. By improving transportation infrastructure and simplifying licensing regulations for transportation businesses, the government can improve the movement of goods, services, and labor across regions. As highlighted by Khotami (2017), the government plays a key role in ensuring that the licensing system is transparent, efficient, and accessible to businesses of all sizes. By reducing bureaucratic complexity, the government can attract more investment to rural areas, encourage business expansion, and create employment opportunities, ultimately improving economic conditions in less developed areas.

In essence, strengthening economic mobility between urban and rural areas is a multifaceted effort that combines licensing reform, building public trust, and better governance practices. By simplifying licensing procedures, governments can reduce administrative delays, encourage investment, and drive inclusive economic growth. Furthermore, building public trust through competent service delivery and transparent policies ensures that the public accepts reforms. Finally, promoting good governance and encouraging stakeholder collaboration will strengthen sustainable economic mobility strategies that drive balanced development and prosperity.

Based on the theoretical and empirical evidence discussed above, the ease of licensing is expected to affect good governance and public trust directly. Previous studies highlight that simplified licensing procedures reduce bureaucratic barriers, promote transparency, and foster positive perceptions of government performance, which are critical to governance quality (Ani, 2015; Bonga & Mahuni, 2018; Gizaw et al., 2023). Furthermore, building public trust is essential for ensuring the sustainability of policy reforms, as trust encourages compliance and strengthens the relationship between citizens and government institutions (Mardiyanta, 2013; Houston & Harding, 2014). Good governance, in turn, is often shaped by both institutional effectiveness and public confidence in government processes (Salminen & Ikola-Norrbacka, 2010).

Drawing from these arguments, this study proposes that public trust mediates the relationship between licensing reforms and governance outcomes. Accordingly, the following hypotheses are formulated:

H1: Ease of licensing positively influences good government governance;

H2: Ease of licensing positively influences public trust;

H3: Public trust positively influences good government governance;

H4: Public trust mediates the relationship between ease of licensing and good government governance.

RESEARCH METHOD

This study employs a quantitative research approach designed to systematically investigate and measure relationships among defined variables through numerical data analysis. The primary aim is to examine the causal connections among these variables by testing hypotheses formulated on theoretical grounds (Hasddin et al., 2022; Creswell & Creswell, 2018). Quantitative research is particularly suitable for this study as it enables objective data collection, facilitates statistical evaluation, and allows for the identification of patterns or trends that may emerge from the data.

In this research, three key variables are examined:

1. Independent Variable (X): The Ease of Business Licensing serves as the primary independent variable. This variable reflects the extent to which the government has simplified the licensing process, ensuring minimal bureaucratic obstacles for individuals or businesses seeking permits. Efforts to improve licensing procedures are often intended to foster business growth, boost economic activity, and increase public trust in government institutions.

2. Mediating Variable (Z): The Public Trust variable serves as a crucial mediating factor in the relationship between licensing reforms and governance outcomes. Public trust is a critical component in public administration as it reflects the community's confidence in government institutions. Trust can be influenced by factors such as transparency, consistent service delivery, and the government's responsiveness to public needs.

3. Dependent Variable (Y): The Implementation of Good Government Governance is the dependent variable in this study. Good governance is characterized by principles such as accountability, transparency, participation, and the rule of law. Effective governance ensures that public resources are managed efficiently, that institutions function with integrity, and that public services are delivered fairly. The study investigates how improved licensing processes and increased public trust strengthen governance practices.

The target population for this research comprises individuals who have applied for business permits within the transportation sector in Southeast Sulawesi Province. However, due to the fluctuating nature of permit applications, the total population size is uncertain. Consequently, the study adopts a Purposive Sampling technique, selecting respondents based on specific criteria aligned with the study's objectives.

The criteria for participant selection are as follows:

1. Residency Status: Participants must be residents of Southeast Sulawesi Province. This criterion ensures that respondents are familiar with the local governance framework and have experience interacting with the regional transportation department.

2. Experience with Licensing Procedures: Participants must have either previously applied for, or be actively in the process of obtaining, business permits for land or sea transportation services. This criterion ensures that the respondents have firsthand experience with the licensing process overseen by the Southeast Sulawesi Provincial Transportation Service.

