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Toward Transparent Village Tourism Governance: Insights from Banyumili's Principal-Agent Dilemma

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ABSTRACT: This study explores governance dynamics within Banyumili Tourism Village in Pasuruan Regency, Indonesia, through the lens of principal-agent theory. Using a qualitative case study design, data were collected from 31 stakeholders including 22 Pokdarwis managers, 3 local government officials, 3 private sector actors, and 3 academics through in-depth interviews, field observations, and a Focus Group Discussion (FGD). Thematic analysis using Atlas.ti revealed five central themes: unequal partnership structures, information asymmetry, moral hazard, adverse selection, and weak collaborative mechanisms. The findings highlight how Pokdarwis' dominant position in information control led to deviations from agreed tourism plans, exclusion of key stakeholders, and challenges in ensuring transparency and accountability. The study contributes to tourism governance literature by emphasizing the need for contract clarity, participatory oversight, and stronger checks to align community-based tourism with inclusive and sustainable development goals. Future research should examine comparative models of tourism partnership governance in similar rural contexts.

Keywords: partnership; tourism; principal-agent; moral hazard; adverse selection.

INTRODUCTION

Tourism has become a pivotal sector in Indonesia's national development strategy, contributing significantly to economic growth, employment generation, and rural revitalization (Nahar et al., 2019). As one of the world's most culturally and ecologically diverse countries, Indonesia holds substantial potential for tourism-led development. However, the expansion of tourism has not been without challenges. Issues such as environmental degradation, socio-economic inequality, and the commodification of culture continue to surface, especially in areas where tourism is poorly managed or lacks effective governance (Habibi et al., 2021).

To address these challenges, Indonesia has adopted sustainable tourism frameworks that promote responsible travel, environmental stewardship, and inclusive economic benefits. These efforts are aligned with the United Nations Sustainable Development Goals (SDGs), particularly Goal 8 (Decent Work and Economic Growth), Goal 11 (Sustainable Cities and Communities), and Goal 12 (Responsible Consumption and Production). National policies, including Law No. 10 of 2009 on Tourism and Presidential Regulation No. 50 of 2011 on the National Tourism Development Master Plan 2010–2025, emphasize the role of community-based tourism and cross-sector partnerships in realizing these goals (Presiden RI, 2011).

Partnerships between the public sector, private actors, community organizations, and academia are increasingly recognized as a mechanism for improving governance, enhancing service delivery, and achieving sustainability in tourism development (Weaver, 2007). In particular, tourism villages or desa wisata are promoted as models of grassroots collaboration, where local stakeholders co-manage tourism resources. Yet, such partnerships also face governance issues rooted in power imbalances, lack of transparency, and diverging interests among stakeholders.

Pasuruan Regency, located in East Java, exemplifies the promise and complexity of such collaborative tourism efforts. With its rich natural and cultural assets, the region has prioritized village-based tourism development through regulatory and institutional support. One of its flagship initiatives is Banyumili Tourism Village in Kolursari, where management is conducted by a Tourism Awareness Group (*Pokdarwis*) in partnership with the village government, private partners, and academics. This collaboration is formally supported by Pasuruan Regency Regulation No. 4 of 2021 concerning Tourism Villages, which mandates community participation in tourism governance.

However, while the partnership model is theoretically inclusive, its implementation in Banyumili reveals critical governance challenges. These challenges are best understood through the lens of principal-agent theory, which explores the delegation of authority from a principal (e.g., local government) to an agent (e.g., *Pokdarwis*), and the risks that arise when information asymmetries exist (Davis et al., 2021; Garen, 1994). Agents often possess more operational knowledge than principals, creating opportunities for adverse selection and moral hazard when monitoring is weak or incentives are misaligned (Candy, 2021). In the case of Banyumili, concerns have emerged about non-transparent decision-making, exclusion of community voices, and lack of accountability in tourism operations.

Despite the growing literature on sustainable tourism and community-based partnerships, there remains a paucity of empirical studies that critically examine principal-agent dynamics in Indonesia's tourism village governance. This study addresses that gap by evaluating the Banyumili Tourism Village partnership using a principal-agent framework. Specifically, it aims to: (1) analyze the implications of asymmetric information in the management of Banyumili Tourism Village, (2) identify manifestations of adverse selection and moral hazard, and (3) propose strategies to enhance governance and accountability within the partnership structure.

