



Public trust and policy innovation in digital pawn services: Strengthening inclusive finance through governance transformation

Cik Ida Kumalasari Amirudin^{1,*}

¹Public Administration Department, Faculty of Administrative Sciences, Universitas Brawijaya, Malang, East Java 65145, Indonesia.

*Correspondence: cika.kumala@gmail.com

Received Date: December 11, 2025

Revised Date: February 18, 2026

Accepted Date: February 26, 2026

ABSTRACT

Background: The rapid expansion of digital financial services has transformed governance practices in public financial institutions, creating new opportunities for financial inclusion while raising challenges related to trust and accountability. Digital pawn services represent an emerging yet underexplored area within this transformation. **Methods:** This study employs a qualitative policy analysis approach using document analysis and thematic analysis. Data were collected from policy documents, institutional reports, and academic literature related to digital governance, financial inclusion, and public trust. **Findings:** The findings reveal that policy innovation plays a critical role in enabling governance transformation in digital pawn services. This transformation enhances accessibility and efficiency, particularly for underserved populations. However, the effectiveness of digital financial services is strongly mediated by public trust, which is shaped by transparency, system reliability, and institutional credibility. **Conclusion:** Digital transformation in public financial institutions is not solely a technological process but a governance-driven strategy that requires alignment between innovation, regulation, and trust-building mechanisms to achieve inclusive financial outcomes. **Novelty/Originality of this article:** This study proposes a trust-mediated governance framework that integrates policy innovation, governance transformation, and public trust to explain how digital financial services contribute to financial inclusion, particularly within state-owned enterprise contexts.

KEYWORDS : digital governance; inclusive finance; policy innovation; public trust.

1. Introduction

The rapid advancement of digital technology has fundamentally transformed governance practices across public sector institutions, including financial service providers. In recent years, digital transformation has emerged as a strategic priority for governments and state-owned enterprises (SOEs) seeking to improve efficiency, transparency, and service accessibility. This transformation is not limited to the adoption of new technologies but involves broader institutional changes that reshape how public organizations design policies, deliver services, and interact with citizens. In the financial sector, digital innovation plays a particularly important role in addressing structural challenges related to financial inclusion, especially in developing countries where access to formal financial services remains uneven.

Cite This Article:

Amirudin, C. I. K. (2026). Public trust and policy innovation in digital pawn services: Strengthening inclusive finance through governance transformation. *Strengthening Dynamic System: e-Government and Public Services*, 3 (1), 71-87. <https://doi.org/10.61511/sdseps.v3i1.2026.3447>

Copyright: © 2026 by the author. This article is distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>).



In Indonesia, the need to expand financial inclusion has become a major policy priority, given the persistent disparities in access to banking and financial services across regions and socio-economic groups. As part of this effort, Pegadaian, a state-owned enterprise specializing in pawn-based financial services, has undertaken a significant digital transformation. Through the introduction of digital pawn service platforms, Pegadaian aims to modernize its operations, improve service efficiency, and expand access to financial services for underserved populations. These initiatives reflect a broader shift toward digital governance, where technology is integrated into institutional processes to enhance public value and service delivery outcomes.

However, digital transformation in public financial institutions is not merely a technological endeavor. It requires substantial changes in governance structures, policy frameworks, and organizational practices. The success of digital initiatives depends on the ability of institutions to align technological innovation with governance principles such as accountability, transparency, and responsiveness. In this context, policy innovation becomes a key driver of transformation, as it enables organizations to adapt regulatory frameworks and operational strategies to the demands of a digital environment. Moreover, the effectiveness of digital financial services is closely linked to public trust, which plays a critical role in shaping user adoption and engagement.

The concept of digital governance has gained increasing attention in recent years as governments and public institutions seek to leverage digital technologies to improve governance outcomes. Digital governance extends beyond e-government by emphasizing the integration of digital tools into decision-making processes, policy implementation, and citizen engagement. According to recent studies, digital governance represents a systemic transformation that combines technological innovation with institutional reform to create more efficient and transparent governance systems (Mergel et al., 2021; Bannister & Connolly, 2020). This transformation is closely associated with the concept of public value, which highlights the importance of delivering services that not only meet efficiency goals but also enhance legitimacy, trust, and social outcomes.

Digital transformation in the public sector has significantly reshaped governance structures, service delivery, and citizen engagement. Recent studies highlight that digital government evolution enhances administrative efficiency and policy responsiveness (Janowski, 2020; Eom & Hwang, 2021). Furthermore, the integration of digital technologies in governance systems contributes to greater transparency and accountability, which are essential for strengthening public trust (Meijer, 2021; Bannister & Connolly, 2020).

In the context of public administration, governance transformation is essential for ensuring that digital innovation leads to meaningful and sustainable improvements. Traditional bureaucratic structures often face limitations in adapting to rapidly changing technological environments, which necessitates more flexible and collaborative governance models. Scholars have emphasized the importance of adaptive governance, institutional coordination, and policy coherence in supporting digital transformation (Organisation for Economic Co-operation and Development, 2022; World Bank, 2023). These elements are particularly important in the financial sector, where regulatory complexity and risk considerations require careful alignment between innovation and oversight.

Public trust is another critical dimension of digital transformation, particularly in financial services where issues of security, reliability, and institutional credibility are paramount. Trust influences individuals' willingness to adopt digital platforms, share personal information, and engage in financial transactions. Studies have shown that trust in digital services is shaped by multiple factors, including perceived security, transparency, service quality, and institutional reputation (Ameen et al., 2021; Kaur et al., 2021). In the absence of sufficient trust, even well-designed digital systems may fail to achieve widespread adoption. Therefore, building and maintaining public trust is a central challenge for institutions implementing digital financial services.

From a financial inclusion perspective, digital technologies have been widely recognized as powerful tools for expanding access to financial services. Digital financial platforms can reduce transaction costs, increase service reach, and provide more flexible

financial solutions for underserved populations. Empirical studies suggest that digital finance contributes to greater financial inclusion by enabling access to credit, savings, and payment systems for individuals who are traditionally excluded from formal financial institutions (Ozili, 2021; Zhao & Bacao, 2021). However, the impact of digital financial services is not automatic; it depends on the quality of governance, the effectiveness of regulatory frameworks, and the level of trust that users have in the system.

