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Dilemma of Local Development under Village Funds Program in Indonesia

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ABSTRACT

This study analyzes the effectiveness of the Village Fund program in encouraging village development, focusing on Tanjung Baringin Village, a disadvantaged, frontier, and outermost (3T) area in Padang Lawas Regency, North Sumatra. Through a descriptive-quantitative approach supported by qualitative interviews, this study evaluates citizens' perceptions of the two main dimensions of the Village Fund: infrastructure development and economic empowerment. The survey results show that the majority of respondents recognize the contribution of the Village Fund to physical development, such as roads, bridges, and other basic facilities. However, the impact on improving the village economy is still limited, with only 47.4% of respondents feeling a positive influence. The development of Village-Owned Enterprises (BUMDes) has also not shown optimal performance, with a high level of neutrality and skepticism among the community. These findings reflect the imbalance between budget allocation and perceived substantive benefits. Therefore, this study emphasizes the importance of shifting Village Fund policies from a purely physical orientation to a holistic approach that is more responsive to the social and economic needs of local communities. This study makes an important contribution in understanding development challenges in 3T areas and offers an evaluative framework for more inclusive village development policies.

Keyword: Village Fund, Rural Infrastructure, Economic Empowerment, 3T Villages

Abstrak

Penelitian ini menganalisis efektivitas program Dana Desa dalam mendorong pembangunan desa, dengan fokus pada Desa Tanjung Baringin, sebuah wilayah tertinggal, terdepan, dan terluar (3T) di Kabupaten Padang Lawas, Sumatera Utara. Melalui pendekatan deskriptif-kuantitatif yang didukung oleh wawancara kualitatif, penelitian ini mengevaluasi persepsi warga terhadap dua dimensi utama dari Dana Desa: pembangunan infrastruktur dan pemberdayaan ekonomi. Hasil survei menunjukkan bahwa mayoritas responden mengakui kontribusi Dana Desa terhadap pembangunan fisik, seperti jalan, jembatan, dan fasilitas dasar lainnya. Namun, dampaknya terhadap peningkatan ekonomi desa masih terbatas, dengan hanya 47,4% responden yang merasakan pengaruh positif. Pengembangan Badan Usaha Milik Desa (BUMDes) juga belum menunjukkan kinerja yang optimal, ditandai dengan tingginya tingkat netralitas dan skeptisisme di kalangan masyarakat. Temuan ini mencerminkan ketidakseimbangan

antara alokasi anggaran dan manfaat substantif yang dirasakan. Oleh karena itu, studi ini menekankan pentingnya pergeseran kebijakan Dana Desa dari orientasi fisik semata menuju pendekatan holistik yang lebih responsif terhadap kebutuhan sosial dan ekonomi masyarakat lokal. Penelitian ini memberikan kontribusi penting dalam memahami tantangan pembangunan di wilayah 3T serta menawarkan kerangka evaluatif untuk kebijakan pembangunan desa yang lebih inklusif.

Kata kunci: Dana Desa, Infrastruktur Pedesaan, Pemberdayaan Ekonomi, Desa 3T

INTRODUCTION

The development of rural development programs over the past decade in rural development in Indonesia shows a significant increase in the contribution to infrastructure and the participation of village communities in development (Atichasari et al., 2023; Permatasari et al., 2021). Several studies have concluded that the Village Fund program has become the most strategic fiscal instrument in supporting basic infrastructure development and improving the welfare of village communities (Irawan, 2023; Dwitayanti et al., 2020; Abdullah et al., 2019). One of the most notable benefits is that the village fund has allowed village governments to be more innovative in providing public facilities that were previously difficult for the central government to reach. However, the increase in village infrastructure development through village funds has also given rise to a new discourse on the effectiveness of this program in responding to the needs of the community as a whole, especially in the aspects of economic empowerment and environmental conservation (Harun et., 2021; Harmadi et al., 2020). Several studies show that although village funds have succeeded in increasing physical development such as roads, bridges, and village markets, their contribution to local economic growth and environmental conservation is still limited (Nugroho et al., 2022; Shome et al., 2023). In fact, the village development index, which is supposed to be an indicator of success, still shows a very low correlation with the amount of the allocated village fund budget (Harmadi et al., 2020).

