

PRIORITY DISTORTION IN PUBLIC BUDGETING AT THE LOCAL LEVEL

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Abstract

This study examines the phenomenon of priority distortion in public budgeting at the village level in Indonesia, specifically regarding how Village Fund policies are translated into local development programs. Although participatory budgeting mechanisms through Village Deliberations (Musdes) have been procedurally implemented, there is often a mismatch between community aspirations and the established budget allocations. The purpose of this study is to analyze the dynamics of the village budgeting process and the factors influencing the determination of budget allocation priorities in the context of village governance. The research method used is a mixed-methods sequential explanatory design implemented in Banyumas Regency. The quantitative phase involved a survey to identify community needs and preferences, and an analysis of the Village Budget (APBDes) documents, while the qualitative phase was conducted through in-depth interviews, observations of deliberation forums, and a process-tracing approach to track the transformation of community aspirations during the budget cycle. The study's results indicate a significant gap between the community's basic needs and budgetary allocations. Villagers consistently prioritize the agricultural sector (88.9%) and education (72.2%) as primary needs. However, budget allocation in the APBDes is dominated by the development of the region's physical infrastructure. This distortion is caused by power dynamics at the local level, where the authority of the village head and the influence of supra-village government agendas often determine the final budget outcomes more than the outcomes of community deliberations in deliberation forums. This study concludes that the effectiveness of participatory budgeting should not be measured solely by procedural completeness, but also by the extent to which fiscal allocations are truly responsive to the community's real needs.

Keywords: Village Funds, Fiscal Decentralization, Participatory Budgeting, Priority Distortion, Village Government Administration.

INTRODUCTION

The Village Fund policy in Indonesia is a key instrument that strengthens local development through fiscal decentralization and village community empowerment. This policy, stipulated in Law No. 6 of 2014, allocates funds from the State Budget (APBN) directly to villages to support governance, infrastructure development, community empowerment, and local economic development (Faoziyah & Salim, 2020; Sudaryana, 2017). With a significant allocation of approximately 1 billion rupiah per village, the Village Fund aims to reduce poverty, improve community welfare, and accelerate sustainable development at the village level (Indraningsih et al., 2021).

The implementation of Village Funds has shown positive impacts, such as increased household consumption in rural areas, particularly among agricultural households, and increased female labor force participation by up to 10% (Rammohan & Tohari, 2023). Furthermore, these funds have contributed to the development of village infrastructure, which facilitates transportation access and increases agricultural productivity (Indraningsih et al., 2021). However, challenges remain, including inequities in fund management, a lack of human resource capacity at the village level, and misuse of funds that undermine accountability. (Permatasari et al., 2024; Sukmawati, 2019).

Village Funds also play a crucial role in economic empowerment by establishing Village-Owned Enterprises (BUMDes), which act as intermediaries in managing funds to drive local economic growth. However, the effectiveness of BUMDes remains limited by a lack of entrepreneurial capacity and good governance (Aritenang, 2021; Haeril et al., 2025). Furthermore, while Village Funds have helped reduce poverty in some regions, their impact on reducing the number of underdeveloped villages remains variable (Faoziyah & Salim, 2020). Village Fund policies have significant potential to strengthen local development in Indonesia, but their success depends heavily on improved governance capacity, community participation, and oversight to ensure transparency and accountability (Kepramareni et al., 2020).

Local-level budgeting processes in developing countries play a crucial role in promoting more inclusive development that is responsive to community needs. One prominent approach is participatory budgeting, which involves local communities in decision-making regarding budget allocations. This approach allows communities to voice their needs, particularly those of marginalized groups such as women, minorities, and the poor. By involving communities in this process, participatory budgeting can improve social justice, strengthen sustainability, and create more inclusive governance (Allegretti & Hartz-Karp, 2017; Touchton et al., 2023). However, implementing participatory budgeting in developing countries often faces challenges, such as marginalized communities' limited capacity to participate effectively and the dominance of elites in decision-making. This can hinder social inclusion and reduce community ownership of development plans (Acharya & Zafarullah, 2024). However, with a strong legal framework and structured planning mechanisms, some countries have successfully addressed these challenges, such as through a seven-step mechanism that integrates community participation in planning and budgeting (Acharya & Zafarullah, 2024). Furthermore, local budgeting also supports sustainable development by ensuring the efficient allocation of resources to achieve development goals, as seen in case studies in Cuba and South Africa. In

Cuba, effective local resource management has supported the sustainability of regional development, while in South Africa, the focus of local budgets has shifted from simply providing basic services to creating an enabling environment for achieving sustainable development goals (Cartaya et al., 2021; Hendriks, 2018) .

