


Village Governance System in Indonesia

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A B S T R A C T

This article examines the dynamics of the village governance system in Indonesia within the context of decentralization following the enactment of Law Number 6 of 2014 on Villages. Although numerous studies have discussed village autonomy, fiscal decentralization, and Village Fund management, existing literature tends to focus on fragmented aspects such as financial accountability or leadership, without providing a comprehensive synthesis of institutional structure, authority distribution, participatory governance, and implementation challenges within a unified analytical framework. Therefore, this literature review is necessary to bridge this gap by offering an integrative analysis of how regulatory frameworks, institutional capacity, and socio-political dynamics interact in shaping village governance outcomes. Utilizing a qualitative literature study approach, this article analyzes legal documents, academic publications, and empirical research findings related to village governance. The findings indicate that while villages are normatively granted broad authority and increased fiscal resources, implementation remains constrained by weak administrative capacity, limited community participation, and persistent elite dominance. However, innovative practices such as administrative digitalization and transparency initiatives demonstrate significant potential when supported by strong leadership and institutional reform. This study concludes that strengthening village governance requires a holistic strategy that integrates regulatory refinement, differentiated institutional capacity development, participatory oversight mechanisms, and sustainable community empowerment.

Keywords: *Village Governance, Local Autonomy, Village Law, Community Participation, Good Governance*

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INTRODUCTION

The village governance system in Indonesia is a fundamental pillar within the national governance structure, reaching deep into the grassroots level of society. As the smallest unit of government, villages play a strategic role in administration, development, community guidance, and empowerment. In the framework of decentralization and regional autonomy initiated during the Reform Era, the existence of villages has been increasingly strengthened as autonomous and self-reliant governmental entities. Law Number 6 of 2014 on Villages serves as a critical milestone in revitalizing the village's role as a subject of development, rather than merely an object of policies imposed by central or regional governments.

The long history of village governance in Indonesia reveals a complex dynamic. Prior to colonial times, villages had their own governance systems rooted in local customs and values. However, during the colonial period, the Dutch East Indies government intervened and transformed the structure and functions of village governance. Following independence, the centralistic approach of the New Order government further undermined village autonomy. It was only after the Reform Era that a new paradigm emerged, emphasizing participation, transparency, and accountability in village governance.

One of the key aspects of the current village governance system is the role of the village head as the executive leader, elected directly by village residents through Village Head

Elections (*Pilkades*). Additionally, the Village Consultative Body (*Badan Permusyawaratan Desa*, or BPD) functions as the village legislature, collaborating with the village head in drafting village regulations and overseeing village administration. The relationship between the village head, BPD, and other community institutions reflects a collaborative governance dynamic, though it still requires proper checks and balances.

In terms of public administration, the village governance system serves as a practical laboratory for applying the principles of good governance. Community involvement in development planning, transparency in managing village finances, and accountability of village leaders are essential indicators for assessing governance effectiveness at the village level. Moreover, the increasing allocation of Village Funds each year demonstrates the state's commitment to strengthening village institutional capacity and human resources.

Nevertheless, the challenges remain substantial. Many villages still face issues such as limited capacity of village officials, low levels of community participation, and incidents of corruption or misuse of funds. Therefore, a comprehensive understanding of the village governance system is crucial especially for public administration students who may become future policymakers and bureaucrats. Despite the significant expansion of authority and the substantial allocation of Village Funds under Law Number 6 of 2014, the quality of village governance across Indonesia remains uneven and, in many cases, problematic. This situation presents a critical paradox: villages are normatively empowered with broad autonomy and considerable fiscal resources, yet their governance performance often reflects weak institutional capacity, limited participation, and persistent elite domination. The gap between formal authority and practical governance outcomes raises important questions regarding the effectiveness of decentralization at the village level and the structural factors that constrain its implementation.

This article aims to thoroughly examine the structure, functions, as well as the challenges and opportunities within Indonesia's village governance system. Through a conceptual and policy analysis approach, this article seeks to contribute academically to the development of a more effective, participatory, and sustainable village governance system.