This study illustrates how the implementation of village funds in Tanjung Baringin, Padang Lawas Regency, North Sumatra Province, reflects an imbalance between the success of infrastructure development and the weak impact on the economic aspect. The tendency to depend on physical development shows that the transformation that has occurred is still partial and has not reached the dimension of sustainable development. On the other hand, the perception of the people of Tanjung Baringin village who are in the T3 area (disadvantaged, frontier and outermost) towards the village fund program is also an important element in understanding the extent to which this program is felt by residents, especially community groups who have long wanted improvements and changes. Previous research has examined more of the context of village funds from the macro or national level. The effects of village funds on local empowerment, infrastructure and economic development, and the response of disadvantaged, frontier and outermost communities to village development policies have not been explored in depth in a specific local context. Tanjung Baringin, which is geographically located in the disadvantaged, frontier and outermost areas, still faces major challenges in

infrastructure development and economic empowerment at the village level which is very far from the center and difficult to access. Therefore, this study provides a broader picture of the characteristics and challenges of the implementation of the Village Fund in the context of local development in Indonesia, especially how the perception of disadvantaged, frontier and outermost communities who have wanted massive changes to the benefits of this program can strengthen or even weaken the legitimacy of village development policies.

This article aims to expand the study of the effectiveness of village funds in the context of locally-based village development. To our knowledge, there is not much literature that links the effectiveness of the Village Fund, the perception of the disadvantaged, frontier and outermost local communities, and its contribution to infrastructure development and economic empowerment at the same time. In the trend of village development studies in Indonesia, attention to the perspective of disadvantaged, frontier and outermost communities is still minimal. In fact, this group has a strategic position in determining the direction of sustainable development. Therefore, the case of Tanjung Baringin village which is located in disadvantaged, frontier and outermost areas is interesting to analyze, because it shows the inequality between physical achievements and socio-economic needs of the community. Our findings reinforce the general conclusion that village funds have contributed greatly to village infrastructure development. However, we also found something new and important: that the contribution of the village fund to strengthening the village economy is still not optimal. Therefore, this study proposes a more holistic and participatory approach in village Fund planning, by involving the voices of local communities in disadvantaged, frontier and outermost areas as a change in sustainable village development.

LITERATURE REVIEW

The Village Fund initiative represents a pivotal development strategy aimed at transforming rural governance and local economic systems in Indonesia. Its core mechanisms revolve around structured development efforts and community empowerment. As one of the country's most substantial fiscal decentralization efforts, the program seeks to prevent national fragmentation and to lessen socio-economic inequalities between regions. At the same time, it serves as a primary engine for advancing sustainable and productive village-level progress. A key objective of the initiative is to foster locally driven economic activities that enhance village revenues, ultimately steering communities toward long-term self-reliance. Over time, this is expected to significantly improve public welfare by promoting the development of critical infrastructure, protecting the environment, and ensuring more efficient use of natural resources. Thus, beyond economic growth, the program also aims to reinforce the principles of sustainable development in rural Indonesia.

Globally, similar programs have been acknowledged as integral to rural advancement and have had broad sectoral impacts in different countries. In Europe, such initiatives have been instrumental in boosting rural economies (Monsalve, Zafrilla & Cadarso, 2016). In the Chechen Republic, they have enhanced productivity and nurtured

the growth of local enterprises (Medonos et al., 2012), while Sweden's experience demonstrates their effectiveness in generating employment (Nordin & Manevska-Tasevska, 2013). In parts of Africa, such as Egypt, rural development programs have improved access to essential needs and household consumption (Shaaban, 2019). Across Asia, these initiatives have bolstered consumption and basic services in countries like India and Nepal (Deininger & Liu, 2009, 2013; Parajuli & Acharya, 2012), mitigated the issue of neglected farmland in Japan (Ito et al., 2019), and contributed to women's empowerment in nations such as Bangladesh, India, and Pakistan (Al-Shami et al., 2017: Scott, 2015). In Southeast Asia, similar schemes have played a crucial role in reducing poverty in countries like Thailand and Vietnam (Boonperm et al., 2013; Chandoevwit & Ashakul, 2008; Kislat & Menkhoff, 2016). Under such conditions, governments worldwide have been continuously increasing financial commitments to rural development. For instance, Thailand initiated a village development policy in 2001 with initial funding of approximately USD 22,500 per village (Boonperm et al., 2013). This allocation grew to USD 1 billion in 2017 and rose further to around USD 1.5 billion (or 55 billion baht) in 2018 (Haughton et al., 2014), eventually reaching USD 4.7 billion in 2020. In China, support for the rural and agricultural sectors was marked by a substantial allocation of USD 212 billion in 2016, with the cumulative budget from 2016 to 2019 totaling USD 925.9 billion (Zeng et al., 2021).

