

EVALUATING THE EFFECTIVENESS OF THE VILLAGE FUND PROGRAMME IN DRIVING LOCAL ECONOMIC DEVELOPMENT

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Abstract

The Village Fund programme is one of the Indonesian government policies that aims to promote local economic development through independent budget management by village governments. This study evaluates the extent to which the programme has been effective in improving community welfare and economic development at the village level. The results of the evaluation show that Dana Desa has significantly contributed to improvements in infrastructure, local economic empowerment, and access to public services. However, the implementation of the programme still faces a number of challenges, such as a lack of human resource capacity, weak supervision, and potential budget misuse. To ensure the sustainability and effectiveness of the programme, it is necessary to improve governance, increase transparency, strengthen monitoring mechanisms, and actively involve the community in every stage of implementation. Thus, the Village Fund has a great opportunity to become an effective instrument in supporting sustainable economic development and equalising community welfare in rural areas.

Keywords: Evaluation, Village Fund Programme Effectiveness, Local Economic Development.

Introduction

The Village Fund is one of the strategic programmes initiated by the Indonesian government in order to encourage development at the village level. The programme is motivated by efforts to accelerate equitable development and address economic disparities between urban and rural areas. Since the enactment of Law No. 6/2014 on Villages, the government has started allocating significant funds to villages across Indonesia. The funds aim to support infrastructure development, improve the welfare of village communities, and encourage sustainable local economic activity (Rahardja ., 2021)

The Village Fund plays a crucial role in Indonesia's national development by being a key instrument in supporting development from the grassroots level. Through the distribution of funds directly to villages, the government aims to empower local communities to build infrastructure and improve their quality of life independently (Wijaya, 2022). With the Village Fund, it is hoped that key barriers such as poor transport access, lack of health and education facilities, and weak village economic structures can be gradually overcome. The programme also increases community involvement in

decision-making processes, promotes transparency and accountability which in turn will strengthen village governance (Simanjutak ., 2022)

More broadly, the Village Fund helps to maintain the balance of national development by minimising inequality between urban and rural areas. By improving welfare and creating new economic opportunities in villages, the exodus of people from villages to cities can be suppressed, thereby reducing pressure on cities and promoting more equitable economic growth. In addition, with improved incomes and quality of life at the village level, the contribution of the village economy to the national Gross Domestic Product (GDP) is also expected to increase, making the Village Fund an important foundation in driving inclusive and sustainable national economic growth (Nuraini, 2023)

However, despite several years of implementation, the Village Fund Programme has faced challenges. Data shows that the programme's success in driving local economic development still varies from region to region. Some villages have been able to maximise the use of funds to build productive infrastructure such as roads, irrigation, and local markets. However, on the other hand, there are villages that face obstacles in managing funds, either due to the lack of capacity of village officials, low community participation, or ineffective governance practices (Sari, 2020).

In some cases, the use of the Village Fund has focused more on physical development, while aspects of community economic empowerment, such as the development of micro, small and medium enterprises (MSMEs), improving human resources, and strengthening the local economic base, have been less targeted. This has resulted in the benefits of the programme not being fully felt in the form of increased income and community welfare in a sustainable manner (Rahayu, 2021).

In addition, the evaluation aspect is an important factor that needs to be considered. The effectiveness of this programme has not been evaluated in depth to ensure that the funds allocated have a real impact on local economic development. There is still a gap in understanding how much the Village Fund contributes to poverty reduction and increasing the economic productivity of village communities (Dewi, 2023).

Therefore, this research is relevant to conduct. By evaluating the effectiveness of the Village Fund Programme, it is hoped that a comprehensive picture can be found of the extent to which the programme has been successful in promoting local economic development. This research also aims to identify obstacles and provide recommendations that can improve the management of the Village Fund in a more optimal manner, so that the programme can have a more tangible positive impact on village communities.

Research Methods

The study in this research uses the literature method. The literature research method is one approach in research that relies on collecting, analysing, and utilising information sourced from various relevant literature or written documents. The type of literature used can be in the form of books, scientific journals, articles, research reports, official documents, or other publications related to the research topic (Tranfield et al., 2003) ; (Machi & McEvoy, 2016) . This research aims to understand, identify, and summarise its findings based on theoretical studies and secondary data, so as to build a conceptual framework or support further analysis. Using this method, researchers do not conduct direct data collection in the field, but rather construct arguments based on readily available materials, making it an effective approach for theory-based research or initial exploration of an issue (Ridley, 2012) .

