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Village Funds, Local Politics, and the Limits of Decentralized Governance in Banten, Indonesia

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ABSTRACT - This article analyzes the political dynamics and governance that shape the implementation of Indonesia's Village Fund Program based on Law No. 6 of 2014, with a focus on a qualitative case study in Banten Province. Although this program is urgent as a leading decentralization instrument that allocates significant public resources to the village level, evidence on how village governance actually operates—and why performance varies—remains uneven. Drawing on a synthesis of literature, official reports, and village-level data, this study shows that improvements in rural infrastructure and basic services go hand in hand with persistent governance deficits. Limited administrative and financial capacity among village officials, weak and procedural accountability practices, and increasingly intense local political pressures limit the democratization and development goals promoted by the law. Transparency and oversight mechanisms often function as formal compliance rather than effective control, while community participation in planning and monitoring tends to be low, facilitating patronage networks and increasing the risk of abuse of authority and corruption. The uniqueness of this article lies in its linking of decentralization outcomes to the micro-politics of village administration and the implementation of accountability. This article provides implementable policy directions such as capacity building, stronger oversight architecture, participatory guarantees, and targeted anti-corruption measures to strengthen transparency, accountability, and citizen control in the governance of Village Funds.

Keywords: *Village governance; Decentralization; Village funds; Accountability; Local politics*

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Introduction

Village governance in Indonesia has gained unprecedented importance since the enactment of Law No. 6 of 2014 on Villages, which marked a "big-bang" decentralization by granting Indonesia's 74,000+ villages greater autonomy and direct fiscal transfers (Antlöv et al., 2016; Bebbington et al., 2006). This Village Law was conceived to address limitations of earlier decentralization (which mainly empowered district governments) by empowering village institutions and providing substantial resources for local development. Each village now receives annual Village Funds from the state budget, which averaged around USD 110,000 (approximately IDR 1.5–1.6 billion) per village by 2019 (Novitasari & Harsasto, 2019; Setiawan et al., 2022). Nationally, the central government allocated a cumulative IDR 600 trillion to Village Funds from 2015 to 2024, underscoring a strong commitment to rural development. The program's scale is transformative: by the end of 2018, Village Funds had helped construct over 191,000 km of village roads, 24,000 community health posts, and 50,000 early education centers across Indonesia. This influx of resources has doubled village income per capita within a few years and is intended to "build Indonesia from the margins" by fostering local empowerment and inclusive development (Mulyani, 2019).

Crucially, the 2014 Village Law not only provides funding but also mandates principles of good governance at the village level. The law explicitly requires that village governance be accountable, transparent, professional, effective, efficient, clean, and free from corruption, collusion and nepotism (Alfirdaus et al., 2021; Oktavia & Biduri, 2024). It establishes or strengthens local institutions: a Village Head elected by residents, a Village Consultative Body for village-level legislature and oversight, and village assemblies for participatory planning. These measures align with broader theories of decentralization and local self-governance, which posit that devolving authority and resources to elected local officials can make government more responsive to local needs and improve service delivery if accompanied by mechanisms for downward accountability (Chugh & Malik, 2022; Gautam, 2023; Kamalasiri & Ramasamy, 2025; Mir & Singh, 2024; Rabinovych et al., 2025). In theory, empowered villages could act as self-governing units capable of planning and managing development in a democratic and participatory manner, thereby enhancing rural welfare and governance quality. Law 6/2014 embodies this vision by positioning the village as the fundamental level of administration charged with translating state policy into community welfare outcomes (Tajudin et al., 2025).

However, the political and governance dynamics on the ground have proven complex. Early evidence suggests that injecting large funds into villages has outpaced local administrative capacity and strained existing accountability structures (Brooks, 2002; Nurjaman, 2018). Many village governments struggle with limited human resource capacity and financial management skills, leading to delays and errors in budget execution (Ardiputra et al., 2025; Kertati et al., 2023; Wahyudi et al., 2020). A national audit in 2022 by the state Audit Board (BPK) found financial mismanagement in over 7,000 villages nationwide, including fictitious reporting, budget mark-ups, and discrepancies between plans and realized outputs. These findings imply that formal compliance with rules is not translating into substantive accountability at the village level. Scholars have highlighted structural issues such as information asymmetry and elite capture – village heads (as agents) often hold far more information and power than their resident constituents (principals), impeding community oversight (Foster & Rosenzweig, 2022; Ruan & Wang, 2023; Zhang & Chen, 2025). Indeed, in many villages the BPD and other oversight bodies

lack capacity and influence to effectively check the village executive. Local political dynamics further complicate governance, even though village head elections are now competitive and democratic, they are often marred by money politics and patronage networks (Erowati & Astuti, 2025; Koter, 2013). Research in Java by Aspinall & Rohman (2017) documented that vote-buying and brokerage have reshaped rural elite structures, with elected village heads feeling beholden to campaign financiers or power brokers (Brooks, 2002). Such clientelism can undermine accountability, as village funds may be used to reward supporters or bolster political patronage instead of serving broader community interests.

