ANALYSIS OF THE EFFICIENCY AND EFFECTIVENESS OF VILLAGE FUND MANAGEMENT IN RURAL AREAS

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ABSTRACT

This study analyzed the efficiency and effectiveness of village fund management in supporting infrastructure development in a selected village in Province X. Using a mixed-method approach, data were collected through in-depth interviews, direct observation of projects, and document analysis of financial reports from 2021 to 2023. Results indicated that participatory planning processes, budget adherence during implementation, and active community oversight positively influenced fund efficiency. Despite these strengths, challenges such as limited human resource capacity, insufficient supervision tools, and delays in fund disbursement were identified. The findings suggest that enhancing the capacity of village officials and increasing community participation in monitoring activities could improve the utilization of village funds to achieve more optimal outcomes.

Keywords : *Village Funds, Efficiency, Effectiveness, Infrastructure Development, Fund Management*

INTRODUCTION

Village funds have become a pivotal policy instrument in Indonesia to accelerate rural development and improve community welfare by decentralizing fiscal resources to village administrations (Ningsih, 2024). Effective management of these funds is critical to developing essential infrastructure, empowering local economies, and sustaining poverty alleviation efforts (Wahyunie, 2024). Despite the significant financial allocation, issues related to fund mismanagement, lack of transparency, and low community participation have emerged as challenges that undermine the objectives of village fund programs (Harahap, 2024). Understanding how these funds are managed in different local contexts is vital for improving governance and maximizing developmental outcomes.

Infrastructure development funded by village funds has been shown to support access to markets, education, healthcare, and public services, which are essential for enhancing rural livelihoods (Bayu, 2024). Moreover, infrastructure investments contribute directly to the productivity and economic activities of village populations, facilitating broader local economic growth (Wijayanto, 2024). However, the success of these infrastructure projects heavily depends on the technical capacity and accountability of village officials overseeing fund utilization, which varies widely across regions (Ningsih, 2024). Capacity deficits within village administrations often delay project implementation and reduce overall effectiveness.

Transparency and community participation are essential factors enhancing fund management performance by ensuring that the decisions about fund allocation and project priorities align with local needs (Wulandari, 2025). Several studies have documented a positive correlation between higher community involvement and improved fund accountability, reducing opportunities for corruption (Harahap, 2024; Wahyunie, 2024). However, inadequate mechanisms to stimulate community oversight and limited public awareness constrict this potential in many villages (Bayu, 2024). Efforts to institutionalize participatory planning and monitoring have gained prominence as strategies to overcome these barriers.

The Indonesian government's regulations emphasize not only transparent reporting but also the involvement of village councils and residents in planning and budgeting processes (Ministry of Villages, 2023). Legislative frameworks such as Government Regulation No. 60/2014 stress the importance of participatory governance in village financial management (Dewi & Prasetyo, 2023). Yet, empirical evidence suggests gaps remain between policy prescriptions and on-the-ground practices, with many villages struggling to implement inclusive approaches (Suryani & Nugroho, 2019). Closing this gap is critical to enhance the legitimacy and sustainability of village fund initiatives.

Financial management tools and digital platforms have been introduced to support accurate reporting and monitoring of village fund utilization, improving data transparency and easing oversight (Rahman et al., 2023). Systems like SISKEUDES (Village Financial System) facilitate standardization and real-time reporting, offering potential to reduce mismanagement risks (Harahap, 2024). Nevertheless, the success of such technologies depends on the availability of training and IT literacy among village officials, which remains uneven (Wulandari, 2025).

Further research highlights multifaceted factors affecting the efficiency and effectiveness of village fund management, including human resource capacity, intergovernmental coordination, and socio-cultural dynamics (Yuliati, 2021). Decentralized fund management requires coordination between village governments and higher tiers to ensure adequate supervision and

support (Wijayanto, 2024). Additionally, social cohesion and trust within communities influence willingness to engage in participatory governance, affecting fund utilization outcomes (Darmawan et al., 2023).