The village governance system in Indonesia is an integral part of the national governance structure, holding a strategic position in achieving sustainable development goals rooted in local communities. As the lowest level of government in a unitary state, villages are not only home to the majority of Indonesia's population, but also serve as key arenas for delivering public services, empowering communities, and managing local resources. The vital role of villages in the Indonesian political system has become increasingly recognized within the context of regional autonomy and fiscal decentralization, which aim to bring government services closer to the people and enhance administrative efficiency and effectiveness.

Villages, as governance units, possess unique characteristics. They are not only bound by formal administrative structures but also shaped by long-standing social, cultural, and customary systems. In this context, Law Number 6 of 2014 on Villages holds great significance, as it acknowledges the diversity of villages both customary and administrative and grants broad autonomy in managing governmental, developmental, and social affairs. The Village Law also marks a paradigm shift from a top-down approach to a more participatory and inclusive governance model, wherein village communities play an active role in determining the direction of their development.

Historically, Indonesia's village governance system has undergone various transformations in line with political changes and central government policies. During the colonial era, the Dutch established a village governance structure primarily aimed at controlling the population, with village heads functioning as extensions of colonial authority. Under the New Order regime, village governance primarily served to maintain political stability and support national development through a rigid hierarchical command structure. This led to imbalanced power relations between the state and rural communities, marginalizing local potential that could have served as a foundation for democratic strengthening and development.

After the 1998 Reform movement, the call for stronger local democracy and village autonomy was positively received. Decentralization policies, enshrined in various pieces of legislation, created space for villages to manage their own domestic affairs more independently. One of the most significant innovations in this policy was the direct allocation of Village Funds from the State Budget (*APBN*), giving villages the opportunity to set development priorities based on their own needs. However, this policy also introduced new challenges, such as the need to enhance village officials' capacity in planning, budgeting, and reporting, as well as the risk of financial mismanagement due to weak oversight systems.

In the current village governance framework, the village head holds executive power with a six-year term and may serve up to three terms. The direct election of village heads by residents reflects the principle of local democracy, expected to improve accountability and responsiveness. Meanwhile, the BPD functions as the village's legislative body, responsible for collecting and channeling community aspirations, and monitoring the village head's performance. The collaboration between the village head and BPD is a key indicator of good governance at the village level.

From a public administration perspective, the village governance system is a crucial testing ground for concepts such as public service delivery, citizen participation, budget transparency, and bureaucratic accountability. As public organizations, village governments must balance administrative efficiency with social responsiveness. This is increasingly important given the growing complexity of rural challenges, including infrastructure development, poverty, unemployment, and environmental concerns. Therefore, the success of village governance is determined not only by formal policies but also by the quality of local leadership, human resources, and active citizen engagement.

Moreover, the role of regional and central governments in guiding, supervising, and facilitating village governance is a critical component of the system. A collaborative approach between villages and higher-level governments is necessary to ensure that village autonomy does not lead to isolation, but rather remains aligned with the unified structure of the Republic of Indonesia. Additionally, non-governmental actors such as NGOs and civil society organizations can play a significant role in strengthening village governance capacity and raising community awareness of their rights and responsibilities.

Given this background, studying the village governance system in Indonesia is highly relevant not only in academic contexts but also in practical public administration. Research and analysis on the structural, functional, and normative aspects of this system are expected to contribute to the formulation of fairer, more efficient, and sustainable local policies. This article aims to comprehensively explore the characteristics of Indonesia's village governance system, including its institutional structures, functions and authorities, implementation challenges, and the prospects for capacity-building within a democratic state committed to public service delivery.

METHOD

This study employs a narrative literature review design combined with thematic analysis to examine the dynamics of Indonesia's village governance system. A narrative review was selected because this article aims to provide a comprehensive and integrative understanding of conceptual, normative, and empirical developments related to village governance rather than to statistically aggregate findings from previous studies.