Despite the growing body of literature on digital governance, public trust, and financial inclusion, existing studies tend to examine these dimensions in isolation. Research on digital governance often focuses on institutional transformation and technological adoption, while studies on financial inclusion emphasize access and usage of financial services. Similarly, the literature on public trust typically addresses citizen perceptions of government institutions without explicitly linking trust to digital innovation and financial inclusion outcomes. As a result, there is limited understanding of how these elements interact within complex institutional settings, particularly in the context of state-owned enterprises undergoing digital transformation.

This gap is particularly significant in developing countries, where state-owned enterprises play a central role in delivering public services and implementing government policies. SOEs operate within hybrid institutional environments that combine public mandates with commercial objectives, making governance transformation more complex. In the case of digital financial services, SOEs must balance innovation with regulatory compliance, operational efficiency with social inclusion, and technological advancement with public trust. Despite these challenges, empirical research examining the interplay between governance transformation, digital innovation, and financial inclusion in SOEs remains limited.

Furthermore, the specific case of digital pawn services represents an underexplored area in the literature. Pawn services have traditionally been associated with informal or semi-formal financial systems, serving populations that may not have access to conventional banking services. The digitalization of pawn services introduces new dynamics in terms of accessibility, efficiency, and trust. However, it also raises important questions about governance, regulation, and user protection. Understanding how digital pawn services operate within a governance framework is therefore essential for assessing their potential contribution to financial inclusion.

To address these gaps, this study examines the case of Pegadaian's digital pawn service transformation as a form of policy innovation within a state-owned enterprise. Despite growing studies on digital finance, limited research examines how digital transformation in state-owned financial institutions integrates governance reform, policy innovation, and public trust to advance financial inclusion. The study focuses on how digital innovation is integrated into governance structures, how it influences public trust, and how these factors collectively contribute to financial inclusion.

By adopting a qualitative policy analysis approach, this research seeks to provide a comprehensive understanding of the institutional and policy dimensions of digital financial service transformation. Specifically, this study aims to answer the following research questions: (1) How does policy innovation influence governance reform in digital pawn services? (2) How does governance transformation affect public trust in digital financial services? and (3) How does public trust mediate the relationship between digital innovation and financial inclusion? These questions are designed to capture the complex interactions between technological, institutional, and social dimensions of digital transformation.

This study contributes to the literature in several ways. First, it provides an integrated analytical framework that connects digital governance, public trust, and financial inclusion within the context of a state-owned enterprise. Second, it offers empirical insights into the role of policy innovation in shaping governance transformation in digital financial services. Third, it highlights the importance of trust as a mediating factor that influences the effectiveness of digital financial inclusion initiatives. Finally, the study provides practical policy implications for improving digital governance and promoting inclusive financial systems in developing countries.

By examining the case of Pegadaian, this research also contributes to a better understanding of how traditional financial service models can be transformed through digital innovation while maintaining their social function. The findings are expected to inform policymakers, practitioners, and researchers about the challenges and opportunities associated with digital transformation in public financial institutions. Ultimately, this study underscores the importance of aligning technological innovation with governance reform and public trust to achieve sustainable and inclusive development outcomes.

2. Methods

This research adopts a qualitative policy analysis design, utilizing document analysis as a systematic procedure for reviewing and evaluating both printed and electronic materials. This approach allows for the interpretation of regulatory frameworks to elicit meaning and gain empirical knowledge regarding governance transformation (Bowen, 2023). By employing a case study lens within the public sector, the study ensures a deep contextual analysis of how digital innovations are integrated into institutional structures (Nilsen & Bernhardsson, 2024).

Furthermore, the methodological rigor is maintained by triangulating policy documents with institutional reports to ensure the credibility and transparency of the findings in accordance with contemporary qualitative standards (Creswell & Poth, 2024). This approach allows for an in-depth understanding of how policy innovation shapes governance practices and influences public trust within the context of digital financial service transformation. This study applies qualitative policy analysis using thematic analysis (Braun & Clarke, 2021).

2.1 Research design and approach

The study adopts a qualitative policy analysis framework, which emphasizes the systematic examination of policy documents, institutional reports, and relevant literature. Policy analysis is widely used in public administration research to understand how policies are formulated, implemented, and interpreted within institutional contexts (Dunn, 2018). This approach is particularly suitable for analyzing governance transformation, as it captures both formal regulatory structures and informal institutional practices.

The analytical framework of this study is informed by three main theoretical perspectives: digital governance, policy innovation, and trust-based governance. Digital governance provides a lens to understand how digital technologies reshape institutional processes (Mergel et al., 2021), while policy innovation highlights adaptive regulatory and organizational changes (Bannister & Connolly, 2020). Trust-based governance is used to examine how institutional credibility and public perception influence the adoption of digital services (Ameen et al., 2021).

2.2 Data sources and selection criteria

This study relies on secondary data obtained from multiple sources to ensure a comprehensive and reliable analysis. The primary data sources include: (1) official policy documents and regulations related to digital financial services and pawn operations, (2) institutional reports published by Pegadaian and relevant government agencies, and (3) peer-reviewed academic literature on digital governance, financial inclusion, and public trust (Relevance to digital governance, Publication credibility, Time frame e.g., 2018–2024). To ensure data quality and relevance, three selection criteria were applied. First, the documents must be directly related to digital transformation, governance reform, or financial inclusion. Second, the sources must be credible, including official publications, international organization reports, and indexed academic journals. Third, the documents must be recent, primarily published between 2020 and 2024, to capture current

developments in digital governance and financial innovation (Organisation for Economic Co-operation and Development, 2022; World Bank, 2023).

2.3 Data collection

Data collection was conducted through systematic document analysis and literature review. Policy documents and institutional reports were retrieved from official websites of government agencies, Pegadaian, and international organizations. Academic literature was collected through scholarly databases such as Google Scholar and indexed journal platforms using keywords including “digital governance,” “financial inclusion,” “public trust,” and “digital financial services.” All selected documents were organized and categorized based on their relevance to the study’s analytical dimensions, namely governance transformation, digital innovation, and public trust.

