

## ARTICLE

# The Relationship of Village Funds With Village Economic Development

## A Village Level Study in Indonesia

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**Abstract:** The Village Fund Program is a manifestation of fiscal decentralization in Indonesia, which is intended to support equitable development and increase community welfare. The village government has the authority to plan the use of the Village Fund and to spend it concerning regulations from the central government. The use of the Village Fund needs to be evaluated to determine whether the funds have been spent properly and to support the village's economic development. This study aims to identify Village Fund program activities that can affect village economic development and determine regional priorities in utilizing Village Funds for village development in the economic field. The analysis was conducted using a qualitative approach by mapping and tagging Village Fund expenditures. The mapping and tagging aim to ensure that Village Fund spending follows the mandate and to know the composition of the share of economic spending in each region. The results showed that: (1) the utilization of the Village Fund was following the applicable priority guidelines for the use of the Village Fund; (2) the share of economic spending in the eastern part of Indonesia is lower than in other regions, but the trend is constantly rising, while the share of economic spending in the islands of Java and Bali shows a higher number. Based on the research results, this study suggests that villages in disadvantaged areas prioritize Village Fund spending for infrastructure improvement and regional openness to increase village progress or independence.

**Keywords:** Village Fund; IDM; fiscal policy; village development.

## 1. Introduction

Indonesia is the largest archipelagic country, with a population spread across various regions, diverse geographical conditions, and community characteristics. This is a challenge in carrying out equitable development in this country. One of the government's ideas so that people can enjoy an equal distribution of national development is to strengthen regional and village development or develop Indonesia from the periphery.

In order to support increased development in the regions, Law Number 6 of 2014 concerning Villages (Village Law) was issued, which gives broader authority to villages in terms of financial governance and village development. This law is the legal basis for fiscal decentralization of the Village Fund policy. [de Mello \(2000\)](#) defines the concept of fiscal decentralization as the delegation of sources of income and expenditure functions to lower levels of government. The decentralization system is expected to increase efficiency in determining public goods by providing opportunities for regions to plan, develop and control their budgets ([Rosen & Gayer, 2010](#)). [Hindriks and Myles \(2006\)](#) sees that one of the important advantages of a decentralized system is adapting the provision of public goods and services to local preferences. The idea is that local governments are closer and more responsive to people's preferences than the central government. Decentralization aims to accelerate the realization of prosperity by improving public services ([Haryanto, 2018](#)). [Kusuma \(2016\)](#) stated that the transfer of fund management authority from the center to the regions through a fund transfer scheme will generally have an impact on increasing the implementation of public services by local governments. Decentralization has had a positive impact on the performance of Indonesian local governments ([Baidhowah, 2022](#)), promote human development and poverty alleviation ([Sandjaja et al., 2020](#)), as well as being able to increase the financial accountability of local government ([Fatoni, 2020](#)).

