

## Developing a Village Financial Governance Model: A Case Study of Maitara Tengah Village, Tidore Islands City, Indonesia

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### Abstract

*This study explores the development of a village financial governance model in Indonesia, with a specific focus on Maitara Tengah Village, Tidore Islands City. It addresses four critical issues commonly encountered in village financial management: lack of transparency, weak accountability, limited community participation, and inadequate financial planning and reporting capacity. Employing a qualitative methodology, data were collected through interviews, field observations, and document analysis conducted between 2022 and 2024. The findings reveal that the effective use of village funds is constrained by limited administrative capacity, poor regulatory enforcement, and largely symbolic participatory mechanisms. To address these challenges, the research proposes a context-sensitive governance model that integrates principles of good governance, collaborative planning, and adaptive institutional design. The model aims to enhance transparency, accountability, and participatory engagement while accommodating the unique socio-cultural and geographic characteristics of remote and island communities. This study contributes to the broader discourse on village autonomy and decentralized rural development by offering a scalable and inclusive governance framework suited to the Indonesian context.*

## Introduction

### Decentralization and the Emergence of Village Autonomy in Indonesia

The era of decentralization in Indonesia, which began in the early 2000s, marked a major policy transformation aimed at delegating administrative and fiscal authority from the central government to the local level (Devas, 1997; Bjork, 2003; Smoke & Lewis, 1996). This shift was further institutionalized through the enactment of Law No. 6/2014 on Villages, which provides a legal and fiscal framework for villages to manage their own development agenda.

Under this law, villages are authorized to govern their internal affairs, receive fiscal transfers directly from the national budget (Dana Desa), and design local policies based on participatory planning mechanisms (Sari et al., 2022; Firanti & Biduri, 2024; Rammohan & Tohari, 2023). The main objectives of these laws are to promote inclusive rural development, reduce inequality, and improve the capacity of local institutions to deliver public services effectively (Shah, 2006; Speer, 2012).

As part of this policy framework, the Village Fund has emerged as an important instrument in transforming villages from passive recipients of central programs into autonomous entities with a development mandate (Dasgupta & Williams, 2023; Sunarsi et al., 2021). Village fund allocations are intended to stimulate local economic growth, improve infrastructure, and strengthen institutional governance at the grassroots level (Juhardi et al., 2023; Ramdani & Resnawaty, 2021; Udjiyanto et al., 2021).

However, despite ambitious intentions, empirical evidence reveals significant gaps in implementation outcomes across more than 74,000 villages in Indonesia, particularly in archipelagic and geographically isolated regions. These areas often face systemic challenges including limited technical capacity, fragmented oversight, and inadequate digital and transportation infrastructure, all of which hinder optimal use of fiscal decentralization mechanisms.

### **Central Maitara Case: Governance in an Island-Side Village**

Maitara Tengah Village, located in Tidore Islands City in North Maluku Province, is a unique and in-depth case study for understanding the practical complexities of village-level budget governance in remote areas. As an island village with limited accessibility and limited economic diversification, Maitara Tengah experiences a range of development challenges that go beyond financial resources.

Despite receiving consistent funding transfers through the Village Fund program, the village continues to exhibit issues such as low levels of transparency, weak accountability structures, and minimal community participation in planning and budgeting forums. For example, public dissemination of budget documents remains sporadic, and *Musyawahar Desa* (village deliberation meetings) are often perceived as procedural formalities rather than true platforms for citizen engagement.

These governance gaps are not simply technical shortcomings; they are embedded in broader socio-institutional dynamics, including limited administrative capacity, lack of role clarity among village officials, hierarchical decision-making, and inadequate oversight by oversight institutions such as the Village Consultative Body (BPD) and district-level inspectorates (Ambodo, 2023; Savitri et al., 2024; Wuryandini et al., 2024). In addition, cultural and geographical factors unique to island villages such as population dispersion and informal social structures further complicate efforts to institutionalize good governance principles in practice (Martinez-Vazquez & McNab, 2003).

### **Research Objectives and Contributions**

In response to these challenges, this research seeks to critically assess financial governance practices in Maitara Tengah Village and propose a context-sensitive financial governance model that addresses the institutional, geographical and socioeconomic conditions of the village. Using a qualitative case study approach, the research engaged local actors including village officials, community members, and the supervisory body to explore how financial planning, implementation, reporting, and control are implemented at the village level.