To ensure the reliability and validity of the data collected, the sample size has been set at 100 respondents. This sample size is determined by considering the scope of the research, the complexity of the model being analyzed, and the capabilities of the data analysis method employed. A minimum target of 100 valid responses was established. This threshold reflects (a) model parsimony, (b) the recommendation that PLS-SEM can be reliably estimated with modest samples when indicator loadings are adequate and path complexity is low-to-moderate (Hair et al., 2022; Ghozali, 2011), and (c) the "10-times rule" heuristic referencing the most significant number of structural paths directed at a construct (Hair et al., 2022). Final usable n=100n = 100 met these criteria.

The study utilized both primary and secondary data sources. Primary data were collected from respondents identified through provincial licensing logs, stakeholder meetings, and professional or sectoral associations such as transport cooperatives, freight forwarders, and small vessel operators. Access to contact information was facilitated through a data-sharing agreement with the Provincial Transportation Service, ensuring compliance with confidentiality protocols. Secondary data sources included provincial regulations governing transportation licensing, records from digital licensing portals where available, provincial development planning documents referencing licensing reforms, and previous empirical studies, along with national guidelines on licensing simplification (Ani, 2015; Bonga & Mahuni, 2018; Anggraini & Inaba, 2020; Gizaw et al.,

2023; Khotami, 2017). These complementary sources strengthened the analysis's contextual basis and supported the triangulation of findings.

Data collection was conducted in three systematic stages. First, an instrument (a questionnaire) was developed, followed by content validation with the research team. Pilot testing with license applicants evaluated clarity, response scale, and completion time, leading to minor revisions to improve reliability. The second stage, the central survey administration, used a hybrid approach with in-person enumerators to optimize respondent coverage across islands and transportation modes. Participation was voluntary, with eligibility screening questions and consent obtained electronically or in writing. In the third stage, data filtering and cleaning involved removing duplicate IP addresses and incomplete responses with more than 20% missing data, and applying mean substitution only when missing values were less than 5% within a construct and considered random. Outlier detection using Mahalanobis distance and indicator-level z-scores ensured data integrity prior to SEM-PLS estimation (Hair et al., 2022).

All items were rated on a five-point Likert scale. Composite scores were generated within the PLS measurement model without pre-averaging, and subsequent reliability and validity assessments ensured the robustness of the measurement framework.

This study employs Structural Equation Modeling (SEM) using the Partial Least Squares (PLS) approach, complemented by a second-order analysis technique to account for the multidimensional nature of governance and trust constructs. SEM is widely recognized for its ability to model complex relationships among multiple variables, enabling the analysis of direct, indirect, and mediating effects within a comprehensive framework (Ghozali, 2011; Hair et al., 2022).

The analytical process adopted in this research follows a systematic three-step procedure. First, the measurement model was assessed to ensure construct reliability and validity. It included evaluating indicator reliability through outer loadings, internal consistency using Cronbach's alpha, and composite reliability, convergent validity via Average Variance Extracted (AVE), and discriminant validity using the Heterotrait-Monotrait (HTMT) ratio. Second, the structural model was examined using collinearity diagnostics (Variance Inflation Factors, VIFs), path coefficient estimation, and significance testing via bootstrapping with 5,000 resamples. Model fit and predictive performance were assessed using R^2, effect size (f^2), and predictive relevance (Q^2). Finally, mediation analysis tested the indirect effect of Ease of Licensing on Good Government Governance via Public Trust, interpreted through bootstrapped confidence intervals to identify complementary or competitive mediation effects (Hair et al., 2022).

The second-order model specification was essential for this study, given that both Public Trust and Good Government Governance are higher-order constructs composed of multiple reflective dimensions—such as transparency, accountability, and responsiveness. This hierarchical modeling approach enables the analysis to capture the holistic impact of governance-related constructs while maintaining the granularity of their underlying dimensions. By adopting validated multi-item measures and a robust PLS-SEM framework, the study provides empirical evidence on how streamlined licensing processes directly and indirectly influence governance outcomes through trust. The analysis was conducted using SmartPLS software (version aligned with the study year), applying methodological guidelines from Ghozali (2011) and Hair et al. (2022) to ensure statistical rigor.