The Village Fund Policy is a form of fiscal decentralization in Indonesia. The Village Fund Program is intended to support equitable development and increase community welfare. This program aims to overcome development gaps between villages, improve public services in villages, advance village economies, strengthen rural communities as subjects of development, and alleviate poverty ([Direktorat Jenderal Perimbangan Keuangan, 2019](#)). [Rachma et al. \(2019\)](#) added that the provision of Village Funds was intended to provide a stimulus for the wheels of the economy at the village level. The Village Fund Program or similar has contributed in various countries, including: (1) Increasing the amount of infrastructure, for example through the Village Fund program in Indonesia ([Aziz, 2016](#); [Dwitayanti et al., 2020](#)), National Solidarity Programme (NSP) in Afghanistan ([Beath et al., 2015](#)), Social Investment Fund (SIF) in Bolivia ([Newman et al., 2002](#)); (2) Increasing access to basic services and consumption, for example through the Program National d'Infrastructures Rurales (PNIR) in Senegal ([Arcand & Bassole, 2007](#)), Zambia Social Fund (ZSF) in Zambia ([Chase & Sherburne-Benz, 2001](#)), Self-Help Groups (SHGs) in India ([Deininger & Liu, 2009](#)), KALAH-CIDSS in Filipina ([Labonne, 2013](#)), Poverty Alleviation Fund (PAF) in Nepal ([Parajuli et al., 2012](#)); (3) Reducing poverty, for example through the Village Fund program in Indonesia ([Kadafi et al., 2020](#); [Rachma et al., 2019](#); [Saragi, 2021](#); [Sigit & Kosasih, 2020](#); [Yazid et al., 2019](#)); (4) Increasing Jobs, for example through the Common Agricultural Policy (CAP) in Sweden ([Nordin & Manevska-Tasevska, 2013](#)); (5) Increasing access to finance, for example through the Village Funds (VFs) program in Thailand ([Menkhoff & Rungruxsirivorn, 2011](#)); (6) Improving the economy and community participation, for example through the Village Savings and Loans Association (VSLA) in Egypt ([Shaaban, 2019](#)) and the Village Fund program in Indonesia ([Murliasari, 2021](#)); (7) Increasing the number of Village-Owned Enterprises (BUMDes), for example through the Village Fund program in Indonesia ([Arifin et al., 2020](#)); (8) Increasing household income and expenses, for example through the Thailand Village and Urban Community Fund (VF) program in Thailand ([Boonperm et al., 2013](#)); (9) Reducing the prevalence of stunting, for example through the Village Fund program in Indonesia ([Indra & Khoirunurrofik,](#)

2022); and (10) Increasing the status of village independence or the Development Village Index (IDM), for example through the Village Fund program in Indonesia (Arina et al., 2021).

In implementing the Village Fund policy, village communities can participate in determining priorities for the use of Village Funds through Village Deliberations so that the use of Village Funds in each village can be different. The process of prioritizing the use of the Village Fund can be seen in Figure 1.

Figure 1. The Process for Determining Village Fund Activities



Source: Permendes Number 21 of 2015 (processed by the author)

The central government sets priorities for the use of Village Funds every year through the Minister of Villages, Development of Disadvantaged Regions, and Transmigration Regulations (Permendes) as a guide for villages in determining village activity programs and as a reference for local governments in preparing technical guidelines as well as monitoring and evaluating the use of Village Funds. These regulations from the central government are used as the basis by the village government in setting priority activities agreed upon at the Village Deliberation to accommodate each village's needs. The results of the decisions in the village meeting are used as a reference in preparing the Village Government Work Plan and the Village Revenue and Expenditure Budget. This series of processes shows that the village government has the authority to spend the Village Fund concerning the guidelines provided by the central government.

The authority possessed by the village government in planning the use and spending of the Village Fund raises the question, have these funds been spent according to their designation and support village economic development? Based on these research questions, the aims of this study were to: (1) identify Village Fund program activities that could affect village economic development; (2) know regional priorities in utilizing Village Funds for village development in the economic field. To fulfill the research objectives, the identification of Village Fund program activities that can affect village economic development will be carried out through mapping and tagging of Village Fund expenditures. The purpose of mapping and tagging is to ensure that Village Fund spending follows what is mandated. From the results of this tagging, the village priority programs in each region will also be known as the composition of their share of economic spending.

This research will provide novelty because no study has mapped and tagged Village Fund activities against economic indicators at IDM. This study maps Village Funds and IDM from 2019 to 2021. It provides an overview of the current Village Heads' attention to village development through their preferences in using Village Funds, particularly in the economic dimension. This study uses reference data in the form of Village Fund activity codes, village codes, and the Developing Village Index (IDM) questionnaire form and secondary data in the form of Village Fund spending realization data with observation units covering all villages in Indonesia. The observation period for this research is from 2019 to 2021, with the consideration that data on Village Fund realization grouped according to activities based on Permendagri Number 20 of 2018 will only be available starting in 2019.