In reviewing village fund impacts, several case studies observe that while infrastructure development has increased, socio-economic benefits do not always follow due to challenges in sustainability and inclusiveness (Wahyunie, 2024). Some villages prioritize physical infrastructure over community development activities, which can limit long-term poverty reduction impacts (Ningsih, 2024). Thus, balanced allocation strategies and integrated empowerment programs are advocated to optimize fund use.

The crucial objective of this study is to analyze the extent to which village fund management in the chosen region supports efficient and effective infrastructure development aligned with community needs (Harahap, 2024). This includes exploring how participatory planning, transparency, and capacity building affect fund allocation and project outcomes (Wulandari, 2025). The investigation also seeks to identify obstacles and propose strategies to improve fund governance and maximize developmental impact.

Finally, this research contributes to a broader discussion on decentralization, rural development, and governance reform in Indonesia by providing evidence-based insights into the practical implementation of village fund policies (Ministry of Villages, 2023). The findings aim to inform policymakers, local governments, and development practitioners to craft interventions strengthening village financial management and participatory infrastructure planning (Dewi & Prasetyo, 2023). Understanding these dynamics is essential to harness village funds fully as catalysts for rural transformation.

METHOD

This study employed a mixed-methods research design combining quantitative and qualitative approaches to provide a comprehensive analysis of village fund management effectiveness. The population comprised village officials, community leaders, and residents from a selected village, with a purposive sampling technique used to select 20 key respondents for quantitative surveys and 10 informants for qualitative interviews (Sekaran & Bougie, 2020). The purposive sampling ensured that participants had relevant knowledge and experience regarding fund management processes. Sampling adequacy was guided by Sekaran and Bougie's recommendations to ensure representativeness and data richness sufficient for meaningful analysis.

Instrumentation included structured questionnaires with Likert scale items for quantitative data collection, focusing on indicators of efficiency, transparency, and community participation. In-depth interview guides were developed for qualitative data to explore perceptions and experiences in managing and utilizing village funds. The tools were pre-tested for clarity and reliability, achieving Cronbach's alpha coefficients exceeding 0.7, indicating acceptable internal consistency (Sekaran & Bougie, 2020). Data collection occurred over a three-month period, involving face-to-face administration at village offices and community centers.

Data analysis began with descriptive and inferential statistics for the quantitative data using SPSS software, including frequency distributions, means, and correlation analyses to assess relationships between variables related to fund management effectiveness. Qualitative data from interviews were transcribed and analyzed using thematic analysis, following steps of coding,

categorization, and interpretation as outlined by Sekaran and Bougie (2020). Triangulation of quantitative and qualitative results ensured the validity and reliability of findings, addressing potential biases inherent in single-method studies.

The methodology was limited by the study's focus on one village, affecting generalizability but providing detailed contextual insights. Assumptions included respondent honesty and the stability of fund management practices during the study period. Ethical considerations involved obtaining informed consent and ensuring confidentiality. Statistical tests were standard and appropriate for social sciences data, following Sekaran and Bougie's guidelines on ordinary methods without invoking advanced models. This method framework allows replication and verification of results in similar rural development contexts.

RESULTS AND DISCUSSIONS

The management of village funds in the study area demonstrated considerable effectiveness in supporting infrastructure development, with a reported average effectiveness ratio exceeding 90% (Putri et al., 2024). This indicates that funds were utilized in alignment with planned objectives, corroborating findings from Rahman et al. (2023) who emphasized the importance of adherence to budgeting protocols for successful outcomes. Efficiency analysis showed a slight decline over the examined period, attributed to delays in fund disbursement and limited administrative capacity (Sari & Nugroho, 2023). Nonetheless, the overall positive trend suggests that targeted capacity development can further optimize fund utilization.

Community participation emerged as a significant determinant of fund management success. Villages exhibiting higher levels of participatory planning and monitoring reported better project outcomes and enhanced transparency (Aziz & Prasetyo, 2024). This aligns with the findings of Wahyunie (2024), who identified participatory governance as a cornerstone of sustainable village development. Conversely, villages with limited community engagement experienced challenges such as misallocation and reduced public trust, reflecting Wulandari's (2025) observations on governance constraints. Table 1 below summarizes key efficiency and effectiveness indicators by village cluster, drawing attention to disparities influenced by socio-economic and institutional factors.

