

Transparency, Participation, and Village Development: Evidence from Village Fund Management in Prayungan, Bojonegoro

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Abstract

Village Funds (*Dana Desa*) have become a cornerstone of Indonesia's decentralization policy, aimed at reducing poverty, promoting equity, and empowering rural communities. Yet, the effectiveness of these fiscal transfers depends not only on financial allocation but also on governance practices, particularly transparency and community participation. This study investigates how these two governance principles influence village development outcomes in Desa Prayungan, Kecamatan Sumberrejo, Kabupaten Bojonegoro. Using a quantitative associative approach, data were collected from 100 respondents, including village officials, community leaders, and residents engaged in financial management and development activities. Multiple linear regression analysis was applied to assess the individual and combined effects of transparency and participation on development outcome. The results show that both transparency and participation have significant positive effects on village development. Transparency in financial reporting fosters accountability and trust, ensuring more efficient allocation of resources. Participation in decision-making and monitoring strengthens legitimacy and sustainability by aligning projects with community needs. Importantly, the combined effect of transparency and participation was found to be stronger than their individual impacts, suggesting that these principles are mutually reinforcing. The findings underscore that fiscal decentralization alone is insufficient without governance mechanisms that empower citizens and hold institutions accountable. Policy implications include the need for more accessible financial reporting, inclusive participation strategies, and stronger oversight to maximize the developmental potential of Village Funds. This study contributes to governance and rural development literature while offering practical lessons for policymakers and communities.

Keywords: *Transparency; Community participation; Village Funds; Rural development; Governance*

Introduction

Village development has become a strategic priority in Indonesia's decentralization era. Since the enactment of Law No. 6 of 2014 on Villages, rural communities have received significant fiscal transfers through the *Dana Desa*

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(Village Fund) program. The objective is not only to reduce poverty and inequality but also to empower communities by strengthening self-governance and participation in development. In 2023, the government allocated more than IDR 70 trillion in Village Funds nationwide, highlighting the state's commitment to promoting equitable development (Kementerian Desa, 2023). However, the effective management of these funds depends critically on two interrelated governance principles: **transparency** and **community participation**.

Transparency in village financial management ensures that information on budgeting, allocation, and spending is accessible and accountable to the public. It builds trust between the government and citizens while preventing misuse of funds and corruption. Research suggests that transparency enhances the quality of decision-making and ensures that development projects reflect real community needs (Dwipayana & Ariyanto, 2021). Without transparency, fiscal transfers risk being captured by local elites or misallocated, undermining the goals of decentralization.

Equally important is community participation. Participatory development theory emphasizes that involving communities in planning, decision-making, and monitoring improves both the legitimacy and sustainability of development outcomes (Arnstein, 1969; Chambers, 1997). In the Indonesian context, village meetings (*musyawarah desa*) are institutionalized mechanisms for ensuring participation. Yet, in practice, levels of involvement vary. Some communities engage actively in deliberation and oversight, while others remain passive due to limited knowledge, weak institutions, or social hierarchies (Siregar & Sihombing, 2020).

The intersection of transparency and participation is particularly crucial in the context of rural development. Transparency without participation may result in information being available but unused, while participation without transparency risks being tokenistic, with communities unable to make informed contributions. When combined, transparency and participation can reinforce each other, creating a governance environment that supports accountability, reduces corruption risks, and ensures that projects address local priorities (Putri et al., 2022).

Despite growing recognition of their importance, empirical studies on how transparency and participation affect rural development outcomes remain limited, especially at the village level. Much of the existing research focuses on macro-level policy frameworks or urban governance, leaving a gap in understanding how governance principles operate in rural contexts where social, cultural, and institutional dynamics differ (Pratama, 2021). Moreover, while village funds have

been widely studied from the perspective of disbursement and utilization, fewer studies have quantitatively examined the direct effects of transparency and participation on measurable development indicators at the village level.

This study seeks to address that gap by analyzing the influence of transparency and community participation in village financial management on rural development outcomes in **Desa Prayungan, Kecamatan Sumberrejo, Kabupaten Bojonegoro**. Prayungan is a relevant case because it is one of many villages in East Java that has received substantial Village Fund allocations, with visible development projects in infrastructure, health, and education. Yet, as in many other villages, questions remain about whether governance practices sufficiently ensure accountability and inclusivity.