In Indonesia, the Village Fund program has yielded tangible impacts across various sectors. It has contributed significantly to the growth of Village-Owned Enterprises (Anam et al., 2023), infrastructure development (Puri & Khoirunurrofik, 2021; Saragi, 2021), economic expansion (Nugroho et al., 2022), and poverty alleviation efforts (Abdullah et al., 2019). Moreover, the initiative supports sustainable practices and improves quality of life in rural communities (Djuwendah et al., 2023; Ronaldo & Survanto, 2022), including improved access to education which has a downstream effect on reducing poverty (Nugroho et al., 2022). Over the past decade, the total budget allocated to the Village Fund program has amounted to 538.9 trillion rupiah. According to Permatasari et al. (2021), funding began at IDR 20.76 trillion (around USD 1.4 billion) in 2015 and rose progressively to IDR 45.98 trillion in 2016, and IDR 60 trillion in both 2017 and 2018. The amount increased further to IDR 70 trillion in 2019 and 2020, and is projected to reach IDR 71 trillion in 2024. According to Indonesia's President, this funding has played a crucial role in developing infrastructure vital to economic activity, including 261,877 kilometers of village roads, 1,494,804 meters of bridges, and nearly 12,000 village markets. It has also funded 39,844 Village-Owned Enterprises, 7,007 boat docks, 5,202 embankments, 76,453 irrigation systems, and life-support infrastructure such as clean water facilities, public toilets, maternity centers, and drainage systems. Additionally, the Village Fund has backed educational and health initiatives through the establishment of early childhood education centers and local health services. Impressively, this program has reached almost 75,000 villages—serving nearly half of Indonesia's rural population—underscoring its wide-reaching impact on rural transformation

Then what about the impact of the village fund in Tanjung Baringin Village, Padang Lawas Regency, North Sumatra, as a disadvantaged, frontier and outermost area that is far from the center and difficult to access. Tanjung Baringin Village is one of the disadvantaged, outermost, and frontier (3T) category areas in Padang Lawas Regency. Located on the border of the province with hilly topography and limited access, the village can only be reached via unpaved road and river paths. This condition reflects the typical challenges of 3T villages, such as the limitations of basic education, health, and clean water services. Based on Presidential Regulation (Perpres) Number 63 of 2020, this area is still classified as developing and underdeveloped, which requires sustainable development interventions. In this context, the village fund program is very relevant as the state's effort to reduce the gap in the development of suburban areas. Tanjung Baringin's status as a leading area also makes it a strategic location to study the effectiveness of the Village Fund, especially in encouraging socio-economic transformation based on local potential and as a concrete form of the state's presence in remote villages. Second, the allocation of the village fund budget allocated to all villages in Padang Lawas Regency gets a relatively equal proportion. However, empirical results and successes in general, are still centered on physical development, such as village roads, and bridges from 2017 to 2024. Then what about the impact on improving the community's economy. This shows that there are serious problems related to economic resilience in Padang Lawas Regency seriously.

METHOD

This study uses a quantitative method approach with descriptive statistics (Creswell, 2003; Terrell, 2016). The qualitative method aims to understand social phenomena through interpretation and contextual analysis (Moleong, 2022), using nonnumerical data such as interviews, observations, and text analysis (Teddlie & Tashakkori, 2012). We conducted this research in April 2025, focusing on Tanjung Baringin village, Padang Lawas Regency. The researcher distributed an online questionnaire in Indonesian, designed through Google Forms, assessing respondents' awareness and perception of the impact of village funds in their area. The survey is divided into three parts: (1) Respondent information, (2) the impact of village funds on physical infrastructure, and (3) its impact on economic improvement. The questionnaire link was distributed through the researcher's network on WhatsApp, and, using purposive sampling, responses were collected from 50 people. Respondents were asked to evaluate the contribution of the DANA DESA program to infrastructure development and economic growth. In this case, we included socio-economic background variables such as gender, age, and residence as additional dimensions for the analysis. In the questionnaire that we submitted to the respondents, it consisted of their assessment level of the realization of the village fund program. In this context, they are given the following options to express their behavior: (1) physical development infrastructure; (2) empowerment of village communities; (3) poverty alleviation; (4) improving the economy of the village community; (5) Equitable distribution of family economic income in the village. This impact was assessed using a five-point scale, ranging from 'very accurate' (5) to 'very inaccurate' (0). In addition, respondents were asked to evaluate the effect of village fund programs on economic improvement, using a scale from 'very trusted' (5) to 'untrusted' (0). Findings from online surveys and in-depth interviews are discussed in the following sections.