By contextualizing the principal-agent theory in a real-world case, this research contributes to a deeper understanding of how stakeholder relationships affect tourism governance outcomes. It offers practical insights for policymakers and local actors seeking to strengthen transparency, inclusiveness, and sustainability in tourism village development across Indonesia.

LITERATURE REVIEWS

Partnerships in Tourism Governance

Partnerships have emerged as a foundational model for managing tourism development, particularly in contexts where multiple stakeholders, government, private sector, community, and civil society share interests and responsibilities. In sustainable tourism, partnerships are viewed as mechanisms for achieving inclusivity, resource sharing, and long-term viability (Weaver, 2007). In Indonesia, the government has actively encouraged tourism partnerships through legal and institutional frameworks such as Law No. 10 of 2009 and Permenparekraf No. 3 of 2021, which promote collaboration between local governments, *Pokdarwis* (Tourism Awareness Groups), and other actors in developing tourism villages.

However, despite widespread policy support, previous studies note several challenges in implementing equitable partnerships in tourism. These include limited local capacity, weak institutional arrangements, lack of trust between stakeholders, and the domination of certain actors in decision-making processes (Scheyvens & Cheer, 2022). In some cases, communities are treated more as symbolic participants than as equal partners, undermining the spirit of community-based tourism. This raises concerns about governance quality, accountability, and the sustainability of tourism partnerships.

Principal-Agent Theory and Its Application in Tourism

Principal-agent theory offers a useful analytical framework to understand these governance issues. The theory describes a relationship where a principal (e.g., a government or owner) delegates authority to an agent (e.g., a tourism manager or community group) to act on their behalf (Chu & Hsu, 2021). While the agent is expected to act in the principal's best interest, differing objectives and information asymmetry often lead to agency problems (Albrecht et al., 2023). The theory identifies three central concerns: conflict of interest, information asymmetry, and agency costs incurred to monitor the agent's behavior.

In tourism, this theory has been used to analyze outsourcing, co-management, and delegation of responsibilities to local tourism groups or private firms (Wang, 2024). Especially in village tourism, where local organizations like *Pokdarwis* act as agents of the government or community, the theory can help explain why partnerships may fail to function equitably. Agents may prioritize self-interest, limit transparency, or make unilateral decisions, while principals often struggle to enforce control due to limited information or monitoring resources.

Moral Hazard, Adverse Selection, and Information Asymmetry

Three key agency problems, moral hazard, adverse selection, and information asymmetry are central to understanding failures in tourism partnerships. Moral hazard occurs when agents act opportunistically after a contract is signed, knowing the principal cannot fully observe their actions (Alam, 2025; Zantsi et al., 2021). For instance, tourism managers may misreport visitor numbers or misuse funds. Adverse selection involves the principal choosing an unsuitable agent due to lack of reliable information, which may result in incompetent or non-compliant partners. Information asymmetry refers to the imbalance where the agent holds more knowledge about operational realities, making it difficult for the principal to evaluate performance or make informed decisions (Aben et al., 2021; Kong et al., 2022; Qiao & Zhao, 2023).

Although these agency problems have been discussed in sectors such as development aid and public-private partnerships, their application in Indonesia's village tourism governance remains under-explored. Little empirical research has investigated how principal-agent dynamics affect the functioning of tourism awareness groups like *Pokdarwis*, especially in the context of asymmetric relationships with village governments, private actors, or academics. This gap highlights the need for a localized application of principal-agent theory to diagnose governance weaknesses and propose corrective mechanisms in village-based tourism development.

METHODS

This study adopted a qualitative approach using a case study design to explore the dynamics of tourism partnerships in Banyumili Tourism Village, Pasuruan Regency. The case study method, as proposed by Thomas (2021), is particularly appropriate for answering "how" and "why" questions in a real-life context where the researcher has limited control over the events. The study aimed to understand how partnership practices unfold on the ground, particularly in relation to principal-agent theory, which provides a framework for analyzing delegation, accountability, and power asymmetries within tourism governance.

