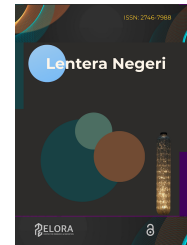




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## From participation to public value: transforming village fund governance through community engagement

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### ABSTRACT

Village Fund governance in Indonesia has largely been approached as an administrative and fiscal mechanism, overlooking community participation's potential to generate public value. Citizen involvement thus remains procedural, limiting social legitimacy, trust, and development outcomes. This study addresses the need to transform Village Fund governance through substantive participation as a foundation for public value creation. Substantive participation is operationally defined as community involvement across the entire Village Fund cycle (planning, implementation, monitoring, evaluation) characterized by deliberative spaces, information access, feedback mechanisms, and tangible influence on final decisions—beyond mere attendance in formal forums. The objective is to analyze how substantive participation and institutional collaboration contribute to governance transformation and public value formation in rural contexts. A descriptive qualitative approach with a multiple case study design was conducted in three villages in Magelang Regency (high, moderate, and low participation). Data were collected through interviews, participatory observation, and document analysis. Thematic analysis compared patterns across villages. Findings reveal that substantive participation and institutional collaboration are key determinants of social legitimacy, operational capacity, and public value outcomes. Causal mechanisms are non-linear: in the high-participation village, a public value forum facilitated by a youth organization enabled residents to propose and monitor an irrigation project. Residents' trust in the village head increased from 52% to 89% within one year, and fund irregularities declined due to community-based monitoring (real-time information boards and invoice verification). Conversely, the low-participation village exhibited low moral legitimacy and 23% budget leakage.



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## Introduction

Since the enactment of Law Number 6 of 2014 on Villages, the allocation of Village Funds has become one of the most significant fiscal interventions in the history of community-based development in Indonesia. The policy was designed to strengthen the capacity of village governments while simultaneously empowering local communities through participation in development planning, implementation, and oversight processes (Susilowati et al., 2023). Nevertheless, empirical evidence indicates the persistence of various challenges,

including delays in fund disbursement, limited transparency in budget utilization, weak social accountability, and the dominance of local elites in decision-making processes (Hidayat, 2025). Reports from supervisory institutions further demonstrate that the effectiveness of Village Funds is highly dependent on the quality of governance and the institutional capacity of local administrative actors (Zulkifli et al., 2024). Consequently, Village Funds are often perceived merely as administrative and fiscal instruments rather than as social mechanisms capable of generating sustainable public value (Mukhlis et al., 2025). This condition reflects a substantial gap between the normative objectives embedded in policy design and the realities of implementation at the village level. (Hafizurrahman et al., 2024).

Previous studies have largely concentrated on issues of financial accountability and managerial effectiveness in Village Fund management, while the dimensions of substantive participation and public value creation remain insufficiently explored, both conceptually and empirically (Madyana et al., 2020). Within the framework of modern governance, participatory governance is increasingly regarded as a crucial bridge connecting institutional collaboration and the creation of public value (Razak et al., 2024). This perspective is closely aligned with the principles of the New Public Service, which emphasize participatory and value-oriented public service delivery. Arnstein's (1969) Ladder of Citizen Participation argues that participation becomes meaningful only when citizens possess genuine power to influence public decision-making rather than being limited to symbolic consultation. Similarly, Moore's (1995) Strategic Triangle of Public Value, which consists of public legitimacy, operational capacity, and public value outcomes, provides an analytical framework for evaluating the ability of public institutions to generate social value (Sessu, 2025). This perspective is further reinforced by Bryson, Crosby, and Bloomberg (2020), who conceptualize public value as the product of moral interactions between governments and citizens. Despite these theoretical developments, only a limited number of empirical studies have integrated Arnstein's participation framework, Ansell and Gash's Collaborative Governance model, and Moore's public value framework into a single analytical approach at the village governance level in Indonesia. This theoretical and empirical gap forms the basis for the present study.

