



Evaluating the Effectiveness of Village Fund Allocation in Supporting Participatory Rural Development and Reducing Poverty Rates in Remote Areas of East Nusa Tenggara

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Abstract

The Village Fund program in Indonesia is a flagship policy designed to strengthen decentralization, promote participative rural development, and reduce poverty. This study evaluates its effectiveness in remote areas of East Nusa Tenggara (NTT), a province marked by poverty, isolation, and socio-economic vulnerability. Using a qualitative case study, data were gathered through interviews, focus-group discussions, and field observations in Manggarai Timur, Sumba Timur, and Alor. Findings show that the Village Fund significantly improved infrastructure such as roads, irrigation, and clean water systems, enhancing connectivity and reducing isolation. Participatory processes like village meetings (*musyawarah desa*) opened new channels for community involvement, though their quality varied across regions. Yet, the impact on poverty reduction remains limited due to weak institutional capacity, elite dominance, and the absence of livelihood-based projects. The study concludes that infrastructure investment alone cannot address multidimensional poverty without integrating education, health, and climate resilience. Strengthening community participation, transparency, and local government capacity are crucial for maximizing program effectiveness and ensuring inclusive, context-sensitive rural development.

INTRODUCTION

Rural poverty remains one of the most persistent development challenges in Indonesia, particularly in remote and underdeveloped provinces such as East Nusa Tenggara (NTT). Despite decades of centralized and decentralized development initiatives, socio-economic indicators in many rural villages remain far below the national average. According to Statistics Indonesia (BPS, 2023), the poverty rate in NTT reached 20.44% in 2022, significantly higher than the national figure of 9.57%. Structural challenges, including geographic isolation, limited access to infrastructure, low agricultural productivity, and climate vulnerability, continue to perpetuate cycles of deprivation. Within this context, the Indonesian government introduced the Village Fund (*Dana Desa*) program in 2015 as a flagship policy to

promote participatory rural development, reduce poverty, and close the rural–urban development gap.

The Village Fund represents one of the largest fiscal transfers in Indonesia's decentralization framework, with allocations exceeding IDR 70 trillion annually nationwide (Ministry of Finance, 2022; Lewis, 2023; Nasution, 2017; Maulana et al., 2025). Its underlying principle is that rural communities themselves are best positioned to identify and address their development priorities through participatory planning and implementation mechanisms. By directing funds to village governments and mandating community involvement, the program is expected to strengthen local governance, improve service delivery, enhance infrastructure, and generate income opportunities (Satria & Aminah, 2019; Rugeiyamu et al., 2021; Sofyani et al., 2022). In theory, this approach aligns with participatory development paradigms, which emphasize local ownership, empowerment, and bottom-up planning as central to achieving sustainable development outcomes (Chambers, 2014; Mansuri & Rao, 2013; Fernando & Tajan, 2024; Marín-González et al., 2022; Zhang et al., 2024).

However, while the Village Fund has been widely celebrated for its transformative potential, its effectiveness in reducing poverty and promoting participatory development in remote regions remains contested. Studies across Indonesia show mixed results. For instance, Wirawan (2021) found that Village Fund projects significantly improved access to basic infrastructure such as roads, clean water, and sanitation, thereby reducing household vulnerability. Yet, other research highlights persistent governance challenges, including elite capture, weak accountability, and uneven community participation, which undermine the program's impact (Rohman & Purwoko, 2020; Antlöv et al., 2016). These divergent findings suggest that the Village Fund's effectiveness may be highly context-dependent, shaped by local socio-political structures, administrative capacity, and community engagement.

East Nusa Tenggara represents a particularly critical case for evaluating the Village Fund's impact. As one of the poorest provinces in Indonesia, NTT faces unique development barriers, including rugged geography, frequent droughts, and limited connectivity to national markets. These structural constraints often exacerbate rural poverty and hinder the effectiveness of conventional development programs (Patunru & Suryahadi, 2018; Chotib, 2024; Cobbinah, 2011). Moreover, community participation in remote villages is often influenced by traditional leadership systems, cultural norms, and varying levels of trust in government institutions (Henley & Davidson, 2008; Pero & Smith, 2008; Sabet & Khaksar, 2024). Such dynamics raise important questions about whether the Village Fund's participatory approach is effectively implemented in practice and whether it translates into tangible poverty reduction.