To mitigate common method bias, procedural strategies were implemented, including ensuring respondent anonymity, separating item blocks by construct, and randomizing item order. Although negatively worded items were piloted for cognitive balance, the final survey retained positively worded statements for clarity. Statistical remedies included complete collinearity checks, with all VIF values below the 3.3 threshold and confirmation via a common latent factor approach

([Kock, 2015](#)). Reliability and validity were assessed as part of the measurement model evaluation, ensuring construct robustness before structural interpretation.

The adoption of PLS-SEM with second-order constructs, combined with a theoretically grounded model and targeted sampling of licensing-experienced respondents, offers both methodological and practical contributions. This approach allows policymakers to understand not only the direct impact of licensing reforms on governance outcomes but also the mediating role of public trust. By highlighting pathways through which bureaucratic streamlining influences trust and governance, the findings provide actionable insights for enhancing transparency, accountability, and service responsiveness at the subnational level. These results are particularly relevant for regions like Southeast Sulawesi, where licensing reforms are central to improving business environments and strengthening institutional legitimacy. Ultimately, this study advances the discourse on governance effectiveness, offering empirical evidence that can inform future policy interventions and contribute to sustainable regional development.

FINDINGS AND DISCUSSION

Respondent characteristics in this study are presented in Table 1 below,

Table 1. Data on Respondent Characteristics

Description	Frequency	Percentage (%)
A. Gender		
1. Boy	76	76
2. Female	24	24
Amount	100	100
B. Respondent's age		
1. 20-29 Years	10	1
2. 30-39 Years	62	62
3. 40 Years and Over	28	28
Amount	100	100
C. Education		
1. High school	55	44
2. D3 and S1	41	41
3. S2	4	4
Amount	100	100

Source: Researcher Data Processing Results (2023)

Based on the results of Table 1 above, it can be illustrated that the majority of research respondents were male, namely 76 people (76%), and 24 research respondents were female (24%). However, there are no notable differences in how the relevant agencies process permits by gender. Table 1 also shows that the passengers range in age from 20 to over 40, suggesting that people of all ages can accept the services provided to the permit management community in the transportation sector. Table 1 shows that the majority of research respondents, 55 people (55%), had a high school education, and 41 people (41%) had a D3 or S1 education. It illustrates that all research respondents understand the risk-based licensing (OSS-RBA) workflow.
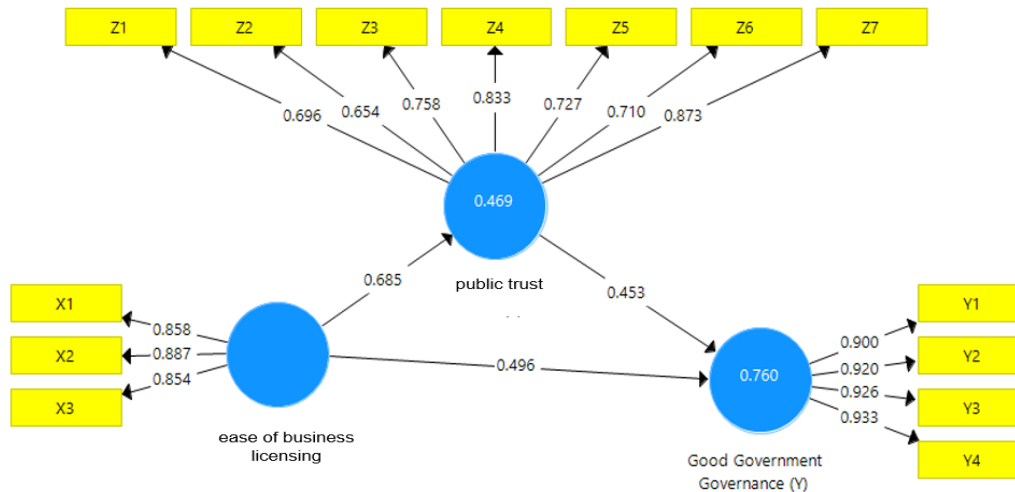
Figure 1. Structural Equation Model

The structural equation model used in this study examines the relationship among several key variables: Ease of Licensing as the independent variable, Good Governance as the dependent variable, and Public Trust as the moderating variable. This model aims to illustrate how these variables interact to influence governance outcomes.