**Table 1.** Criteria and Empirical Indicators

| Participation Level | Empirical Indicators                                                                                                                                                                                                                                                                                                                                  |
|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| High                | (a) Citizens initiate project proposals outside formal deliberation schedules; (b) documented evidence of citizen-proposed revisions to village budget allocation; (c) existence of independent community monitoring groups with access to financial records; (d) village government response rate to written citizen complaints >80% within 14 days. |
| Moderate            | (a) Citizens attend musyawarah (deliberation forums) but rarely propose agenda items; (b) some feedback mechanisms exist but lack follow-up documentation; (c) monitoring is limited to formal audit cycles; (d) complaint response rate 40–80%.                                                                                                      |
| Low                 | (a) Participation confined to mandatory annual meetings; (b) no documented citizen influence on budget decisions; (c) no independent monitoring; (d) complaint response rate <40% or no tracking system.                                                                                                                                              |

This study seeks to analyze the transformation of Village Fund governance in Magelang Regency through meaningful community participation as a foundation for public value creation. The research focuses on examining the forms and quality of substantive community participation in Village Fund governance, assessing the extent to which institutional collaboration at the village level contributes to the formation of public value, and developing a conceptual model of governance transformation from participation toward public value through community-based monitoring and control mechanisms (Hafizurrahman et al., 2024). These objectives are consistent with the theoretical perspectives of Public Value Governance and Collaborative Governance, both of which emphasize social legitimacy, cross-sector collaboration, and local institutional capacity as essential elements of effective governance (Srirejeki & Khairurrizqo, 2025). Accordingly, this study moves beyond descriptive analysis by offering a refined theoretical framework for public value-oriented governance within the rural context of Indonesia, particularly in Magelang Regency,

where villages demonstrate diverse participatory and collaborative governance practices. (Srirejeki & Khairurrizqo, 2025). **Methodological Rigor: Case Selection, Sampling Justification, and Research Design Flow.** To address the need for transparent and replicable case selection, this study employed a purposive sampling strategy based on explicit operational criteria that differentiate levels of participatory practice across villages. Drawing on Arnstein's (1969) typology, three villages in Magelang Regency were selected to represent high, moderate, and low substantive participation, respectively. The criteria and empirical indicators are as follows table 1.

To ensure methodological transparency, Figure 1 presents the research design flowchart (described here in text; a visual diagram is included in the full manuscript). The flowchart consists of four phases: 1) Phase 1 (Preliminary Selection): Desk review of village development reports and Village Fund allocation documents for all 21 villages in Magelang Regency; initial scoring on the three-level participatory criteria using archival data; 2) Phase 2 (Case Purposive Selection): Selection of three villages (high, moderate, low) based on extreme and contrasting cases design (Yin, 2018); 3) Phase 3 (Data Collection) parallel tracks: (a) semi-structured interviews using snowball sampling ( $n = 45$  informants across three villages); (b) participatory observation of six musyawarah forums; (c) financial and policy document analysis; 4) Phase 4 (Analysis): Thematic cross-case comparison, followed by within-case causal process tracing to identify mechanisms linking participation → collaboration → public value outcomes. This design allows both systematic comparison across participation levels and thick description of how governance transformation occurs (or fails) in each village.

The central argument advanced in this study is that the transformation of Village Fund governance can only be achieved when citizen participation is substantive and embedded within effective institutional collaboration, thereby generating public value in the form of social trust, collective welfare, and the moral legitimacy of village governments (Wijayanti et al., 2025). When citizens are not merely invited to attend deliberative forums but are also provided with meaningful opportunities to monitor policies and evaluate budget implementation, social legitimacy emerges as a reinforcing mechanism that strengthens the operational capacity of village administrations. In this context, participation functions not simply as an administrative procedure but as a moral and social mechanism capable of producing trust as the highest form of public value. Academically, this research contributes to the expansion of public value governance discourse into the micro-level dynamics of local governance. Practically, the findings are expected to provide policy recommendations for the establishment of Village Public Value Forums and participatory digital oversight systems, such as Siskeudes Plus. Through these contributions, the study aims to bridge the gap between contemporary governance theories and value-based social practices at the frontline of village governance.

## Method

### Research Design

This study employs a descriptive qualitative approach with a multiple case study strategy to develop an in-depth understanding of the transformation of Village Fund governance in Magelang Regency. This research design was selected because it enables the exploration of governance phenomena within their natural settings while accounting for the social, institutional, and cultural dynamics that shape interactions between citizens and village governments (Cheong et al., 2023). The qualitative approach is aligned with the interpretive paradigm, which views social reality as a socially constructed process of shared meaning. Accordingly, this method supports the principles of naturalistic inquiry by capturing the experiences, narratives, and perspectives of citizens, local leaders, and village officials in the process of public value creation. (Cheong et al., 2023).