Despite these challenges, there is a relative paucity of micro-level, contextual research on how the Village Fund policy is implemented on the ground and how local political factors interact with governance processes at the village level. Many existing studies and evaluations of the Village Law take a macro or normative perspective, focusing on aggregate outcomes or compliance with regulations. This leaves a gap in understanding the village-level dynamics – for instance, why some villages achieve participatory, accountable management while others fall prey to elite domination or misuse of funds. The heterogeneity of Indonesia's villages (spanning diverse socio-political contexts) means that local political culture, leadership, and capacity can greatly influence policy outcomes. As such, in-depth case studies are needed to capture these nuances and inform tailored governance improvements.

Research Questions and Objectives: To address these gaps, this article examines the implementation of Law No. 6/2014 in the context of Banten Province, asking: *How have political and governance dynamics at the village level affected the implementation of the Village Fund program?* Sub-questions include: (1) How capable are village apparatus in managing funds and adhering to good governance principles? (2) What accountability and transparency mechanisms are in place, and how effective are they? (3) To what extent do villagers participate in planning and oversight, and what factors hinder or facilitate their participation? (4) How do supervision systems (both internal village oversight and external audits) function in practice? and (5) What risks of corruption or political manipulation exist in village fund management, and what causes them? The objective of the study is to analyze these dimensions and identify key challenges that impede effective, accountable use of village funds. Ultimately, the goal is to derive lessons and policy recommendations to strengthen governance of the Village Fund program, so that the substantial fiscal decentralization to villages achieves its intended outcomes of equitable development and grassroots empowerment. This study contributes a contextual analysis of Banten's experience, which may offer insights applicable to other regions in Indonesia's ongoing journey of village governance reform.

Method

This research employs a qualitative case study approach focusing on Banten Province as a representative context to explore village-level governance under Law 6/2014. Banten was selected due to its mix of rural characteristics and documented issues in village fund implementation, making it a relevant case for studying common challenges. The study relies on secondary data collection and thematic content analysis. A systematic literature review was conducted, consistent with qualitative methods outlined by Cresswell (2016), to gather data from multiple sources. Key data sources included: (a) official documents and statistics – for example, Banten's provincial datasets on village demographics, village fund allocations, and development indicators (sourced

from Banten's Bureau of Statistics and the Village Community Empowerment Agency); (b) government reports and audits – such as reports from the Financial and Development Supervisory Agency (BPKP), the Audit Board of Indonesia (BPK), the Banten Province Inspectorate, and the Banten Office of Village Empowerment; and (c) scholarly studies and credible media articles on village governance and the Village Law's implementation. Notably, a recent research report on Banten's villages under Law 6/2014 provided a primary reference point for this case study, offering detailed findings on local capacity, transparency, participation, and corruption issues in the province.

Data from these sources were analyzed using thematic content analysis. The analysis involved coding the qualitative information to identify recurring themes corresponding to the research questions. Five major themes emerged: (1) capacity of village apparatus, (2) transparency and accountability practices, (3) community participation, (4) oversight and supervision mechanisms, and (5) corruption risks and political dynamics. The evidence and examples from Banten were triangulated across multiple sources for validity – for instance, comparing audit findings with field observations reported in studies, and cross-checking official statistics with independent reports. This triangulation enhances the reliability of the conclusions by ensuring they are not based on a single source or perspective. The qualitative approach is inherently interpretive; thus, care was taken to contextualize findings within Indonesia's broader rural governance setting and relevant theories (e.g. decentralization, principal-agent theory, good governance criteria).

Several limitations of the research are acknowledged. First, the study relies on existing documents and did not conduct primary field interviews due to time and resource constraints. This may limit the granularity of insights into village actors' personal perspectives. However, the use of recent local research and audit reports helps mitigate this by incorporating ground-level findings. Second, the focus on Banten Province, while offering depth, means the results may not be fully generalizable to all regions – variations in local culture, economy, and political context (e.g. villages in other islands) could yield different dynamics. The recommendations are thus tailored to issues observed in Banten, though they may resonate broadly. Third, data availability posed some constraints: for example, not all villages are covered in annual audits (many audits use sampling), and transparency data were sometimes inconsistent. Where data were incomplete, the study noted these gaps and relied on qualitative judgment and secondary indicators (such as media-reported cases) to fill the picture. Despite these limitations, the methodology provides a comprehensive and credible analysis by drawing on diverse sources and focusing on the interplay of political and governance factors in a real-case setting. The next section presents the results and discussion according to the identified thematic areas, supported by evidence from the Banten case study.