Policy innovation in digital financial services is not merely a technological update; rather, it represents a governance transformation aimed at creating public value. Recent studies emphasize that the integration of institutional transparency and technological security is a fundamental pillar in building public trust within the digital ecosystem (Gong & Janssen, 2023; Torfing & Bentzen, 2023). Therefore, the success of financial inclusion depends heavily on the extent to which these policies can guarantee accountability and consumer protection amidst the complexities of digital transformation (Lee & Whitford, 2024). Furthermore, effective digital governance in state-owned enterprises requires an adaptive regulatory framework to ensure that innovation consistently aligns with societal needs and public interest (Chen & Yi, 2025).

2.4 Data analysis technique

The study employs thematic analysis to interpret the collected data. Thematic analysis is a widely used qualitative method for identifying, analyzing, and reporting patterns within data (Braun & Clarke, 2021). The analysis was conducted in several stages. First, all documents were carefully reviewed to identify key concepts and recurring themes related to governance transformation, digital innovation, and trust-building mechanisms.

Second, an open coding process was applied to extract relevant information and categorize it into initial thematic groups. Third, axial coding was conducted to examine relationships between categories, such as the interaction between policy innovation and governance reform, and the role of governance practices in shaping public trust. Finally, the findings were interpreted using the three analytical lenses adopted in this study: digital governance, policy innovation, and trust-based governance.

This study employs a qualitative research design using a policy analysis approach to examine governance transformation, digital innovation, and public trust in Pegadaian’s digital pawn services. A qualitative approach is appropriate as the study seeks to explore complex institutional processes and policy interactions that require an in-depth, contextual understanding beyond quantitative metrics (Creswell & Poth, 2024; Mergel & Kattel, 2024). These findings align with public value theory as proposed by Moore (1995), which emphasizes that public sector initiatives should generate value for society. In this context, digital transformation enhances public value by improving service accessibility, strengthening institutional trust, and enabling more inclusive financial participation.

2.5 Validity and reliability

To ensure the validity and reliability of the findings, several strategies were applied. First, data triangulation was conducted by comparing information from multiple sources, including policy documents, institutional reports, and academic literature. Triangulation is widely recognized as a key strategy for enhancing credibility in qualitative research (Patton, 2015).

Second, theoretical triangulation was employed by analyzing the data through multiple conceptual frameworks, namely digital governance, policy innovation, and public trust. This approach helps reduce bias and provides a more robust interpretation of the findings. Third, transparency was maintained throughout the research process by clearly documenting the data selection criteria, coding procedures, and analytical steps. This ensures that the research process is traceable and can be evaluated for consistency and rigor (Lincoln & Guba, 1985).

2.6 Research scope and limitations

This study focuses on Pegadaian as a case of a state-owned enterprise undergoing digital transformation in Indonesia. While this case provides valuable insights into governance reform and digital financial services, the findings may not be fully generalizable to other contexts or institutions. Additionally, the reliance on secondary data limits the ability to capture direct user experiences and real-time organizational dynamics. Nevertheless, the qualitative policy analysis approach enables an in-depth exploration of institutional and governance aspects that are often difficult to quantify. The findings are therefore intended to provide analytical and conceptual insights rather than statistical generalizations, contributing to the broader understanding of digital governance and financial inclusion in public sector contexts. To enhance transparency and demonstrate the breadth of data sources underpinning this study, the key policy documents and references utilized in the analysis are systematically presented in Table 1.

Table 1. Summary of policy documents and data sources

Source type	Institution / author	Content focus	Relevance to study
Regulation	Financial Services Authority (OJK)	Digital financial services regulation	Governance framework for digital finance
Institutional report	Pegadaian	Digital transformation strategy	Implementation of digital pawn services
Government policy	Ministry of SOEs	SOE digital transformation roadmap	Institutional reform and governance
International report	World Bank	Financial inclusion trends	Global comparison and data support
International report	Organisation for Economic Co-operation and Development	Digital governance framework	Theoretical and policy foundation
Academic literature	Peer-reviewed journal articles	Trust, governance, financial inclusion	Conceptual and analytical framework

Source: Compiled by the author based on policy documents from the Financial Services Authority (OJK), Ministry of State-Owned Enterprises, Pegadaian annual reports, World Bank (2023), and Organisation for Economic Co-operation and Development (2022).

The range of sources presented in Table 1 demonstrates that the analysis is grounded in a combination of regulatory, institutional, and scholarly perspectives. This diversity strengthens the analytical depth by allowing cross-validation between formal policy frameworks and empirical insights from international studies. It also indicates that the study does not rely on a single type of evidence, but instead adopts a comprehensive approach to understanding governance transformation in digital financial services.

3. Results and Discussion

To provide a comprehensive overview of the research framework, a conceptual model has been developed to illustrate the dynamic interaction between the key variables studied. This framework demonstrates how governance transformation and policy innovation serve

as primary drivers in building public trust, which ultimately strengthens inclusive finance for the broader community (see Fig. 1). Furthermore, the model highlights that the integration of digital services must be anchored in institutional accountability to ensure the creation of sustainable public value. By aligning technological advancements with transparent governance, the framework suggests a holistic approach to bridging the gap between innovative financial policies and societal needs.