To address these challenges, several studies have proposed policy recommendations to improve the quality of village budgeting. One measure considered crucial is increasing the capacity of village officials in public financial management through training programs and the development of administrative and managerial competencies (Ardiputra et al., 2025) . Furthermore, the use of digital technology in village financial management systems is considered a potential strategy to increase transparency, accountability, and efficiency in Village Fund management (Ardiputra et al., 2025). Strengthening oversight mechanisms, both through local government institutions and community participation, is also a crucial factor in minimizing the risk of budget misuse and ensuring that Village Fund allocations support village community development (Ardiputra et al., 2025).

In further developments, efforts to strengthen the quality of public budgeting have also led to various institutional innovations aimed at expanding public involvement in the fiscal decision-making process. One innovation widely adopted across countries is participatory budgeting. Participatory budgeting is an approach that provides the public with a space to directly participate in the decision-making process for public budget allocation. Through this mechanism, the public can propose development programs, discuss priority needs, and determine which projects will be funded through the public budget. Thus, participatory budgeting is seen as a mechanism that allows local community preferences and needs to be more directly reflected in the budget decision-making process. (Serramia et al., 2024; Touchton et al., 2023) . Furthermore, several studies have shown that public involvement in the budgeting process can increase government transparency and accountability, as the decision-making process becomes more open and subject to public scrutiny (Park et al., 2023).

Although conceptually, participatory budgeting is designed to improve community welfare through budget allocations that are more responsive to local needs, the success of its implementation is greatly influenced by the institutional design and the inclusiveness of the participatory process. Inclusive participatory structures have been shown to promote a more equitable distribution of resources and favor disadvantaged groups. For example, research on the implementation of participatory budgeting in Seoul, South Korea, shows that an inclusive process design can encourage greater budget allocations to areas with higher poverty rates (No & Hsueh, 2022) . However, implementation experiences across regions also indicate that community participation in participatory budgeting is often limited. This condition is generally caused by low public awareness, limited access to information, and weak public involvement in decision-making processes (Švaljek et al., 2019).

Within the conceptual framework of participatory budgeting, one of its primary objectives is to integrate public preferences into the budget allocation and priority-setting process. However, several studies have shown that public preferences are not always fully reflected in the resulting budget decisions. This may be due to limitations in mechanisms for accurately identifying and aggregating public preferences, as well as constraints in the design

of the decision-making process in participatory budgeting (Benadè et al., 2021). Furthermore, the decision-making process in participatory budgeting also requires additional consideration of the alignment between public preferences and government policy priorities. In other words, the integration of public preferences into budgeting depends not only on the level of participation but also on government institutions' ability to align these preferences with broader normative values and public policy objectives (Serramia et al., 2024).

On the other hand, participatory budgeting also has the potential to encourage the redistribution of political power and a more equitable distribution of public resources. Through direct participation mechanisms, communities gain greater space to influence the direction of local development policies. However, the success of participatory budgeting in generating social and political transformation is strongly influenced by the local community's political context and social conditions. Implementing participatory budgeting that is not optimally designed can reduce the effectiveness of the participation process and limit its intended impact. For example, the experience of implementing participatory budgeting in Fresno, California, shows that inadequate institutional design and weak community organizations can hinder the achievement of community empowerment goals in the public budgeting process (Karner et al., 2019).

In addition to providing space for participation in decision-making, participatory budgeting can also have long-term impacts on governance. Public involvement in the budgeting process can improve public fiscal literacy and strengthen public understanding of state financial management. In the long term, this increased budget literacy can help create a more aligned relationship between government policies and public needs (Park et al., 2023). However, various studies emphasize the need for more in-depth research to understand how participatory budgeting mechanisms can effectively link public needs and priorities to resulting budget allocations (Wampler et al., 2021).

Thus, various empirical findings indicate that participatory budgeting has significant potential to strengthen governance that is more inclusive and responsive to community needs. However, the effectiveness of this mechanism is strongly influenced by institutional design, the level of community participation, and the government's ability to integrate community preferences into budget decisions. Therefore, research examining the relationship between community needs and budget allocation priorities is crucial to understanding the extent to which participatory budgeting mechanisms truly represent community needs in fiscal decision-making (Švaljek et al., 2019; Touchton et al., 2023).

Public Budgeting in Public Administration Perspective

In public administration studies, budgeting is a fundamental mechanism for managing state resources. Budgeting is understood not only as a technical process for preparing financial plans, but also as a public policy instrument that determines the direction of development and the distribution of resources within society. Wildavsky (1973) defines budgeting as the process of translating financial resources into various human purposes. This definition emphasizes that the public budget is essentially a reflection of government policy priorities in responding to societal needs.