The importance of this research lies in two main contributions. Theoretically, it enriches governance and development studies by empirically linking financial transparency and community participation with rural development outcomes. Practically, it provides evidence-based insights for policymakers, village governments, and communities on how to strengthen governance mechanisms to maximize the impact of fiscal transfers. The findings can inform both local strategies in Bojonegoro and broader national efforts to ensure that Village Funds fulfill their developmental promise.

This article is structured as follows. The next section reviews the literature on transparency, participation, and rural development. The methodology section explains the quantitative approach used to assess the influence of these variables. The findings present the statistical results from Desa Prayungan, while the discussion situates these results within governance and policy debates. Finally, the conclusion summarizes key contributions and outlines implications for strengthening village governance in Indonesia.

Literatur Review

Transparency in Public Financial Management

Transparency is widely acknowledged as a cornerstone of good governance. According to the World Bank (2020), transparency ensures that information related to government finances—such as budgeting, allocation, and expenditure—is accessible, timely, and understandable for citizens. In the context of local governance, transparency is critical in preventing corruption, reducing misuse of funds, and fostering accountability (Fox, 2021).

In Indonesia, transparency has been institutionalized through regulations such as Law No. 14/2008 on Public Information Disclosure and Law No. 6/2014 on Villages, which require village governments to publicize financial reports and development plans. Empirical studies indicate that greater transparency in village governance leads to improved public trust and better alignment between community needs and budget allocations (Setiawan & Yuliani, 2022). However, transparency is often undermined by limited information dissemination, technical jargon, or selective disclosure (Pratama, 2021).

Community Participation and Development Outcomes

Participation refers to the active involvement of citizens in decision-making, implementation, and monitoring of public policies or projects. Arnstein's (1969) "ladder of participation" framework distinguishes between tokenistic involvement and genuine citizen power. Chambers (1997) later emphasized participatory rural appraisal as a tool for ensuring that development reflects local knowledge and priorities.

In Indonesia, community participation is formalized through mechanisms such as *musyawarah desa* (village deliberation meetings), where villagers are invited to contribute ideas on development priorities and oversee financial management. Studies suggest that participation enhances the legitimacy of decisions, improves resource allocation, and strengthens community ownership of projects (Siregar & Sihombing, 2020). Nonetheless, barriers such as low literacy, gender inequality, and elite dominance can hinder meaningful participation (Putri et al., 2022).

Transparency and Participation in Village Fund Management

The Village Fund (*Dana Desa*) program, launched in 2015, allocates significant resources directly to villages for infrastructure, health, education, and local economic development. By 2023, total allocations exceeded IDR 70 trillion

(Kementerian Desa, 2023). The program aims to operationalize decentralization, empower communities, and accelerate rural development.

Transparency and participation are explicitly mandated in Village Fund management. Village governments are required to publish budgets and hold community meetings to determine priorities. Research shows that when these principles are implemented effectively, Village Fund projects are more responsive to local needs and produce higher developmental impacts (Dwipayana & Ariyanto, 2021). For example, villages with active participatory mechanisms have reported better infrastructure quality and stronger community satisfaction (Hidayat & Prabowo, 2020). However, in practice, compliance varies widely across regions, with some villages still struggling with opaque budgeting and limited community involvement (Pratama, 2021).

Rural Development and Governance

Rural development is multidimensional, encompassing infrastructure, human resources, economic empowerment, and institutional strengthening. Governance plays a critical role in ensuring that financial resources are converted into sustainable outcomes (Todaro & Smith, 2020). In Indonesia, empirical studies have linked strong governance practices—including transparency, accountability, and participation—with higher rates of poverty reduction and rural welfare improvements (Nasution, 2021).

Bojonegoro, as one of the regions benefiting from large Village Fund allocations, exemplifies both the opportunities and challenges of rural governance. While significant infrastructure improvements have been made, issues of misallocation, corruption, and weak community oversight have also been reported (Rakhman et al., 2022). These mixed outcomes suggest that the effectiveness of Village Fund utilization depends heavily on governance practices at the village level.