Data collection was conducted over a two-month period, from July to August 2024. A total of 31 informants participated in this study, selected through purposive and snowball sampling techniques to ensure depth and diversity of perspectives. The participants included 22 individuals from *Pokdarwis* (Tourism Awareness Group), three local government officials from Sub-district of Kolursari, three private sector actors involved in tourism development, and three academic stakeholders familiar with local tourism planning. All informants met the criteria of being at least 18 years old, having resided or worked in the village tourism setting for a minimum of five years, and being able to communicate clearly in the research language.

Data were gathered through multiple techniques, including in-depth semi-structured interviews, direct observation, and document analysis. A Focus Group Discussion (FGD) was also conducted on August 8, 2024, involving representatives from the Sub-district government, the Pasuruan Tourism Office, private stakeholders, academics, and non-core members of *Pokdarwis*. The FGD aimed to capture collective reflections on the discrepancies between the tourism development designs proposed by the government and those independently formulated by *Pokdarwis*. This discussion revealed key tensions and competing preferences, illustrating how information asymmetry had emerged as a critical issue in the planning and implementation process.

All interviews and discussions were audio-recorded, transcribed verbatim, and analyzed using Atlas.ti software. Thematic analysis was conducted based on the framework outlined by Braun & Clarke (2023), consisting of three interrelated phases: data reduction, data display, and conclusion drawing. Through this process, emerging themes such as asymmetric information, moral hazard, adverse selection, governance gaps, and stakeholder exclusion were identified and refined.

Ethical approval for this research was obtained from the affiliated institution. All participants provided informed consent and were assured confidentiality and anonymity. This methodological process allowed for a nuanced exploration of the underlying dynamics shaping tourism partnerships in Banyumili, revealing both the potential and pitfalls of community-based tourism governance in rural Indonesia.

RESULT AND DISCUSSION

Tourism Partnership Landscape in Indonesia and Pasuruan

Tourism partnerships in Indonesia have increasingly embraced a participatory model involving government institutions, communities, private entities, and other stakeholders. Legal instruments such as Law No. 10 of 2009 on Tourism, Permenparekraf No. 3 of 2021, and Presidential Regulation No. 50 of 2011 emphasize collaborative governance as a key to sustainable tourism development. Successful models across Indonesia such as Nglanggeran Tourism Village in Yogyakarta and Penglipuran in Bali illustrate how multistakeholder cooperation can enhance community welfare, preserve cultural heritage, and promote environmental sustainability.

In Pasuruan Regency, similar efforts are evident. Various initiatives, including the collaboration between Perhutani and CV Alas Veenus Trawas, as well as support for MSME integration through local government programs, reflect an active push for inclusive tourism partnerships. These efforts are further supported by international collaboration and digitization strategies, reinforcing Pasuruan's commitment to sustainable tourism development. Within this broader context, Banyumili Tourism Village represents a case where community-based tourism is structured around a formal partnership involving the local government (principal) and *Pokdarwis* (agent), alongside private actors and academic institutions.

Structure of the Banyumili Tourism Partnership

The governance model of Banyumili Tourism Village is built upon a formalized partnership framework, involving the Kolursari Village Government and Pasuruan Regency Tourism Office as principals, with the Tourism Awareness Group (*Pokdarwis*) appointed as the primary agent responsible for managing tourism operations. This structure was established in alignment with Pasuruan Regency Regional Regulation No. 4 of 2021 concerning the development of tourism villages, which encourages collaborative governance through multi-stakeholder participation. In practice, the partnership also includes support from the private sector and academic institutions, positioning Banyumili as a tourism destination that relies on a locally embedded but institutionally supported management system.

The partnership agreement grants *Pokdarwis* operational autonomy over several key tourism products and services, including river tubing, fruit-picking packages, religious tours themed around Sakera folklore, and digital marketing of local MSME products. These responsibilities place *Pokdarwis* at the center of tourism service delivery, visitor engagement, and coordination with business actors. Moreover, *Pokdarwis* is tasked with integrating the efforts of local MSMEs such as *peci* artisans and mango product vendors into the tourism value chain, making the group a vital intermediary between tourists and the village economy.