In practice, the public sector budget helps ensure the provision of basic services such as electricity, clean water, education, and healthcare. Therefore, decisions regarding budget allocation have direct implications for public welfare. The public budget serves as an instrument for directing socioeconomic development, ensuring the sustainability of development programs, and improving the community's quality of life. Furthermore, the budget serves as a mechanism to address the gap between increasing public needs and limited government resources. From a governance perspective, the budget also serves as an instrument of public accountability, enabling the government to be accountable to the public for its resource use.

Public budgeting is inherently a complex process involving various institutional actors. This process encompasses the stages of budget formulation, budget approval or adoption, budget implementation, and budget evaluation and oversight. Each stage involves interactions among the executive, the legislative, and various other stakeholders. For this process to run effectively, a clear division of authority, sound institutional coordination, and a structured procedural framework are required. (Piatti-Fünfkirchen & Schneider, 2018). In addition, the government must answer fundamental questions in public budgeting: what types of public goods and services should be provided, who bears the costs of providing them, and what the economic and fiscal implications of these spending decisions are (Jin et al., 2025).

Dynamics of Budgeting Models in Public Policy Literature

The public administration literature shows that the budgeting process does not always proceed rationally or linearly. Various theoretical models have been developed to explain the dynamics of decision-making in public budgeting. One classic approach is the incrementalism model, which states that budget changes generally occur gradually through small adjustments to the previous year's budget. This approach assumes that limited information, organizational complexity, and political dynamics tend to favor incremental changes over major ones. However, several studies have shown that under certain conditions, policy changes can occur more drastically. This phenomenon is explained by the punctuated equilibrium model, which depicts how accumulated small changes in a policy system can reach a threshold and trigger significant policy changes (Savage, 2015).

The development of public-sector reforms has also encouraged the adoption of a performance-based budgeting approach. This model emphasizes the importance of linking resource allocation to the performance of public organizations. In this approach, budgeting no longer focuses solely on expenditures but also on the results generated by government programs. Although this approach has been widely adopted in public sector management reforms, its implementation still faces various obstacles, such as bureaucratic resistance to change and limited technical capacity for performance measurement (Joharji & Willoughby, 2014).

In addition to performance-based budgeting, the literature also develops the concept of results-based budgeting, which emphasizes the relationship between public spending and the policy impacts it produces. This approach aims to ensure that public spending generates tangible public value. However, several studies have shown that this approach faces

methodological challenges in linking outcome indicators to the complex budgeting process (Ramos Vera et al., 2025) .

On the other hand, developments in digital technology are also beginning to influence public budgeting practices. The use of artificial intelligence and data analytics enables governments to improve the accuracy of fiscal planning and strengthen data-driven decision-making in public financial management (Drăgulin et al., 2025). Despite these innovations, numerous studies confirm that budgeting remains fundamentally a political process. Budget decisions are often influenced by negotiations over interests among political actors, power dynamics within government institutions, and relations between central and regional governments (Flink, 2018). Furthermore, various systemic problems, such as misalignment between planning and budgeting, fragmentation of funding sources, and overly rigid financial control systems, can also hamper the effectiveness of public budget management (Atrokhova, 2022).

Village Budgeting Model in the Context of Developing Countries

In the context of village governance in developing countries, public budgeting practices exhibit more complex characteristics, influenced by local institutional factors, administrative capacity, and socio-political dynamics at the community level. The literature indicates that several budgeting models are commonly used in village governance. One widely studied model is participatory budgeting, which provides space for community direct involvement in the budget decision-making process. This approach is believed to increase the legitimacy of public policy and strengthen local government accountability (Volodin, 2014) . This practice has been implemented in various countries, such as Chengdu, China, through Village Council mechanisms and democratic monitoring groups (Zhuang, 2014), and in Cluj-Napoca, Romania, where participatory budgeting is used to strengthen trust between the government and the community (Boc, 2019).

In addition to participatory budgeting, several studies have also highlighted a community-based budgeting approach that positions the community as the primary driver of village development. In this model, the village government acts as a facilitator, supporting community initiatives in the design of development programs. This approach aligns with the concept of community-based village development, reflected in various rural development policies, including the smart village concept, which integrates the dimensions of resources, technology, services, institutions, and the sustainability of village development (Ella & Andari, 2018) . However, in many cases, village budgeting practices are still dominated by a top-down approach determined by the central government. In this model, the village government plays a more central role in implementing policies formulated at higher levels. Several studies have shown that this approach often faces communication barriers between the central and village governments and limited human resource capacity at the local level (Reginaldis et al., 2024) . Furthermore, weak oversight mechanisms can also increase the risk of misuse of village funds (Moonti & Ahmad, 2019).

