

Village Funding Governance and Administrative Capacity: A Systematic Review on Their Role in Community Empowerment

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Abstract

This study aims to systematically examine the role of village fund governance and administrative capacity in shaping community empowerment outcomes. Grounded in public administration, fiscal decentralization, and participatory governance perspectives, this review synthesizes peer-reviewed articles published between 2021 and 2025 and indexed in Scopus, Web of Science, and nationally accredited Indonesian journals (SINTA). To ensure the relevance and feasibility of the study, a bibliometric analysis was conducted using Harzing's Publish or Perish and VOSviewer to map publication trends, thematic clusters, and the conceptual evolution of research on village funding, governance, and empowerment. The findings indicate that the effectiveness of village funds is strongly mediated by governance quality particularly transparency, accountability, participation, and effectiveness as well as by multidimensional administrative capacity encompassing financial management, human resources, institutional arrangements, and risk management. Empirical evidence consistently demonstrates that well-governed village funds contribute positively to economic self-reliance, social inclusion, and citizen participation. Nevertheless, limited administrative capacity and weak institutional coordination remain significant challenges to achieving sustainable community empowerment.

INTRODUCTION

Regional development is fundamentally aimed at improving the quality of life and social welfare through expanded access to economic opportunities, strengthened social capacity, and sustainable community empowerment. In contemporary development discourse, the focus has gradually shifted from mere economic growth toward human-centered development, emphasizing the enhancement of people's capabilities to control and improve their living conditions (Todaro & Smith, 2013). This paradigm is closely aligned with the 2030 Agenda for Sustainable Development, which underscores inclusive, equitable, and sustainable development as a global commitment to balancing social, economic, and environmental progress (Permatasari et al., 2021).

Within this framework, decentralization has been widely recognized as a strategic approach to improving development effectiveness by strengthening local governance and empowering subnational governments (Razak et al., 2024). Fiscal decentralization, in particular, enables local governments to manage public resources more autonomously, thereby increasing responsiveness to community needs and local development priorities (Haryono, 2025). In rural governance systems, village-level funding mechanisms constitute a crucial component of fiscal decentralization, serving as instruments to support public service delivery, local development, and community empowerment.

Village funding arrangements whether sourced from central or subnational budgets (Davydenko et al., 2021) are not merely financial transfers, but institutional mechanisms embedded within broader governance systems. From a public administration perspective, the effectiveness of such funding depends heavily on governance quality, administrative capacity, and participatory processes. Previous studies indicate that weak governance structures, limited accountability, and inadequate institutional capacity often hinder the capacity of village funding to generate meaningful development outcomes, despite substantial fiscal allocations (Arifin et al., 2020; Permatasari et al., 2021).

Governance quality has been consistently identified as a decisive factor in determining the success of village funding policies (Kalirajan & Otsuka, 2012). Transparent budgeting procedures, accountable financial management, and inclusive decision-making processes are essential to ensure that public funds are allocated in line with community priorities. Conversely, several empirical studies reveal that village funding tends to be disproportionately allocated toward physical infrastructure and administrative expenditures, while empowerment-oriented programs such as capacity building, livelihood development, and social inclusion receive relatively limited attention (Ginting et al., 2023).

In addition to governance mechanisms, administrative capacity plays a central role in shaping the outcomes of village funding policies. Administrative capacity refers to the technical, managerial, and institutional competencies of local officials in planning, implementing, monitoring, and evaluating public programs. Weak administrative capacity, particularly in development planning and result-based budgeting, has been associated with low budget absorption rates and ineffective program implementation (Nilasari et al., 2024). These limitations reduce the potential of village funding to contribute to sustainable community empowerment and inclusive development.

Community empowerment itself is increasingly conceptualized as a multidimensional process involving economic self-reliance, social inclusion, and enhanced citizen participation. Participation is not merely symbolic involvement in consultative forums, but active engagement throughout the policy cycle from planning and implementation to monitoring and evaluation. According to Alsop et al. (2006), participation functions as a transformative mechanism that converts public resources into empowerment outcomes through collective decision-making and social control. Without meaningful participation, fiscal decentralization risks reinforcing top-down governance practices that limit local ownership and long-term sustainability.