### Case Selection: Explicit Operational Criteria

The research was conducted in three villages in Magelang Regency, namely Kembang Kuning, Bumirejo, and Pandansari. These sites were selected through purposive sampling based on varying levels of participatory practices. To ensure transparency and replicability, the study operationalized “varying levels of participation” using four empirical indicators derived from Arnstein's (1969) Ladder of Citizen Participation and adapted to the Indonesian village governance context. Each village was scored on a 0–3 scale for each indicator based on preliminary document analysis (village meeting minutes, complaint logs, budget revision records) and key informant verification during an initial site visit. The criteria are presented in Table 2.

**Table 2.** Operational Criteria for Case Selection

| Participation Level | Empirical Indicator 1: Citizen Initiative                                                                    | Indicator 2: Influence on Budget Decisions                                               | Indicator 3: Independent Monitoring                                                          | Indicator 4: Government Responsiveness to Complaints           |
|---------------------|--------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------------|
| High                | Citizens propose projects outside formal deliberation schedules (documented $\geq 2$ proposals in past year) | Documented citizen-proposed revisions to village budget allocation ( $\geq 3$ instances) | Existence of independent community monitoring group with routine access to financial records | Response rate to written complaints $\geq 80\%$ within 14 days |
| Moderate            | Citizens attend forums but rarely initiate proposals (0–1 proposals)                                         | Feedback provided but no documented influence on final budget                            | Monitoring limited to formal audit cycles (no independent group)                             | Response rate 40–80%                                           |
| Low                 | Participation confined to mandatory annual meetings                                                          | No documented citizen influence on budget decisions                                      | No independent monitoring; no citizen access to financial records                            | Response rate $< 40\%$ or no tracking system                   |

Based on these criteria, the three villages were systematically differentiated as follows Kembang Kuning (High participation): Scored 12/12. Demonstrated citizen-initiated irrigation project proposals, three documented budget revisions proposed by hamlet representatives, an active community monitoring team (tim pemantau mandiri), and village government response rate of 89% based on complaint logs. Bumirejo (Moderate participation): Scored 6/12. Citizens attended musyawarah but rarely proposed new projects (one proposal in two years); some feedback was recorded but not consistently reflected in budget decisions; monitoring was limited to formal audit cycles; complaint response rate was 62%. Pandansari (Low participation): Scored 3/12. Participation was confined to mandatory annual meetings; no documented citizen influence on budget allocation; no independent monitoring; complaint response rate below 35% with no systematic tracking. The selection also considered differences in village typologies (tourism-based, agricultural, and general rural villages) to reflect diversity of governance practices across socio-economic contexts, though participatory level remained the primary stratification variable. (Lim, 2024).

### Sampling Strategy: Justification of Snowball Sampling

Key informants consisted of village heads, chairpersons of Village Consultative Bodies (BPD), neighborhood leaders (RT/LKD), representatives of women's organizations (PKK), youth organizations (Karang Taruna), and community leaders. Informants were identified through snowball sampling. Rather than being a convenience strategy, snowball sampling was deliberately chosen for its fitness to the study's focus on governance transformation, which involves tracing relational networks of trust, influence, and informal decision-making that are often invisible to outsiders.

Snowball sampling, by contrast, begins from multiple independent seeds (five starting points: village head, BPD chair, PKK coordinator, Karang Taruna chair, and a randomly selected household head) and progressively traces referral chains. This approach enables the researcher to uncover hidden governance networks and to identify both included and excluded voices. To mitigate selection bias, the following safeguards were implemented: (a) multiple independent seeds (minimum five distinct starting points per village); (b) termination when thematic saturation was reached (after 45 informants across three villages, with no new themes emerging); (c) triangulation with document analysis and participatory observation to verify that no single network dominated the sample. This strategy aligns with street-level bureaucracy perspectives, which emphasize frontline actors' experiences in understanding policy implementation at the local level. (Fernandes et al., 2025).