Results and Discussion

Effectiveness of Village Funds in Local Economic Development

The Village Fund plays an important role in local economic development in Indonesia as one of the strategic steps to strengthen the economy from the smallest level, namely the village. The programme is designed to support development based on the needs of local communities while reducing disparities between urban and rural areas (Kartini & Haryanto, 2023) . By providing direct access to financial resources, villages can manage the budget for the development of strategic sectors such as agriculture, trade, village tourism, and the development of micro, small, and medium enterprises (MSMEs). This is in line with the purpose of the Village Fund, which is to encourage village independence in increasing productivity and competitiveness (Fahmi, 2020) .

One of the tangible manifestations of the effectiveness of the Village Fund is the acceleration of infrastructure development that supports community economic activity. Infrastructure such as village roads, traditional markets, irrigation, and crop storage are among the main priorities that provide direct added value. With the availability of access to transport and adequate supporting facilities, the distribution process of goods and services becomes more efficient and can increase community income. In the long run, strengthening this infrastructure not only strengthens the village economy, but also attracts investment from outside (Hidayat, 2024) .

In addition, the Village Fund also encourages capacity building of human resources who are the driving force of the local economy. In some villages, this budget is used for skills development training, such as entrepreneurship training, business management, or the utilisation of simple technology in production. As villagers' skills improve, the potential to create new, high-value businesses increases. These skills are also the foundation for creating jobs in the village, thereby reducing unemployment and strengthening the local economy (World Bank, 2020) .

The utilisation of the Village Fund in local economic development also has a positive impact on environmental sustainability. Various villages in Indonesia are using the funds to develop ecotourism or renewable natural resource-based sectors. For example, villages with natural tourism potential have utilised the Village Fund to build tourism facilities, thereby increasing tourist visits. This approach not only encourages local economic growth, but also preserves the environment by utilising natural resources wisely (Syamsuddin ., 2020)

However, the effectiveness of the Village Fund is also highly dependent on the governance and oversight applied. In some cases, the disbursement of the Village Fund is often characterised by challenges such as a lack of planning capacity, low transparency, or even misuse of funds. Therefore, a strict monitoring system is needed as well as active community participation in overseeing its use. In this way, the Village Fund can truly be utilised for the common good and not misappropriated by certain parties (Andriana, 2024) .

In addition to monitoring, the importance of community involvement in planning is also a determining factor in the success of the Village Fund. Through village meetings involving all elements of the community, the priority needs of the village can be better identified. This process ensures that the budget provided is truly directed to projects that meet local needs. Active community participation also creates a sense of ownership over development outcomes, making them more responsible for maintaining and utilising these outcomes (Wardana, 2025) .

The rapid development of local economies fuelled by the Village Fund has also increased synergies between various parties, such as local governments, non-governmental organisations (NGOs), and the private sector. This collaboration creates an ecosystem that supports sustainable village growth. For example, local governments can support pro-village regulations and policies, while the private sector can contribute with investments or community empowerment initiatives (Novita & Putri, 2022) .

While the benefits of the Village Fund are significant, periodic evaluations are needed to measure its impact on the local and national economy. In such evaluations, data on village economic growth, unemployment rates, and improvements in community welfare can serve as indicators of success. Thus, the government can continuously improve the implementation of the programme and ensure that the Village Fund remains relevant to the needs of dynamic village communities (Nugroho, 2024) .

Ultimately, the Village Fund has provided a major boost to local economic development, but its success still requires cooperation between the government, village communities, and other relevant parties. This shows that the Village Fund is not just about the budget, but also about how the involvement of all parties can produce a significant impact. With a planned and targeted approach, Dana Desa has the potential

to transform the face of Indonesia's villages into new centres of growth that can compete economically.