However, existing literature also highlights persistent challenges related to limited citizen participation in village-level development processes. When participation remains procedural or formalistic, development programs often fail to reflect actual community needs, thereby weakening empowerment outcomes and diminishing the social impact of public spending (Setiawan et al., 2022; Sutomo, 2024). These findings suggest that governance quality and administrative capacity must be complemented by inclusive participatory mechanisms to maximize the effectiveness of village funding.

Despite the growing body of research on fiscal decentralization and village funding, the literature remains fragmented. Many empirical studies primarily examine the impact of village funds on infrastructure development (Indra & Id, 2022) or short-term economic indicators (Arifin et al., 2020; Permatasari et al., 2021; Ginting et al., 2023), while fewer studies systematically synthesize evidence on how governance quality and administrative capacity interact to influence community empowerment outcomes.

In response to this gap, this study conducts a systematic literature review to critically examine the role of village funding governance and administrative capacity in shaping community empowerment outcomes. By synthesizing empirical and conceptual studies from the fields of public administration, fiscal decentralization, and participatory governance, this review aims to identify dominant theoretical perspectives, methodological trends, and unresolved research gaps. Ultimately, the study seeks to contribute to the advancement of public administration theory and provide evidence-based insights for designing village funding policies that are governance-oriented, capacity-driven, and empowerment-focused.

To guide the systematic literature review, this study formulates focused research questions aimed at synthesizing how village funding governance and administrative capacity are discussed in the public administration literature. The questions are designed to examine conceptual frameworks and operational dimensions of governance, identify dominant forms of administrative capacity emphasized in village funding studies, and assess empirical evidence linking governance practices to community empowerment outcomes.

The research questions of this study are as follows:

1. How is village funding governance conceptualized and operationalized in the public administration literature?
2. What forms of administrative capacity are emphasized in studies examining village funding and local governance?
3. What empirical evidence exists regarding the relationship between village funding governance and community empowerment outcomes ?

This study extends existing literature by systematically integrating governance quality and administrative capacity as central mechanisms linking village funding to community empowerment outcomes. The objectives of this study are First, this study aims to systematically identify and synthesize how village funding governance is conceptualized and operationalized within the public administration literature, including the key dimensions of transparency, accountability, participation, and effectiveness. Second, the study seeks to examine the dominant forms of administrative capacity emphasized in existing research on village funding and local governance, focusing on technical, managerial, and institutional capacities and how they are defined and measured across studies. Third, this review aims to critically assess empirical evidence regarding the relationship between village funding governance and community empowerment outcomes, in order to clarify prevailing findings, identify patterns and inconsistencies, and highlight gaps for future research

METHODS

Research Design

This study employs a systematic literature review (SLR) to synthesize and critically evaluate existing scholarly work on village funding governance and administrative capacity in relation to community empowerment. The SLR approach was selected to ensure a transparent, replicable, and methodologically rigorous process in identifying, screening, and analyzing relevant literature (Snyder, 2019). A systematic review is particularly appropriate for this study because the existing literature on village funding, governance quality, and administrative capacity remains fragmented across disciplines such as public administration, development studies, and fiscal decentralization.

By consolidating these diverse strands of research, this review aims to generate an integrated understanding of how governance mechanisms and administrative capacity influence community empowerment outcomes.

Data Sources and Search Strategy

The literature search was conducted using several major academic databases to ensure comprehensive coverage of high-quality and peer-reviewed studies. The primary databases included:

1. Scopus
2. Web of Science (WoS)
3. Google Scholar
4. SINTA (for nationally accredited Indonesian journals)

To capture relevant studies, a structured keyword search strategy was employed using combinations of the following terms:

“village fund” OR *“village funding”* OR *“local fiscal transfer”*
“governance” OR *“public governance”* OR *“financial governance”*
“administrative capacity” OR *“bureaucratic capacity”* OR *“institutional capacity”*
“community empowerment” OR *“community development”* OR *“citizen participation”*

Boolean operators (AND, OR) were applied to refine the search and ensure alignment with the research questions. The search process was limited to article titles, abstracts, and keywords to enhance relevance. The feasibility of this study was further assessed by examining the novelty of the research topic based on the selected keywords, which were subsequently mapped through a bibliometric analysis using VOSviewer.