Although the structural arrangement appears comprehensive and inclusive on paper, field findings indicate an uneven distribution of influence and responsibilities among the stakeholders. *Pokdarwis*, while officially acting under the directive of the village government, has assumed a de facto leadership position in decision-making, financial control, and external representation. This has shifted the power balance away from the principal, diminishing the oversight and participatory intent that the original partnership structure aimed to promote.

The involvement of academics, intended to bring technical guidance, strategic planning, and sustainable development perspectives, has also been inconsistently integrated. Despite formal agreements outlining the role of universities as facilitators, their input is often sidelined or only superficially acknowledged. Similarly, private partners, though recognized in the structure, are often limited to transactional roles without consistent involvement in broader governance processes. These conditions suggest a disconnect between the intended collaborative structure and its operational reality.

From a principal-agent theory perspective, the structure of the Banyumili partnership reveals a weakly enforced delegation framework. While the principal has delegated authority to the agent, it has not maintained sufficient mechanisms to monitor and influence the agent's performance. This gap contributes to subsequent agency problems, including moral hazard and adverse selection, which are addressed in the following sections. The concentration of functional power in *Pokdarwis*, alongside limited integration of oversight actors, indicates that the governance structure, although formally inclusive, lacks the procedural depth required to ensure balance, accountability, and sustained collaboration.

Information Asymmetry and *Pokdarwis'* Strategic Dominance

A central finding of this study is the existence of significant information asymmetry within the Banyumili tourism partnership, which has granted *Pokdarwis* a dominant position in managing operational, financial, and strategic information. As the primary agent in the tourism governance structure, *Pokdarwis* is responsible for daily tourism operations, visitor management, and coordination with local MSMEs. However, rather than functioning as an accountable executor of delegated authority, *Pokdarwis* has assumed a gatekeeping role over critical information limiting transparency and weakening the principal's ability to monitor performance effectively.

The most apparent form of this asymmetry is reflected in the centralization of financial information. Village government representatives revealed that *Pokdarwis* rarely submitted detailed financial reports or visitor statistics, despite existing contractual obligations. Several informants noted discrepancies between reported tourist numbers and observable activity on site, suggesting that revenue records may be selectively disclosed. This lack of consistent reporting restricts the principal's ability to verify revenue generation, assess fund allocation, or enforce agreed-upon benefit-sharing schemes. From the lens of principal-agent theory, this creates a structural blind spot for the principal and enables the agent to act in self-interest without fear of immediate detection or sanction (Chu & Hsu, 2021; Wang, 2024).

Beyond financial control, *Pokdarwis* also dominates information related to tourist preferences, feedback, and marketing channels. Through its control of the village's digital platforms and social media outreach, *Pokdarwis* filters what information is shared externally, and which narratives are promoted. Although some of these initiatives have positively impacted local visibility, the lack of data-sharing protocols with the village government or collaborating stakeholders means that strategic decisions such as adjusting tour packages, planning infrastructure improvements, or responding to tourist complaints are not based on shared insights. This results in fragmented coordination and reinforces the informational dependence of other actors on *Pokdarwis*.

Interviews with private sector actors and academics further confirm that critical knowledge flows remain centralized, despite their involvement in tourism development. For instance, several academic partners noted that they were unable to access baseline visitor data or receive timely feedback on implementation outcomes of their proposed initiatives. This exclusion from information loops undermines the principle of mutual learning and disables the principal's efforts to triangulate data and evaluate agent performance through external verification.

Such asymmetry not only limits oversight capacity but also alters the power dynamic within the partnership. *Pokdarwis'* control over tourism data transforms its role from being merely an agent to a quasi-principal actor, capable of steering decision-making without systematic accountability. In the long term, this imbalance risks creating a culture of opacity where the agent becomes resistant to transparency measures, stakeholder feedback, or contract revisions. In similar studies of decentralized tourism governance, unchecked information asymmetry has been linked to stagnation in collaborative innovation and the erosion of trust (Çakar, 2023; Hartman, 2023).