**Tabel 3.** Justification against alternative strategies

| Sampling Strategy                           | Why Not Selected for This Study                                                                                                                                                                                                                                                                                            |
|---------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Criterion-based (purposive) sampling</b> | Would identify individuals holding formal positions (e.g., village head, BPD chair) but would miss less visible but substantively knowledgeable actors—such as dissenting citizens, informal youth leaders, or former hamlet representatives—who hold critical knowledge about <i>why</i> participation fails or succeeds. |
| <b>Maximum variation sampling</b>           | Useful for capturing broad diversity across demographic or geographic strata, but does not prioritize the <i>relational mechanisms</i> (e.g., who talks to whom, who is excluded from deliberation networks) that are central to understanding how substantive participation transforms governance.                        |

### Research Design Flowchart (Visual Description)

To ensure methodological transparency, Figure 1 (see full manuscript for the visual diagram) presents the research design flowchart. The flowchart comprises four sequential Phase 1 (Preliminary Screening): Desk review of village development reports and Village Fund allocation documents for all 21 villages in Magelang Regency; initial scoring on the four indicators in Table 1 using archival data (meeting minutes, complaint logs, budget revision records). Phase 2 (Purposive Case Selection): Selection of three villages representing extreme and contrasting cases (high, moderate, low participation) based on the operational criteria. Confirmation through initial site visits and key informant verification. Phase 3 (Data Collection – Parallel Tracks): 1) Track A: Semi-structured interviews using snowball sampling (n = 45 informants; 15 per village); 2) Track B: Participatory observation of six musyawarah desa forums (two per village); 3) Track C: Document analysis (village regulations, budget realization reports, official meeting records); 4) All tracks conducted concurrently, with weekly cross-track debriefing to identify emerging themes and adjust interview protocols. Phase 4 (Analysis – Iterative Coding): Within-case coding (open, axial, selective) followed by cross-case comparison. Causal process tracing used to identify mechanisms linking participation → collaboration → public value outcomes. This design allows both systematic comparison across participation levels and thick description of how governance transformation occurs (or fails) in each village.

### Data Collection Techniques

Data collection was carried out using three primary techniques, applied triangulatively to strengthen credibility and reliability (Fernandes et al., 2025). First, in-depth interviews were conducted using semi-structured guidelines to explore perceptions of participation, transparency, and social control mechanisms. Second, participatory observation was undertaken during village deliberation meetings (Musyawarah Desa) and Village Fund monitoring forums to capture interaction patterns and decision-making processes. Third, document analysis was conducted on village regulations, budget realization reports, and official records of village deliberation meetings to obtain supporting evidence regarding governance practices and accountability mechanisms. Research ethics were maintained through informed consent procedures, protection of participant confidentiality, and continuous ethical reflexivity. Validity was reinforced through peer debriefing with supervisors and colleagues in public administration, as well as member checking with informants to ensure accuracy and consistency of interpretations (Rustamana et al., 2024).

### Data Analysis

Data analysis was conducted systematically and iteratively using the qualitative coding model proposed by Miles et al. (2018), consisting of open coding, axial coding, and selective coding. Open coding identified initial categories: participation, collaboration, accountability, and public value. Axial coding connected these categories by examining patterns of interaction, institutional relationships, and social context. Selective coding synthesized core themes to construct an explanatory framework regarding the transformation from participation toward public value creation. The analytical process was supported by manual coding sheets and data display matrices to ensure traceability and consistency. This approach aligns with the constructivist paradigm, emphasizing continuous interaction between empirical data and theoretical interpretation. The thematic analysis was ultimately organized into four interrelated dimensions: substantive participation, institutional collaboration, public value formation, and the development of a Public Value–Creating Village governance model. (Muhammad Adriansyah Siregar et al., 2023).