Inclusion and Exclusion Criteria

According to (Meline, 2006) inclusion and exclusion criteria aim to define the operational boundaries of a systematic review by ensuring study relevance, methodological rigor, and transparency. These criteria help control selection bias, balance internal and external validity, and support reliable, replicable, and credible synthesis of research evidence.

Table 1. Inclusion and Exclusion Criteria

Inclusion criteria	Exclusion criteria
1. Peer-reviewed journal articles indexed in Scopus, Web of Science, or accredited in SINTA.	1. Conference papers, theses, dissertations, book reviews, and policy briefs.
2. Studies focusing on village funding, fiscal decentralization, or local-level public finance.	2. Articles focusing exclusively on infrastructure outcomes without governance or capacity dimensions.
3. Articles examining governance quality, administrative capacity, or participatory mechanisms.	3. Studies lacking a clear conceptual or empirical linkage between funding and empowerment.
4. Studies addressing community empowerment, development outcomes, or social welfare impacts.	4. Duplicate publications across databases.
5. Articles published in English or Indonesian.	
6. Publications within the last 5 to ensure contemporary relevance.	
7. The publications included in this study are available through open-access sources.	

RESULTS AND DISCUSSION

RESULTS

Bibliometric Analysis Results

To provide a comprehensive overview of the development of scholarly research on village funding governance and administrative capacity in relation to community empowerment, this study begins with a bibliometric analysis. This approach is employed to map the intellectual structure, thematic evolution, and research trends within the fields of public administration and local development. Specifically, the bibliometric analysis aims to identify dominant research themes, key concepts, influential publications, and patterns of conceptual linkage among studies addressing village funding, governance, and empowerment. By revealing the relationships between keywords and the temporal evolution of research focus, this analysis offers an empirical foundation prior to in-depth thematic synthesis and conceptual analysis. Accordingly, the bibliometric findings serve as an initial analytical lens to position this review within the broader academic landscape and to clarify the contribution of governance quality and administrative capacity to community empowerment research (Lailiyah, Q..et., al. 2023).

The bibliometric analysis using VOSviewer was conducted based on data retrieved through keyword searches corresponding to the research focus, covering the period from 2021 to 2025. The search was limited to a maximum of 1,000 records across the selected databases. Based on this search strategy, a total of 970 records were identified as relevant and included in the bibliometric analysis.

The primary result of the bibliometric analysis that can be examined is the overlay visualization. The overlay visualization illustrates (Figure 1) the intellectual structure and temporal evolution of research related to village funding, governance, and community empowerment. The color gradient ranging from blue (earlier studies) to yellow (more recent studies) indicates a clear shift in scholarly focus over time, revealing how the literature has evolved conceptually and thematically (Mulyawati et al., 2021).

At the core of the network, “*community empowerment*” emerges as a highly central and well-connected node, linking governance-related concepts such as *financial governance*, *public participation*, and *local government*. This centrality indicates that community empowerment has become a unifying outcome variable across diverse strands of public administration and development studies. The

strong connections suggest that empowerment is increasingly framed not as an isolated social objective, but as a product of governance quality and institutional arrangements.

The node “*financial governance*”, which appears in a more recent temporal color (green–yellow), reflects a growing scholarly emphasis on governance mechanisms rather than purely fiscal volume. Its proximity to *public participation*, *local government*, and *evaluation* indicates that recent studies increasingly assess how accountability, transparency, and participatory budgeting shape the effectiveness of village-level funding. This trend aligns directly with the first research question of this review, which examines how village funding governance is conceptualized and operationalized in the literature.

In parallel, the visualization highlights “*public administration*”, “*new public governance*”, and “*collaborative governance*” as foundational theoretical clusters, predominantly represented by earlier studies (blue–green). These concepts form the theoretical backbone through which village funding governance is interpreted. Their strong linkages with *collaboration*, *co-production*, and *co-creation* suggest a shift from hierarchical, state-centered models toward networked and participatory governance frameworks. This evolution reinforces the relevance of governance quality as a key analytical lens in understanding village funding outcomes.