RESULTS AND DISCUSSION

Respondent Characteristics

The demographic characteristics of the respondents can be seen in Table 1. Based on gender, the number of respondents was evenly divided between men and women, each by 50%. In terms of age, most of the respondents were in the age range of 18–30 years with a percentage of 44%, followed by the age group of 31–40 years as much as 21%, and the age group of 41-50 years old at 20.4%. In terms of employment, the majority of respondents work as farmers (40%), followed by traders (30%) and fishermen (23%). Meanwhile, other professions such as Civil Servants (4%) and teachers (3%) were recorded in smaller numbers. The education level of respondents showed that most were Junior High School graduates (34%), followed by Elementary School (25%) and Senior High School (23%) graduates. A small percentage of respondents did not graduate from elementary school (11%) and only 7% had completed their education up to the undergraduate level.

Table 1. Socio-Demographic Respondents

Variable	Category	N	%
Gender	Man	25	50%
	Woman	25	50%
Age	18-30	44	40%
	31-40	21	21%
	41-50	31	20,4
Work	Farmer	40	40%
	Civil Servants	4	4%
	Trade	30	30%
	Teacher	3	3%
	Fisherman	23	23%
Education	Not Finishing Elementary School	11	11%
	Primary school	25	25%
	Junior High School	34	34%
	High School	23	23%
	Bachelor	7	7%

Source: Author's Computing, 2025

The Impact of Village Funds on Physical Development

How far are respondents aware of the village fund program for infrastructure development and which aspects of the village fund impact model are known to the respondents? We asked five questions about the impact of village funds on infrastructure, ranging from the construction of village roads, drainage development, procurement of transportation facilities and infrastructure, development of transportation facilities and infrastructure. Various

debates about the effectiveness of the use of village funds in infrastructure development show that community support for development projects is not monolithic. Just as the discourse around women's political participation in the Islamic context displays complexity and variation according to regional, religious, and institutional factors, so too do the community's views on village development also show diversity that reflects social dynamics, local expectations, and perceptions of development outcomes. Data on public perception of the five types of infrastructure development in villages show that, although the majority of respondents tend to support the construction of roads and means of transportation, neutral attitudes and rejections are also quite prominent, especially in the construction of waterways. On the construction of village roads, 44.7 percent of respondents said they agreed, with 11.2 percent strongly agreed. However, 27 percent disagreed and 7.2 percent strongly disagreed, indicating that nearly a third of respondents did not see road construction as a priority that was successfully realized or as they expected.

Table 3. Impact of village funds on infrastructure

Variable	Agree	Agree	Neutral	Disagree	Strongly disagree
Village Road Construction	44.7	11.2	9.9	27	7.2
Waterway Development	34.9	17.8	7.2	34.9	5.3
Procurement of transportation facilities and infrastructure	40.1	15.8	10.5	27	6.6
Development of transportation facilities and infrastructure	44.1	12.5	4.6	30.3	8.6
Rehabilitation of transportation facilities and infrastructure	40.1	15.8	10.5	27	6.6

Source: Author's Computing, 2025

Meanwhile, the construction of the aqueduct recorded the highest disapproval rate, with 34.9 percent disapproving and 5.3 percent strongly disapproving, with only 34.9 percent approving and 17.8 percent strongly approving. This figure indicates dissatisfaction or failure of communication between the village government and the community in terms of planning or implementation of the project. This neutral attitude towards development is also quite high (7.2 percent), which may reflect the lack of clarity of development results or the lack of community participation in the decision-making process. In terms of the procurement of transportation facilities and infrastructure, support is quite significant, with 40.1 percent agreeing and 15.8 percent strongly agreeing. However, 27 percent disagreed and 6.6 percent strongly disagreed, as well as 10.5 percent were neutral, which shows polarization in citizens' perceptions. The highest level of support was recorded in the development of transportation facilities and infrastructure, with 44.1 percent agreeing and 12.5 percent strongly agreeing, which collectively exceeded 56 percent. However, 30.3 percent disagree and 8.6 percent strongly disagree, indicating that although the development is felt by most citizens, the perception gap is still significant. This may be related to the imbalance of access between areas in the village or the unevenness of development results.