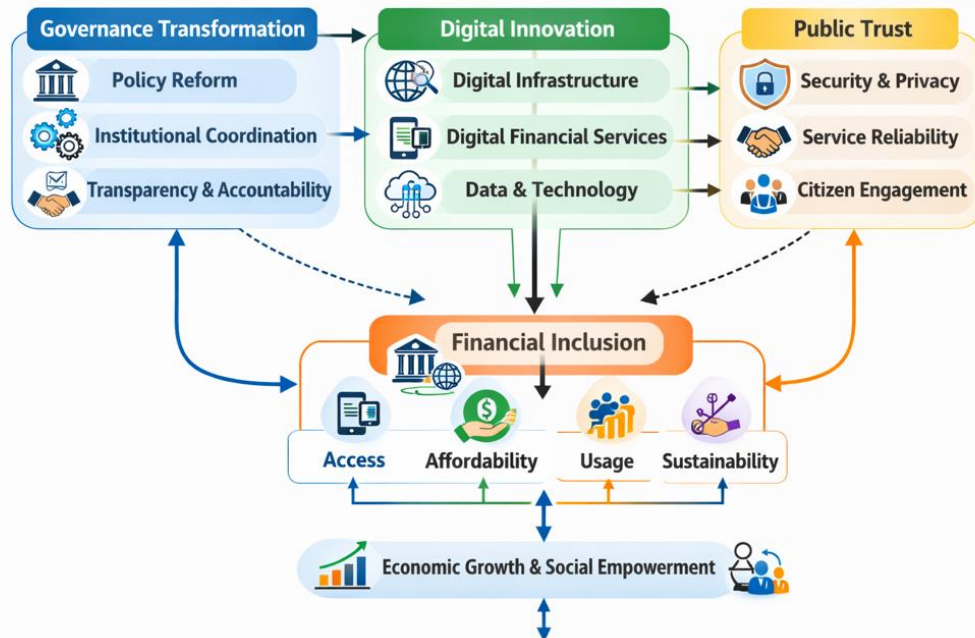


Fig. 1. Conceptual framework of digital pawn governance transformation

Fig. 1. Elucidates that structural changes in Pegadaian's corporate governance are aimed not only at technological efficiency but also at creating sustainable public value. Through the synergy of transparent digital policies and robust consumer protection mechanisms, institutional trust can be fostered effectively. Consequently, this model suggests that robust financial inclusion is the result of a harmonic integration between service innovation and accountable governance.

3.1 Governance transformation

The findings demonstrate that Pegadaian's digital transformation represents a fundamental shift from conventional, branch-based pawn services toward a platform-based digital financial service model. This transformation is reflected in the integration of mobile applications and online platforms that allow customers to access pawn services remotely, including loan applications, collateral valuation, and repayment processes. Such developments significantly reduce transaction time, simplify administrative procedures, and expand service accessibility.

This transformation aligns with broader global trends in digital financial services, where institutions increasingly rely on digital platforms to enhance efficiency and reach. According to the World Bank (2023), digital financial services have contributed to a substantial increase in financial access worldwide, with approximately 76% of adults globally now having access to a financial account, compared to 51% in 2011. This rapid expansion is largely driven by mobile technology and digital platforms that reduce barriers to entry for previously underserved populations.

From a governance perspective, the shift toward digital platforms requires not only technological adoption but also institutional restructuring. The findings indicate that

Pegadaian has adapted its operational procedures, service standards, and internal coordination mechanisms to accommodate digital service delivery. This reflects the concept of digital governance, which emphasizes the integration of digital technologies into governance systems to improve transparency, accountability, and service effectiveness (Mergel et al., 2021).

Moreover, digital transformation in pawn services contributes to reducing traditional barriers to financial access, particularly geographical constraints and bureaucratic complexity. In many developing countries, physical distance and administrative requirements often limit access to financial services. By enabling remote access, digital pawn services help overcome these barriers, thereby supporting financial inclusion objectives. This is consistent with findings by Ozili (2021), who highlights that digital financial platforms can significantly improve access to financial services by lowering transaction costs and increasing convenience.

However, the findings also suggest that digital transformation introduces new challenges, particularly related to system reliability, cybersecurity, and digital literacy. While digital platforms enhance accessibility, they also require users to possess basic digital skills and trust in technological systems. Therefore, the success of digital transformation depends not only on technological infrastructure but also on governance capacity and user readiness.

3.2 Digital innovation

The analysis reveals that policy innovation plays a central role in facilitating governance transformation within Pegadaian. The transition to digital pawn services is supported by a range of regulatory adjustments, institutional strategies, and organizational reforms. These changes reflect an adaptive governance approach, where institutions continuously adjust policies and practices to respond to technological developments and evolving user needs.

Policy innovation in this context involves both the introduction of new regulations and the modification of existing governance frameworks. For example, the implementation of digital services requires the development of policies related to data management, cybersecurity, and digital transactions. These policies are essential for ensuring that digital services operate within a secure and accountable framework. According to the Organisation for Economic Co-operation and Development (2022), effective digital governance requires clear regulatory frameworks that balance innovation with risk management, particularly in financial services where data security and consumer protection are critical.

The findings also indicate that governance reform within Pegadaian includes improvements in organizational coordination and service standardization. Digital transformation necessitates closer integration between different functional units, such as IT, operations, and customer service. This integration enhances the efficiency and consistency of service delivery, contributing to improved organizational performance.

Furthermore, the study highlights the importance of policy learning in governance transformation. The implementation of digital pawn services is not a one-time process but involves continuous refinement based on experience and feedback. This iterative approach allows institutions to address emerging challenges, such as system integration issues and user adoption barriers. The concept of policy learning emphasizes the ability of institutions to adapt and improve their policies over time, which is critical in rapidly evolving digital environments.

From a theoretical perspective, these findings support the notion that governance reform is a dynamic and adaptive process. Digital transformation requires institutions to move beyond traditional bureaucratic models and adopt more flexible and responsive governance structures. This aligns with contemporary governance theories that emphasize the importance of adaptability, collaboration, and innovation in public sector management.

3.3 Public trust

Public trust emerges as a key determinant influencing the adoption and effectiveness of digital pawn services. The findings indicate that users' willingness to engage with digital platforms is strongly influenced by their perception of institutional credibility, data security, and service reliability. In the context of financial services, trust is particularly important because transactions involve sensitive personal and financial information.

Empirical studies have consistently shown that trust plays a crucial role in digital service adoption. For instance, Ameen et al. (2021) found that trust significantly affects users' intention to adopt e-government services, particularly in environments where concerns about privacy and security are prevalent. Similarly, Kaur et al. (2021) emphasize that trust in digital banking systems is influenced by perceived reliability, transparency, and ease of use.

The findings of this study suggest that governance quality is a critical factor in building trust. Transparent policies, reliable digital systems, and responsive customer service contribute to enhancing public confidence in digital platforms. Conversely, weaknesses in governance, such as unclear regulations or technical failures, can undermine trust and hinder adoption.