Another emerging approach is decentralized budgeting, which grants local governments greater authority to determine development priorities based on community needs. Research

shows that fiscal decentralization can improve the quality of public services and the relevance of local development policies (Akin et al., 2005; Boachie, 2016). However, several studies also indicate that decentralization does not always lead to more effective budget management, as it may increase the risk of local elite dominance in decision-making (Haruna & Vyas-Doorgapersad, 2016).

Participatory Budgeting and Village Financial Planning

In the context of village governance, participatory budgeting is often seen as a mechanism to improve the quality of public financial planning. Through this mechanism, communities can participate in identifying development needs, determining program priorities, and monitoring budget implementation. Various studies have shown that participatory budgeting can increase transparency and accountability in village financial management. Community involvement in the budgeting process enables more open and accountable financial governance. In the Indonesian context, integrating village financial information systems with participatory mechanisms has improved the quality of village fund governance and strengthened public trust in village governments. (Ardiputra et al., 2025; Girsang et al., 2025). In addition to improving accountability, participatory budgeting also contributes to community empowerment and increased inclusiveness in local governance. Research shows that this practice can expand the involvement of underrepresented community groups in decision-making processes, including women and marginalized communities (Lassou et al., 2024). However, several studies also show that implementing participatory budgeting does not always result in budget decisions that fully reflect community needs. In some cases, the participatory process is still influenced by the dominance of local elites, who play a significant role in determining village development priorities (Kadir et al., 2021). Furthermore, limited administrative capacity of village governments and a weak regulatory framework can also hinder the effectiveness of participatory processes in village financial planning (Ibrahim, 2011).

Research Gap

Although the literature has extensively discussed various public budgeting models and participatory budgeting practices at the local level, most research continues to focus on the procedural and institutional aspects of the village budgeting process. This research generally emphasizes establishing mechanisms for community participation, conducting planning and budgeting processes, and implementing village financial governance systems. However, there is still limited research examining in depth how power dynamics, actor relations, and interest-negotiation processes influence the final outcomes of village budgeting decisions. In practice, the village budgeting process is determined not only by formal community participation mechanisms but also by interactions between village governments, community groups, and various other local actors. There is a need to better understand how decision-making in village budgeting occurs in practice and how these dynamics influence budget allocation priorities. This understanding is crucial to explaining why, in some cases, village budget allocations do not always fully reflect community needs identified in participatory planning processes. Based on this research gap, this study aims to analyze the dynamics of the village budgeting process and the factors that influence budget allocation priorities in the context of village governance.

RESEARCH METHODS

This study uses a mixed-methods approach to analyze the dynamics of village budgeting and the relationship between community needs and budget allocation in village governance practices. A mixed methods approach was chosen because the phenomenon of public budgeting involves not only a quantitative dimension in the form of fiscal resource distribution, but also a qualitative dimension related to actor interactions, institutional dynamics, and political decision-making processes within local government. By integrating these two approaches, this study aims to produce a more comprehensive understanding of how community preferences are translated.

By design, this study employs a sequential explanatory design, a mixed-methods design that places quantitative analysis as the initial stage, followed by qualitative exploration to further explain the quantitative findings. This approach allows the study to first identify empirical patterns in community needs, preferences, and budget allocation before exploring the social, political, and institutional factors that influence their emergence. This design is widely used in public policy research because it allows for integrating statistical analysis with the contextual interpretation of the policy decision-making process.

This research was conducted in Banyumas Regency, a region representing the characteristics of agrarian-based rural communities in Indonesia. This context is relevant for analyzing the dynamics of village budgeting within the framework of fiscal decentralization introduced through the Village Law. The implementation of this policy grants village governments greater authority to manage village development and finances through participatory planning mechanisms that involve communities in village deliberation forums.

The quantitative phase of this research was conducted through a survey of village communities to identify their needs and preferences across various development sectors, including agriculture, education, and infrastructure. The survey was designed to obtain an empirical picture of the hierarchy of community needs, which was then compared with the budget allocation patterns outlined in the Village Revenue and Expenditure Budget (APBDes). In addition to the survey, this research also conducted a policy document analysis of village planning and budgeting documents to identify the distribution of budget allocations across various development sectors.

The survey's sampling strategy employed a purposive sampling approach, considering the representation of community groups involved in village economic activities, particularly those dependent on the agricultural sector. Respondent selection also took into account variations in social characteristics such as occupation, education level, and involvement in village deliberation forums. This approach aimed to obtain a more representative picture of community needs and preferences within the rural socio-economic context.