The main contribution of this research lies in developing a replicable yet adaptive governance model that blends normative standards of good governance (transparency, accountability, participation) with the operational flexibility needed in rural and remote areas. Drawing on the concepts of collaborative governance and community-driven development (CDD), the proposed model emphasizes inter-agency coordination, digital transparency tools, and citizen-led oversight mechanisms. As such, this study aims to fill the empirical and theoretical gap in understanding how fiscal decentralization operates in peripheral contexts and provide actionable recommendations for policy reforms in Indonesia's village governance system.

### **Literature Review**

Adhinata et al. (2020); Bakhtiar (2021) Basri et al., 2021 said that, village financial governance is part of village governance that aims to create transparent, accountable, participatory, and orderly financial management. According to Law No. 6/2014 on Villages, village financial

management includes all activities from planning, implementation, administration, reporting, to accountability.

According to Rahman, the principles of good public financial governance include transparency, accountability, responsiveness, effectiveness, and efficiency (Rahman, 2020). Indartuti (2022) and Susilowati et al. (2020) said that, the application of these principles at the village level is essential to ensure that village funds are used in accordance with community needs and are not misused.

Since the introduction of village funds through Government Regulation No. 60/2014, villages in Indonesia have received direct transfers of funds from the national budget. The management of village funds must be done by taking into account the RPJMDes, RKPDes, and APBDDes in order to be aligned with village development programs. Several studies have shown that an increase in the allocation of village funds has not always been accompanied by an increase in the capacity of village officials in managing finances. For example, a study by Nurhayati (2021) and Permatasari et al. (2024) shows that weaknesses in recording and reporting systems are still a major obstacle in the management of village funds.

Public financial governance at the village level has become an important pillar in achieving equitable development (Permatasari et al., 2021; Manurung et al., 2023). Fiscal decentralization theory suggests that proximity to the population allows local governments to better allocate resources (Shah, 2006). However, this requires strong governance mechanisms, transparency, accountability and participatory planning as emphasized by the UNDP's good governance framework.

Previous studies highlight the importance of capacity building in rural governance (Martinez-Vazquez & McNab, 2003), the role of digitization (e.g., SISKEUDES in Indonesia), and the need for an integrated community-driven development (CDD) approach. However, there are still gaps in the application of this framework in geographically disadvantaged regions such as eastern Indonesia.

## **Methods**

This research used a qualitative case study approach focused on Maitara Tengah Village. Data was collected through: (1) In-depth interviews with the village head, treasurer, BPD members, and community representatives; (2) Field observations during budget planning and reporting sessions (2023-2024); (3) Analyze budget plan documents (RKPDes), accountability reports, and Musrenbang records for 2020-2023. Thematic analysis was conducted to extract core issues and design a governance model based on basic practices and local context. Furthermore, primary and secondary data that has been obtained will be grouped and reduced according to the needs assisted by tools in the Nvivo 12 Pro application to facilitate the coding process as dimensions in the concept of governance capacity. Then the grouping of data based on each dimension is carried out in the process of analyzing and testing the data by labeling in the form of words, phrases or sentences. Qualitative data coding stages using Nvivo 12 Pro were carried out in three stages: 1) open coding; 2) axial coding; 3) and selective coding to visualize the results of the analysis in the form of a query frequency world cloud or tree map and hierarchy chart for each dimension, in addition to triangulating the data to get an objective perspective in drawing conclusions.

## **Results and Discussion**

The implementation of the village fund governance model development in Maitara Tengah Village will be reviewed from three issues, namely, transparency and public participation, technical and institutional constraints, supervision and coordination. In the aspect of

transparency and public participation, it will be seen how the village government's efforts in organizing information disclosure and supporting community involvement. The second aspect is more inclined to the technical problems faced and the workings of existing institutions in the village related to village budget governance. The last aspect will describe how the monitoring system is carried out and efforts to open communication channels with various parties.

Research related to the development of a village financial governance model in Central Maitara generates data from informant sources ranging from the village head, treasurer, BPD and community elements to find out the focus of the problem to be studied. This research uses Nvivo 12 Pro tools to process data and analyze qualitative data obtained from interviews. More details can be seen in the following figure.