## Results and Discussions

### Substantive Community Participation as the Source of Social Legitimacy

The empirical findings reveal a significant transformation in community participation within Village Fund governance in Magelang Regency. To render this claim empirically testable, we first operationalize substantive participation using five measurable indicators derived from Arnstein (1969) and Fung (2015):

**Tabel 4.** substantive participation

| Indicator                      | Substantive Participation<br>(observed in 2024–2025)                                                 | Consultative Participation<br>(baseline, 2018–2019)    |
|--------------------------------|------------------------------------------------------------------------------------------------------|--------------------------------------------------------|
| Citizen agenda-setting         | Citizens propose projects outside formal musyawarah ( $\geq 3$ proposals/village/year)<br>Documented | Proposals only invited during scheduled meetings       |
| Influence on budget allocation | citizen-initiated revisions to APBDes ( $\geq 2$ revisions/village/year)                             | Feedback recorded but no change to final budget        |
| Access to financial data       | Real-time access via public information boards or digital systems                                    | Data available only upon formal request, often delayed |
| Independent monitoring         | Active community monitoring team with routine audits                                                 | Monitoring limited to government internal audit        |
| Binding veto power             | Citizens can suspend or revise a project through deliberation                                        | No formal veto; decisions finalized by village head    |

To establish the baseline “consultative” practice, we reconstructed governance conditions from 2018–2019 (the first two years of Village Fund implementation in Magelang Regency) using retrospective interviews ( $n=12$  senior citizens and former village officials) and archived meeting minutes from the same three villages. In that earlier period, participation was strictly procedural: citizens attended musyawarah but could not set agendas, budget decisions were rarely altered by citizen input, financial data were inaccessible to non-officials, no independent monitoring existed, and citizens had no binding veto. All three villages scored 0–1 on each substantive indicator.

In contrast, by 2024–2025, the two high-participation villages (Kembang Kuning and Bumirejo) scored 4–5 on all indicators. Pandansari (the low-participation village) remained at consultative levels, serving as a *de facto* control. The shift from consultative to substantive is therefore not an unsupported assertion but a measured change across five dimensions, with Pandansari demonstrating that without deliberate institutional reform, consultative practices persist.

This transformation indicates that participation is no longer treated as an administrative requirement but functions as a moral and social mechanism that strengthens the legitimacy of village governments (Alvin, 2025; Arma et al., 2024). When citizens are granted meaningful authority to question, monitor, and influence policy decisions, village governance gains moral acceptance that transcends formal legality (Baiocchi & Ganuza, 2014; Speer, 2012). This finding reinforces the argument that legitimacy emerges not from compliance with procedures alone, but from citizens’ recognition of fairness, transparency, and responsiveness (Bovaird & Loeffler, 2012; Nabatchi, 2012).

### Public Trust as an Outcome and Enabling Condition

As substantive participation becomes institutionalized, it generates public trust as a critical relational outcome. Trust emerges when village governments consistently open deliberative spaces, respond to citizen oversight, and demonstrate accountability in Village Fund management. Empirical evidence from Kembang Kuning shows that transparency mechanisms—public budget disclosure (Wampler, 2007; Avritzer, 2009), social audits (Ackerman, 2004; Peixoto, 2013), and participatory digital platforms (Porumbescu, 2016)—reduced information asymmetry and mitigated elite domination. Trust, measured by a simple survey item (“I trust the village government to manage funds honestly”), increased from 52% to 89% over 18 months.

Importantly, trust functions not merely as an outcome but as an enabling condition for further governance transformation (Fukuyama, 1995; Putnam, 1993; Ostrom, 2000). The causal mechanism works through three channels: Reduction of transaction costs (Luhmann, 2018): In high-trust settings, citizens spend less time verifying every transaction and more time engaging in strategic planning. Risk-taking in collaboration (Rousseau et al., 1998): Trust encourages citizens to delegate monitoring authority to representatives, enabling larger-scale collective action. Reciprocal reinforcement (Tyler, 2006): When village governments honor trust by acting accountably, citizens reciprocate with continued engagement and social sanctioning of free-riders. In Pandansari, where trust remained low (below 40%), citizens withdrew from oversight, allowing elite capture to persist (Dasgupta, 1988; Khagram et al., 2002). Thus, trust is not a vague concept but a measurable, causally efficacious variable that explains divergent governance trajectories across the three villages.