From a governance perspective, trust can be understood as both an outcome and a driver of institutional performance. Effective governance practices enhance trust by demonstrating accountability and reliability, while high levels of trust facilitate user engagement and service adoption. This reciprocal relationship highlights the importance of integrating trust-building strategies into digital governance frameworks.

Furthermore, the study identifies trust as a mediating variable that connects governance transformation with financial inclusion outcomes. In other words, digital innovation alone is not sufficient to achieve financial inclusion; it must be accompanied by governance practices that build and sustain public trust. This finding contributes to the literature by emphasizing the role of trust in linking institutional reforms with social outcomes.

Trust remains a central determinant in the adoption of digital public services and financial technologies. Prior research indicates that users' perceptions of security, privacy, and reliability significantly influence their willingness to adopt digital platforms (Alalwan et al., 2020; Ryu, 2021). In addition, trust is closely linked to system quality and institutional credibility, particularly in government-led digital initiatives (Ameen et al., 2021; Mergel et al., 2021). Building on the role of trust, the following section examines how digital transformation translates into financial inclusion outcomes. These findings align with public value theory (Moore, 1995), where digital transformation enhances public value through improved accessibility and trust.

3.4 Digital financial inclusion

The integration of digital pawn services into Pegadaian's operations has significant implications for financial inclusion. The findings indicate that digital platforms can expand access to financial services by providing more convenient and flexible options for users. This is particularly important for individuals who face barriers to accessing traditional banking services, such as limited mobility, lack of documentation, or geographical isolation.

Global data supports the role of digital financial services in promoting inclusion. According to the World Bank (2023), the expansion of mobile-based financial services has been a key driver of increased financial access in developing countries. Similarly, Zhao & Bacao (2021) demonstrate that digital finance contributes to financial inclusion by enabling access to credit and payment systems for underserved populations.

The development of financial technology (fintech) has accelerated financial inclusion by expanding access to financial services for underserved populations. Empirical evidence suggests that digital financial services reduce barriers related to cost, distance, and documentation (Appaya & Varghese, 2020; Demirgüç-Kunt et al., 2022). Moreover, fintech

innovations enable more inclusive financial ecosystems by leveraging mobile platforms and data-driven services. Fintech innovation also drives financial sector transformation through data-driven services and platform-based ecosystems (Gomber et al., 2021; Chen et al., 2021; Lee & Shin, 2021). Islamic fintech also contributes to inclusive financial systems, particularly in developing economies (Banna et al., 2021).

Technology adoption models provide a useful framework for understanding user behavior in digital environments. The Unified Theory of Acceptance and Use of Technology (UTAUT2) explains that performance expectancy, effort expectancy, and social influence significantly affect technology adoption (Venkatesh et al., 2020). These factors are particularly relevant in the context of digital financial services and government platforms. The adoption of artificial intelligence further accelerates digital transformation in public and financial services (Dwivedi et al., 2021).

However, the findings also highlight several constraints that may limit the effectiveness of digital financial inclusion initiatives. One of the main challenges is digital inequality, which refers to disparities in access to technology and digital skills. Individuals with limited digital literacy or access to internet-enabled devices may be excluded from digital services, creating new forms of inequality.

Another challenge is the potential risk associated with digital transactions, including cybersecurity threats and data privacy concerns. These risks can undermine public trust and reduce user adoption, particularly among populations that are already skeptical of digital systems. Therefore, addressing these challenges requires a comprehensive approach that combines technological innovation with governance reform and user education.

The process of data interpretation involved identifying recurring patterns and organizing them into coherent analytical categories. This step is crucial in qualitative research, as it enables the transformation of raw information into meaningful insights. The main thematic dimensions that emerged from this analytical process are summarized in Table 2.

Table 2. Thematic analysis of governance transformation

Theme	Key findings	Supporting evidence	Implication
Digital Transformation	Shift to platform-based pawn services	Pegadaian digital platform initiatives	Increased accessibility and efficiency
Governance Reform	Policy adaptation and institutional restructuring	OJK regulations, SOE policies	Improved coordination and accountability
Public Trust	Trust influenced by security and service reliability	User adoption patterns, literature	Critical for digital service adoption
Financial Inclusion	Expanded access through digital services	World Bank data	Broader reach to underserved populations
Digital Risk	Cybersecurity and digital literacy challenges	Organisation for Economic Co-operation and Development reports	Need for risk mitigation strategies

Source: Based on qualitative analysis of policy documents and literature (Mergel et al., 2021; Organisation for Economic Co-operation and Development, 2022; World Bank, 2023).

The thematic structure presented in Table 2 reveals that governance transformation is shaped by multiple interrelated dimensions rather than a single dominant factor. These themes collectively illustrate how technological innovation, institutional reform, and user-related considerations interact in shaping digital service outcomes. The configuration of themes also suggests that successful digital transformation requires simultaneous attention to structural, operational, and social aspects of governance.

Beyond identifying individual themes, it is important to understand how key variables interact within the broader analytical framework. Examining these relationships allows for

a more comprehensive interpretation of governance transformation as a dynamic process. To clarify these interconnections, the relationships between the main variables identified in this study are presented in Table 3.

Table 3. Relationship between policy innovation, governance, trust, and financial inclusion

Variable	Role in model	Description	Outcome
Policy innovation	Independent variable	Regulatory and strategic adaptation	Enables digital transformation
Governance reform	Mediating variable	Institutional restructuring and process improvement	Improves system effectiveness
Public trust	Mediating variable	User confidence in digital systems	Increases adoption of services
Digital innovation	Enabling factor	Implementation of digital platforms	Enhances service delivery
Financial inclusion	Dependent variable	Access to financial services	Expands user participation

Source: Based on Public Value Theory (Moore, 1995), digital governance framework (Mergel et al., 2021), and financial inclusion literature (Ozili, 2021).

Table 3 highlights the relational dynamics among the key variables identified in this study, emphasizing the importance of intermediary processes in shaping final outcomes. The model suggests that governance and trust function as critical bridging elements that translate policy innovation into tangible inclusion outcomes. This interconnected structure reinforces the argument that digital transformation cannot be understood through isolated variables, but must be analyzed as a systemic process involving multiple layers of interaction.