Addressing this issue requires more than informal communication. The village government must establish institutionalized mechanisms for data sharing, such as standardized reporting templates, regular stakeholder coordination meetings, and third-party audits. Additionally, incorporating community feedback systems and digital transparency tools could help rebalance information access across actors and ensure that *Pokdarwis'* operational insights become a collective asset rather than a private resource.

Ultimately, the persistence of information asymmetry in Banyumili reflects not only agent opportunism but also the principal's failure to implement robust information governance. Unless corrected, this dynamic will continue to constrain the partnership's ability to function collaboratively, make evidence-based decisions, and achieve long-term sustainability.

Moral Hazard in Tourism Management Practices

Beyond information asymmetry, another critical agency problem evident in the Banyumili tourism partnership is moral hazard, whereby *Pokdarwis*, as the agent, engages in actions that deviate from the agreed-upon objectives or neglects obligations knowing that such behavior is difficult for the principal to detect or sanction. In the context of community-based tourism, moral hazard occurs when delegated actors exploit their operational autonomy for personal or group interests, while shielding their conduct from external oversight. This section highlights specific manifestations of such practices in Banyumili and their implications for governance quality and sustainability.

One of the clearest forms of moral hazard observed is the closed and unaccountable management of tourism finances. Despite the formal existence of a cooperation agreement that outlines reporting duties and profit-sharing arrangements, *Pokdarwis* operates the tourism revenue system with minimal transparency. Village officials confirmed that regular financial reports were either not submitted or lacked sufficient detail to allow for proper evaluation. This financial opacity has made it difficult for the principal, Kolursari Village Government and Pasuruan's tourism office to determine whether revenues are being distributed fairly or reinvested in tourism development. As a result, suspicions have emerged that profits are being allocated disproportionately to a small inner circle within *Pokdarwis*.

This suspicion is further reinforced by the false or inflated reporting of tourist visit data. While *Pokdarwis* publicly presents optimistic visitor statistics, field observations and stakeholder interviews suggest discrepancies between reported and actual figures. Overstating tourist numbers may serve to enhance *Pokdarwis'* perceived performance or mask shortfalls in service delivery and revenue generation. From a theoretical standpoint, this behavior aligns with the classic understanding of moral hazard, where the agent, shielded by informational advantages, manipulates indicators to serve self-interests rather than the goals of the principal (Zantsi et al., 2021).

In addition to financial concerns, *Pokdarwis* has been observed to circumvent agreed-upon procedures related to partnership conduct. For example, the group has ignored clauses requiring collaborative planning and consultation with the local community. While the partnership contract emphasizes inclusive management, *Pokdarwis* has made key decisions such as the selection of new business initiatives or the appointment of operational staff without involving community representatives or informing the village authorities. This breach of agreed norms not only undermines the spirit of community-based tourism but also exacerbates the perception that *Pokdarwis* functions more as an autonomous operator than as an accountable agent.

Another example of moral hazard relates to selective engagement with third-party collaborators. Despite formal relationships with academic institutions and private partners, *Pokdarwis* often acts independently when entering new collaborations, bypassing the principals' approval or shared assessment mechanisms. Some private stakeholders expressed concerns about being excluded from important decisions despite their continued contributions to Banyumili's development. Academics, too, noted that their recommendations for sustainable tourism planning were routinely disregarded or implemented without proper acknowledgment. These patterns indicate an erosion of mutual accountability and the emergence of self-serving governance behavior.

The cumulative effect of these practices is a breakdown in trust, weakened institutional legitimacy, and diminished public confidence in the tourism partnership. Without intervention, moral hazard behavior can become normalized, discouraging other stakeholders from participating actively or investing further in Banyumili's tourism ecosystem. Similar outcomes have been documented in other community-based tourism contexts, where agents exploit unclear accountability mechanisms, leading to fragmentation and inefficiency (Dangi & Petrick, 2021; Dolezal & Novelli, 2022).