To assess the validity and reliability of the measurement model, the study employs the individual reflective measure approach. In this context, an indicator is considered to have strong validity if its correlation value exceeds 0.70. However, if the correlation falls within 0.50 to 0.60, the indicator can still be deemed acceptable, provided the correlation between the indicator and its construct is favorable.

The evaluation results for outer loadings and indicator reliability are presented in Table 2, which details the loading factor values for all observed indicators associated with the latent constructs. The majority of indicators exceeded the recommended threshold, affirming the robustness of the measurement model. In contrast, indicators within the 0.50–0.60 range were retained based on theoretical justification and their contribution to construct validity. This analytical approach ensures comprehensive coverage of the conceptual dimensions while maintaining statistical rigor.

Table 2. Loading Factor Values

Exogenous Constructs	Indicator Code	Factor loading
Ease of Licensing (X)	X.1	0.858
	X.2	0.887
	X.3	0.854
Public Trust (Z)	Z.1	0.696
	Z.2	0.654
	Z.3	0.758
	Z.4	0.833
	Z.5	0.727
	Z6.	0.710
	Z7	0.873
Good Government Governance(Y)	Y.1	0.900
	Y.2	0.920
	Y.3	0.926
	Y.4	0.933

Sources: Results (2023)

By employing this structural equation model, the study effectively analyzes how improvements in licensing policies, combined with strengthened public trust, can positively influence governance practices. This comprehensive approach enables researchers to capture both direct and indirect effects of key variables, thereby deepening understanding of the factors that shape effective governance systems.

The data in the table indicate that all analytical units have met the criteria for convergent validity. This conclusion is based on the observation that all factor loadings exceed 0.60, the established minimum threshold. Consequently, it can be confirmed that the convergent validity of all groups representing endogenous constructs is deemed valid.

Furthermore, reliability and validity are assessed by examining two key indicators for each construct: the Composite Reliability (CR) and Average Variance Extracted (AVE) values. For a construct to be considered reliable, the Composite Reliability (CR) value should meet or exceed 0.70, while the AVE value should surpass 0.50. These standards ensure that the measurement model adequately captures the underlying constructs.

As detailed in Table 3, the constructs in this study have met these criteria, confirming that the model's reliability and validity are within acceptable parameters. The achievement of these standards reinforces the robustness of the measurement model, ensuring that the constructs can effectively explain the relationship between the examined variables.

Table 3. Cronbach Alpha, Rho_A, Composite reliability and AVE values

Items	Cronbach's alpha	Composite reliability	Average Variance Extracted (AVE)
Ease of Licensing (X)	0.845	0.900	0.751
Public Trust (Z)	0.873	0.901	0.568
Good Government Governance (Y)	0.939	0.956	0.846

Sources: Results (2023)

Based on the data presented in Table 3, it is evident that the Cronbach's Alpha values for the variables assessed in this study — namely the Ease of Licensing variable (X), the Public Trust variable (Z), and the Good Government Governance variable (Y) — have all exceeded the minimum threshold of 0.60. It indicates that each variable demonstrates acceptable internal consistency, a fundamental aspect of reliability testing.

In addition, the Composite Reliability (CR) values for all observed variables exceed 0.70, further confirming that the constructs exhibit strong internal reliability. Meanwhile, the Average Variance Extracted (AVE) values for each construct exceed 0.50, meeting the established criteria for convergent validity. These results collectively confirm that the measurement model used in this study meets the necessary validity and reliability standards, ensuring the consistency and accuracy of the collected data.

To assess the overall quality and predictive power of the model, the Goodness of Fit (GoF) was calculated using the R-Square value. The R-Square coefficient measures the extent to which the independent variables can explain the endogenous construct. According to Chin (as cited in Ghozali, 2011), R-Square values are categorized into three levels: 0.67 or higher indicates a strong model; 0.33 indicates a moderate model; and 0.19 indicates a weak model.

The R-Square values obtained in this study are presented in Table 4, providing a detailed overview of the model's explanatory power and its ability to predict the relationships between the examined variables.