Result and Discussion

Overview of Banten Village Fund Implementation: Banten Province, located in western Java, has 1,238 villages across four regencies (Lebak, Pandeglang, Serang, and Tangerang). Since the Village Law's rollout in 2015, these villages have collectively received substantial funding that has become the "backbone" of rural development in the province. For instance, in Serang Regency alone, the total Village Fund disbursed from 2015–2023 reached Rp 2.19 trillion, with the average annual budget per village rising from around Rp 960 million in 2015 to Rp 1.6 billion in 2023. These funds have been utilized to improve local infrastructure and services. Table 1 summarizes

some key outputs achieved in Banten's villages using Village Funds (2015–2023), illustrating the tangible development gains.

Table 1. Selected Infrastructure Outputs Financed by Village Funds in Banten (2015–2023)

Output type	Quantity achieved in Banten
Village roads built or improved	2,055 km
Bridges constructed	1,328 meters
Irrigation channels built	593 units
Retaining walls constructed	1,459 units
Social facilities (health posts, schools, wells, etc.)	Numerous facilities across villages (various)

Source: Banten Provincial Village Development Report (as reported in Antara News).

These figures demonstrate that the Village Fund has significantly contributed to rural infrastructure in Banten. However, quantitative outputs alone do not guarantee effective or equitable governance. The following sub-sections analyze the governance and political dynamics affecting how these funds are managed, based on the thematic findings.

Village Apparatus Capacity

Administrative and financial management capacity of village officials is a critical determinant of how well village funds are implemented. In Banten, as in many regions, the capacity of the village apparatus has been generally low relative to the complex tasks imposed by the Village Fund program. Many village staff lack adequate training or expertise in budgeting, accounting, and project management. A 2022 study by BPKP (the Financial Supervisory Agency) revealed significant technical skill gaps among village officials across Indonesia, including Banten, especially in preparing the Village Budget (APBDes), executing procurement, and producing financial reports. These skill gaps have concrete consequences: villages often experience delays in fund disbursement and difficulties in absorbing the budget on schedule, as officials struggle with the paperwork and compliance requirements. Errors in budgeting or reporting are common, leading to repeated audit findings of non-compliance year after year. In short, limited human resource capacity undermines the effective and timely use of the funds.

Training programs for village officials have been introduced, but in Banten they are neither sufficient nor sustained. The Banten DPMD (Village Empowerment Agency) reported in 2023 that formal training on village financial management has been conducted, yet these trainings tend to be one-off workshops heavy on theory and lacking hands-on mentoring. They also often fail to reach all village apparatus, with many remote or smaller villages left out. As a result, a considerable number of village treasurers and staff continue to depend on external consultants or third parties to prepare their financial documents and reports. This dependency is problematic: not only can it incur extra costs, but external consultants might produce templated reports that meet formalities without truly improving local understanding or accountability. Moreover, reliance on outsiders can open opportunities for collusion or improper practices if not carefully monitored.

Another issue compounding capacity constraints is the high turnover (mutasi) of village officials in some districts of Banten. In Lebak and Pandeglang regencies, for example, frequent rotation or replacement of village staff means that newly appointed officials often have to start

from scratch in learning fund management, and institutional memory is weak. Without a system to ensure proper handover or rapid training for new officials, the continuity and consistency of financial management suffer. Indeed, human resource regeneration is not always followed by adequate capacity building, leaving some villages in perpetual "training mode" and vulnerable to mistakes.

Furthermore, limited technological literacy poses challenges. The government has introduced a digital reporting system called Siskeudes (Village Financial System) to standardize and ease village financial management. While Siskeudes is now mandatory, many village apparatus in Banten have difficulty utilizing it effectively due to low computer literacy and poor internet connectivity in rural areas. As the Devpolicy analysis notes, inadequate infrastructure (electricity, internet) and limited IT skills among officials have hampered Siskeudes' implementation nationally, leading to weak oversight and opportunities for corruption in some areas (Sutoro, 2023). Banten's experience is similar – some villages either do not fully implement the online system or treat it as a formality, thus not reaping the intended transparency benefits. In 2023, the Ministry of Home Affairs responded by urging acceleration of Siskeudes online usage (as part of the "One Data Indonesia" initiative) and providing additional training for village officials. However, poorer districts struggle to fund the necessary infrastructure upgrades and workshops, so disparities remain.