Figure 1. Word Cloud Data Processing Related to Maitara Tengah Village Fund Governance

Based on the results of word frequency data processing (4.1) by querying village financial governance, limiting (4) words by ignoring stop words containing conjunctions and prepositions, 5 (five) words with the highest percentage level that are often spoken by the community are seen: Village, Bpd, community, system and coordination.

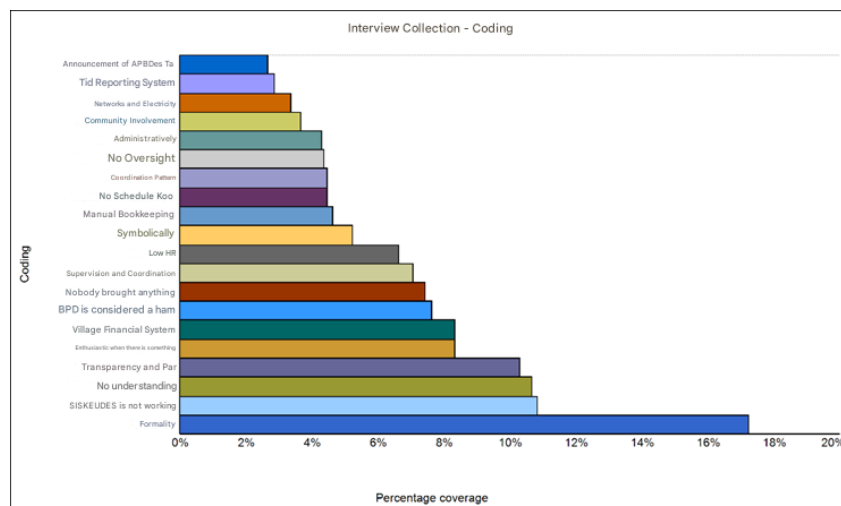


Figure 2. Percentage Coverage Related to Maitara Tengah Village Fund Governance

While the results of data processing based on *Percentage coverage* based on the grouping of problems inventoried regarding the village financial governance model in Maitara Tengah

showed five categories of problems with the highest percentage, namely: formality, SISKEUDES, lack of understanding, transparency and community involvement.

### Weak Transparency and Symbolic Participation

The findings of this study show that budget documents in Maitara Tengah Village are rarely socialized to the community in a structured and consistent manner, which significantly limits community access to financial information. Although formal planning forums such as Musyawarah Desa (village deliberation meetings) are regularly held, they often serve only as procedures rather than as substantive platforms for deliberation and decision-making. Interviews with village stakeholders revealed that these meetings are usually attended by a small group of village elites, with minimal efforts to engage wider community members, especially marginalized groups such as women and youth. This can be seen in the results of data processing based on the Hierarchy Chart related to aspects of transparency and public participation in village financial governance as follows:

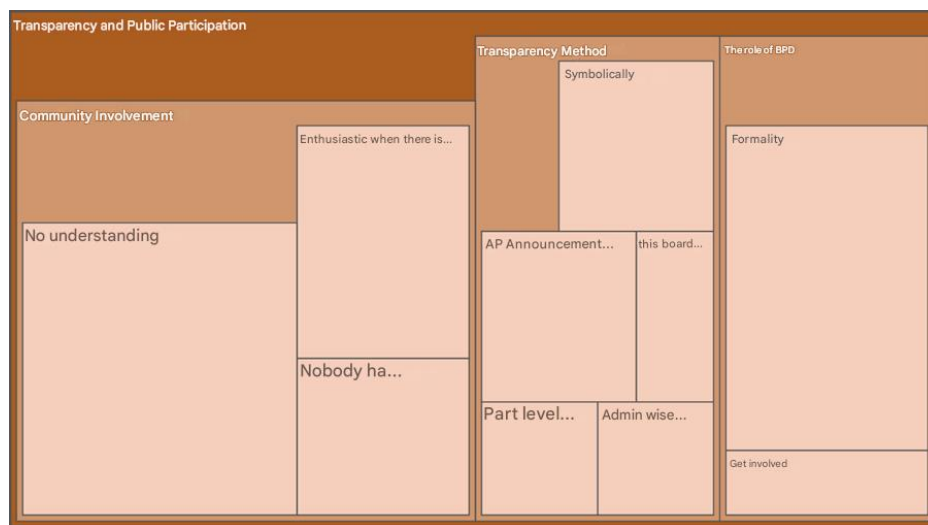


Figure 3. Hierarchy Chart Data Analysis of Transparency and Public Participation Aspects

Based on the figure above, it can be seen that there are problems in the aspects of transparency and public participation in village budget governance. Based on data obtained in the field, all informants indicated that transparency is done administratively (such as announcements or information boards), but is not followed by sufficient public understanding. Community and BPD involvement tends to be symbolic without an active role in decision-making.