Public sector innovation plays a crucial role in generating public value through improved service delivery and adaptive governance. Innovation in government institutions is associated with increased efficiency, responsiveness, and citizen satisfaction (De Vries et al., 2021). Additionally, collaborative innovation involving multiple stakeholders fosters co-creation and enhances policy effectiveness in complex environments (Lember et al., 2022).

Despite its benefits, fintech adoption also introduces risks related to regulation, data security, and financial stability. Regulatory frameworks are therefore essential to ensure consumer protection and systemic stability (Arner et al., 2020). Furthermore, the role of fintech in supporting sustainable development and inclusive growth has gained increasing attention in recent studies (Ozili, 2022; Kshetri, 2021). These findings further confirm that digital transformation in public financial services is not only driven by technological advancement but also shaped by institutional readiness and governance capacity, which play a critical role in ensuring sustainable innovation outcomes (De Vries et al., 2021; Lember et al., 2022). In addition, the role of regulatory frameworks remains essential in mitigating risks associated with fintech adoption, including data security and financial stability concerns (Arner et al., 2020; Kshetri, 2021).

3.5 Theoretical implications: Public value and governance transformation

The findings of this study contribute to the theoretical understanding of digital governance by highlighting the importance of public value creation. Public value theory emphasizes that public sector innovation should generate value not only in terms of efficiency but also in terms of legitimacy, trust, and social outcomes (Moore, 1995; Mazzucato, 2018). In the context of Pegadaian's digital transformation, public value is created through improved service accessibility, enhanced transparency, and increased financial inclusion.

However, the realization of public value depends on the alignment between technological innovation and governance practices. This finding reinforces the idea that digital transformation must be guided by governance principles to achieve sustainable

outcomes. The study also contributes to governance theory by demonstrating the role of policy innovation in driving institutional change.

Rather than viewing digital transformation as a purely technological process, the findings show that it is deeply embedded in governance structures and policy frameworks. This highlights the importance of adopting a holistic approach to digital transformation that integrates technology, governance, and social considerations. From a theoretical perspective, this study reinforces the relevance of technology adoption and innovation frameworks in explaining digital financial service utilization, particularly in the context of public sector transformation and emerging financial ecosystems (Venkatesh et al., 2020; Dwivedi et al., 2021).

3.6 Policy implications

The findings of this study have several important policy implications. First, policymakers should prioritize the development of robust governance frameworks that ensure transparency, accountability, and data security in digital financial services. Strong governance is essential for building public trust and ensuring the sustainability of digital transformation initiatives.

Second, efforts to promote financial inclusion should incorporate strategies to enhance digital literacy and access to technology. This includes providing education and training programs for users, as well as expanding infrastructure to support digital connectivity. Third, policymakers should consider adopting hybrid service models that combine digital and traditional service delivery.

Such models can help address digital inequality by providing alternative access points for individuals who may not be able to use digital platforms. Finally, continuous policy learning and adaptation are essential for responding to emerging challenges in digital governance. Institutions should establish mechanisms for monitoring and evaluating digital initiatives, allowing for timely adjustments and improvements.

Overall, the findings highlight that digital transformation in public financial institutions must be accompanied by governance reform and trust-building efforts to achieve inclusive and sustainable outcomes. The transition from empirical findings to actionable insights requires the synthesis of analytical results into practical recommendations. This step is particularly important in policy-oriented research, where the ultimate goal is to inform decision-making and institutional improvement. Based on the findings of this study, the key policy implications are synthesized and presented in Table 4.

Table 4. Policy implications for digital governance

Issue identified	Policy recommendation	Expected impact
Low digital trust	Strengthen data protection and transparency	Increased user confidence
Digital inequality	Expand digital literacy programs	Inclusive access to services
Governance gaps	Improve inter-agency coordination	Better policy implementation
Cybersecurity risks	Enhance system security frameworks	Reduced operational risks

Source: Based on findings from the study and supporting literature (Organisation for Economic Co-operation and Development, 2022; World Bank, 2023; Ameen et al., 2021).

The policy implications summarized in Table 4 indicate that addressing challenges in digital financial services requires a multidimensional strategy. Rather than focusing solely on technological solutions, the findings point to the necessity of strengthening governance mechanisms and institutional capacity. This also implies that long-term sustainability in digital transformation depends on the alignment between innovation, regulation, and user trust within the broader financial ecosystem.

4. Conclusions

This study demonstrates that digital transformation in state-owned financial institutions is not solely a technological process but a governance-driven strategy that integrates policy innovation, institutional reform, and public trust to advance financial inclusion. The case of Pegadaian shows that trust functions as a critical mediating mechanism linking digital governance and inclusive financial outcomes, particularly for underserved populations. In this context, digital platforms are not merely service delivery tools but institutional instruments that reshape how public value is created and sustained in the financial sector.

From a policy perspective, these findings highlight the need for financial institutions and regulators to prioritize trust-based digital governance frameworks. This includes strengthening transparency, ensuring data security, and promoting user-centered service design. Policymakers must also reinforce regulatory ecosystems that support digital inclusion while maintaining institutional accountability, especially within state-owned enterprises operating in hybrid public-commercial roles. Furthermore, continuous institutional adaptation is required to respond to evolving technological risks, cybersecurity challenges, and shifting user expectations in digital environments. However, this study has several limitations. As a qualitative policy-based analysis, it relies primarily on secondary data and document analysis, which may constrain empirical generalization. The absence of direct user-level data also limits the ability to capture behavioural dimensions of trust and service adoption. In addition, the focus on a single institutional case may reduce the broader applicability of findings across different governance and regulatory contexts.

Future research is therefore encouraged to incorporate quantitative approaches, user surveys, or comparative cross-country analyses to validate and extend these findings. Expanding empirical investigation across different institutional contexts would further strengthen the generalizability of trust-based digital governance models. Longitudinal studies may also provide deeper insights into how trust evolves over time in response to policy changes and technological innovation. Overall, this study contributes to the growing literature on digital governance and financial inclusion by positioning public trust as a central pillar in the design and implementation of inclusive digital financial systems. It underscores that sustainable digital transformation requires not only technological capability but also institutional credibility and adaptive governance capacity.