Table 4. R-Square

	R Square
X	
Y	0.760
X	0.469

Sources: Results (2023)

Based on the data presented in Table 4, the R-square value for the Good Government Governance variable (Y) is 0.760. This value indicates that approximately 76% of the variation in Good Government Governance is explained by the combined influence of the Ease of Licensing variable (X) and the Public Trust variable (Z). It demonstrates that these two variables play a significant role in shaping the implementation of good governance practices.

Meanwhile, the R-Square value for the Public Trust variable (Z) is 0.469, indicating that 46% of the variance in public trust is explained by the Ease of Licensing variable (X). This result emphasizes that licensing efficiency is an important factor in building and maintaining public confidence in government services.

Referring to the interpretation guidelines provided by Chin (as cited in Ghozali, 2011), an R-Square value of 0.67 or higher is categorized as strong, a value around 0.33 is considered moderate, and a value near 0.19 is classified as weak. Based on these benchmarks, the R-Square value for Good Government Governance (Y) falls in the strong category, while the Public Trust variable (Z) is moderate.

Following this analysis, the study proceeded with hypothesis testing and an examination of the path coefficients, which are comprehensively detailed in Table 5. These findings further clarify the strength and significance of the relationships between the observed variables, contributing valuable insights into the dynamics of governance, public trust, and licensing practices.

Table 5. Path Coefficients

Direct influence between variables		Coef. Track	t-statistics	Sig.t	Results
H1	Ease of Licensing → Good Government Governance	0.496	8,679	0,000	Accepted
H2	Ease of Licensing → Public Trust	0.685	14,510	0,000	Accepted
H3	Public Trust → Good Government Governance	0.453	9,114	0,000	Accepted
Total Effect Testing					
	Ease of Licensing → Good Government Governance	0.807	20,747	0,000	Accepted
Testing the effect of mediation (indirect)					
H4	Ease of Licensing → Public Trust → Good Government Governance	0.311		0,000	Accepted

Sources: Results (2023)

The data in Table 5 provide valuable insights into the relationships among the key variables in this study. The bootstrapping analysis was employed to examine both the direct and indirect effects within the model. The findings reveal that Ease of Licensing influences Good Government Governance, with a path coefficient of 0.749, indicating a robust, positive relationship. Similarly, the direct impact of Ease of Licensing on Public Trust is also reflected in a path coefficient of 0.749, demonstrating a strong influence. Furthermore, the positive effect of Public Trust on Good Government Governance is evidenced by a path coefficient of 0.481, reinforcing the critical role of trust in improving governance practices. Lastly, the mediating effect of Public Trust in the relationship between Ease of Licensing and Good Government Governance is indicated by a positive

path coefficient of 0.346, underscoring the importance of public trust as an intermediary factor that amplifies the positive outcomes of licensing reforms.

The first hypothesis posits that Ease of Licensing positively influences the implementation of Good Governance in the transportation sector. Empirical findings provide strong support for this hypothesis, with a positive path coefficient of 0.496, a t-value of 8.769, and a significance value of 0.000 (less than 0.05). These results confirm that the relationship is both positive and statistically significant, reinforcing the hypothesis that streamlined, simplified licensing procedures contribute to improved governance practices. The findings are consistent with the study conducted by Oktaviana and Wulandari (2022), which highlights that licensing reforms play a key role in strengthening governance systems and promoting Indonesia's global competitiveness. Efficient licensing procedures reduce red tape, improve transparency, and foster greater accountability — all of which are crucial in driving good governance outcomes (Bonga & Mahuni, 2018).

The second hypothesis, which asserts that Ease of Licensing positively affects Public Trust, is strongly supported by the results. The calculated path coefficient of 0.685, with a positive direction, coupled with a t-value of 14.510 and a significance value of 0.000, demonstrates a robust, statistically significant relationship. These findings affirm that when licensing processes are efficient, transparent, and predictable, public trust in government institutions is significantly enhanced. This outcome supports the view that licensing reforms contribute to clearer regulatory processes, lower corruption potential, and improved public confidence in the regulatory environment. The improved perception of licensing systems is particularly vital in sectors like transportation, where procedural delays and administrative inefficiencies often hinder service delivery.