The net effect of these capacity issues is that villages are struggling to manage the large influx of funds optimally. Triwikrama (2025), examining villages in Serang, Banten, concludes that although the availability of Village Funds is ample, the optimal impact is hard to achieve without parallel improvements in human resource quality, technical assistance, and internal supervisory systems. Indeed, capacity building must be an ongoing effort. The national government and province have deployed facilitators and conducted some workshops, but continuous mentorship and on-the-job training are needed to translate knowledge into practice. Without stronger capacity, villages risk inefficiencies such as unspent funds, poorly designed projects, or unintentional non-compliance with financial rules – all of which can undermine the goals of the Village Fund program.

Transparency and Accountability Mechanisms

Transparency and accountability are cornerstone principles of good governance, explicitly emphasized by Law 6/2014 and subsequent regulations (e.g., Ministry of Home Affairs Regulation No. 20 of 2018 on village financial management). In practice, however, achieving genuine transparency and accountability at the village level in Banten has been challenging. An evaluation by the Banten Provincial Inspectorate in 2023 found that while many villages have made some information public – such as posting budget usage on village notice boards or social media – these measures are often perfunctory and incomplete. For example, some villages put up an information board listing planned projects and budgets, but do not update it with actual spending or project progress details. Others might list total allocations but omit breakdowns of expenditures, names of contractors or implementers, or timeline information. Such token transparency fails to enable meaningful public scrutiny, as villagers cannot easily tell whether funds were spent as planned or what outcomes were achieved.

The quality of financial reporting to higher authorities also affects accountability. Village governments are required to submit annual accountability reports to the district and to present

information to the BPD and community. However, a study by Sultan Ageng Tirtayasa University (Untirta) in 2022 revealed weaknesses in accountability practices in parts of Pandeglang and Lebak: the format of reports was not user-friendly for the public, and villagers had difficulty understanding financial statements that were dense with technical jargon. In many cases, village officials treat the accountability report as a document to file with the sub-district or regency (to satisfy administrative requirements) but do not disseminate the content to the villagers in an accessible way. Meetings that are supposed to discuss these reports (at year-end village assemblies) often devolve into formality, with low attendance and minimal discussion. Community members, therefore, remain in the dark about how funds are truly managed, which weakens social accountability. As noted in one analysis, simply having transparency tools (like notice boards or reports) "does not immediately translate into more accountability or participation" when villagers are not actively engaged or information is not presented transparently in practice.

Village accountability is multi-dimensional – legal, financial, and also political/moral. Beyond the paperwork, accountability requires that village leaders feel answerable to their community. In Banten, informal norms and power relations sometimes impede this ideal. Villagers may hesitate to question the village head due to cultural deference or fear of conflict, especially if the village head comes from a prominent local family or has strong backing from higher political figures. Additionally, asymmetric information (where the village government knows far more about fund details than ordinary residents) gives officials an upper hand. The principal–agent dynamic at play often sees the village head (agent) controlling information and the community (principal) lacking means to verify or challenge decisions. This imbalance is exacerbated when BPDs are weak. Notably, Village Consultative Body (*Badan Permusyawaratan Desa*/BPD) is meant to represent villagers and oversee the executive, but many BPD members in Banten are reportedly unsure of their oversight role and have limited capacity or confidence to demand transparency.

The limited transparency has direct impacts. It constrains social accountability – villagers cannot play a watchdog role if they lack information. For instance, the Inspectorate's review noted that communities in some Banten villages found it difficult to monitor whether projects were executed according to plan because they never saw detailed budget realization data or project specifications. This opacity can breed suspicion and erode trust. Indeed, when documents are treated as internal archives and not shared, it "further weakens public trust in the village government". Empirical evidence from other regions supports this: a study in South Sulawesi Syah & Soelistyo (2022) found that active disclosure of information and citizen participation in village meetings significantly improved transparency and accountability outcomes. Conversely, in its absence, villagers tend to be passive, and irregularities can go unchecked.