The qualitative phase was conducted to deepen understanding of the factors influencing the decision-making process in village budgeting. Qualitative data were collected through in-depth interviews with key stakeholders, including village heads, members of the Village

Consultative Body (BPD), and community leaders involved in the village development planning process. Furthermore, this study conducted observations of village deliberation forums, such as the Hamlet Deliberation and Village Deliberation, to gain a direct understanding of the dynamics of deliberation and actor interactions in determining village development priorities.

Quantitative data were analyzed using descriptive statistics to illustrate patterns of community needs, preferences, and the distribution of village budget allocations. This analysis identified gaps between community needs identified through the survey and budget priorities outlined in the Village Budget (APBDes). Qualitative data were analyzed using thematic analysis, with coding to identify key themes emerging from interviews and field observations, particularly those related to local power dynamics, elite dominance, and the influence of external actors on budget decision-making.

In addition to thematic analysis, this study uses a process-tracing approach to track the transformation of community aspirations throughout the village planning and budgeting cycle, from the aspiration-gathering stage at the neighborhood level to the establishment of development priorities in the Village Budget (APBDes) document. This approach allows for the identification of critical points in the budgeting process where community aspirations undergo change, filtering, or distortion before being translated into village budget policy.

To ensure the validity and reliability of the research findings, this study employed several validation strategies. First, data triangulation was conducted by comparing survey results, policy documents, interviews, and field observations. Second, this study employed member checking by asking key informants to confirm the interpretation of the interview results. Third, this study also employed method triangulation by integrating quantitative and qualitative analysis to gain a more comprehensive understanding of the phenomenon under study.

This study also adhered to ethical research principles, particularly during field data collection. All interviewees were provided with an explanation of the research objectives and guaranteed confidentiality. Informant participation was voluntary and based on the respondents' informed consent.

By integrating quantitative and qualitative analysis, this study seeks to provide a more comprehensive understanding of the relationship between community needs and village budgeting practices. This approach allows the study not only to empirically identify gaps between community needs and budget allocations but also to explain the social, political, and institutional factors that influence the emergence of these gaps in village governance practices.

RESULTS AND DISCUSSION

Based on the data contained in the research results, it has been possible to extract information that several urgent basic needs for village communities include: agriculture, education, clean water, and infrastructure (physical infrastructure). Meanwhile, basic services such as health, population administration, electricity, and transportation have been sufficiently met. Based on these findings, the priority of basic needs is as follows: (1) Agriculture (88.9%); (2) Education (72.2%); (3) Clean water (61.1%); (4) Physical infrastructure of regional infrastructure (55.6%).

These data indicate that rural communities' preference for basic services is more focused on agriculture and education than on physical and regional infrastructure. This aligns with Maslow's hierarchy of needs theory, which emphasizes physical needs at the first level, followed by needs that are more self-actualization-oriented at the next level (Datta, 2010; King-Hill, 2015; Maslow, 2007; Skelsey Guest, 2018). The data shows a strong need for public services in the agricultural sector, indicating that the community still requires significant physical services. Meanwhile, in the next order, there is a strong need for educational services, indicating that the community also needs basic educational services. This shows that some people still need services at the physical level, while others have needed basic services at a higher level, namely, self-actualization.

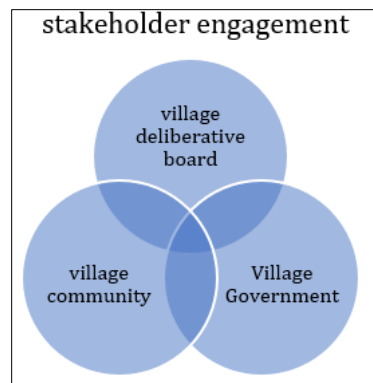
Based on research results, the community's basic service needs are more focused on agriculture and education than on physical infrastructure. However, research data shows that programs contained in the Village Budget (APBDes) are generally allocated more to the development of physical infrastructure. This indicates that there is no link between budget allocation and the basic service needs of rural communities. This means budget allocation should be oriented toward the community's basic service needs. This is important because public organizations' task is to serve and meet basic community needs (De Boe, 2015; Denhardt & Denhardt, 2015; Hochban, 1981; Osborne et al., 2013).

Village development planning is a process of activities carried out by the village government, involving the Village Consultative Body (BPD) and community elements, in a participatory manner, to utilize and allocate village resources to achieve village development goals. Based on an assessment of village conditions, the village government begins exploring ideas and collecting comprehensive data on the community's objective conditions, problems, potential, and related information, clearly and completely describing the community's conditions and dynamics.