This lack of meaningful participation undermines the democratic legitimacy of village financial governance and undermines the principle of accountability. When citizens are excluded from access to key budget information or from contributing to the decision-making process, oversight is limited and the risk of misallocation or inefficiency increases. Furthermore, the symbolic nature of these meetings creates a disconnect between government processes and community expectations, reducing trust and transparency in local governance. These findings are in line with broader criticisms of decentralized governance in Indonesia, where participatory mechanisms often remain formalistic and fail to translate into genuine citizen empowerment (Hadiz, 2004; Gibson & Woolcock, 2008; Antlöv & Wetterberg, 2011)

### Technical and Institutional Constraints

This study found that the implementation of SISKEUDES (Village Financial System) in Maitara Tengah Village is still inconsistent and suboptimal, mainly due to inadequate digital infrastructure and a lack of technical training among village officials. Several informants,

including the village treasurer and administrative staff, admitted that they often rely on manual bookkeeping methods or seek external assistance to operate the SISKEUDES application. This reliance not only slows down administrative processes but also increases the potential for errors and discrepancies in financial documentation.

This problem is compounded by the absence of standardized Standard Operating Procedures (SOPs) for financial reporting, resulting in fragmented and non-uniform practices among officials. Each official interprets their roles and responsibilities differently, often without clear guidelines or supervision from superiors. This has resulted in confusion and overlap in the performance of tasks, particularly in the preparation of Village Fund Accountability Reports and periodic budget updates. The lack of role clarity further hampers coordination within village governance and reduces institutional efficiency.

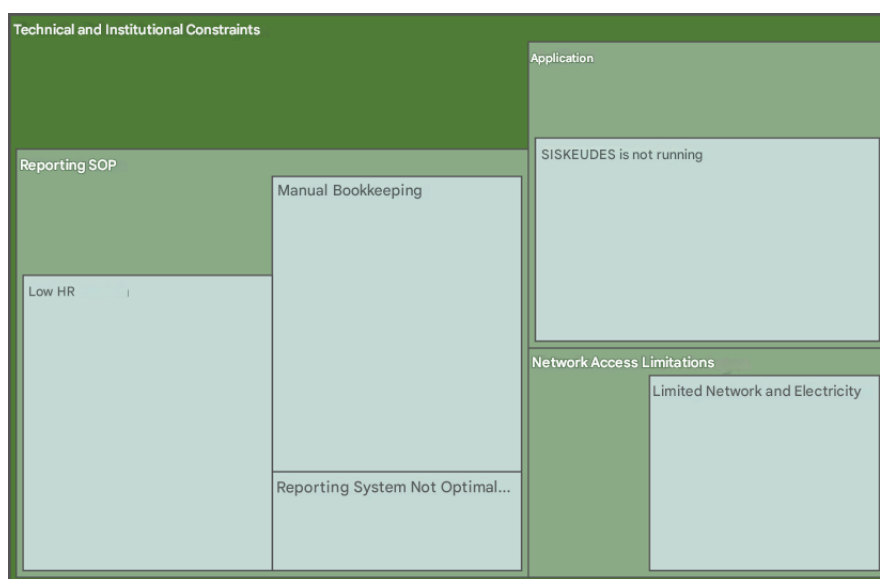


Figure 4. Hierarchy Chart Data Processing of Technical and Public Institutional Constraints

Based on the figure above, it can be concluded that the system in SISKEUDES has not been used consistently. The lack of training, dependence on technical conditions (electricity and network), and the absence of SOPs mean that reporting is still manual. The community and BPD are not aware of the system process. These findings underscore the critical role of capacity building and institutional arrangements in the effective implementation of digital financial systems at the village level. Without targeted training and development of local SOPs tailored to the village operational context, the expected benefits of fiscal transparency and accountability through SISKEUDES will remain largely unfulfilled. In addition, the reliance on external technical support for basic operations reflects a deeper issue of human resource gaps that require long-term intervention from the district level government and relevant ministries.