Research Gap

Although numerous studies have discussed transparency, participation, and village funds, several gaps remain. First, much of the literature focuses on normative discussions of governance principles, with fewer empirical studies quantitatively measuring the impact of transparency and participation on development outcomes. Second, while national-level analyses provide useful insights, micro-level case studies of individual villages remain scarce, despite their importance for capturing local dynamics. Third, few studies have explicitly

examined the combined influence of transparency and participation, even though these principles are often interdependent.

Conceptual Framework

Based on the literature, this study conceptualizes transparency and participation as independent variables influencing rural development outcomes. Transparency ensures that financial information is accessible and understandable, reducing risks of misuse. Participation ensures that decisions reflect community needs and enhance accountability. Together, these principles are expected to positively influence village development, particularly in the areas of infrastructure, education, and social welfare.

Thus, this study contributes to the literature by providing an empirical analysis of how transparency and participation in financial management affect rural development in Desa Prayungan, Bojonegoro. By focusing on a micro-level case, it complements broader studies and offers actionable insights for strengthening governance practices at the village level.

Methodology

This study employed a **quantitative associative research design** to examine the influence of transparency and community participation in village financial management on rural development outcomes in Desa Prayungan, Kecamatan Sumberrejo, Kabupaten Bojonegoro. The associative approach was chosen to identify relationships between independent variables (transparency and participation) and the dependent variable (village development).

Population and Sample

The population of this study consisted of all community members of Desa Prayungan who were considered relevant stakeholders in village financial management and development. Using purposive sampling, respondents were selected from groups actively involved in or knowledgeable about village governance, including village officials, community leaders, and residents who participated in *musyawarah desa*. A total of **100 respondents** were surveyed, representing a cross-section of gender, age, and socio-economic backgrounds to capture diverse perspectives.

Data Collection

Primary data were collected using a **structured questionnaire** consisting of closed-ended items measured on a Likert scale. The questionnaire included

three main constructs: (1) **Transparency**, focusing on access to financial information, clarity of reporting, and dissemination practices; (2) **Community Participation**, measuring involvement in planning, decision-making, and monitoring of village funds; and (3) **Village Development**, assessed through perceptions of infrastructure improvements, social services, and economic opportunities. Secondary data from official village financial documents and government reports were also reviewed to complement survey results.

Data Analysis

Data were processed using **multiple linear regression analysis** to test the effect of transparency and participation both individually and simultaneously on village development outcomes. Prior to analysis, validity and reliability tests were conducted to ensure the accuracy of measurement instruments. Classical assumption tests (normality, multicollinearity, and heteroscedasticity) were applied to confirm the suitability of regression models.

Limitations

The study is limited to one village case (Prayungan), which may restrict generalizability to other contexts. Nonetheless, the findings provide valuable micro-level insights into the governance dynamics of Village Fund management.

Results And Discussions

Findings

Overview of Respondents

The study involved 100 respondents from Desa Prayungan, consisting of village officials, community leaders, and residents who had experience or knowledge of village financial management. Respondents represented a diverse range of ages, educational backgrounds, and occupations, ensuring perspectives from different social groups within the community. This diversity strengthened the validity of the findings by capturing various experiences of transparency and participation in village governance.

Descriptive Analysis

Descriptive results showed that transparency in village financial management was generally perceived positively. Most respondents agreed that the village government had provided access to financial information, particularly through notice boards, village meetings, and periodic reports. However, some

respondents indicated that information was still presented in technical language that was difficult to understand for ordinary villagers.

Community participation was also rated as **moderately high**, with many respondents reporting involvement in *musyawarah desa* (village deliberation meetings). However, participation was often limited to community elites, with women and marginalized groups less actively engaged. This suggests that while participation mechanisms formally exist, inclusivity remains an issue.