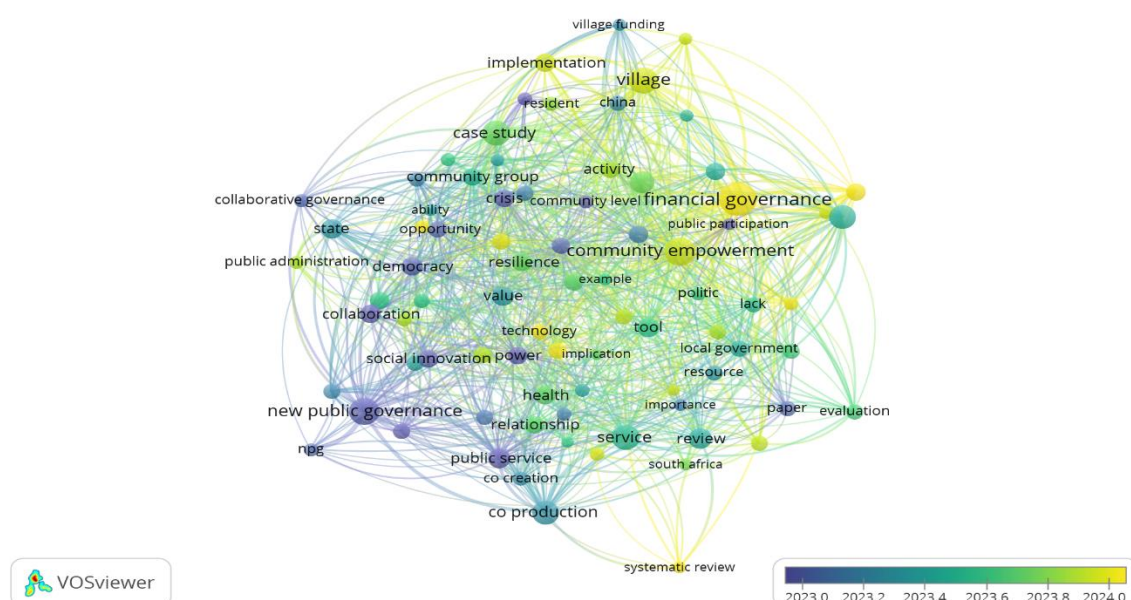


Figure 1. Overlay visualization
(Research: Vosviewer analysis)

The presence of “*administrative capacity*” is reflected indirectly through interconnected nodes such as *ability*, *resource*, *implementation*, *technology*, and *institutional relationships*. Although administrative capacity does not always appear as a standalone keyword, its conceptual components are deeply embedded within the network. This pattern suggests that many studies treat administrative capacity as an implicit enabling condition for effective governance rather than as an explicitly theorized variable. This finding underscores the importance of the second research question, which seeks to clarify how administrative capacity is defined, emphasized, and measured across the literature.

Another notable feature of the visualization is the growing prominence of “*systematic review*”, “*evaluation*”, and “*review*” nodes in recent years (yellow tones). This trend indicates increasing

scholarly recognition of the need to synthesize fragmented empirical findings and reassess theoretical assumptions. The emergence of these nodes provides strong methodological justification for conducting a systematic literature review, as the field has reached a level of maturity that requires integrative and critical assessment rather than additional isolated case studies.

Geographically contextual nodes such as *China* and *South Africa* appear as part of the network, signaling that village funding and community empowerment are studied across diverse institutional settings. However, these nodes remain peripheral relative to governance and empowerment concepts, suggesting that while contextual diversity exists, theoretical generalization remains limited. This reinforces the need for a literature review that transcends specific national cases and focuses on cross-cutting governance and capacity mechanisms.

Publication trend by year

The publication trend by year is important because it reveals the growth and dynamics of scholarly attention to a research topic. An increasing trend indicates rising relevance, supports the timeliness of the study, and justifies the need for a systematic review to synthesize expanding and fragmented research findings.