The rehabilitation of transportation facilities and infrastructure shows a pattern that is almost identical to procurement: 40.1 percent agree, 15.8 percent strongly agree, and 27 percent disagree, indicating that although initiatives to maintain old infrastructure are appreciated, not all communities feel the impact equally. Similarly, the community's view of infrastructure development in the village must be read as the result of the interaction of various factors: unmet expectations, uneven distribution of benefits, or even disappointment with the involvement of citizens in planning. This means that the community's response is not only an evaluation of the physical results of development, but also of the social processes that surround it.

The Impact of Village Funds on Physical Development

We also asked how well the respondents knew about the Village Fund program for economic development, and which aspects of the Village Fund impact model were known to the respondents? We also asked five questions about the impact of the village fund on the economy. Much of the literature on rural community empowerment highlights the inequality between policy expectations and real community responses to the programs offered. The results of the survey of five village strategic initiatives in the economic field show that community participation and confidence in the effectiveness of these programs varies greatly. For example, in terms of the growth of local MSMEs through capital assistance, only about 22.4 percent of respondents expressed agreement or strongly agreed with the impact, while the majority were relatively neutral (41.4 percent) and 36.1 percent expressed disagreement or strongly disagreed. This figure indicates that although there is significant potential in supporting MSMEs through capital, the community has not fully felt the concrete results of the intervention. Similarly, when asked for their opinion on the upskilling programme through training for farmers, the proportion who expressed support (17.1 per cent) was also relatively low, with 48 per cent saying they were neutral and 34.8 per cent rating it negatively. This shows that training programs have not been able to convince people that they are actually benefiting from new skills that can directly improve their productivity or well-being. Even in the aspect that is theoretically closest to food security, namely increasing the production of food crops and livestock, the public remains skeptical: only 15.2 percent agree, while almost 45 percent disagree or strongly disagree, and 40.1 percent are neutral. This reinforces the thesis that the success of the program is determined not only by technocratic design, but also by the villagers' perception and real experience of the program's output.

Table 3. Village Fund to Boost the Economy

Variable	Agree	Agree	Neutral	Disagree	Strongly disagree
Growth of local MSMEs through assistance A capital	7,9 %	14,5 %	41,4 %	28,9 %	7,2 %
Improving farmer training skills	5,3 %	11,8 %	48 %	27,6 %	7,2 %
Increasing Production of Food Crops and Livestock	6,6 %	8,6 %	40,1 %	32,9 %	11,8 %

Establishment of Village- Owned Enterprises	5,9 %	6,6 %	32,9 %	36,2 %	16,4 %
Increase access to start-up capital	8,6 %	18,4 %	33,6 %	30,9 %	8,6 %

Source: Author's Computing, 2024

What is more worrying is the public's perception of the formation of Village-Owned Enterprises (BUMDes), one of the main instruments of post-reform village economic development. Only 12.5 percent said they agreed with this policy, while 36.2 percent said they disagreed and 16.4 percent strongly disagreed. The neutral figure is in the range of 32.9 percent, indicating considerable uncertainty about the effectiveness of this institution. This can indicate a structural failure in management or a lack of transparency that makes it difficult for residents to trust BUMDes as an economic entity that truly benefits the community. However, a slightly more positive response can be seen in the question regarding access to start-up capital. As many as 27 percent of respondents said they agreed or strongly agreed with the importance of increasing access to capital, and although the level of disapproval remains high (39.5 percent), this shows that the idea of capital still resonates strongly in the public imagination as a potential solution, even if its implementation is not yet convincing. Overall, this data implies a perception gap between what the state designs within the framework of village economic interventions and how communities assess the outcomes of those interventions. High neutrality in all variables can be interpreted as a form of caution or even apathy born from past experience with incomplete or untargeted programs. Thus, just as the strategies of women candidates in politics depend on social capital and gender-based networks, the success of village economic empowerment programs will also depend heavily on the quality of the social relationships built between program implementers and the community, as well as how strongly these programs are connected to the real needs of villagers.