The public has the right to provide input into every state policy. Law No. 10 of 2004 guarantees the public the right to provide input into every state policy. However, the mechanisms and techniques for providing and accommodating public input are still not widely understood. Public consultation is a deliberation between citizens and the government to find the best way to resolve a problem. Through public consultation, the relationship between citizens and the government becomes closer, more equal, and mutually beneficial.

Public involvement in policymaking within the executive branch is typically rare. The executive branch generally rarely provides space for public participation in policy formulation.

This may be due to limited understanding and techniques for managing public input across the executive and legislative branches. In village deliberations, village residents have equal standing and are interconnected with the Village Head and the Village Consultative Body. This position and relationship can be described as follows:



The image illustrates the interrelationships between stakeholders in the implementation of village deliberations. The Village Head and his staff are interconnected with the village community and its representatives, as well as with the BPD and its administrators. They bring mutually reinforcing interests within the circle. This means that village deliberations must always be directed toward reaching consensus.

In practice, in accordance with the mixed construction used in the Village Law, it is very possible that there will be differences in the interests of each element that forms the Village Deliberation. Therefore, it is very possible that the Village Head, who carries the interests of the district/city government, will refuse to implement the decisions of the Village Deliberation, either openly or subtly. The explanation of Article 54 of the Village Law actually provides a clear line: "*These results serve as a guideline for village government officials and other institutions in carrying out their duties.*" In the event of a conflict of interest, the technical regulations must provide a clear solution, for example, on the extent to which the village community has the authority to reprimand the Village Head. Article 68, paragraph (1), of the Village Law grants the village community the right to supervise village government activities and to convey aspirations, suggestions, and opinions. In the case of a conflict of interest related to original rights and local village-scale, the Village has the power to regulate and manage. Meanwhile, if it relates to the authority assigned to the Village and to other authorities above the Village, the Village has only the authority to manage (*vide* Articles 20 and 21 of the Village Law). Even in matters of village administration, the final decision remains with the district or city government. Village Deliberation is merely a forum for providing considerations and input (Explanation of Article 54, paragraph 2 of the Village Law).

Community Unit Level Deliberation (RT/RW)

1. The RT/RW Deliberation (Musyawarah RT/RW) is a non-formal community deliberation forum at the RT/RW level. It serves as a forum for conducting needs assessments to prepare annual development activity proposals at the hamlet and village levels. This activity is an inseparable part of the Village Musrenbang (Musrenbang),

which serves as the embryo of activity proposals for the preparation of the RKPD (Regional Development Work Plan).

2. The RT/RW deliberation is a community-level deliberation to select priority activities from RT proposals and identify real problems to prepare proposals for development activity needs at the RW level.
3. The goal of this activity is to encourage grassroots community participation to strengthen community capacity and independence in development planning and implementation. A more specific objective is to collect and identify issues and establish a list of proposed development priorities. The priority order will serve as further input for the Village Musrenbang (Development Planning Meeting).

Sub-Village Level Deliberation (Musyawarah Dusun/ Musdus)

The Hamlet Deliberation (Musyawarah Hamlet) is a follow-up to the Village Deliberation (Musdes). This is necessary to explore ideas from the grassroots community beyond physical development proposals and to better recognize and develop the Hamlet's potential, both its natural and human resources. The results of this deliberation will later serve as a reference for preparing the Village Medium-Term Development Plan (RPJM Desa) for the next 6 years, in accordance with the vision and mission of the village head, and will be outlined in the Village Government Work Plan (RKP Desa) each year. With participatory development involving the BPD and community elements, it is hoped that development management will always prioritize the spirit of togetherness, kinship, and mutual cooperation to mainstream peace and social justice.

Village Level Deliberation (Musyawarah Desa/ Musdes)

1. Village Deliberation, or what is known by another name, is a deliberation between the Village Deliberative Body, Village Government, and community elements held by the Village Deliberative Body to agree on strategic matters.
2. The implementation of Village Deliberations must be conducted in a participatory, democratic, transparent, and accountable manner, in accordance with the community's rights and obligations. In organizing Village Deliberations, the village community, village government, and BPD are assisted by the district government, which is technically implemented by SKPD, professional assistants, KPMD, and/or third parties. The sub-district head (Camat) or another designated official coordinates assistance within their area.
3. The village head and his staff are connected to the village community and its representatives, as well as to the BPD and its administrators. They bring a strong interest in the circle's intersection, namely that village deliberations must always be directed toward reaching consensus.
4. In practice, in accordance with the mixed construction used in the Village Law, it is very possible that there will be differences in the interests of each element that forms the