To mitigate moral hazard, the principal must reassert its governance role through concrete oversight mechanisms. These include revising partnership contracts to include enforceable financial reporting standards, establishing independent review bodies for performance audits, and promoting community-based monitoring. Additionally, periodic reviews with external stakeholders such as academics and private collaborators can serve as a platform for accountability and conflict resolution. Most importantly, the principal must implement clear incentives and sanctions to guide agent behavior in accordance with shared goals.

In conclusion, the presence of moral hazard in Banyumili's tourism governance is not merely a matter of individual misconduct but a structural weakness in the partnership's monitoring and enforcement capacity. Without institutional reforms, the agent's unchecked discretion will continue to compromise transparency, inclusiveness, and the long-term success of Banyumili as a sustainable tourism village.

Adverse Selection and Governance Risk

In addition to information asymmetry and moral hazard, this study identified clear instances of adverse selection within the Banyumili tourism governance structure. Adverse selection occurs when the principal lacks sufficient information or appropriate screening mechanisms at the outset of the relationship, resulting in the delegation of responsibilities to unsuitable or unqualified agents. In the case of Banyumili, this problem manifests not only in the initial designation of *Pokdarwis* as the tourism management agent, but more importantly, in how *Pokdarwis* internally selects individuals for key roles and engages external collaborators without systematic vetting.

One of the most significant issues uncovered is the non-transparent and informal recruitment of operational personnel within *Pokdarwis*. Several informants indicated that job assignments in tourism-related business units such as tour guiding, ticketing, and event coordination were made based on kinship, personal loyalty, or long-standing social relationships rather than competence or experience. In some cases, the selection of business managers was conducted behind closed doors by a small core group, with no open calls or performance-based criteria. This not only undermines fairness and professionalism but also increases the risk of assigning strategic functions to individuals lacking the skills necessary to manage tourism services effectively.

Furthermore, internal leadership appointments within *Pokdarwis* were also reported to follow informal, loyalty-based patterns. Instead of conducting evaluations or democratic consultations with the community, the group's core members tend to reappoint themselves or their close associates, consolidating power and limiting fresh input. This practice erodes internal accountability and discourages broader community participation, contradicting the foundational goals of community-based tourism. From a theoretical perspective, this scenario reflects a classic adverse selection dilemma: the agent perpetuates a closed system that selects individuals based on familiarity rather than fitness for the role, all while the principal lacks the tools or authority to intervene (Delreux & Adriaensen, 2017).

The problem also extends to partnerships with external actors, particularly private enterprises and vendors. In several cases, *Pokdarwis* was found to have entered into contracts with third-party businesses without prior background checks or alignment assessments. Informants noted instances where selected partners failed to meet service standards, overcharged tourists, or did not contribute to local development goals. These decisions were made unilaterally, bypassing the principal and other stakeholders. Such arrangements not only threaten the quality of the tourist experience but also expose the village government to reputational risks.

The absence of screening tools or selection protocols is a critical enabling factor behind these patterns. There is no formal recruitment policy, no evaluation rubric for vendors, and no feedback mechanism to hold poorly performing actors accountable. As a result, the principal lacks early-warning systems to prevent poor selection and is left to deal with the consequences of misaligned decisions after partnerships or appointments have already been established.

In similar tourism governance contexts, adverse selection has been linked to long-term organizational stagnation, service delivery failures, and increased stakeholder disengagement (Aminullah & Wusko, 2025). When repeated over time, these flawed selection practices embed inefficiency and reduce the adaptive capacity of the organization. In Banyumili, this risk is amplified by the lack of transparency and limited oversight from the village government.

Addressing these vulnerabilities requires the introduction of structured, merit-based selection systems. For internal recruitment, clear job descriptions, competence-based evaluation, and open calls should be instituted as standard practice. Leadership roles within *Pokdarwis* should be periodically reviewed and rotated based on performance assessments and community input. For external partnerships, due diligence procedures including track record reviews, service evaluations, and pilot collaborations should be mandatory. The village government, as principal, must support these reforms through regulatory guidance and by ensuring that any delegation of authority is tied to compliance with governance standards.

In essence, the presence of adverse selection in Banyumili reflects deeper structural deficits in the partnership's ability to identify, assess, and engage suitable actors. Without reform, this governance gap will continue to compromise the effectiveness of tourism operations and undermine the credibility of the community-based tourism model. The following section explores how these agency problems collectively affect stakeholder trust and collaborative functioning.