Another facet of accountability is whether funds are used for intended purposes and reach the beneficiaries. Here, output accountability has been mixed. On one hand, as shown earlier, many infrastructure outputs have been delivered, implying funds were spent on visible projects. On the other hand, value-for-money and impact accountability are in question. For example, it was reported that in certain villages of Pandeglang, projects listed as "completed" in reports were not fully realized on the ground or were of substandard quality. Such discrepancies indicate that accountability is sometimes superficial – reports may be compiled to satisfy requirements, but without rigorous monitoring, they do not guarantee truthful accounting.

In summary, Banten's case underscores that institutionalizing transparency and accountability at the village level is an ongoing struggle. Formal mechanisms exist (mandated reports, info boards, BPD oversight), but implementation is uneven and often nominal. Strengthening these mechanisms will require not only regulations but also building a culture of openness. Measures such as simplifying financial information for public consumption, ensuring all villages regularly update disclosure media, and empowering villagers (through awareness and education) to seek information are important. It is also critical to enhance the capability and authority of BPDs and village-level auditors (if any) to perform their watchdog roles. Without stronger transparency and accountability, the huge influx of village funds risks falling into patterns of opaque management, which can mask inefficiencies or abuses.

Community Participation in Planning and Oversight

One of the Village Law's aspirations was to invigorate grassroots democracy by involving villagers in planning and monitoring development. The law mandates village assemblies where community members discuss and agree on village development plans and budgets. In theory, this participatory approach should ensure that Village Fund projects reflect local needs and that officials remain answerable to the people. In practice, however, meaningful community participation in many Banten villages remains limited.

During the planning stage, villagers are supposed to attend village deliberation meetings to voice their priorities for the annual village work plan. Banten's experience shows that while such meetings are held, participation is often perfunctory or dominated by local elites. Turnout by ordinary residents can be low. A World Bank evaluation after two years of the Village Law found that many villagers did not participate in village meetings due to high opportunity costs (time away from work) and a perception that meetings were only discussing matters among officials and elite figures. This finding is echoed in Banten; for example, field observations noted that meeting attendance in some villages was largely limited to village officials, BPD members, and a few invitees (often community leaders or those close to the village apparatus), with average farmers, laborers, and women underrepresented. The voice of marginalized groups – the poorest households, women, minority groups – is seldom strongly heard in these forums. As a result, village development plans might not fully capture the needs of those most in need, potentially skewing fund use towards projects favored by the vocal minority or village elite.

Even when suggestions are gathered from the community, the decision-making can be top-down. In some cases, proposals from hamlet-level meetings are formally recorded but then filtered by the village government when formulating the budget, sometimes without clear feedback to citizens. This can lead to apathy in subsequent years – villagers feel their participation doesn't influence outcomes, so they stop participating. The initial enthusiasm that accompanied the new law (when villagers expected to have a significant say in development) may dwindle if the process seems tokenistic. Indeed, researchers have noted a trend of "bureaucratization" of the participatory forums – village deliberation turning into administrative rituals rather than genuine deliberation. Antlöv et al., (2016) observes that the village assemblies often fail to serve as true bottom-up accountability mechanisms, being treated as a procedural requirement with little political empowerment for villagers.

On the oversight side, community participation is again generally passive. Villagers are supposed to help monitor project implementation (for instance, by being part of implementation

committees or simply by voicing concerns if they see misuse). However, limited transparency (as discussed) means villagers often lack the information or awareness to conduct oversight. Moreover, many rural communities in Banten have a culture of avoiding open confrontation, which can stifle grassroots oversight. Unless there is a glaring problem (e.g., a project completely abandoned), most villagers would not actively report or challenge the village authorities. A sense of social hierarchy – that the village head and officials know best or should not be questioned – still pervades some areas, especially among older generations.

That said, there are pockets of active participation. Some villages with strong civil society presence or youth groups have seen more engagement. For example, a national initiative by the Corruption Eradication Commission (KPK) and Ministry of Villages launched a "Village Youth Anti-Corruption Education" program in 2017, creating cadre of young villagers trained in monitoring village fund use. In Banten, participants of such programs (where implemented) have started to use social media and community meetings to disseminate budget information and encourage peers to watch over projects. These are early signs that with capacity building at the community level, participation can improve. A study cited in Tajudin et al., (2025) found that in villages where citizens were more actively involved in village deliberation and project oversight, there was a perceptible improvement in transparency and a reduction in conflicts, as everyone knew how decisions were made. Additionally, local NGOs or independent facilitators can play a role – for instance, in some areas civil society groups have helped villagers convene their own forums to discuss village budgets in simpler terms, thus building demand for accountability.