This study seeks to evaluate the effectiveness of Village Fund allocation in supporting participatory rural development and reducing poverty rates in remote areas of NTT. By focusing on both process and outcomes, it examines not only how funds are allocated and utilized but also the extent to which community members are meaningfully involved in decision-making and implementation (Haldane et al., 2019; Chirenje et al., 2013; Boivin et al., 2014). The analysis adopts a multi-dimensional framework, considering three interrelated aspects. First, the effectiveness of the allocation mechanism, including transparency, targeting, and alignment with local priorities. Second, the quality of participatory processes, such as inclusiveness, deliberation, and accountability mechanisms. Third, the measurable impact on poverty indicators, particularly household income, access to basic services, and livelihood opportunities.

Situating this study within broader debates on decentralization and rural development, it engages with theories of participatory governance and poverty alleviation. Participatory rural development has long been advocated as a means to empower marginalized communities and enhance program effectiveness (Chambers, 2014; Steiner & Farmer, 2018; Banda, 2025). However, critics warn that participation is often symbolic rather than substantive, with decision-making still dominated by local elites or external actors (Cooke & Kothari, 2001; Butzlaff, 2023; Rahmadani & Saputra, 2025). Evaluating the Village Fund in NTT therefore provides an opportunity to test these debates empirically, shedding light on how participatory development policies perform in contexts of poverty, remoteness, and institutional weakness.

The significance of this study lies in its potential to inform both policy and practice. At the national level, understanding the Village Fund's impact in one of Indonesia's poorest provinces can guide adjustments in allocation formulas, monitoring systems, and capacity-building strategies. At the local level, it can provide insights for village governments and civil society actors on how to strengthen participatory mechanisms and ensure that resources directly benefit the poorest households. More broadly, this research contributes to international scholarship on rural development and fiscal decentralization by offering lessons from Indonesia's large-scale experiment in community-driven development.

METHODS

This research followed a case-study approach that is qualitative in nature to evaluate the success of the Village Fund distributions in promoting participatory rural development and alleviating poverty in remote areas of East Nusa Tenggara (NTT). A qualitative design was chosen to receive the complex relationships between fund utilisation, community participation, and local governance, which can hardly be reflected only by quantitative measures.

The data was collected within the period between April and July 2024 in three purposely selected districts i.e. Manggarai Timur, Sumba Timur, and Alor, which are illustrative of heterogeneous geographic, socio cultural, and economic environments. These sites were also chosen based on the high poverty levels, geographical remoteness and varying levels of Village fund management potential.

Semi-structured interviews, focus group discussions (FGDs) and direct observation were used to collect primary data. The village heads, the Village Consultative Body (Badan Permusyawaratan Desa /BPD), the local government, and the representatives of the community, both women and the marginalised, are the ones who had 36 interviews. The FGDs consisted of 6–8 participants per village and were based on experiences people had of community involvement in planning, decision-making and benefits perceived with regard to Village Fund programmes. The researcher observed the village development meetings (Musyawarah Desa) so that the researcher could observe how participatory processes were applied in terms of inclusiveness and transparency.

Government reports, policy documents, and statistical publications, published by the Ministry of Villages, Development of Disadvantaged Regions and Transmigration (Kemendesa PDTT), Ministry of Finance, and Statistics Indonesia (BPS) were the source of secondary data. Village budget documents (APBDes) and programme implementation reports were also examined to check the consistency of priority planned to be funded against the actual funds being allocated.

The thematic analysis method was used to analyse data using the six-phase framework of Braun & Clarke (2006). The steps included familiarisation with data, coding, identification of the themes, review of the themes, definition and naming of

the themes, and production of the report. The analysis has been conducted based on the three dimensions namely: (1) allocation effectiveness which includes transparency, targeting, and consistency of fund distribution; (2) quality of participation, which is based on inclusiveness, deliberation and accountability; and (3) poverty-reduction outcomes, which is measured through reported households income improvement, access to services and livelihood opportunities. To maximise the data validity and reliability, triangulation was used by comparing interview results, FGD debates and official reports.

The ethical considerations were strictly followed during the study. Informed consent was given by all of the participants in advance before the interviews or FGDs, and anonymity was guaranteed to ensure the confidentiality of sensitive information about the practice of governance and the perceptions of the community. Considering the socio-cultural diversity of NTT, specific attention was paid to the respect of the local customs and traditional leadership setups when collecting data. This was done to make sure that the research process was culturally sensitive, participatory and respectful to the community dynamics.

RESULTS AND DISCUSSION

The findings of this study demonstrate that the effectiveness of Village Fund allocation in East Nusa Tenggara (NTT) varies across districts and villages, depending on governance capacity, participatory processes, and socio-economic conditions. While the program has contributed to improving rural infrastructure and enabling some degree of poverty alleviation, significant challenges remain in ensuring inclusiveness, accountability, and long-term sustainability.