Acknowledgement

The authors express sincere gratitude to the Faculty of Administrative Science, Universitas Brawijaya, for the academic guidance and research environment that supported the development of this study. Appreciation is also extended to colleagues at the Research Centre for Conflict and Policy (RCCP FIA UB) for their constructive feedback on the analytical framework. The authors also acknowledge PT Pegadaian (Persero) for the financial support provided for the publication of this research. Special thanks are given to the reviewers and editors of the Indonesia-ASEAN Sustainable Social Science Forum (IASSSF) for the opportunity to contribute to scholarly discourse on digital governance and public trust in state-owned enterprises.

Author Contribution

Conceptualization, C.I.K.A.; Methodology, C.I.K.A.; Validation, C.I.K.A.; Formal Analysis, C.I.K.A.; Investigation, C.I.K.A.; Resources, C.I.K.A.; Data Curation, C.I.K.A.; Writing – Original Draft Preparation, C.I.K.A.; Writing – Review & Editing, C.I.K.A.; Visualization, C.I.K.A.; Supervision, C.I.K.A.; Project Administration, C.I.K.A. The author confirms that she was solely responsible for all aspects of the study's conception, data analysis, interpretation, and manuscript preparation in accordance with the CRediT taxonomy.

Funding

The authors acknowledge PT Pegadaian (Persero) for supporting the publication of this research. However, this study received no specific research grant from any funding agency in the public, commercial, or not-for-profit sectors.

Ethical Review Board Statement

Ethical review and approval were waived for this study because it relied exclusively on publicly available secondary data, including institutional reports, official statistics, and academic publications. Therefore, no human participants, experimental interventions, or confidential data were involved in the research process.

Informed Consent Statement

Not applicable. This study did not involve human participants, interviews, or any form of primary data collection requiring informed consent.

Data Availability Statement

No new data were created or analyzed in this study. All data supporting the findings are publicly available from institutional and official sources cited in the reference list, including Pegadaian Annual Reports (2020–2024), OJK Financial Inclusion Statistics, BPS publications, and reports from the World Bank and Organisation for Economic Co-operation and Development.

Conflict of Interest

The author declares no conflict of interest. The funders had no role in the design of the study; in the collection, analyses, or interpretation of data; in the writing of the manuscript; or in the decision to publish the results.

Declaration of Generative AI Use

During the preparation of this work, the author used ChatGPT (OpenAI, 2025 version) to assist in refining the clarity, coherence, and academic tone of the manuscript. The tool was also used to support English language editing and to ensure consistency with journal formatting standards. After using this tool, the author reviewed, verified, and edited all content as needed and takes full responsibility for the originality and accuracy of the final manuscript.

Open Access

©2026. The author. This article is licensed under a Creative Commons Attribution 4.0 International License, which permits use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author and the source, provides a link to the Creative Commons license, and indicates if changes were made. The images or other third-party material in this article are included in the article's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the article's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder. To view a copy of this license, visit: <http://creativecommons.org/licenses/by/4.0/>

References

- Alalwan, A. A., Dwivedi, Y. K., Rana, N. P., & Simintiras, A. C. (2020). Examining factors influencing adoption of mobile banking. *Information Systems Frontiers*, 22(3), 527–539. <https://doi.org/10.1007/s10796-019-09920-5>
- Ameen, N., Tarhini, A., Reppel, A., & Anand, A. (2021). Customer experiences in the age of artificial intelligence. *Computers in Human Behavior*, 114, 106548. <https://doi.org/10.1016/j.chb.2020.106548>

- Appaya, S., & Varghese, V. (2020). *Digital financial services*. World Bank. <https://doi.org/10.1596/978-1-4648-1440-2>
- Arner, D. W., Barberis, J., & Buckley, R. P. (2020). Fintech and regtech. *Journal of Banking Regulation*, 21(1), 1–17. <https://doi.org/10.1057/s41261-019-00103-4>
- Badan Pusat Statistik. (2023). *Statistik Indonesia 2023*. BPS.
- Bannister, F., & Connolly, R. (2020). The future ain't what it used to be: Forecasting the impact of ICT on public administration. *Government Information Quarterly*, 37(1), 101410. <https://doi.org/10.1016/j.giq.2019.101410>
- Banna, H., Hassan, M. K., & Alam, M. R. (2021). Islamic fintech and inclusion. *Finance Research Letters*, 38, 101543. <https://doi.org/10.1016/j.frl.2020.101543>
- Bowen, G. A. (2023). *Document analysis as a qualitative research method*. Routledge.
- Braun, V., & Clarke, V. (2021). *Thematic analysis: A practical guide*. SAGE.
- Chen, L., & Yi, J. (2025). Digital transformation, institutional quality, and public value creation in state-owned enterprises. *Public Management Review*, 27(2), 210–235. <https://doi.org/10.1080/14719037.2024.2291045>
- Chen, M. A., Wu, Q., & Yang, B. (2021). Fintech and innovation. *Journal of Financial Economics*, 140(2), 1–23. <https://doi.org/10.1016/j.jfineco.2020.10.004>
- Creswell, J. W., & Poth, C. N. (2024). *Qualitative inquiry and research design: Choosing among five approaches* (5th ed.). SAGE Publications.
- De Vries, H., Bekkers, V., & Tummers, L. (2021). Innovation in the public sector. *Public Administration*, 99(2), 214–231. <https://doi.org/10.1111/padm.12662>
- Demirgüç-Kunt, A., Klapper, L., Singer, D., Ansar, S., & Hess, J. (2022). *The Global Findex Database 2021: Financial inclusion, digital payments, and resilience in the age of COVID-19*. World Bank. <https://doi.org/10.1596/978-1-4648-1897-4>
- Dunn, W. N. (2018). *Public policy analysis: An integrated approach* (6th ed.). Routledge.
- Dwivedi, Y. K., Hughes, D. L., Ismagilova, E., et al. (2021). Artificial intelligence adoption. *International Journal of Information Management*, 57, 101994. <https://doi.org/10.1016/j.ijinfomgt.2019.08.012>
- Eom, S. J., & Hwang, H. (2021). Digital government performance. *Government Information Quarterly*, 38(1), 101559. <https://doi.org/10.1016/j.giq.2020.101559>
- Gomber, P., Koch, J.-A., & Siering, M. (2021). Digital finance and fintech. *Journal of Business Economics*, 91, 1–18. <https://doi.org/10.1007/s11573-020-00977-7>
- Gong, Y., & Janssen, M. (2023). The role of digital platforms in strengthening public trust and governance transparency. *Government Information Quarterly*, 40(1), 101783. <https://doi.org/10.1016/j.giq.2022.101783>
- Janowski, T. (2020). Digital government evolution. *Government Information Quarterly*, 37(1), 101424. <https://doi.org/10.1016/j.giq.2019.101424>
- Kaur, P., Dhir, A., Singh, N., Sahu, G., & Almotairi, M. (2021). An innovation resistance theory perspective on mobile payment solutions. *Journal of Retailing and Consumer Services*, 55, 102059. <https://doi.org/10.1016/j.jretconser.2020.102059>
- Kshetri, N. (2021). Blockchain and digital finance. *Telecommunications Policy*, 45(2), 102046. <https://doi.org/10.1016/j.telpol.2020.102046>
- Lee, I., & Shin, Y. J. (2021). Fintech ecosystem. *Business Horizons*, 64(1), 35–46. <https://doi.org/10.1016/j.bushor.2020.09.003>
- Lee, S., & Whitford, A. B. (2024). Public value and digital governance: A framework for accountable innovation. *International Public Management Journal*, 27(1), 55–74. <https://doi.org/10.1080/10967494.2023.2210984>
- Lember, V., Brandsen, T., & Tönurist, P. (2022). Public sector innovation. *Public Management Review*, 24(3), 1–15. <https://doi.org/10.1080/14719037.2021.1900351>
- Lincoln, Y. S., & Guba, E. G. (1985). *Naturalistic inquiry*. SAGE Publications.
- Mazzucato, M. (2018). *The value of everything: Making and taking in the global economy*. Penguin Books.
- Meijer, A. (2021). Digital governance and transparency. *Public Administration Review*, 81(3), 489–499. <https://doi.org/10.1111/puar.13284>