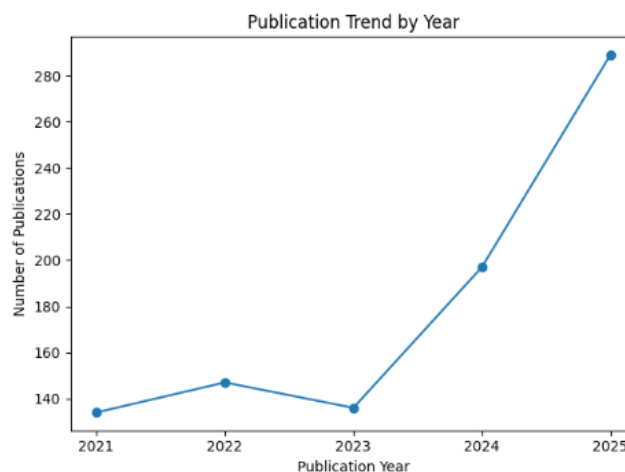


Figure 2. Publication trend by year

The publication trend (figure 2) reveals a substantial increase in scholarly output on village funding, governance, and community empowerment beginning in 2024, reaching its highest level in 2025. Specifically, the number of publications rose from 134 studies in 2021 to 147 in 2022, slightly declined to 136 in 2023, and then increased markedly to 197 in 2024, before peaking at 289 publications in 2025. This upward trajectory reflects an intensifying academic interest in these themes and underscores the timeliness and relevance of the present study within the contemporary discourse of public administration and rural development.

Linkage to the Literature Review Topic

Taken together, the overlay visualization confirms that the literature on village funding has progressively shifted from a narrow focus on fiscal allocation and implementation toward a broader governance-oriented and empowerment-centered perspective. Governance quality and administrative capacity function as critical mediating structures through which financial resources

are translated into empowerment outcomes. At the same time, the visualization reveals conceptual fragmentation and uneven theorization of administrative capacity, highlighting a key gap addressed by this review.

Accordingly, this systematic literature review is well-positioned to contribute to the field by:

1. Synthesizing governance dimensions (financial governance, participation, collaboration) that dominate recent studies.
2. Clarifying the role of administrative capacity as an enabling institutional factor that is often under-theorized but empirically consequential.
3. Integrating empowerment outcomes within public administration and new public governance frameworks.
4. Responding to the growing demand for systematic reviews, as indicated by recent publication trends.

Overall, the overlay visualization provides strong empirical and conceptual support for positioning village funding governance and administrative capacity as central explanatory factors in understanding community empowerment, thereby reinforcing the relevance, novelty, and scholarly contribution of this literature review.

DISCUSSION

This discussion interprets the key findings of the systematic literature review and bibliometric analysis by situating them within public administration, fiscal decentralization, and participatory governance frameworks. It explains how governance quality and administrative capacity mediate the relationship between village funding and community empowerment outcomes.

How is village funding governance conceptualized and operationalized in the public administration literature ?

Village funding governance in the public administration literature is predominantly conceptualized through the normative and analytical framework of Good Governance, which positions transparency, accountability, participation, efficiency, and effectiveness as core principles guiding the management of public resources at the local level. Within this perspective, village funds are not merely fiscal transfers, but strategic instruments intended to empower rural communities, reduce inequality, and promote inclusive and sustainable development. The emphasis on transparency and accountability reflects the recognition that village governments act as stewards of public trust, responsible for ensuring that financial resources are managed openly and in alignment with community priorities (Rais et al., 2022; Setiyawati et al., 2025; Tooli et al., 2025).

Operationally, village funding governance is translated into a series of interrelated administrative and managerial practices that structure the entire policy cycle, from planning to evaluation. These practices typically include participatory development planning, budgeting and allocation mechanisms, administrative execution, financial recording and reporting, and internal as well as external supervision. Risk management has increasingly been incorporated into this operational framework to mitigate misuse of funds and procedural inefficiencies (Arifin et al., 2020). Through such mechanisms, governance is assessed not only by compliance with regulations but also by the extent to which village funds generate tangible social and economic benefits. Attention to local administrative capacity and inter-organizational cooperation is critical, as

governance outcomes are strongly shaped by the ability of village institutions to coordinate with district governments, oversight bodies, and community organizations (Alvin, 2025; Ginting et al., 2023).

Despite the normative clarity of governance frameworks, empirical studies consistently document persistent structural and administrative challenges. Limited transparency remains a central concern, particularly in villages where financial information is not easily accessible or understandable to the public (Toolii et al., 2025). Inadequate community participation further constrains governance effectiveness, as decision-making processes are often dominated by village elites rather than reflecting collective deliberation. Fragmented institutional coordination between village administrations and higher-level government agencies contributes to overlapping responsibilities and weak supervision (Alvin, 2025; Madjid et al., 2025). Additionally, gaps in human resource capacity manifested in limited financial literacy, weak managerial skills, and insufficient understanding of regulatory requirements undermine the effective implementation of governance principles (Rais et al., 2022).