The third hypothesis explores the influence of Public Trust on the implementation of Good Government Governance. The path coefficient of 0.453, in the positive direction, combined with a t-value of 9.114 and a significance value of 0.000, confirms a substantial, statistically significant positive effect. This outcome underscores that public trust is a vital pillar of effective governance. When citizens perceive government institutions as reliable, transparent, and responsive, their willingness to cooperate and comply with regulations increases. This trust-driven cooperation fosters improved public administration, enhances institutional credibility, and strengthens overall governance outcomes. The findings align with the perspectives of Salminen and Ikola-Norrbacka (2010), who highlight the pivotal role of public trust in achieving governance excellence.

The fourth hypothesis investigates the mediating role of Public Trust in the relationship between Ease of Licensing and Good Government Governance. The results indicate a positive path coefficient of 0.311 (p=0.000), confirming a significant mediating effect. This outcome demonstrates that the positive influence of licensing reforms on governance outcomes is significantly enhanced when public trust is strengthened. Public trust reinforces licensing improvements, ensuring that they translate into tangible governance benefits. When public trust is established, stakeholders are more likely to perceive government services as fair, effective, and accountable, which enhances the overall governance framework.

The cumulative findings of this study provide valuable insights into the dynamics of the interrelationships between Ease of Licensing, Public Trust, and Good Governance, particularly in the context of strengthening economic mobility between urban and rural areas in Southeast Sulawesi. The strong association between these variables underscores the strategic importance of licensing reform in advancing improved governance and economic integration across regions.

In Southeast Sulawesi, licensing reform is critical to improving transportation services, which are the backbone of regional connectivity. Efficient and transparent licensing processes in the transportation sector can reduce logistical barriers, improve market access, and enhance the mobility of people and goods between urban centers and rural communities. By simplifying

bureaucratic procedures, transportation business actors can more easily build and expand their services, thereby supporting greater economic activity in remote areas.

A transparent, efficient, and easy-to-use licensing system helps build public trust, reduce bureaucratic hurdles, and improve overall service quality. It, in turn, encourages increased investment in transport infrastructure, further strengthening the linkages between urban and rural economic centers. Better transport connectivity can stimulate rural economic growth by expanding access to trade networks, increasing supply chain efficiency, and opening up new opportunities for local firms.

To achieve sustainable improvements in governance practices and support economic mobility, policymakers should prioritize ongoing reforms in the licensing process. The adoption of digital licensing platforms, risk-based assessment systems, and integrated service frameworks can significantly improve licensing efficiency. These innovations reduce administrative complexity, minimize opportunities for corruption, and increase the speed and accuracy of licensing decisions. In the transport sector, these reforms are significant because they facilitate the development of better road networks, public transport services, and freight logistics, all of which are key drivers of economic mobility.

In addition, strengthening public trust requires government agencies to demonstrate consistent accountability, responsiveness, and fairness in their interactions with the public. Public outreach programs, transparent decision-making processes, and proactive communication strategies can further strengthen trust and encourage greater community engagement. Increased trust in government institutions will encourage businesses, including those in the transportation sector, to comply with licensing regulations and actively contribute to regional development.

The implications of these findings are significant for developing regions such as Southeast Sulawesi, where licensing reform is critical to accelerating economic growth and improving public service delivery. By implementing an efficient licensing framework, increasing transparency, and promoting trust-building initiatives, local governments can create a business-friendly environment that attracts investment, stimulates entrepreneurship, and drives long-term socio-economic progress. Increasing the movement of goods and people between urban and rural areas will further ensure that rural communities gain access to better economic opportunities, reduce income disparities, and improve overall living standards.

Finally, the study highlights that the interplay between Ease of Licensing, Public Trust, and Good Governance is critical to fostering effective public administration and strengthening economic mobility. Strategic policy interventions that focus on streamlining licensing processes, building public trust, and promoting transparent governance will ultimately improve service delivery, enhance institutional credibility, and support the creation of integrated economic networks connecting urban centers with rural economies.

CONCLUSIONS

The findings of this study provide substantial evidence that Ease of Licensing in the transportation sector plays a significant role in fostering Public Trust among service users, especially in strengthening economic mobility between urban and rural areas in Southeast Sulawesi. The positive and significant impacts identified in this study underscore the importance of licensing reform as a strategic policy intervention to promote economic connectivity. By simplifying licensing procedures, reducing bureaucratic complexity, and promoting transparent processes, government institutions can create a more efficient transportation system that facilitates the movement of goods, services, and people between regions. These improvements are essential to bridge the economic gap between urban and rural areas, promote equitable development, and stimulate regional economic growth.