Village Deliberation. Therefore, it is very possible that the Village Head, who carries the interests of the district/city government, will refuse to implement the decisions of the Village Deliberation, either openly or subtly. The explanation of Article 54 of the Village Law actually provides a clear line: "*These results serve as a guideline for village government officials and other institutions in carrying out their duties.*" In the event of a conflict of interest, the technical regulations must provide a clear solution, for example, on the extent to which the village community has the authority to reprimand the Village Head. Article 68, paragraph (1), of the Village Law grants the village community the right to supervise village government activities and to convey aspirations, suggestions, and opinions. In the case of a conflict of interest related to original rights and local village-scale, the Village has the power to regulate and manage. Meanwhile, if it concerns the authority assigned to the Village and other authorities above the Village, the Village has only the authority to manage (*vide* Articles 20 and 21 of the Village Law). Even in matters of Village administration, the final decision remains with the district or city government. Village deliberation is merely a forum for providing considerations and input (Explanation of Article 54 paragraph 2 of the Village Law). As stated in Article 54 of the Village Law, Village deliberation is a forum for discussing strategic matters in the administration of government.

The community's basic service needs are more focused on agriculture and education than on physical infrastructure. However, research data show that programs in the Village Budget (APBDes) are generally allocated more toward physical infrastructure development. This indicates a lack of linkage between budget allocations and the basic service needs of rural communities. This means budget allocations need to be oriented toward the community's basic service needs. This is crucial because public organizations' task is to serve and meet basic community needs (De Boe, 2015; Denhardt & Denhardt, 2015; Hochban, 1981; Osborne et al., 2013).

The literature on public budgeting classically views the budget as a rational instrument for allocating limited public resources to meet unlimited societal needs. From a traditional public administration perspective, the budgeting process is understood primarily as a technocratic mechanism emphasizing fiscal stability and administrative control. This approach is reflected in classical models such as incremental budgeting, which emphasizes gradual adjustments to previous budgets, as described by Aaron Wildavsky, and the rational-comprehensive model, which positions budgeting as a systematic planning process to achieve efficient allocation of public resources.

As the paradigm of modern public governance evolves, perspectives on budgeting have shifted significantly. Budgeting is no longer understood solely as an administrative process, but rather as a political and institutional arena where various actors compete to determine public policy priorities. Within this framework, the literature emphasizes transparency, accountability, and public participation as key elements of democratic budget governance. This approach is reflected in the development of the concept of participatory budgeting, popularized

in studies of democratic governance by Archon Fung and Erik Olin Wright. It emphasizes that direct public involvement in the budgeting process can enhance policy legitimacy while strengthening government responsiveness to citizen needs.

In developing countries, participatory budgeting approaches are often associated with decentralization and strengthened local governance. In Indonesia, this transformation is reinforced through the Village Law, which grants villages broader authority to manage development and finances independently. Under this regulatory framework, villages are encouraged to implement participatory planning and budgeting mechanisms through tiered deliberation forums, ranging from neighborhood association (RT/RW) meetings to hamlet meetings and village meetings. Normatively, this institutional design is intended to ensure that village development priorities accurately reflect local communities' needs. However, a growing body of literature indicates that, in practice, participatory budgeting often faces various structural limitations. Studies on participatory governance indicate that deliberative processes do not always produce policy decisions that truly reflect community preferences. In many cases, participatory processes are influenced by power imbalances, the dominance of local elites, and the limited institutional capacity of local governments. As a result, community participation is often procedural and does not translate into substantive changes in budget allocation priorities.

The empirical findings of this study in Banyumas Regency provide an important illustration of these dynamics in the context of village budgeting. Procedurally, the village development planning process has followed a tiered, participatory mechanism. Community aspirations are captured through neighborhood association (RT/RW) meetings as the initial stage of identifying local needs, then further formulated in hamlet meetings before being discussed in village meetings, the forum for village development decision-making. Conceptually, this mechanism reflects the bottom-up planning principle that underpins participatory budgeting design.

However, research results indicate a significant discrepancy between community needs and the budget allocation ultimately determined in the Village Budget (APBDes). Empirical data show that the majority of villagers prioritize the agricultural sector as their primary need, reflecting the agrarian-based characteristics of the rural economy. Furthermore, the education sector plays a key role in meeting community needs. Conversely, in practice, village budget allocations are largely directed toward the development of physical infrastructure.

This phenomenon indicates a condition that can be conceptualized as priority distortion in the village budgeting process. This priority distortion occurs when the basic needs of communities engaged in agricultural activities are not fully reflected in the village government's fiscal allocation policies. In the context of rural communities, most of whom rely on the agricultural sector as their primary source of livelihood, supporting increased agricultural productivity, strengthening farmer capacity, and improving the quality of education should be top priorities in village development policies.