In response to these challenges, recent scholarship highlights the growing role of digital governance as an enabling mechanism for improving village fund management. The adoption of integrated digital platforms, such as the combined use of Rais-MR3 and SIBERAS applications, has been proposed as a means to strengthen transparency, standardize reporting, reduce corruption risks, and expand opportunities for public participation (Razak et al., 2024). Digital systems allow real-time monitoring of budget allocation and expenditure, facilitate access to information for citizens, and enhance coordination between village governments and supervisory institutions. However, the effectiveness of digital tools remains contingent upon local technological readiness, user competence, and institutional commitment to openness (Prihatiningtyas, 2023).

Beyond technical and procedural dimensions, several studies argue that accountability in village fund governance must be understood more broadly as a moral and ethical responsibility. Accountability is not limited to the production of financial reports or compliance with audit requirements, but also encompasses integrity, responsiveness to community needs, and long-term capacity building of village officials. Continuous training, ethical leadership, and value-based governance are identified as essential complements to formal control mechanisms, ensuring that governance practices are sustained beyond regulatory enforcement (Rais et al., 2022).

Overall, village fund governance is framed as a multi-dimensional and dynamic process that integrates legal frameworks, institutional coordination, administrative capacity, technological innovation, and active community involvement. Achieving effective governance requires not only robust regulations and systems, but also socially embedded practices that empower citizens and strengthen local institutions. Within this comprehensive approach, village funding governance emerges as a critical foundation for advancing sustainable development goals at the grassroots level, aligning fiscal decentralization with democratic accountability and inclusive rural development.

What forms of administrative capacity are emphasized in studies examining village funding and local governance ?

Studies on village funding and local governance consistently emphasize administrative capacity as a decisive factor in determining the effectiveness, accountability, and sustainability of village fund management (Adam et al., 2024). Administrative capacity is not viewed merely as

technical competence, but as a multidimensional construct encompassing individual, organizational, and systemic capabilities that shape how public resources are planned, implemented, monitored, and evaluated at the village level. Within this framework, the knowledge, skills, and commitment of village officials particularly village heads are repeatedly identified as central determinants of transparent and accountable fund management (Rahardjo et al., 2021). Village heads play a strategic role as both political leaders and administrative managers, and their integrity, managerial competence, and commitment to public interest significantly influence governance outcomes (Ginting et al., 2023).

One of the most frequently highlighted dimensions of administrative capacity is financial management competence. Studies underline the importance of village officials' abilities in budgeting, financial planning, accounting, and reporting, as these competencies directly affect the effectiveness and accountability of village fund utilization (Hidayat, 2025). Weaknesses in these areas often lead to procedural errors, delayed reporting, inefficiencies, and increased vulnerability to misuse of funds. Conversely, strong financial management capacity enables villages to align spending with development priorities, comply with regulatory requirements, and demonstrate responsible stewardship of public resources. In this sense, technical financial skills function as a foundational prerequisite for good governance in decentralized fiscal systems (Adam et al., 2024).

Human resource capacity is another critical dimension emphasized in the literature, encompassing both quantitative and qualitative aspects. From a quantitative perspective, the availability of an adequate number of village officials is necessary to distribute administrative workloads effectively and avoid role overload (Zulkifli et al., 2024). From a qualitative perspective, education, training, and professional skills are essential in enabling officials to understand complex regulations, adopt innovative practices, and respond to community needs. Empirical studies show that deficiencies in human resource capacity can undermine the implementation of priority programs, including stunting reduction initiatives and broader rural development agendas (Ginting et al., 2023). As such, human resource development is increasingly framed as a long-term investment rather than a short-term administrative requirement.

Beyond individual competencies, institutional capacity plays a significant role in shaping village fund governance (Arifin et al., 2020). Institutional capacity refers to the presence of governance mechanisms that support collective decision-making, accountability, and social control. Key elements include community participation in planning and budgeting processes, monitoring and evaluation systems that track program performance, and leadership structures that encourage inclusiveness and transparency. Research indicates that villages with stronger institutional arrangements are better able to integrate community input, reduce elite domination, and enhance public trust in governance processes (Hidayat, 2025). These mechanisms transform administrative capacity from an individual attribute into an organizational capability embedded within village institutions.