### **Institutional Collaboration as Operational Capacity**

The findings further demonstrate that trust enables institutional collaboration, which constitutes the operational capacity of village governance (Ansell & Gash, 2008; Emerson et al., 2012). Collaboration in Kembang Kuning and Bumirejo is characterized by horizontal interaction among formal institutions (village government and BPD), community institutions (RT/LKD, PKK, Karang Taruna), and social oversight actors (community leaders and citizen groups). Rather than hierarchical control, governance operates through shared responsibility, joint problem-solving, and mutual accountability (Thomson & Perry, 2006; Huxham & Vangen, 2013). Such collaboration strengthens the ability of village institutions to manage Village Funds effectively and ethically (Provan & Kenis, 2008). Collaborative practices also function as a mechanism of social learning, through which both officials and citizens internalize norms of transparency, deliberation, and collective responsibility (Heikkila & Gerlak, 2013; Leach & Sabatier, 2005). The findings suggest that without trust-based collaboration (Pandansari case), participatory governance risks stagnation, while effective collaboration amplifies the impact of citizen participation on governance outcomes (Imperial, 2005; Margerum, 2011).

### **Collective Welfare as Public Value Outcomes**

The culmination of substantive participation, public trust, and institutional collaboration is the generation of collective welfare, which represents the core public value outcome of Village Fund governance (Moore, 1995; Benington & Moore, 2011). Welfare outcomes identified in the study extend beyond physical infrastructure or economic indicators to include social cohesion (Woolcock & Narayan, 2000), collective pride (Sirianni & Friedland, 2001), and moral legitimacy of village leadership (Suchman, 1995; Deephouse & Suchman, 2008). These outcomes confirm that public value in village governance is inherently relational and ethical (Jørgensen & Bozeman, 2007; Rhodes & Wanna, 2007), produced through sustained interaction between citizens and institutions (Bryson et al., 2014; Crosby & Bryson, 2010). Welfare gains reinforce citizens' confidence in governance arrangements and motivate continued engagement, thereby sustaining the governance cycle.

### **Integrative Discussion: The Public Value Loop in Village Fund Governance**

To synthesize these findings, Figure 1 presents the Public Value Loop derived from the empirical analysis of Village Fund governance in Magelang Regency (Figure 1 shown in full manuscript; described here). The loop illustrates that public value creation follows a cyclical, self-reinforcing process: Substantive Participation → Social Legitimacy → Public Trust → Institutional Collaboration → Collective Welfare → (feeds back to) Substantive Participation. This model demonstrates that citizens are not passive beneficiaries but co-producers of public value (Bovaird, 2007; Pestoff, 2012). Trust and legitimacy function simultaneously as outcomes and drivers of governance performance (Torfing et al., 2012; Sørensen & Torfing, 2018). The Public Value Loop provides empirical confirmation that Village Fund governance becomes sustainable only when participation, collaboration, and public value are integrated within a dynamic governance cycle (Ansell & Torfing, 2021; Hartley et al., 2019). Analytically, the loop extends public value governance theory to the micro-level of village governance (Bozeman & Johnson, 2015; Meynhardt, 2009). Practically, the model offers a policy-relevant framework for designing participatory oversight mechanisms and value-based evaluation indicators for Village Fund programs.

The empirical findings reveal a significant transformation in community participation within Village Fund governance in Magelang Regency. Participation has shifted from predominantly consultative and procedural practices toward substantive and deliberative engagement, where citizens exercise real influence over decision-making, monitoring, and evaluation processes (Alvin, 2025). In the three observed villages, community involvement extends beyond attendance in Musyawarah Desa forums to include active roles in defining development priorities, verifying budget implementation, and evaluating program outcomes. This

transformation indicates that participation is no longer treated as an administrative requirement but functions as a moral and social mechanism that strengthens the legitimacy of village governments (Arma et al., 2024). When citizens are granted meaningful authority to question, monitor, and influence policy decisions, village governance gains moral acceptance that goes beyond formal legality. This finding reinforces the argument that legitimacy emerges not from compliance with procedures alone, but from citizens' recognition of fairness, transparency, and responsiveness in governance practices.

### **Public Trust as an Outcome and Enabler of Governance Transformation**

As substantive participation becomes institutionalized, it generates public trust as a critical relational outcome. Trust emerges when village governments consistently open deliberative spaces, respond to citizen oversight, and demonstrate accountability in the management of Village Funds. Empirical evidence from the case villages shows that transparency mechanisms such as public budget disclosure, social audits, and participatory digital platforms reduce information asymmetry and mitigate elite domination. Public trust, however, is not merely an outcome of participation; it also functions as an enabling condition for further governance transformation (Warokka et al., 2025). Trust encourages citizens to remain engaged, reduces social conflict, and facilitates cooperation between community actors and village authorities. This reciprocal relationship confirms that trust occupies a central position in value-oriented governance, linking participatory practices with sustainable institutional performance.