The data sources consist of secondary materials, including Law Number 6 of 2014 on Villages and its derivative regulations, academic books on public administration and local governance, peer-reviewed national and international journal articles, as well as official reports from government institutions and civil society organizations. Literature was collected through academic databases such as Google Scholar and Garuda (*Garba Rujukan Digital*), using keywords including "village governance system," "village autonomy," "Village Fund," and "good governance."

The analysis process followed a thematic approach. Relevant literature was critically reviewed, categorized, and synthesized into major themes, including institutional structure, distribution of authority, inter-actor relationships, fiscal governance, participation dynamics, and implementation challenges. This thematic analysis enables the identification of patterns, gaps, and inconsistencies between regulatory frameworks and empirical realities, while also offering a critical reflection on the effectiveness of village governance within the broader context of decentralization and public administration reform.

FINDINGS AND DISCUSSION

The enactment of Law Number 6 of 2014 on Villages marked a significant institutional transformation in Indonesia's village governance system. Previously positioned as administrative extensions of higher-level governments under a centralized framework, villages are now recognized as legal entities with inherent rights and locally scaled authority. This shift represents a paradigm change from a uniform, top-down governance model to a decentralized and participatory approach that acknowledges the socio-cultural diversity of villages, including both administrative and customary (*adat*) villages (Eko, 2015; Supriyono, 2021).

Institutionally, village governance consists of the village head as the executive authority and the Village Consultative Body (BPD) as a representative and supervisory institution. Village heads are directly elected by residents, reflecting local democratic practices and enhancing political legitimacy. Meanwhile, the BPD performs legislative and oversight functions, including the formulation of village regulations in collaboration with the village head. In principle, this institutional arrangement reflects a checks-and-balances mechanism intended to ensure transparency, accountability, and responsiveness in village administration (Riyadi, 2018; Sutoro Eko, 2015).

However, despite this formal transformation, the effectiveness of these institutional arrangements varies significantly across regions. While some villages demonstrate adaptive leadership and participatory governance, others struggle to operationalize these institutional reforms in practice. This uneven implementation highlights the gap between normative institutional design and empirical realities at the village level.

One of the most transformative elements introduced by Law No. 6/2014 is fiscal decentralization through the allocation of Village Funds (*Dana Desa*) from the State Budget (APBN). Since 2015, villages have received substantial and stable financial transfers aimed at accelerating rural development, reducing poverty, and minimizing regional disparities.

The Village Fund policy provides villages with the authority to determine development priorities based on local needs. Affirmative allocation mechanisms have particularly prioritized underdeveloped and remote villages, demonstrating the state's commitment to equitable development. However, the governance of Village Funds remains a critical concern. In practice, fund management is often constrained by weak planning capacity, insufficient data utilization, and limited financial accountability (Wahyudi, 2022).

Empirical findings indicate that although Village Fund allocations increase annually, improvements in governance quality and community welfare are not always proportional. Data from the Ministry of Villages, Disadvantaged Regions, and Transmigration (2023) show that more than 60% of Village Funds are still allocated to physical infrastructure, while community empowerment and local economic development programs receive comparatively less attention. This imbalance suggests that fiscal decentralization alone does not automatically guarantee transformative development outcomes.

A recurring theme in the literature is the limited administrative capacity of village officials. Although villages are granted broad authority and substantial financial resources, many lack adequate human resources and technical competence to manage these responsibilities effectively. Village officials often have limited educational backgrounds and insufficient training in public administration, budgeting, and financial reporting (Lubis, 2019). These capacity constraints result in suboptimal development planning, weak financial

governance, and increased vulnerability to fund mismanagement. The disparity in governance quality among villages largely reflects differences in institutional capacity, leadership quality, and access to training opportunities (Antlöv et al., 2010; Wijaya, 2020). From a public administration perspective, this situation underscores a structural paradox: while regulatory frameworks and fiscal resources have expanded significantly, institutional readiness has not developed at the same pace. Strengthening administrative competence through systematic training, mentoring, and digital support systems is therefore essential to ensure that village autonomy can be exercised effectively and responsibly.