It's also worth noting that under the previous community-driven development program, communities were directly involved in planning and managing small grants, which built some local capacity for collective action. The transition to the Village Law shifted control to formal village governments, and studies indicate that villages may have "lost" some community capacity built under previous community-driven development program. Without the facilitators and structured participation processes of this program, many communities became less involved, as noted by World Bank and Antlöv (2024). This suggests that facilitation and inclusion mechanisms need reinforcement under the Village Fund scheme. The assumption that communities will self-mobilize proved optimistic; instead, concerted efforts (e.g., assigning community facilitators, fostering village-level citizen committees) are needed to reignite grassroots participation in planning and oversight.

In conclusion, community participation in Banten's village fund implementation has been largely consultative and limited, rather than empowering and substantive. Most villagers play the role of beneficiaries rather than active decision-makers or monitors. This gap matters because without community input and oversight, the risk of funds being misallocated or captured by narrow interests rises. To improve this, the government and stakeholders could consider: providing incentives for villagers to attend meetings (e.g., aligning meeting times with villagers' convenience, offering simple refreshments or hosting them as part of social events), ensuring women and minority voices are solicited, and revitalizing the role of facilitators or village cadres to encourage and organize citizen participation. Empowering communities to take ownership of development projects can also enhance maintenance and sustainability of outputs. Ultimately, fostering a sense of collective responsibility will strengthen the accountability ecosystem surrounding village funds.

Supervision and Oversight Systems

Beyond community oversight, formal supervision mechanisms are in place to safeguard the Village Fund's proper use. These include internal oversight by the BPD and village supervisory teams, as well as external oversight by district governments, inspectorates, and higher audit institutions. In Banten, these supervision systems have had some effect but remain suboptimal, leaving gaps through which irregularities can occur.

At the village internal level, the BPD (village council) is legally empowered to monitor and question the village head's management of funds. However, as discussed, many BPDs face capacity issues and power imbalances vis-à-vis the executive. The Banten Inspectorate's 2023 evaluation explicitly noted that internal oversight by BPDs in most Banten villages "has not run optimally.". Often, BPD members do not fully understand budget documents or are not given ample time and information to review them. In some cases, BPD members may have close ties to the village head (for example, being from the same political camp or kinship network), which can blunt their independence. There are also instances of BPD members receiving honoraria or project work from the village fund, which, while not illegal if done transparently, can create conflicts of interest if not managed properly. These factors contribute to a scenario where internal checks and balances are weak.

At the regional level, sub-district officials and the DPMD are supposed to supervise and guide villages. Structurally, the sub-district can act as a liaison, but they have limited manpower to closely monitor each village (a sub-district may oversee dozens of villages). The DPMD provides oversight mainly in the form of administrative checks (making sure reports are submitted, funds are disbursed according to formula, etc.) and capacity support. However, DPMD often relies on villages self-reporting problems or on audits to catch issues, rather than proactive monitoring. The province's ability to monitor all 1,238 villages is inherently constrained.

Audits and inspections form the backbone of external oversight. Banten's Inspectorate conducts audits or inspections of village fund usage, but notably, audits are done on a sampling basis due to resource limitations. It was revealed that not all villages get examined each year; instead, a selection is audited annually. This means a particular village might go several years without a comprehensive audit, potentially allowing problems to fester undetected. The sampling approach is pragmatic given limited auditors, but it creates a "lottery" effect – some problematic villages may slip through. When irregularities are found in audited villages, recommendations are issued, but enforcement of audit recommendations can be inconsistent. Minor issues might be corrected (e.g., requiring missing receipts), but more serious violations could require investigation and sanctions, which are often slow.

The national Audit Board (*Badan Pemeriksa Keuangan*/BPK) occasionally includes village funds in its broader audits. As mentioned, BPK's 2022 report found issues in thousands of villages across Indonesia. In Banten specifically, nine cases of village fund corruption were officially recorded by 2023, with losses exceeding Rp 4.5 billion. These cases typically came to light through audits or community complaints and were investigated by law enforcement. The existence of these cases indicates that oversight mechanisms, while present, are not preventing all malfeasance. Importantly, the patterns of misuse uncovered often pointed to weaknesses in oversight: for example, villages where the same person had control over the entire financial process (no separation of duties), or where BPD and communities were not actively watching, enabled fraud such as budget mark-ups, fictitious procurement, and personal use of funds by officials.