Risk management capacity has also emerged as an important, though often underemphasized, aspect of village fund governance (Ginting et al., 2023). This form of capacity focuses on the ability of village governments to anticipate, identify, and mitigate potential risks associated with fund management, such as financial misallocation, implementation delays, and social conflict. Studies highlight the relevance of local cooperation, social networks, and even family-based skills in supporting risk mitigation strategies, particularly in resource-constrained rural contexts (Ginting et al., 2023). By proactively managing risks, village administrations can enhance resilience and ensure continuity in development programs.

Finally, the literature underscores the importance of capacity-building interventions in strengthening administrative capacity across these dimensions. Training programs, mentoring schemes, and public administration assistance models have been shown to improve not only technical competencies but also ethical awareness, accountability, and transparency in village fund management. Such initiatives contribute to a cumulative improvement in governance quality by reinforcing both individual skills and institutional practices. Overall, the literature positions administrative capacity as a dynamic and evolving asset that is fundamental to achieving effective, accountable, and participatory village fund governance.

What empirical evidence exists regarding the relationship between village funding governance and community empowerment outcomes ?

Empirical evidence consistently demonstrates that effective governance of village funds plays a pivotal role in enhancing community empowerment outcomes, particularly when governance practices are grounded in strong community participation, transparency, and accountability in fund management (Hermawan, 2021). Within the public administration and rural development literature, village funds are widely recognized as strategic fiscal instruments designed not only to finance local development projects but also to strengthen community capacity, social inclusion, and economic self-reliance. When governance mechanisms function effectively, village funds can transform communities from passive recipients of government assistance into active agents of development.

A substantial body of research highlights that village fund programs directed toward infrastructure development, entrepreneurship training, and the establishment or strengthening of village-owned enterprises contribute significantly to increased household income and local economic activity (Setyawan & Patmarina, 2024). Infrastructure projects such as roads, irrigation systems, clean water facilities, and market access improvements reduce transaction costs and expand economic opportunities for rural households. At the same time, entrepreneurship training and support for village-owned enterprises create new income-generating activities, promote local value chains, and encourage the circulation of resources within the village economy. These initiatives collectively enhance community welfare by improving livelihoods, increasing employment opportunities, and reducing rural poverty .

Community empowerment is further strengthened when village fund governance incorporates participatory approaches throughout the planning, implementation, and evaluation stages. Empirical studies show that communities involved in identifying development priorities, allocating budgets, and monitoring project outcomes are more likely to perceive development programs as legitimate and relevant to their needs. Such participation fosters a sense of ownership, social responsibility, and collective action, which are essential for sustaining development outcomes over time (Afifah & Rodiyah, 2024). Inclusive decision-making processes also help ensure that village funds address the needs of marginalized groups, including women, the poor, and other vulnerable populations, thereby promoting social equity alongside economic growth.

Despite these positive outcomes, the literature also identifies persistent challenges that can significantly undermine the empowerment potential of village funds. Limited community involvement in planning and supervision remains a recurring issue, particularly in villages where decision-making is dominated by local elites or administrative actors. In such contexts, community members often have little influence over development priorities, leading to projects that are poorly

aligned with local needs and aspirations (Hermawan, 2021). Weak participation not only reduces the effectiveness of programs but also erodes public trust in village governance institutions.

Another major constraint highlighted in empirical studies is the limited capacity of village officials in managing increasingly complex administrative and financial responsibilities. Inadequate skills in planning, budgeting, reporting, and monitoring can result in inefficiencies, delays, and errors in fund utilization. These weaknesses are often compounded by the lack of clear collaboration structures between village governments, community organizations, and higher-level authorities. Fragmented coordination can lead to overlapping roles, weak supervision, and inconsistent implementation of empowerment programs, ultimately diminishing their impact (Toolii et al., 2025).