Beyond administrative limitations, power dynamics within villages significantly shape governance outcomes. Although formal mechanisms for participation exist such as village deliberation forums (*musyawarah desa*) participation often remains procedural rather than substantive. These forums may involve only selected community figures, thereby limiting inclusivity and marginalizing vulnerable groups such as women, youth, and economically disadvantaged residents (Antlöv et al., 2010; Wahyudi, 2022).

Elite capture remains a persistent challenge in many villages. In patrimonial social structures, authority may be influenced by kinship networks, social proximity, and informal power relations rather than meritocratic or rational-legal principles. Such dynamics can lead to nepotism, conflicts of interest, and unequal access to village resources (Riyadi, 2018; Kurniawan, 2023). In extreme cases, village governance may be treated as a personal domain rather than a public institution accountable to the broader community. These dynamics reveal that decentralization does not automatically democratize local governance. Without strong oversight mechanisms and empowered citizen participation, local autonomy may reproduce localized forms of power concentration rather than inclusive governance.

Despite these challenges, many villages have demonstrated adaptive capacity by introducing governance innovations. Digital transformation initiatives such as village information systems, e-village budgeting platforms, and official village websites have improved transparency, administrative efficiency, and public access to information (Harahap & Sihotang, 2022). These innovations reflect the potential of digital governance to strengthen accountability and reduce opportunities for corruption. When supported by competent human resources and visionary leadership, digital systems can enhance financial transparency, facilitate participatory planning, and streamline public service delivery.

The emergence of these innovations indicates that village governance reform is not solely constrained by structural limitations. Rather, it depends significantly on leadership commitment, institutional learning, and collaborative support from local and central governments. Strengthening digital governance and participatory oversight mechanisms can serve as strategic pathways for improving governance quality across diverse village contexts.

Overall, the findings demonstrate that Indonesia's village governance system operates within a complex interplay of institutional reform, fiscal decentralization, administrative capacity, and local power structures. While Law No. 6/2014 has provided a robust regulatory and fiscal foundation, the realization of effective and democratic village governance depends on sustained efforts to address capacity gaps, prevent elite capture, and institutionalize transparency through both participatory and technological innovations.

CONCLUSIONS

This study argues that the transformation of Indonesia's village governance system following the enactment of Law Number 6 of 2014 represents not merely a process of administrative decentralization, but a structural reconfiguration of local governance authority. Theoretically, this article contributes to the decentralization and public administration literature by highlighting a governance paradox: the expansion of formal authority and fiscal transfers at the village level does not automatically translate into improved governance quality. Instead, institutional effectiveness depends on the interaction between regulatory frameworks, administrative capacity, participatory dynamics, and local power relations. This finding reinforces the argument that decentralization must be accompanied by institutional

strengthening and socio-political safeguards to produce meaningful democratic outcomes. From a policy perspective, strengthening village governance requires differentiated capacity-building models tailored to varying village contexts, rather than uniform regulatory interventions. Continuous professional training for village officials, the institutionalization of participatory oversight mechanisms, and the integration of digital governance systems are essential steps to enhance transparency and accountability. Moreover, stronger supervisory collaboration between central, regional, and village governments is necessary to prevent elite capture while preserving local autonomy. Policy design should also encourage a balanced allocation of Village Funds, ensuring that community empowerment and local economic development receive proportional attention alongside infrastructure projects. Future research should move beyond normative and regulatory analysis by incorporating comparative empirical studies across regions to assess variations in governance performance. Quantitative assessments of Village Fund effectiveness, ethnographic examinations of local power dynamics, and evaluations of digital governance implementation would provide deeper insights into the practical outcomes of village decentralization. By integrating multi-level governance analysis and field-based evidence, future scholarship can further refine theoretical models of local autonomy and contribute to the development of more adaptive and inclusive village governance systems in Indonesia.

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