Breakdown of Stakeholder Collaboration and Trust

The cumulative impact of information asymmetry, moral hazard, and adverse selection in the Banyumili tourism partnership has led to a noticeable erosion of trust and collaboration among stakeholders. While the partnership was formally designed to foster inclusiveness, shared governance, and participatory planning, field evidence reveals that many actors particularly the village government, academic advisors, and private collaborators have been marginalized from key decision-making processes. This exclusion has not only disrupted coordination but also weakened long-term commitment to the partnership's original goals.

One major area of tension has emerged between *Pokdarwis* and the academic institutions engaged as tourism development facilitators. Despite being formally appointed by the Kolursari Village Government to assist with planning, capacity building, and sustainability strategies, academic partners report limited access to decision-making forums. In multiple instances, design proposals such as tourism zoning plans or cultural preservation strategies prepared through participatory and scientific methods were either ignored or only partially implemented by *Pokdarwis*. This disregard not only devalues expert input but also reflects a deeper issue: the agent's reluctance to share authority or co-create initiatives. The outcome is a growing perception among academics that their role is symbolic rather than substantive, reducing their willingness to contribute further.

Similar dynamics were observed with private sector stakeholders, particularly local businesses and service providers that initially supported the tourism village's development. These actors expressed concerns over inconsistent communication, unclear partnership terms, and limited opportunities to provide feedback or propose improvements. In some cases, small enterprises were invited to collaborate but later excluded from strategic discussions or commercial arrangements. This form of selective engagement undermines the credibility of the partnership and discourages private actors from making long-term investments or offering innovative solutions.

Perhaps most concerning is the diminished role of the local community, who, as the foundational element of community-based tourism, are expected to be both beneficiaries and participants. Several residents reported feeling disconnected from tourism planning and revenue discussions, with decisions being made by *Pokdarwis* without consultation or explanation. While the formal governance model promises participatory management, in practice, many community members are treated as passive recipients rather than co-creators. This disconnection contributes to skepticism about the fairness of benefit distribution and fosters social tension especially when perceived economic gains appear concentrated within a narrow circle of *Pokdarwis* insiders.

From the perspective of principal-agent theory, these outcomes represent a breakdown in the relational contract that binds stakeholders through shared expectations and mutual accountability. The principal (in this case, the village government and broader community) has effectively lost its capacity to monitor and influence the agent, while the agent operates with increased autonomy and reduced responsiveness. The longer this dynamic persists, the more it entrenches asymmetrical relationships and undermines the collaborative norms essential to sustainable tourism governance.

Comparable cases in other tourism villages across Indonesia and Southeast Asia have shown that trust is both a governance input and outcome, it enables cooperation and is reinforced through fair, transparent, and inclusive practices. In Banyumili, the lack of structured feedback loops, absence of conflict resolution mechanisms, and failure to institutionalize community involvement all contribute to the decline in trust. Without corrective action, the partnership risks devolving into a fragmented structure where stakeholders operate in silos, and the long-term viability of the tourism village is jeopardized.

To restore collaboration and rebuild trust, a multi-level governance reform is needed. This includes re-establishing regular dialogue platforms among all stakeholders, introducing grievance and feedback mechanisms, and ensuring that decisions especially those related to revenue use, project planning, and personnel selection are made through participatory and transparent processes. The village government must play a more proactive role in mediating relationships, facilitating inclusive discussions, and enforcing accountability clauses in the original partnership agreements.

In conclusion, the weakening of stakeholder collaboration in Banyumili is not simply a result of interpersonal conflicts but a structural consequence of unchecked agency behavior and inadequate institutional safeguards. Addressing this issue is essential not only to restore stakeholder confidence but also to realign the partnership with its foundational objectives of equitable, community-driven, and sustainable tourism development.