One structural issue is the coordination among oversight actors. Ideally, the village, sub-district, inspectorate, and even police/prosecutors should coordinate to prevent and detect fraud. In practice, coordination has been limited. The Devpolicy analysis by Rosario da Gama (2024) suggests forming integrity networks like the Regional Leadership Coordination Forum involving district heads, police, and civil society to oversee village funds. Banten could benefit from such multi-stakeholder oversight forums. Currently, when problems are identified, the reaction may be ad-hoc. For instance, if villagers report a corruption suspicion, it might go to the police or prosecutors as a legal case, but this is after the fact. A more preventive oversight – such as routine joint monitoring by inspectorate and community reps – would be ideal.

The role of technology in oversight is evolving. The push for Siskeudes (the digital financial system) to be online aims to allow real-time monitoring by higher levels. If all Banten villages fully utilized Siskeudes online, the district could remotely check spending reports and flag anomalies quickly. However, as noted, not all villages integrate Siskeudes well. The Ministry of Home Affairs' 2023 directive to improve Siskeudes infrastructure is a step forward (Sutoro, 2023). As this becomes more functional, oversight agencies like BPKP or inspectorates could use data analytics to identify outliers (e.g., unusually high expenditures on certain items, or late reporting). This kind of data-driven oversight is still in nascent stages but holds promise for Indonesia's vast scale.

In summation, supervision systems for village funds in Banten are in place but not fully effective. Internal oversight by BPD is weak, and external audits cannot cover every village every year. This creates opportunities for mismanagement to go unnoticed until it perhaps becomes severe. The findings highlight the need to strengthen these systems: provide training and perhaps incentives for BPD members to act as auditors, increase the frequency or coverage of audits (even if via surprise spot-checks), and improve coordination among agencies responsible for village oversight. It also underscores the importance of transparency – oversight bodies often rely on tips or complaints to trigger investigations, so if villagers and local media are kept informed, they can supplement formal supervision with social oversight. Essentially, a multilayered oversight approach – combining village-level checks, community monitoring, administrative supervision, and audits – must work in concert to safeguard the village funds.

Corruption Risks and Political Dynamics

The convergence of large funds, low capacity, and weak oversight inevitably raises corruption risks. In Banten's Village Fund implementation, instances of misuse and corrupt practices have occurred, shedding light on both technical weaknesses and political dynamics that facilitate such behavior. According to Indonesia Corruption Watch (ICW), village funds have become a notable source of corruption cases nationally. By 2023, out of 163 documented corruption cases involving village funds in Indonesia, 9 cases were in Banten Province, with total losses exceeding Rp 4.5 billion. These cases reveal common modes of corruption: inflating project budgets (mark-ups), creating fictitious projects or ghost expenditures, and outright diversion of funds for personal use by village heads or treasurers. For example, a village head might report building a certain length of road and exhaust the budget on paper, but in reality build a much shorter road and siphon the remaining money. Or, receipts for materials might be forged or inflated (as BPKP found in some Lebak cases, where reported costs were high but the actual

materials delivered were far fewer). Such practices exploit the gaps in oversight and the information advantage that corrupt officials hold.

One major contributing factor is the weak internal control systems within villages. If one or two persons control the budgeting, cash disbursement, and record-keeping, it becomes easy to manipulate records. Ideally, there should be checks (e.g., dual signatures, verification by BPD or a financial committee), but many villages have not institutionalized those controls effectively. ICW and DPMD studies indicate that a lack of transparency often precedes corruption – in villages where financial information is closely guarded and not shared, it is much easier for officials to hide fraudulent activities. In Banten, DPMD's 2023 study noted that corruption often starts "from the shadows" of weak internal controls and secrecy. For instance, projects that were never openly discussed or whose details were not made public were more likely to be the ones where irregularities occurred. This aligns with the earlier point that openness is a deterrent: corrupt actors prefer opacity.

The local political environment also plays a significant role in corruption risks. Banten's study by FISIP Untirta (Faculty of Social and Political Sciences, Tirtayasa University) in 2023 highlighted a phenomenon of *"balas budi"* (payback) in villages. Village head elections in recent times can be costly – candidates may spend significant sums campaigning or securing support. Once elected, some village heads feel obliged to reward their campaign team or backers using village resources, essentially to repay political debts. This can manifest as awarding village fund contracts to supporters irrespective of merit, or even creating unnecessary projects to channel money towards allies' businesses. In Banten, there were cases where construction projects funded by Village fund were consistently given to relatives or cronies of the village head, raising both conflict of interest and potential kickback issues. Such patronage undermines fair and efficient use of funds and can lead to substandard outcomes (if a contractor is chosen for loyalty rather than competence, the resulting infrastructure might be poor). The Untirta study notes that expensive electoral competition creates pressure on village heads to monetize their office once in power, thereby eroding integrity in fund management.