Table 1. Efficiency and effectiveness indicators by village cluster (Putri et al., 2024)

Village Cluster	Effectiveness Ratio (%)	Efficiency Ratio (%)	Community Participation Score (1-5)
Cluster A	95.2	93.5	4.6
Cluster B	88.4	85.7	3.2
Cluster C	90.7	88.9	3.9
xxxx	7-10	9	7,02
Xxx	≤ 6	7	5.46
Total		**78**	**100**

The presence of digital management platforms contributed to improved financial reporting accuracy and timeliness, as highlighted in Rahman et al. (2023). These platforms have introduced systematic workflows that reduce manual errors and streamline approval processes, significantly enhancing transparency in fund utilization. Their implementation has facilitated timely reporting

to government agencies, crucial for maintaining compliance and enabling prompt intervention when irregularities arise. However, despite these advantages, uneven access to technology and insufficient training for village officials have limited their overall impact in some rural areas, where infrastructure and digital literacy remain inadequate (Rahman et al., 2023).

This digital divide prevents certain villages from fully benefiting from these platforms, creating disparities in the quality of financial governance across regions. Furthermore, without consistent capacity-building activities, users may not optimally leverage the platforms' features, leading to underutilization and missed opportunities for efficiency gains. These limitations echo the observations by Suryani and Nugroho (2019), who highlighted infrastructural and human resource improvements as essential prerequisites for successful digital governance adoption. According to their research, the technological infrastructure is only one component; equally important is training and continuous support to build competencies among village officials. Without this holistic approach, the risks of mismanagement and reporting inaccuracies persist, undermining public trust in village fund administration. Consequently, there is a growing consensus that investments in both physical and human capitals are necessary to maximize digital governance benefits fully (Suryani & Nugroho, 2019).

Analysis of socio-cultural factors indicated that trust within local communities fostered higher engagement and compliance with fund management procedures (Darmawan et al., 2023). Trust acts as social capital that encourages community members to actively participate in monitoring and supporting village fund management activities. This relational foundation is pivotal in rural settings where formal institutional frameworks are often supplemented by informal norms and networks. Darmawan et al. (2023) emphasize that high social capital underpins more effective governance by enhancing cooperation and accountability. In many Indonesian villages, traditional community structures and local customs coexist with formal governance systems, impacting how funds are managed and scrutinized. Bayu (2024) notes that when these informal controls are aligned with formal procedures, they reinforce compliance and transparency, whereas misalignment can result in conflicts and governance failures. Hence, understanding the socio-cultural context is essential for designing interventions that respect and leverage local dynamics.

Villages demonstrating strong social capital achieved better integration of fund projects with local priorities, underpinning Yuliati's (2021) conclusions on context-sensitive governance. Yuliati (2021) finds that villages with cohesive social networks are better positioned to align development initiatives with community needs, leading to higher satisfaction and sustainability. This integration ensures that funds address pressing local issues rather than externally imposed projects, enhancing both relevance and impact. The ability to harness social capital thus represents a critical determinant of village fund success.

Despite these successes, challenges persist. One significant concern is the difficulty some villages face in sustaining infrastructure projects beyond the immediate funding cycle, which raises questions about their long-term viability (Wijayanto, 2024). Factors such as lack of maintenance funds and technical expertise hinder continued benefits after project completion. Dewi and Prasetyo (2023) recommend integrated development strategies that combine infrastructure with local capacity-building to mitigate these issues. Their study highlights that without proper community ownership and institutional support, physical assets deteriorate, reducing their developmental contributions. Wijayanto (2024) advocates for participatory approaches that include maintenance plans and community engagement as core components of

project design to enhance durability. This perspective aligns with findings emphasizing sustainability in rural infrastructure programs.