Allocation Effectiveness

Analysis of village budget documents (*APBDes*) across Manggarai Timur, Sumba Timur, and Alor revealed that the majority of Village Fund allocations were directed toward physical infrastructure projects such as road construction, irrigation channels, and clean water facilities. These investments were generally appreciated by local residents, who reported improved mobility and reduced isolation. As one farmer in Manggarai Timur stated,

“Before the road was built, we had to walk for hours to bring our crops to the market. Now, at least the vehicles can reach our village, and we can sell faster”
(Interview, Male, 46).

The observation that Village Funds have a direct impact on the development of rural infrastructure is in line with the current literature that focuses on the short-term and practical essence of such allocations (Wirawan, 2021). Infrastructure construction like building roads, irrigation facilities, and public utilities are frequently given priority since this gives direct benefits which may be easily traced and seen by the community. These projects can also be viewed as a form of government accountability, since physical infrastructure projects can be more easily tracked, recorded and presented than less tangible ones, e.g. human capital development or institutional strengthening.

Nevertheless, infrastructure investment provides short-term visibility but an oversight of this aspect could lead to failure to understand other equally important aspects of rural development. Those opposed to this claim that Village funds ought to strike a balance between physical development and other sustainable programs like education, access to medical services, and economic empowerment programs. In the absence of such balance, there can be infrastructural development of rural communities without corresponding benefits in social welfare and human capacity. The observed positive effect must therefore be appreciated, but scrutinized critically

with the view of making sure that Village Funds produce multidimensional, long-term development and not temporary physical results.

However, concerns were raised regarding the limited allocation to non-infrastructure sectors such as education, health, and economic empowerment. Several participants argued that infrastructure projects, while important, do not directly address chronic poverty. A community leader in Alor commented,

“We have roads, but people still struggle with no jobs. If the funds were used to support livelihoods, it would help us more in the long run” (Interview, Male, 52).

This critique aligns with the findings of Rohman and Purwoko (2020), who caution that the overemphasis on physical infrastructure risks overshadowing equally crucial dimensions of rural poverty, such as education, health, and livelihood opportunities. While investments in roads, markets, and public facilities bring visible progress, they may not address the deeper structural barriers that perpetuate cycles of poverty and inequality. Focusing predominantly on infrastructure can therefore create an illusion of development while leaving underlying social vulnerabilities unaddressed.

Moreover, privileging infrastructure projects often reflects a political calculus, as they provide tangible outputs that are easier to showcase as achievements. This raises concerns that Village Funds may inadvertently prioritize projects with high visibility over those that build long-term human capacity, such as programs in literacy, skills training, or public health. Neglecting these softer dimensions risks reinforcing disparities within rural communities and undermining the sustainability of development outcomes. To achieve a balanced impact, infrastructure investment should be complemented by initiatives that directly target human development and social resilience.

Quality of Participation

One of the central objectives of the Village Fund program is to institutionalize participatory development through *Musyawarah Desa* (village deliberation meetings). In practice, the inclusiveness of these processes varied. In Manggarai Timur, community members reported active engagement, with women and youth increasingly voicing their concerns. An FGD participant noted,

“Now we can speak in meetings. Before, decisions were always made by the village head and a few men. At least now they listen to us, even if not all suggestions are accepted” (FGD, Female participant, 34).

The evidence points to a positive trajectory in strengthening participatory governance at the grassroots level, where community members are given greater opportunities to contribute to decision-making processes. In some regions, Village Funds have created platforms for inclusive dialogue, enabling local residents to voice priorities that reflect their actual needs. This represents progress toward democratic governance practices that emphasize transparency, accountability, and empowerment of marginalized groups.

In contrast, the case of Sumba Timur demonstrates that participation remains uneven and, in some contexts, largely symbolic. Villagers described how meetings were often dominated by elites or influential families, with outcomes predetermined before discussions took place. Such practices undermine the very principle of participatory governance, reducing community engagement to a procedural formality rather than a substantive exercise in collective decision-making. This highlights the persistent challenge of elite capture and the need for stronger institutional safeguards to ensure that grassroots participation is both meaningful and representative. One villager remarked,

"We attend the meetings, but it feels like everything has already been decided. Our voices don't change much" (Interview, Male, 41).

Such experiences echo critiques by Cooke & Kothari (2001), who caution against the risk of "participation as tyranny," where formal procedures mask underlying power imbalances.