Another dynamic is the influence of higher-level politics. While villages are autonomous, they do not exist in a vacuum: district politicians, party figures, or even provincial elites might have interests in certain villages. For example, there have been reports (outside Banten, but relevant as context) of district officials informally "directing" village spending towards certain suppliers or projects that benefit their patrons – a form of elite capture at a higher level. In Banten's context, no direct evidence of systematic top-down corruption in village funds was noted in the report, but it is a risk to be mindful of, especially in election years when money circulates in patronage networks. Notably, the year 2019 (a general election year) saw a significant increase in village fund allocation nationally, which some analysts connect to political incentives to gain rural support. Ensuring that such increases are used accountably requires extra vigilance. The consequence of corruption and misuse is twofold: it directly siphons resources away from development needs, and it diminishes public trust in the Village Fund program.

Villagers might become cynical or disengaged if they perceive that funds are routinely misappropriated – this creates a vicious cycle where lack of trust further reduces participation and oversight by citizens, which in turn makes it easier for corruption to continue. It also tarnishes the image of the Village Law reform; what was meant to empower villages could be seen as simply devolving corruption if not addressed. Indeed, President Jokowi and the central government have

repeatedly emphasized zero tolerance for village fund corruption, urging enforcement agencies to act decisively. The presence of corruption cases indicates that enforcement is happening to some extent (since cases were caught and prosecuted), yet the goal should be prevention.

Encouragingly, there have been anti-corruption initiatives targeting villages. Besides the youth integrity programs mentioned, the KPK has launched an "Anti-Corruption Village" pilot program in some regions to model best practices and promote integrity values. Such programs include workshops for village officials on ethics and legal consequences, community campaigns on corruption awareness, and establishing local complaint channels. The effect of these initiatives in Banten is not detailed in the report, but scaling them up could help address the normative aspect – i.e., instilling an ethos that village funds are a public trust that must be guarded.

In summary, corruption risks in Banten's village fund implementation stem from a combination of weak controls, low transparency, and political pressures. The cases that have emerged serve as a warning that without stronger governance, the Village Fund can be exploited. Crucially, as the Banten case study concludes, without capacity strengthening, improved oversight, and strict law enforcement, the implementation of Law 6/2014 in Banten will struggle to achieve its intended effectiveness. This statement encapsulates the need for a holistic response: building systems and skills to prevent corruption, and when it does occur, responding firmly to create a deterrent. Political dynamics such as patronage need to be checked by enforcing rules (for example, procurement rules to prevent nepotism in awarding projects) and by making the use of funds as transparent as possible to stakeholders at all levels.

Conclusion

The implementation of village funds under Indonesia's Law No. 6/2014 in Banten Province reveals a complex interplay of progress and challenges. On one hand, the policy has undeniably empowered villages financially – substantial funds have flowed to the grassroots, enabling thousands of infrastructure projects and contributing to improved services and economic opportunities in rural areas. The case of Banten demonstrates that when village funds are managed well, they can accelerate rural development, evident in the kilometers of new roads, bridges, and facilities built. The Village Law's vision of inclusive, participatory development has seen partial realization in the form of institutional frameworks (e.g., elected village councils, mandated village meetings) and some success stories of community-driven projects.

On the other hand, the governance dynamics at the village level have constrained the policy's full effectiveness. The study identified critical governance gaps: limited capacity of village apparatus has led to administrative inefficiencies and reliance on external actors for basic financial management; weak transparency and accountability practices have prevented villagers from fully knowing or influencing how funds are used; low community participation in planning and oversight has meant that decision-making is often top-down and lacks grassroots oversight; and inadequate supervision systems, coupled with local political patronage, have allowed instances of misuse and corruption to occur. These issues are interrelated and rooted in both technical and political factors. Importantly, they do not indicate that the Village Fund policy is misguided, but rather that significant strengthening of governance mechanisms is needed to realize the policy's promise. The Banten case underscores that decentralization of funds must be matched by decentralization of good governance – villages need the skills, institutions, and civic engagement to manage their new responsibilities with integrity.

In conclusion, the Village Fund program stands at a crossroads between being an enabler of bottom-up development or a potential source of local-level corruption and inefficiency. The findings from Banten likely resonate with experiences in other provinces as well, suggesting systemic improvements are required. The overarching lesson is that investing in "software" (human capacity, accountability systems, cultural norms) is as crucial as investing in the "hardware" of rural development. If left unaddressed, the political dynamics of patronage and weak oversight could undermine the very goals of Law 6/2014: to empower villages and improve rural welfare in a democratic, accountable manner.

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