In addition, bureaucratic rigidity at local government tiers impeded agile decision-making and resource allocation adjustments (Harahap, 2024). Procedural inflexibility often delays fund disbursement and project adaptations in response to emerging needs. Harahap (2024) argues that streamlining bureaucratic processes and decentralizing authority could improve responsiveness and efficiency. These reforms would allow villages to optimize resource use and adapt strategies dynamically, enhancing fund effectiveness. Overcoming these delays requires policy innovations and capacity enhancement at multiple government levels. Harahap (2024) suggests that simplifying reporting requirements and promoting participatory budgeting could alleviate bottlenecks. Such measures would foster timelier execution and better alignment with community priorities. Decentralization reforms empower local authorities with greater discretion, facilitating context-specific solutions. Transparency and accountability mechanisms embedded in these reforms strengthen trust and oversight, critical for effective fund management. Policy makers are encouraged to pursue these directions for optimizing village fund impacts (Harahap, 2024).

The study revealed discrepancies between financial independence and effectiveness; while some villages exhibited high financial self-reliance, their low effectiveness scores pointed to management gaps (Prasetyo et al., 2024). Financial capacity without robust governance frameworks leads to suboptimal outcomes. Prasetyo et al. (2024) highlight that effective planning, monitoring, and community involvement must accompany financial autonomy to translate resources into tangible improvements. Hence, holistic approaches encompassing both finance and administration are essential. Strengthening institutional frameworks ensures that funds are allocated efficiently and projects are executed properly. Prasetyo et al. (2024) underscore the role of participatory governance as a moderator enhancing the relationship between financial resources and developmental effectiveness. Thus, balancing financial and managerial elements is critical.

Moreover, the integration of religious and local cultural values appeared to moderate management practices positively, improving social acceptance and cooperation in several villages (Harahap & Santoso, 2024). Respecting and embedding these values in fund management processes bolsters community support and legitimacy. Harahap and Santoso (2024) demonstrate that culturally adaptive governance models facilitate conflict resolution and inclusivity. This approach aligns with broader trends recognizing culture's role in sustainable development. Such findings invite further investigation into culturally adaptive management models that align with local norms and values. Exploring these models can uncover best practices for reconciling modern governance principles with traditional contexts. Future research should assess the scalability and effectiveness of culturally sensitive frameworks in diverse village settings. This integration is promising for enhancing village fund outcomes.

Statistical correlation analysis indicated positive relationships between training frequency and fund efficiency ($r = 0.67$, $p < 0.05$), supporting Sekaran and Bougie's (2020) emphasis on human resource development. Frequent, targeted training improves officials' skills in budgeting, reporting, and project management. Sekaran and Bougie (2020) argue that ongoing capacity-building is indispensable for sustaining organizational performance. This correlation evidences that investment in human capital directly influences fund management quality. Training aimed at financial literacy and technological skills emerged as critical enablers of improved fund governance. Such programs reduce errors and fraud risk while increasing transparency and accountability. Training also helps bridge digital divides by ensuring users are proficient with

financial management platforms. Therefore, capacity-building initiatives must be prioritized within village fund programs.

Challenges in monitoring and evaluation mechanisms were noted, as some villages lacked systematically documented performance records, compromising transparency (Putri et al., 2024). Poor documentation undermines accountability and hampers evidence-based decision-making. Putri et al. (2024) advocate for standardized frameworks guiding consistent data collection and reporting. Implementing these would facilitate performance tracking and foster public trust. Adoption of standardized monitoring frameworks recommended in Ministry of Villages guidelines (Ministry of Villages, 2023) could address these limitations. These guidelines provide protocols for project evaluation and financial oversight. Compliance with such frameworks enhances governance rigor and stakeholder confidence. Encouraging adherence across villages is vital for holistic advancement.

Feedback from community members underscored a demand for more inclusive participation avenues, especially for marginalized groups such as women and youth (Aziz & Prasetyo, 2024). Inclusivity enhances social equity and enriches decision-making diversity. Aziz and Prasetyo (2024) note that empowering these groups contributes to more responsive and representative governance. Expanding participation mechanisms thus aligns with sustainable development goals and strengthens community cohesion. This aligns with global development goals emphasizing empowerment and equity in rural governance. Increasingly, international frameworks prioritize inclusive governance as central to effective rural development. Aligning village fund management with these aims can attract broader support and resources. Consequently, integrating inclusivity is both an ethical and strategic imperative.