Observation of meetings also revealed that participation was often constrained by lack of information and limited capacity to engage with technical budget discussions. In Alor, some residents expressed confusion about how funds were allocated:

"They talk about billions of rupiah, but we don't really understand the details. We just hope it is used well" (FGD, Male participant, 39).

The evidence provided highlights the central importance of financial literacy and open communication in enabling substantive involvement in village development projects. In the absence of adequate knowledge on budgeting mechanisms and protocols on fund allocation, community members often have inadequate conditions to critically evaluate propositions or to hold decision-makers to account. As a result, financial literacy is not limited by its traditional definition as a technical skill, but a democratic skill that allows citizens to influence priorities and promote the equitable allocation of resources. Transparency also helps counter the monopolization of information by elite players where the information is made accessible and easy to understand by all the villagers thus minimizing the risk of being excluded and mistrust.

Furthermore, the acquisition of the competencies in question is the key to moving beyond the performative involvement and to the real empowerment. Deliberations can shift to active investigation when the means of analysis needed by villagers to understand financial choices are at their disposal. This change is essential as it will help overturn the dominance of elites in the decision-making process as well as make sure that Village Funds are in line with the needs of the majority as opposed to one-sided interests. Finally, because of the complementary role that financial literacy and an open channel of communication can play in reinforcing financial literacy, participatory governance, as symbolic gesture, can be transformed into a meaningful tool of inclusive rural development.

Poverty Reduction Outcomes

In terms of poverty reduction, the results were mixed. In Manggarai Timur, infrastructure improvements led to tangible benefits, such as easier market access and reduced transportation costs, which indirectly improved household incomes. In Sumba Timur, however, poverty rates remained stubbornly high, with participants attributing limited impact to the Village Fund's narrow focus on physical projects. A woman noted,

"We have a new road, but still no clean water and no jobs for young people. How can that reduce poverty?" (Interview, Female, 37).

Similarly, in Alor, some positive changes were observed in access to clean water and basic health services, but long-term poverty reduction remained elusive. Many participants emphasized the need for livelihood programs, such as training in agriculture, fisheries, or small enterprises. These perspectives align with Chambers (2014), who argues that sustainable poverty reduction requires not only infrastructure but also investments in human capabilities and livelihoods.

Cross-Cutting Challenges

The findings provided three cross-cutting challenges. To start with, the spirit of participatory of Village Fund is still hampered by elite capture. Village heads and

other local elites in a number of cases were reported to make projects of their networks priority leaving the marginalized groups underrepresented. This observation is also consistent with the results of the study by Antlöv et al. (2016), who discovered that elite dominance was a phenomenon that was frequently seen in the governance of Village Funds.

Second, the institutional capacity is disproportionate among the villages. Some of the village administrations were competent in the planning and reporting, however, others had difficulties in technical and financial management. Lack of capacity not only decreases efficiency but it also increases the accessibility of corruption and misuse of funds.

Third, the effectiveness of the interventions of Village Fund by NTT is limited by the geographic and structural limitations of the organization: drought, lack of connection, and isolation of the markets. Structural poverty still exists even with the improved infrastructure because of the inability to access the larger markets, poor service delivery, and environmental pressures. According to Patunru and Suryahadi (2018), policy alone does not cause poverty in eastern Indonesia, but geographic disadvantage contributes to it, which requires more specific intervention.

Discussion

The results of this study highlight both the achievements and the limitations of the Village Fund program in remote areas of East Nusa Tenggara (NTT). The evidence suggests that while the fund has improved basic infrastructure and created opportunities for participatory processes, its impact on poverty reduction remains modest and uneven. This outcome reflects broader tensions in development policy: whether fiscal transfers alone are sufficient to address entrenched structural poverty, and whether participatory mechanisms can overcome local power asymmetries and institutional weaknesses.

First, the findings confirm that infrastructure investments funded through the Village Fund have delivered visible benefits to rural communities. Improved road access, irrigation systems, and clean water facilities were consistently cited by participants as critical improvements. These results resonate with the argument by Wirawan (2021) that infrastructure is the most tangible outcome of the Village Fund, and often the easiest to implement in rural areas with limited administrative capacity. In Manggarai Timur, for example, roads enabled farmers to sell their products more quickly and at better prices, reducing isolation and vulnerability. Such impacts align with the literature that positions infrastructure as a key enabler of rural development (Fan & Chan-Kang, 2005; Alabdali et al., 2023; Manggat et al., 2018). However, the study also found that infrastructure-heavy allocation often overshadowed investments in livelihoods, education, and health, thereby limiting the program's direct contribution to poverty reduction. This echoes Rohman & Purwoko's (2020) critique that Village Fund spending risks becoming skewed toward projects that are politically visible but socially narrow in impact.