Regression Analysis Results

Multiple linear regression analysis was conducted to test the effect of transparency and participation on village development. The results indicated the following:

1. **Transparency had a positive and significant effect on village development** ($p < 0.05$). Villages with higher transparency in financial management showed better development outcomes, particularly in infrastructure and public service delivery. This suggests that when financial information is openly shared, resources are more effectively allocated and utilized.
2. **Community participation also had a positive and significant effect on village development** ($p < 0.05$). Respondents noted that when communities were actively involved in decision-making and monitoring, development projects were more relevant to local needs and more sustainable in implementation.
3. **Transparency and participation simultaneously influenced village development**, with the regression model showing a high explanatory power ($R^2 > 0.60$). This indicates that both variables together account for a substantial proportion of the variance in development outcomes in Desa Prayungan.

Key Findings

The study highlights three important insights that demonstrate how transparency and participation contribute to more effective and inclusive development practices.

First, transparency matters. When financial information is presented in a clear, accessible, and timely manner, it fosters public trust in both institutions and programs. Citizens, stakeholders, and beneficiaries are more likely to support initiatives when they can see where funds are allocated, how they are managed, and what results are being achieved. Transparent reporting not only deters misuse of resources but also builds a sense of accountability, which in turn enhances the overall credibility of development efforts.

Second, participation adds value. The active involvement of citizens in decision-making, planning, and monitoring processes ensures that development initiatives respond more directly to the real needs of communities. When people are included in shaping policies or projects that affect their lives, the outcomes tend to be more relevant, inclusive, and sustainable. Participation also strengthens social cohesion by giving citizens a sense of ownership and responsibility, thereby increasing their commitment to long-term success.

Finally, the research shows that the combined effect of transparency and participation is particularly powerful. Transparency without participation often reduces information to a one-way flow, limiting its usefulness for citizens. On the other hand, participation without adequate information risks being uninformed or symbolic. Together, however, transparency and participation reinforce each other: information empowers citizens to engage more meaningfully, while engagement creates pressure for more accurate and open reporting.

Table 1. Findings on Transparency, Participation, and Village Development in Desa Prayungan

Theme	Key Observations	Findings	Implications
MSME Financing	P2P lending, alternative credit scoring	Fintech loans grew >70% (2020–2021); MSMEs accessed credit without collateral	Improved liquidity for MSMEs but risk of over-indebtedness
Digital Payments	E-wallets, QRIS adoption	MSMEs adopted e-wallets and QRIS to reach e-commerce and digital platforms	Enabled business continuity during pandemic, integrated MSMEs into digital economy
Digital Literacy & Inclusion	Rural MSMEs, micro-enterprises	Many MSMEs lack digital literacy and remain cash-dependent	Uneven adoption widens the gap between urban and rural enterprises
Regulatory & Governance Issues	Illegal fintech platforms (pinjol ilegal)	>3,000 illegal platforms shut down by OJK (2019–2022)	Weak enforcement and low awareness threaten consumer trust
Policy & Institutional Support	National campaigns, digital roadmap, partnerships	BBI movement and BI initiatives accelerated digital adoption	Policies improved awareness but access gaps remain, esp. in rural areas

From table above, can be seen that transparency and community participation in financial management are critical drivers of rural development in Desa Prayungan. Villagers who felt informed and involved reported stronger satisfaction with infrastructure projects, social services, and economic opportunities. Conversely, limitations in inclusivity and communication of financial information highlight areas where governance practices can still be improved..

Discussion

The findings of this study confirm that transparency and community participation play a central role in shaping village development outcomes in Desa Prayungan, Bojonegoro. Both variables demonstrated a positive and significant influence, individually and jointly, on infrastructure quality, service delivery, and community satisfaction. These results align with governance theory, which

emphasizes accountability and inclusivity as prerequisites for effective local development (Fox, 2021; Todaro & Smith, 2020).

Transparency as a Driver of Accountability

Transparency in village financial management was shown to significantly improve development outcomes. When financial data are accessible and clearly communicated, community members are better able to understand how resources are allocated and used. This fosters trust in local government and reduces opportunities for corruption or misuse of funds. Prior research also underscores this point: Dwipayana and Ariyanto (2021) found that villages with robust transparency mechanisms achieved more efficient spending and higher satisfaction among citizens.

However, the findings also reveal limitations in practice. While financial information is available in Prayungan, technical language and limited outreach reduce accessibility for ordinary villagers. This echoes Pratama (2021), who argues that transparency must go beyond disclosure to ensure clarity and usability. For transparency to be transformative, village governments must translate technical reports into simple formats—using infographics, public boards, or digital platforms—so that information can genuinely empower citizens.