### Fragmented Supervision and Coordination

The findings of this study reveal that oversight of village financial governance by the Village Consultative Body (BPD) as well as external monitoring institutions is fragmented, sporadic and largely reactive. Although the BPD is mandated by law to function as a supervisory body representing the interests of the community, in practice, its role in overseeing budget planning and execution in Maitara Tengah is limited. Interviews with BPD members indicate that their involvement is often limited to the formal approval stage, without substantive review or critical feedback on financial reports and program outcomes. In addition, coordination between BPD

and other institutional actors - such as sub-district inspectors or community facilitators - lacks consistency and clarity, resulting in overlapping responsibilities or, conversely, a governance vacuum.

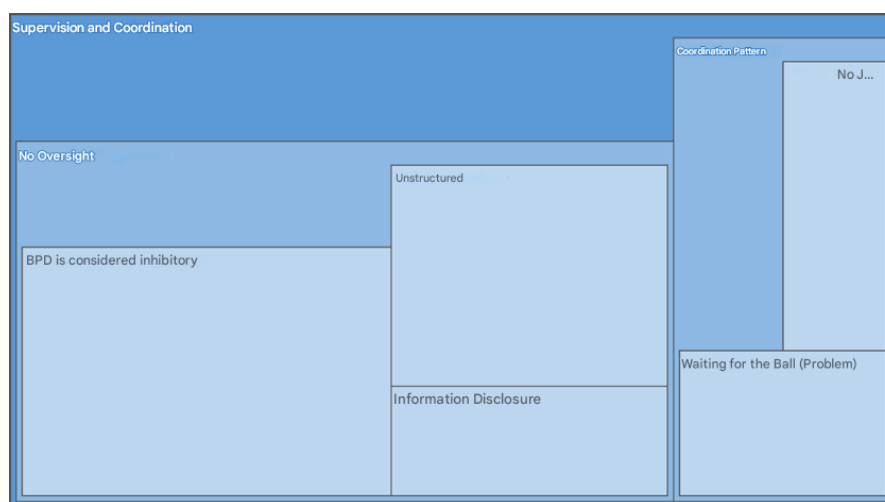


Figure 5. Hierarchy Chart Data Related to Supervision and Coordination

As the figure above illustrates, there is a coordination gap between the village government and the BPD. Monitoring mechanisms are unstructured, and more reactive. The community does not know who has a role in overseeing the budget. The problem is further complicated by the absence of structured and institutionalized mechanisms for community-based oversight. Villages do not have formal citizen budget monitoring teams, nor do they provide publicly accessible channels to lodge complaints or request financial information. This severely limits social accountability, as citizens are denied the information and platforms necessary to participate meaningfully in overseeing the use of public funds.

Planning forums, such as Musrenbang Desa, which are meant to facilitate bottom-up input on development priorities, are poorly organized and often top-down in nature. These meetings are often rushed, lack adequate documentation and exclude large sections of the population, particularly women, youth and marginalized groups. Such conditions reflect broader weaknesses in the institutional architecture of village governance, where checks and balances remain underdeveloped, and participatory structures are more symbolic than functional. The absence of integrated oversight not only undermines the credibility of fiscal decisions but also creates fertile ground for inefficiency, elite capture, and diminished public trust. These findings highlight the urgent need for institutional reform and formalization of inclusive, citizen-led monitoring mechanisms to ensure accountability and improve the quality of governance in rural and island-based communities.

### Proposed Model

Based on the research results, a Village Financial Governance Model is proposed which includes: (1) Real-time transparency boards or digital platforms for budget reporting; (2) Strengthened participatory mechanisms such as community forums and village audits; (3) Continuous training for finance officers; (4) Multi-actor collaboration between village government, BPD, and district-level inspectors. The model combines principles from Edward III's policy implementation theory, collaborative governance, and CDD, tailored specifically for rural island regions.

## Conclusion

This research found that village financial governance in Central Maitara faces challenges in terms of transparency, technical capacity and participatory oversight. Adaptive and inclusive models are needed to bridge the governance gap in village fund management.

## Suggestion

This research recommends: (1) Formalization of community-based budget monitoring teams; (2) Strengthening village regulations with clear operational procedures; (3) Providing digital tools and infrastructure to improve the utility of SISKEUDES; (4) Continuous capacity building programs involving all village stakeholders.

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