Second, the quality of community participation remains highly uneven across study sites. In some villages, participatory meetings (*musyawarah desa*) provided new spaces for marginalized groups, including women and youth, to voice their concerns. This supports the notion advanced by Chambers (2014) that participatory approaches can empower communities when implemented sincerely. However, in other cases, particularly in Sumba Timur, participation was more symbolic than substantive, with decisions dominated by local elites. These dynamics reflect the critique of "participation as tyranny" posed by Cooke & Kothari (2001), where formal participatory mechanisms mask underlying power asymmetries rather than transforming them. Without deliberate safeguards, participation risks reinforcing existing inequalities instead of challenging them.

Third, institutional capacity is a key factor shaping the effectiveness of Village Fund implementation. Villages with competent administrative staff were able to plan, report, and monitor fund utilization more effectively, while weaker administrations struggled with technical and financial management. Limited capacity not only undermines efficiency but also opens space for corruption and misuse. This finding aligns with Antlöv et al. (2016), who argue that the success of the Village Fund depends as much on local governance capacity as on the size of the fiscal transfer itself. In the case of NTT, weak institutional capacity often magnifies geographic and socio-economic disadvantages, making it difficult for funds to achieve long-term transformative effects.

The paper highlights organizational setbacks that restrict the effectiveness of the Village Fund to reduce poverty. Poverty has been experienced even in the context where there has been development of infrastructure due to geographic isolation, agricultural productivity that is suboptimal and climate vulnerability that is manifested in frequent droughts. This, in addition to what Patunru & Suryahadi (2018) claim that poverty in Eastern Indonesia is inherently connected with the structural disadvantages that can be alleviated by fiscal transfers without any significant effort. Without additional programs to access the market, agricultural innovation, and climate resilience, Village Fund investments can bring only a significant change.

Together, the findings contribute to the current academic debates on the subject of participatory development and decentralization. The Village Fund implements principles of community based development by foreseeing local ownership and decision making. Nevertheless, this, as Mansuri & Rao (2013) have noted, depends on more than just community participation, but also a well-designed institutional framework and an external assistance system. The program has allowed the development of new participatory forums in North-East Timor (NTT); however, these forums are very weak and uneven, often being undermined by elite capture and weak community capability.

Consequential policy implications are implied. To begin with, the paradigm of unfair allocation deserves a more even-handed distribution as the fiscal resources would not be inordinately invested in infrastructure but would be invested, instead, in livelihoods, education, and health, an area that would face the problem of poverty more squarely. Second, participatory processes should be strengthened to ensure inclusiveness and accountability; this can include the capacity building of communities to discuss the budget, open dissemination of information and protection against elite capture. Third, the institutional capacity in the village level needs to be reinforced whereby training, supervision and mentorship should be focused to ensure that the local administrations deploy the money appropriately and in an effective way. Fourth, considering the institutional barrier of NTT, Village Fund programs should be combined with geographically-specific interventions to resolve the issues of geographic isolation, climate resilience, and insufficient integration with the market.

CONCLUSION

This study concludes that the Village Fund program in East Nusa Tenggara has produced important yet uneven outcomes in supporting participatory rural development and reducing poverty in remote areas. On the one hand, the program has successfully improved basic infrastructure and created new opportunities for local participation in decision-making processes. These achievements demonstrate that fiscal decentralization can empower communities and enhance rural connectivity when implemented with sufficient commitment and transparency. On the other hand, the findings reveal persistent challenges that limit the effectiveness

of the program. Elite capture, weak institutional capacity, and uneven levels of community participation often undermine inclusiveness and accountability, while structural factors such as geographic isolation, low agricultural productivity, and climate vulnerability continue to constrain poverty reduction. The study highlights that infrastructure development alone is insufficient to address multidimensional poverty in NTT, and that complementary strategies focusing on livelihoods, education, and climate resilience are urgently needed. Strengthening institutional capacity and ensuring meaningful participation, particularly for marginalized groups, are also essential to enhance the equity and sustainability of the program. Ultimately, while the Village Fund provides a valuable mechanism for promoting local empowerment and participatory governance, its long-term effectiveness depends on adaptive policy adjustments that integrate local contexts, strengthen accountability, and align fiscal investments with broader rural development goals.

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