Implications

This study contributes to the theoretical development of principal-agent theory by extending its application into the context of village-based tourism governance in decentralized settings. While principal-agent models have traditionally focused on formal state institutions or corporate contracts, this research shows that agency problems, namely information asymmetry, moral hazard, and adverse selection are equally salient in small-scale, community-based tourism partnerships. The Banyumili case illustrates how agents (in this case, *Pokdarwis*) can accumulate unchecked power in contexts where informal relationships, weak institutional monitoring, and socio-cultural dynamics limit the principal's ability to exercise control.

Moreover, the study underscores the need to adapt principal-agent theory to accommodate multi-principal environments, where the principal is not a single entity but a collective of actors (village government, local residents, private sector, and academia). This complexity demands a more nuanced understanding of how divergent interests, asymmetric access to information, and fragmented authority shape governance behavior. Future applications of the theory in tourism governance should account for such layered principal-agent relationships and explore how local context especially norms of hierarchy, trust, and informality mediate agency behavior.

Additionally, the findings support broader discussions in institutional theory and public management regarding the risks of delegation without robust accountability mechanisms. It suggests that merely assigning responsibility to local actors under the banner of community empowerment is insufficient if monitoring structures, participatory systems, and performance evaluations are not institutionalized.

At the policy level, this study offers critical insights for improving governance in community-based tourism initiatives, particularly in Indonesia's rapidly growing *desa wisata* (tourism village) movement. First, the findings highlight the urgent need to formalize oversight mechanisms at the village level. Local governments must be equipped with tools to monitor, audit, and evaluate the performance of tourism agents like *Pokdarwis* through standardized reporting procedures, participatory evaluations, and third-party assessments.

Second, contract design and enforcement must be strengthened. Existing agreements often lack detailed clauses on conflict resolution, sanctions for noncompliance, and provisions for stakeholder involvement. Tourism partnerships should be legally and administratively supported by village regulations that clearly define roles, responsibilities, and lines of accountability. Legal clarity not only protects all parties but also reduces the risk of informal dominance by one actor.

Third, community participation should be institutionalized beyond symbolic consultation. Villagers must have access to platforms where they can meaningfully influence tourism planning, question decisions, and propose alternatives. This includes village forums, public budget hearings, and grievance redress systems that are transparent and inclusive. Building community trust also requires that economic benefits are visibly and fairly distributed.

Fourth, to address governance capacity gaps, there is a need for capacity building programs targeted at both agents and principals. *Pokdarwis* members should receive training not only in tourism operations but also in ethics, leadership, and accountability. Meanwhile, village governments and tourism offices should be supported to play more active and informed roles in supervision.

Finally, the study suggests the importance of cross-stakeholder collaboration, particularly in reinforcing the roles of academics and civil society organizations as neutral facilitators and watchdogs. Their role should not be limited to advisory inputs but integrated into continuous planning, monitoring, and evaluation cycles.

CONCLUSION

This study explored the governance of Banyumili Tourism Village through the lens of principal-agent theory, revealing structural weaknesses in its partnership model. The findings highlight significant information asymmetry, moral hazard, and adverse selection within Pokdarwis' management. These agency issues led to opaque decision-making, limited stakeholder participation, and weakened collaboration, particularly with academics and private partners.

While the village tourism model is intended to empower local communities, this case demonstrates how power centralization and poor oversight can compromise accountability and sustainability. *Pokdarwis'* dominance, unchecked by transparent reporting or participatory mechanisms, underscores the need for stronger governance structures in community-based tourism.

This study is limited by its single-case design and short observation period. Future research should adopt comparative or longitudinal approaches to examine tourism partnerships across diverse settings. Further inquiry into digital accountability tools and the inclusion of marginalized voices would also enhance understanding.

Ultimately, successful tourism partnerships require not just stakeholder involvement, but mechanisms that ensure transparency, trust, and shared responsibility. Strengthening these foundations is key to realizing sustainable, community-driven tourism in Indonesia and beyond.

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DATA AVAILABILITY

The data supporting the findings of this study are available from the corresponding author upon reasonable request. Due to the qualitative nature of the research and confidentiality agreements with participants, full transcripts and raw interview data are not publicly shared to protect participant anonymity and integrity of the field data. However, anonymized excerpts and coding structures used in Atlas.ti can be provided upon request for academic or verification purposes.

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