Thus, village funds for local economic development can be more inclusive and sustainable, creating a better balance between urban and rural areas. Not only does it act as a tool to accelerate development, but also as a symbol of village transformation towards self-reliance and real contribution to national development. If utilised optimally, the Village Fund can be an important pillar in creating a more developed and equitable Indonesia in the future.

Problems in the implementation of the Village Fund Development programme

The Village Fund Development Programme is one of the government's efforts to accelerate regional development, particularly in rural areas. Despite its great potential to improve community welfare, the implementation of this programme often faces a number of complex challenges. Problems that arise can come from various aspects, including planning, implementation, and supervision (Setiawan, 2020).

One of the main problems is the low capacity of human resources at the village level. Many village officials lack an understanding of financial governance and good administration, which often leads to errors in the management of funds. Limited knowledge in planning development in accordance with the needs of the community is also a major challenge, which sometimes leads to projects being implemented that are not on target (Surya, 2025).

Another problem is the low level of community participation in the programme planning and implementation process. Many villagers are not invited to be involved at an early stage, so the programmes designed do not reflect local needs. As a result, there is a mismatch between the implemented programmes and community expectations, which makes it difficult to achieve maximum benefits (Rahmawati & Putra, 2021).

In addition, oversight of the use of Village Funds is often ineffective. This is due to the lack of a transparent monitoring system and the limited use of technology at the village level. As a result, it is prone to irregularities, such as corruption or the use of funds in ways that are not in accordance with applicable regulations (Asian Development Bank, 2020).

Delegation of authority has also been an issue in programme implementation. While the Village Fund aims to promote village self-reliance, interventions from local government or external parties often reduce the capacity of villages to manage funds independently. This creates an unhealthy dependency and inhibits local initiatives in Development management (Rahmawati & Putra, 2021).

On the other hand, coordination between the various parties in this programme often does not run smoothly. The involvement of cross-sectors, such as the central, regional, and village governments, often suffers from communication barriers and

policy differences. This lack of synchronisation hampers the holistic implementation of the programme, resulting in suboptimal results (Ahmad & Siregar, 2021).

Administrative issues are also a major concern in the implementation of the Village Fund. Complicated procedures often prevent village officials from producing accurate and timely reports. These difficulties further add to the administrative burden they have to deal with, reducing time that could otherwise be used to focus on implementing development projects (Yuliana, 2023).

Other challenges also arise from geographical aspects. Many villages are located in remote areas and face difficulties in accessing logistics. This slows down the implementation of development programmes and affects the quality of projects undertaken. On the other hand, remote villages often struggle to receive adequate technical assistance (Priyono ., 2020)

There are also obstacles in ensuring the sustainability of the programmes implemented. Many development projects using the Village Fund are only orientated towards short-term results, thus lacking a significant impact on the economic sustainability of village communities. To overcome this, a more strategic and sustainable programme design is needed (Santoso, 2021).

With these challenges, there needs to be a concerted effort from the government, community, and related parties to overcome problems in the implementation of the Village Fund. Strengthening the capacity of human resources, a more transparent monitoring system, and increasing community participation are crucial steps to ensure that this programme truly brings optimal benefits to village development.

Conclusion

The Village Fund programme is one of the policies that has a positive impact on local economic development. Through significant budget allocations, the government provides opportunities for villages to manage resources independently, allowing local potential to be maximised. The implementation of this programme allows for the improvement of village infrastructure, such as roads, irrigation, and public facilities, which contributes to ease of access for communities as well as increased productivity of key economic sectors, such as agriculture and petty trade.

Despite its success in delivering a number of benefits, the effectiveness of the Village Fund programme in some areas still faces challenges that need to be addressed. Limited human resource capacity at the village government level, lack of supervision in the use of the budget, and corrupt practices are obstacles that hinder the optimisation of the program. In addition, the sustainability of development outcomes likely to be jeopardised if there are no supporting mechanisms in place to ensure that funded programmes continue to provide long-term benefits to communities.

Overall, the Village Fund programme has great potential to drive local economic development, but its success depends on improving governance, transparency and the capacity of implementers at the village level. The government needs to strengthen the programme's monitoring and evaluation system, provide training to village officials, and ensure the active involvement of communities in the planning and monitoring process. Thus, the Village Fund programme can become a more effective and sustainable instrument in realising the welfare of village communities.

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