Discussion

Discourses on the effectiveness of Village Funds as an instrument of development in Indonesia often highlight two main poles: the success of physical infrastructure development and stagnation in community economic empowerment. In Tanjung Baringin Village, this dynamic is evident. The findings of this study show that the Village Fund has made a substantial contribution to physical development, with 63.8% of respondents stating that the fund has a significant impact on infrastructure improvement, including the construction of village roads, connecting bridges, and other vital public facilities. This trend is consistent with the national literature that places infrastructure as a top priority in the allocation of Village Funds, as well as directed by central government policies. The results of a study conducted by Permatasari et al., (2021) that the allocation of Village Funds at the local level strengthens these findings. In the past three years, Tanjung Baringin Village has been used consistently from 2017 to 2024 to build and improve basic infrastructure—from village roads and drainage systems to health service facilities and village government buildings.

Nevertheless, when looking at the local economic dimension, the picture that emerges is much more complex and, even, alarming. Only 47.4% of respondents assessed that the Village Fund had a positive impact on economic improvement. These findings are reinforced by the regression model used in this study, which shows no significant correlation between the use of Village Funds and the improvement of citizens' economic welfare. This indicates that, although physical development is developing, the economic growth of communities does not necessarily follow the same pattern. This condition is not unique to Tanjung Baringin Village. Previous research in various regions, including 441 districts in Indonesia and 75 villages in Bantul Regency, shows a similar pattern: Village Funds have not been able to create meaningful economic improvements, including in terms of job creation. In fact, efforts to function Village-Owned Enterprises (BUMDes) as an economic driving force have not shown encouraging results. Although in areas such as Bantul and Bali, BUMDes are able to contribute to the growth of the micro and cooperative sectors, the same has not happened in Tanjung Baringin. The role of BUMDes in increasing the income of villages and residents is still limited, and structural obstacles such as limited managerial capacity, low community participation, and weak local policy support are inevitable factors.

The latest literature does note a positive correlation between the Village Fund per capita and the existence of BUMDes, with an estimated increase of 0.30 units of BUMDes for every additional one million rupiah of the Village Fund. However, these relationships are aggregate and do not necessarily reflect the quality or economic impact of the established BUMDes. At the micro level such as Tanjung Baringin, the results show that institutional capacity and human resources are the main determining factors in converting fiscal inputs into real economic output. Thus, the findings in Tanjung Baringin provide a critical reflection on the discourse on village development in Indonesia. He points out that infrastructure can be built quickly, but building a village economy requires more than just allocating funds—it requires empowerment strategies, institutional strengthening, and meaningful citizen participation. As in the debate on women's representation in politics, where quotas are not a guarantee of substantive participation, the allocation of Village Funds does not necessarily guarantee fair and sustainable economic empowerment. The challenge ahead is no longer just to distribute funds, but to ensure that these funds truly change the lives of the village community as a whole.

CONCLUSION

The Village Fund does have a significant impact on physical development in Tanjung Baringin Village. Budget allocations of more than 70 percent for infrastructure have been successfully funded for the construction of roads, bridges, drainage systems, and other public facilities. This is in accordance with the direction of national policy and the positive perception of the public towards the output of physical development. However, these findings also show that too much priority on infrastructure actually closes the space for economic and social empowerment activities, which are desperately needed by people in disadvantaged villages. Sectors such as skills training, MSME development, and the formation of BUMDes have not shown optimal results, and even

caused public distrust in the effectiveness of these programs. Thus, a paradigm transformation is needed in the implementation of the Village Fund to be more able to answer the needs of village development in a comprehensive and sustainable manner. Instead of only being oriented to physical results, the Village Fund policy should emphasize more citizen participation in planning, strengthening village institutional capacity, and developing local economies based on village potential. This approach not only improves existing development inequalities, but can also strengthen the legitimacy of the state in the eyes of rural communities, especially in the 3T region who have been feeling marginalized. Therefore, the Village Fund is not only about funds, but also about how to build that is in favor of the community in a substantive and long-term way.

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