- Mergel, I., Edelman, N., & Haug, N. (2021). Defining digital transformation: Results from expert interviews. *Government Information Quarterly*, 38(4), 101385. <https://doi.org/10.1016/j.giq.2020.101385>
- Mergel, I., & Kattel, R. (2024). Digital innovation in the public sector: Building trust through agile governance. *Public Administration*, 102(3), 789–810. <https://doi.org/10.1111/padm.12980>
- Moore, M. H. (1995). *Creating public value: Strategic management in government*. Harvard University Press.
- Nilsen, P., & Bernhardsson, S. (2024). Qualitative research in policy analysis: Evolving standards for rigor and transparency. *Journal of Public Policy*, 44(1), 12–34. <https://doi.org/10.1017/S0143814X2300015X>
- Organisation for Economic Co-operation and Development. (2022). *Digital government review: Building digital government*. OECD Publishing. <https://doi.org/10.1787/4de9f5bb-en>
- Otoritas Jasa Keuangan. (2022). *Peraturan OJK tentang layanan keuangan digital*. OJK.
- Otoritas Jasa Keuangan. (2023). *Statistik inklusi keuangan Indonesia 2023*. OJK.
- Ozili, P. K. (2021). Financial inclusion research around the world: A review. *Forum for Social Economics*, 50(4), 457–479. <https://doi.org/10.1080/07360932.2020.1715238>
- Ozili, P. K. (2022). Digital finance, financial inclusion and sustainable development. *Journal of Financial Regulation and Compliance*, 30(2), 197–214. <https://doi.org/10.1108/JFRC-05-2021-0040>
- Patton, M. Q. (2015). *Qualitative research & evaluation methods* (4th ed.). SAGE Publications.
- Pegadaian. (2022). *Annual report 2022: Digital transformation for inclusive finance*. PT Pegadaian (Persero).
- Pegadaian. (2023). *Annual report 2023: Strengthening digital ecosystem and inclusion*. PT Pegadaian (Persero).
- Pegadaian. (2024). *Annual report 2024: Accelerating digital financial services*. PT Pegadaian (Persero).
- Ryu, H.-S. (2021). Fintech adoption and trust. *Journal of Retailing and Consumer Services*, 59, 102344. <https://doi.org/10.1016/j.jretconser.2020.102344>
- World Bank. (2022). *The Global Findex Database 2021: Financial inclusion, digital payments, and resilience in the age of COVID-19*. World Bank. <https://doi.org/10.1596/978-1-4648-1897-4>
- Torfin, J., & Bentzen, T. (2023). Does governance innovation increase public trust? Evidence from digital transformation in state-owned enterprises. *Public Administration Review*, 83(4), 812–828. <https://doi.org/10.1111/puar.13610>
- Venkatesh, V., Thong, J. Y., & Xu, X. (2020). Unified theory of acceptance of technology (UTAUT2). *MIS Quarterly*, 44(2), 1–38. <https://doi.org/10.25300/MISQ/2020/14423>
- World Bank. (2023). *Global Findex Database 2023: Financial inclusion, digital payments, and resilience in the age of COVID-19*. World Bank. <https://doi.org/10.1596/978-1-4648-1897-4>
- Zhao, H., & Bacao, F. (2021). What factors determining customer continuing to use fintech services? *Journal of Retailing and Consumer Services*, 58, 102348. <https://doi.org/10.1016/j.jretconser.2020.102348>

Biographie of Author

Cik Ida Kumalasari Amirudin is a Doctoral candidate in Public Administration at the Faculty of Administrative Sciences, Universitas Brawijaya, Indonesia. Her areas of expertise include public policy, governance, policy innovation, and financial inclusion. She is currently active as a researcher and policy consultant at the Research Center for Policy and Governance (RCCP FIA UB), focusing on digital transformation in state-owned enterprises (SOEs), public trust, and public sector governance strengthening. She has been involved in research and capacity-building programs for local governments related to development planning and evidence-based policy evaluation.

- Email: cika.kumala@gmail.com
- ORCID: N/A
- Web of Science ResearcherID: N/A
- Scopus Author ID: N/A
- Homepage: N/A