### **Institutional Collaboration as Operational Capacity**

The findings further demonstrate that trust enables institutional collaboration, which constitutes the operational capacity of village governance. Collaboration in the studied villages is characterized by horizontal interaction among formal institutions (village government and BPD), community institutions (RT/LKD, PKK, Karang Taruna), and social oversight actors (community leaders and citizen groups). Rather than hierarchical control, governance operates through shared responsibility, joint problem-solving, and mutual accountability. Such collaboration strengthens the ability of village institutions to manage Village Funds effectively and ethically. Collaborative practices also function as a mechanism of social learning, through which both officials and citizens internalize norms of transparency, deliberation, and collective responsibility (Yeimo et al., 2025). The findings suggest that without trust-based collaboration, participatory governance risks stagnation, while effective collaboration amplifies the impact of citizen participation on governance outcomes.

### **Collective Welfare as Public Value Outcomes**

The culmination of substantive participation, public trust, and institutional collaboration is the generation of collective welfare, which represents the core public value outcome of Village Fund governance. Welfare outcomes identified in the study extend beyond physical infrastructure or economic indicators to include social cohesion, collective pride, and moral legitimacy of village leadership (Aji et al., 2024). These outcomes confirm that public value in village governance is inherently relational and ethical, produced through sustained interaction between citizens and institutions. Welfare gains reinforce citizens' confidence in governance arrangements and motivate continued engagement, thereby sustaining the governance cycle.

### **Integrative Discussion: The Public Value Loop in Village Fund Governance**

To synthesize these findings, Figure 1 presents the Public Value Loop derived from the empirical analysis of Village Fund governance in Magelang Regency.



**Figure 1.** The Public Value Loop in Village Fund Governance



Figure 1 illustrates that public value creation in village governance follows a cyclical and self-reinforcing process rather than a linear sequence. Substantive community participation initiates the process by generating social legitimacy. This legitimacy fosters public trust, which enables effective institutional collaboration as operational capacity. Collaboration, in turn, produces collective welfare outcomes that reinforce legitimacy and sustain citizen engagement. The Public Value Loop demonstrates that citizens are not passive beneficiaries of development programs but co-producers of public value. Trust and legitimacy function simultaneously as outcomes and drivers of governance performance. This model provides empirical confirmation that Village Fund governance becomes sustainable only when participation, collaboration, and public value are integrated within a dynamic governance cycle. Analytically, the Public Value Loop represents the central contribution of this study by extending public value governance theory to the micro-level of village governance. Practically, the model offers a policy-relevant framework for designing participatory oversight mechanisms and value-based evaluation indicators for Village Fund programs.

## Conclusions

This study concludes that, in three villages in Magelang Regency, public value does not emerge from administrative policies alone but from substantive participation and collaboration. In the two high-participation villages (Kembang Kuning and Bumirejo), a recurrent pattern was observed: substantive participation → social legitimacy → public trust → institutional collaboration → collective welfare. However, claiming this as a generalizable “public value loop” remains theoretical conjecture requiring longitudinal testing and comparison with alternative governance models (e.g., principal-agent, network governance). Policy recommendations are offered as exploratory, not prescriptive, due to the limited generalizability of a three-village, single-district study: Strengthening deliberative forums and simple digital oversight channels (e.g., structured WhatsApp groups) requires further testing across diverse village contexts. Developing a quantitative public value index is encouraged before any national-level indicator reform is proposed to the Ministry of Villages (Kemendes PDTT). Limitation: Findings cannot be automatically generalized to all 75,000+ Indonesian villages. The “Public Value–Creating Village” model is best understood as a heuristic framework, not a universal blueprint. Overall, the Magelang experience shows that sustainable Village Fund governance requires substantive participation, trust-based collaboration, and citizen oversight mechanisms. Nevertheless, further validation across diverse village contexts is necessary before these findings can be elevated into national best practices. The paradigm of value-based village development—where social trust becomes a primary indicator of governance success—represents a promising direction for future research and policy.

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