Further analysis shows that this distortion of priorities is inextricably linked to the power dynamics within the village-level budget decision-making process. Although deliberation forums provide space for community participation, final decisions regarding

development priorities are still influenced by the preferences of key actors within the village government structure, particularly the village head, who holds executive authority. In some cases, the development priorities outlined in budget documents do not fully reflect community deliberations but are instead influenced by development agendas originating from higher levels of government or by the political interests of local elites.

These findings provide important theoretical implications for the development of the literature on participatory budgeting. This study demonstrates that the presence of institutional participatory mechanisms does not automatically guarantee the creation of fiscal policies responsive to public needs. In other words, the success of participatory budgeting is determined not only by the level of public participation in the deliberative process, but also by the extent to which public preferences are actually translated into budget allocation decisions.

Furthermore, this study broadens the discussion on the relationship between the structure of community needs and local government fiscal policy. By linking the needs of rural communities to Maslow's hierarchy of needs, this study shows that rural communities tend to prioritize sectors directly related to meeting basic economic needs, particularly agricultural production. However, this priority is not always reflected in village fiscal policy, which places greater emphasis on the development of physical infrastructure, which often has symbolic and political value in local development.

Based on these findings, this study identifies a significant gap in the literature on village budgeting. Although studies on participatory budgeting have grown rapidly, most research still focuses on procedural aspects of participation, such as the institutional design of deliberation, the level of community involvement, and the transparency of the planning process. Conversely, relatively few studies empirically analyze how such budgeting processes can distort the priorities between the basic needs of agrarian-based rural communities and budget allocation policies oriented toward physical infrastructure development.

Thus, this study contributes to the academic field by offering a new analytical perspective in the evaluation of participatory budgeting. It demonstrates that the effectiveness of village budgeting should be measured not only by the level of community participation in the deliberative process, but also by the extent to which the budgeting results reflect the community's real needs. By introducing the concept of priority distortion in the context of village budgeting, this study enriches the public financial governance literature by highlighting the importance of budget allocation responsiveness as a key indicator of the success of participatory budgeting practices in a decentralized governance system.

CONCLUSION

The Village Fund policy holds great promise for strengthening village independence, but in practice, there is often a clear disparity between community aspirations and budget realization. In practice, villagers consistently prioritize agriculture and education for their economic sustainability and future. Unfortunately, the budget allocated in the Village Budget (APBDes) is largely allocated to the development of physical infrastructure. This mismatch

distorts priorities, where the basic needs of agrarian communities are often overshadowed by physical projects perceived as having greater symbolic or political value. Although villages have implemented a hierarchical deliberation mechanism from the grassroots level, these forums often become mere formalities. Village voices and aspirations are often filtered or even ignored before being finalized as budget decisions. This is due in part to the strong dominance of local elites and the authority of village heads, who wield significant influence in determining the final outcome of village fiscal policy. Consequently, despite institutionally widening the scope for participation, fund allocation decisions remain more influenced by elite interests or the agendas of higher-level governments than by community consensus. Therefore, the effectiveness of village budget management should no longer be measured solely by the completeness of administrative documents or the frequency of deliberations. Substantive success should be assessed by the extent to which budget allocations are truly responsive to the challenges of daily life. Without alignment between fiscal allocations and real needs, such as agricultural and educational support, community participation will be a meaningless procedure that fails to transform welfare at the village level.

This research demonstrates that the "participatory" label in Village Fund management often remains merely a formality on paper. The fundamental problem identified is a significant distortion of priorities. While the majority of villagers in Banyumas Regency desperately need concrete support in the agricultural (88.9%) and education (72.2%) sectors to improve their well-being, village governments are actually directing more of their budget toward physical infrastructure development. This gap confirms that village budget allocations are not truly grounded in the real needs of agrarian communities, but are instead trapped in infrastructure projects perceived to have greater symbolic or political value. This research addresses the research gap that has focused too much on administrative aspects. These findings reveal that the real problem lies not in the smoothness of deliberation procedures, but rather in the power dynamics and interest negotiations that occur behind the scenes. Although the bottom-up stages from the neighborhood association (RT) level to the Village Deliberation (Musyawarah Desa) have been carried out, community aspirations are often filtered or even ignored before reaching the final Village Budget (APBDes) document. This occurs due to the strong authority of village heads as executive controllers and the influence of supra-village government agendas, which often dictate final budget outcomes. Thus, the effectiveness of village budgeting cannot be measured solely by the frequency of deliberations or the completeness of administrative documentation. Substantive success should be assessed by the responsiveness of budget allocations. Without the political courage to align public funds with pressing needs such as agriculture and education, community participation will remain a meaningless exercise that fails to bring real change to villagers' well-being.

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