Limitations of the study include its localized scope, which may affect generalizability; nevertheless, detailed context-specific insights provide valuable knowledge for similar rural settings (Yuliati, 2021). While findings may not extrapolate universally, they offer profound understanding of village fund dynamics applicable in comparable contexts. Yuliati (2021) encourages expanding research scope to diverse regions for broader applicability. Such efforts will strengthen evidence bases informing policy and practice. Further research could expand sample size and include longitudinal data to assess temporal changes. Longitudinal studies capture evolving governance practices and fund impacts, providing actionable intelligence for improvement. Coupling quantitative trends with qualitative insights illuminates mechanisms underlying success and failure. This comprehensive approach will refine village fund management strategies.

The implications of these findings suggest that effective village fund management relies on a synergistic mix of procedural rigor, community involvement, capacity building, and adaptive governance (Wahyunie, 2024). Procedural fidelity ensures accountability while communal participation aligns projects with needs. Capacity building strengthens implementation and sustainability, and adaptive governance facilitates responsiveness. Wahyunie (2024) stresses that integration of these elements is crucial for maximizing developmental outcomes of village funds. Policymakers should focus on strengthening these aspects to realize the full developmental potential of village funds. Prioritizing governance reforms, resource investments, and stakeholder engagement will enhance systemic performance. Coordinated multilevel efforts can overcome entrenched challenges and catalyze rural progress. Effective stewardship of village funds embodies a strategic lever for Indonesia's equitable development ambitions.

Future studies could explore innovative financing mechanisms, participatory technologies, and culturally embedded governance to support dynamic management systems (Darmawan et al., 2023). Experimentation with blockchain, mobile platforms, and AI could increase transparency and efficiency. Embedding cultural contexts ensures acceptance and relevance, fostering resilience. Darmawan et al. (2023) recommend piloting these innovations to propel village fund management into the digital age. Experimentation with digital inclusion programs may address current technology gaps. Expanding training and infrastructure development will reduce digital inequities and empower officials and communities alike. This digital inclusion is a cornerstone of modern, accountable governance frameworks. Scaling successful models nationwide offers a pathway to sustainable rural transformation.

In conclusion, this research advances understanding of village fund management in Indonesia, demonstrating that while progress has been made, multifaceted challenges remain. Addressing these challenges calls for integrated strategies reinforcing governance capacity, participation, and innovation. Enhanced collaboration among stakeholders will optimize fund utilization for tangible community benefits. Sustained commitment to these priorities will underpin Indonesia's rural development trajectory.

CONCLUSIONS

This study has demonstrated that effective village fund management critically depends on a balanced integration of procedural rigor, community participation, and capacity building. The findings reveal that digitally enhanced reporting systems improve transparency and timeliness but require corresponding investments in human resources to overcome infrastructural and skill barriers. Moreover, socio-cultural dimensions such as trust and social capital play a fundamental role in aligning projects with community needs and ensuring sustainable governance.

The relevance of this research lies in its detailed contextual insights into governance challenges and opportunities in rural Indonesia, reinforcing the importance of local dynamics in policy implementation. By highlighting the interplay of formal institutional frameworks and informal social controls, this study underscores the necessity of culturally sensitive approaches to fund management. These insights are valuable to academics, policymakers, and practitioners aiming to optimize rural development financing.

Importantly, this work contributes original evidence demonstrating that financial independence alone does not guarantee effectiveness without robust oversight mechanisms and participatory governance. The nuanced understanding of how capacity-building initiatives and decentralization reforms impact fund outcomes advances existing literature. Additionally, this study's emphasis on the integration of cultural values into governance models adds a fresh perspective to village development discourse.

The implications suggest that future strategies must prioritize holistic interventions combining technology, training, and community involvement to fully harness village funds' potential. Policymakers should focus on streamlining bureaucratic processes and enhancing inclusivity to foster equitable and efficient resource management. Coordinated efforts across government levels and stakeholder groups are essential to sustain these improvements and amplify developmental impacts.

In conclusion, the findings affirm that multifaceted challenges persist but are surmountable through comprehensive governance reforms and targeted capacity development. This research

contributes to the broader quest for equitable rural development by outlining actionable pathways to strengthen village fund governance. Its practical recommendations and context-rich analysis make it a meaningful addition to advancing sustainable rural transformation in Indonesia.

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