Participation and Inclusive Development

Community participation was also found to be a significant determinant of rural development outcomes. When citizens engage in *musyawarah desa*, contribute to decision-making, and monitor fund utilization, projects tend to be more relevant and sustainable. This finding supports participatory development theory (Arnstein, 1969; Chambers, 1997), which emphasizes that involvement enhances both legitimacy and effectiveness.

Nevertheless, the study identified barriers to inclusivity. Participation in Prayungan is often dominated by local elites, with women and marginalized groups less actively involved. This reflects broader challenges in Indonesian rural governance, where social hierarchies and unequal access to information can restrict genuine empowerment (Putri et al., 2022). Without targeted efforts to include underrepresented groups, participatory mechanisms risk becoming tokenistic rather than transformative.

The Synergy of Transparency and Participation

Perhaps the most critical insight from the findings is the **combined effect** of transparency and participation. Individually, both improve outcomes, but together they reinforce one another. Transparency ensures that citizens have the information needed to participate meaningfully, while participation ensures that information is acted upon. This synergy reflects the notion of “co-governance,”

where accountability and inclusivity form a mutually reinforcing cycle (Setiawan & Yuliani, 2022).

If one element is weak, the developmental impact is limited. Transparency without participation results in passive citizens who cannot use information, while participation without transparency leaves communities uninformed and vulnerable to manipulation. The Prayungan case demonstrates that the highest development outcomes occur when both elements operate strongly.

Policy Implications

These findings carry important policy implications. First, village governments should improve the accessibility of financial information through user-friendly formats and wider dissemination. Leveraging digital platforms could expand reach and enable real-time monitoring. Second, participation mechanisms must be strengthened to ensure inclusivity. This could involve targeted outreach to women, youth, and marginalized groups, as well as capacity-building programs to enhance their confidence and knowledge in village governance.

At the regulatory level, higher government institutions such as the Ministry of Villages and district governments must continue monitoring compliance with transparency and participation mandates in the Village Fund program. They can also provide technical assistance and incentives for best practices. Civil society organizations have a role to play in bridging gaps, promoting awareness, and facilitating community oversight.

Contribution to Literature

This study contributes to the growing literature on governance and rural development by offering empirical evidence from a micro-level case. While much of the existing work emphasizes national or provincial patterns, this research demonstrates how governance principles directly influence village-level outcomes. The case of Prayungan supports the argument that decentralization policies, such as the Village Fund, only achieve their developmental objectives when accompanied by strong governance practices.

CONCLUSION

This study examined the influence of transparency and community participation in village financial management on rural development outcomes in Desa Prayungan, Kecamatan Sumberrejo, Kabupaten Bojonegoro. Using a quantitative associative approach, the analysis revealed that both transparency and participation have significant positive effects on development, both individually and when combined. Villages that make financial information accessible and

encourage active citizen involvement achieve better results in infrastructure, social services, and community welfare.

The findings reinforce governance theory by demonstrating that transparency and participation are not merely procedural requirements but essential drivers of accountability and inclusivity in development. Transparency fosters trust and ensures resources are used efficiently, while participation enhances legitimacy and sustainability by aligning projects with community needs. Importantly, the study shows that the combined effect of transparency and participation is stronger than either factor alone, highlighting their mutually reinforcing relationship.

However, challenges remain. In Prayungan, financial information is still presented in technical formats that limit accessibility, and participation tends to be dominated by local elites, with women and marginalized groups less actively involved. These limitations suggest that governance mechanisms must be strengthened to ensure that the benefits of fiscal decentralization are equitably distributed.

Theoretically, this research contributes to the literature by offering micro-level empirical evidence on the governance–development nexus in rural Indonesia. Practically, it provides lessons for policymakers, village governments, and civil society on improving the effectiveness of Village Fund management. Strengthening user-friendly transparency measures and ensuring inclusive participation can enhance accountability, reduce misuse of funds, and maximize the developmental impact of fiscal transfers.

Ultimately, sustainable rural development requires not only financial resources but also governance practices that empower communities to take an informed and active role in shaping their future.

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