Quantitative research provides further support for the positive relationship between village fund allocation and community empowerment outcomes. Statistical analyses confirm that village funds have a significant and positive influence on empowerment indicators, particularly in villages that prioritize empowerment-oriented activities in their budget allocations (Ginting et al., 2023). Tourism villages are frequently cited as illustrative cases, where village funds are used to develop tourism infrastructure, support community-based tourism enterprises, and enhance local skills. In these settings, increased income, job creation, and strengthened local identity are commonly observed, reinforcing the argument that targeted and well-governed fund allocation can generate substantial empowerment benefits.

However, empirical evidence also cautions against assuming that village fund availability alone guarantees positive outcomes. Several studies report cases of ineffective fund management that result in failed or unsustainable empowerment programs (Anam et al., 2023). Common problems include misallocation of resources, lack of transparency in financial reporting, weak oversight mechanisms, and minimal community involvement. These shortcomings often lead to stalled projects, unmet objectives, and disillusionment among community members, highlighting the risks associated with poor governance practices.

In response to these challenges, the literature underscores the critical importance of capacity building, improved supervision, and enhanced transparency to maximize the empowerment potential of village funds. Capacity-building initiatives targeting village officials and community members can strengthen technical skills, managerial competence, and understanding of participatory governance principles. Strengthened supervision and monitoring systems help ensure compliance with regulations and enable timely identification of problems during implementation (Zulkifli et al., 2024). Transparency mechanisms, such as public disclosure of budgets and expenditures, further support accountability and encourage community oversight.

Overall, empirical evidence positions village fund governance as a key determinant of community empowerment outcomes. Effective governance characterized by participation, transparency, accountability, and adequate administrative capacity enables village funds to function as catalysts for inclusive and sustainable development. Conversely, weak governance structures can significantly limit the transformative potential of these funds. As such, future policy and research efforts increasingly emphasize the integration of governance reform, capacity development, and community engagement as essential strategies for ensuring that village funding contributes meaningfully to long-term community empowerment and rural development.

CONCLUSION

This systematic literature review demonstrates that village funding governance and administrative capacity constitute fundamental determinants of community empowerment outcomes within decentralized governance systems. The findings confirm that village funds cannot be understood merely as fiscal transfers; rather, they function as institutional instruments whose effectiveness depends on governance quality, administrative competence, and participatory mechanisms embedded at the village level. Across the reviewed literature, governance is consistently framed through the principles of transparency, accountability, participation, and effectiveness, which together shape how financial resources are translated into social and economic empowerment.

The review reveals that administrative capacity is a multidimensional construct encompassing technical financial management skills, human resource quality, institutional arrangements, and risk management capabilities. Villages with stronger administrative capacity are more capable of aligning budget allocations with community priorities, ensuring regulatory compliance, and sustaining empowerment-oriented programs. Conversely, limited capacity manifested in weak financial literacy, inadequate planning skills, and insufficient institutional coordination significantly undermines the transformative potential of village funds.

Empirical evidence further indicates that effective village fund governance positively influences community empowerment by promoting economic self-reliance, strengthening social inclusion, and enhancing citizen participation throughout the development cycle. Participatory governance emerges as a critical mediating mechanism, as inclusive decision-making and community oversight foster local ownership, legitimacy, and sustainability of development outcomes. However, the literature also documents persistent governance challenges, including elite domination, formalistic participation, weak supervision, and fragmented collaboration between village administrations and higher-level institutions. These constraints often result in empowerment programs that are poorly targeted, unsustainable, or misaligned with community needs.

Importantly, the review highlights an emerging shift toward digital governance and capacity-building interventions as strategic responses to governance deficiencies. Digital platforms for financial reporting and monitoring offer promising opportunities to enhance transparency and accountability, yet their effectiveness remains contingent upon technological readiness, institutional commitment, and human capacity at the local level. Capacity-building initiatives are therefore essential not only to improve technical skills but also to strengthen ethical leadership and participatory values within village governance.

Overall, this study contributes to public administration and rural development scholarship by synthesizing fragmented evidence and positioning governance quality and administrative capacity as central explanatory factors in community empowerment. The findings underscore the need for future research to move beyond infrastructure-focused evaluations toward more integrated analyses of governance mechanisms, institutional capacity, and long-term empowerment outcomes. From a policy perspective, strengthening village fund governance requires a holistic approach that combines regulatory reform, capacity development, digital innovation, and genuine community participation to ensure that fiscal decentralization fulfills its promise of inclusive and sustainable rural development.

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