Another important finding is that Ease of Licensing also directly contributes to improving Good Governance in the transportation sector. An efficient licensing process minimizes administrative burdens, accelerates decision-making, and increases accountability, which ultimately strengthens governance structures. These improvements align with regional development policies that aim to enhance public services and infrastructure, especially in underserved rural areas. By streamlining the licensing system, local governments can better manage transport networks, ensuring smoother connectivity that supports economic activity in remote areas.

Equally important is the positive role of Public Trust as a direct contributor to Good Governance. Evidence shows that trust drives greater public cooperation, improves regulatory compliance, and encourages active participation in governance processes. In Southeast Sulawesi, where rural populations often face institutional barriers, building public trust is critical to ensuring that citizens feel supported and engaged in local development efforts. Strengthened public trust encourages residents to engage more actively in transport planning, infrastructure use, and economic initiatives that connect urban centers with rural communities.

Finally, the study emphasizes that promoting Ease of Licensing, fostering Public Trust, and enhancing Good Governance are interrelated strategies that collectively contribute to improved public service delivery, institutional credibility, and sustainable socio-economic progress. By advancing licensing reforms in the transport sector, local governments in Southeast Sulawesi can strengthen economic linkages between urban and rural areas, creating an environment that encourages investment, entrepreneurship, and inclusive growth.

The novel contribution of this study is the identification of Public Trust as a mediating factor that strengthens the relationship between Ease of Licensing and Good Governance, particularly in the context of increasing economic mobility between urban and rural areas in Southeast Sulawesi. The mediation effect highlights that while licensing reforms are critical in improving governance outcomes, their success will be significantly enhanced if combined with trust-building initiatives. This finding highlights the need for policymakers to prioritize public trust strategies alongside regulatory reforms to maximize governance benefits.

The study also reveals that efficient licensing processes in the transport sector can facilitate smoother business operations, improve connectivity between urban centers and rural communities, and ultimately promote balanced regional development. By reducing bureaucratic delays and increasing transparency, these reforms can accelerate investment growth, stimulate entrepreneurship, and improve public service delivery—key elements that contribute to cross-regional economic integration.

The results obtained in Southeast Sulawesi Province, Indonesia, offer broader implications that mirror governance trends observed in several global contexts. Despite certain limitations, these findings provide new insights that broaden theoretical understanding of the interactions between licensing reform, public trust, and governance frameworks, with particular relevance for developing regions seeking to strengthen economic linkages between urban and rural areas.

LIMITATION & FURTHER RESEARCH

While this study provides valuable insights into the relationship between licensing reforms, public trust, and governance outcomes, certain limitations should be acknowledged. First, the empirical scope was limited to a single province and focused primarily on respondents with direct licensing experience. This approach, while helpful for ensuring relevance, limits the generalizability of findings across regions with different regulatory environments or socio-economic conditions. Second, the reliance on cross-sectional data constrains the ability to establish causal inferences over time, as dynamic changes in trust and governance quality may evolve with the implementation

of reforms. Third, the model primarily captures governance outcomes from the perspective of service recipients, leaving room for further exploration of institutional capacities and enforcement mechanisms on the supply side.

Building on these limitations, future research should examine the impact of licensing reforms across multiple modes of transport, particularly their role in promoting economic mobility between urban and rural areas. Investigating integrated transport service models—especially those connecting remote rural communities with urban economic hubs—would provide deeper insights into how licensing reforms, in conjunction with trust-building mechanisms, contribute to improved governance and regional economic integration.

Additionally, expanding the scope to include digital licensing platforms, technology-driven regulatory systems, and public–private partnership models can uncover innovative governance approaches that enhance efficiency, accessibility, and transparency in service delivery. Such inquiries will be particularly relevant in designing adaptive policies that foster inclusive growth and strengthen connectivity within fragmented regions. By incorporating these dimensions, future studies can generate actionable strategies to improve governance practices, stimulate investment, and support sustainable development pathways in emerging economies.

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