## 2. Methods

This study uses a qualitative approach that adopts a research framework in the tagging process (Permatasari et al., 2021). A slight modification in this study is not to carry out the scoring process because, in this study, it does not require ranking of Village Fund activities. The steps for tagging in this study can be seen in Figure 2.

The first step in the tagging process is collecting the necessary data to conduct the analysis. Four data sets are used in this process: the Village Fund activity code,

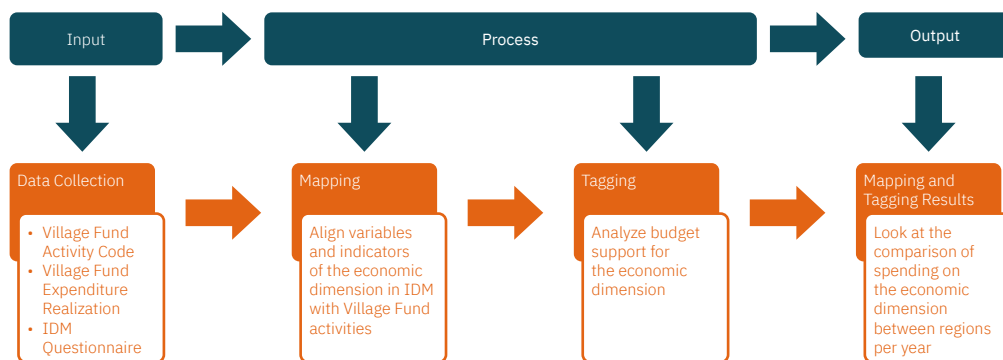


Figure 2. The Process of Tagging Village Fund Expenditures

village code, Village Fund spending realization, and the IDM questionnaire form. The four data sets come from different sources, as can be seen in Table 1.

Table 1. List of Data Sets

| No. | Data                                     | Description   | Source  |
|-----|--|---|---|
| 1   | Village Fund Activity Code               | List of activities that can be funded by the Village Fund                     | Permendagri No. 20 of 2018                                |
| 2   | Village Code                             | List of names and village codes throughout Indonesia to be determined in 2020 | Minister of Home Affairs Decree No. 146. 1-4717 Year 2020 |
| 3   | Realization of Village Fund Expenditures | Data on Village Fund absorption per village in Indonesia for 2019–2021        | OMSPAN Ministry of Finance                                |
| 4   | IDM Questionnaire Form                   | The form used to collect data and information for every village in Indonesia  | Ministry of Village PDTT                                  |

Note: The OMSpan database cannot be accessed by the public, managed by the Directorate General of Treasury (DJPb), Ministry of Finance of the Republic of Indonesia.

The IDM questionnaire form is used by the Ministry of Villages, Development of Disadvantaged Regions and Transmigration (Kemendesa) to collect data and information for every village in Indonesia. This questionnaire form can be downloaded on the Ministry of Village website. The Ministry of Village then processes the data collected from this questionnaire to produce an IDM value. This index aims to determine the status of village independence and progress and provide data and information in the context of village development. IDM is a composite index formed from the Social Resilience Index (IKS), Economic Resilience Index (IKE), and Ecological/Environmental Resilience Index (IKL). The index is compiled on the basis

Table 2. IDM Forming Components

| Dimensions (Index) | Variable                       | Indicator   |
|--------------------|--------------------------------|---|
| Social (IKS)       | Education                      | Access to SMA/SMK, access to SMP/MTs, access to SD/MI, availability of PKBM/ABC Packages, availability of PAUD, availability of courses, availability of reading gardens/village library.   |
|                    | Health                         | Village Health Post access, access to health facilities, midwives, doctors, other health workers, Posyandu activities, BPJS membership level.   |
|                    | Social Capital                 | Availability of public space, cooperation habits, sports groups, religious diversity, cooperation frequency, language diversity, sports activities, communication diversity, environmental security post, Environmental Security System, conflict, PMKS, SLB. |
|                    | Settlement                     | Access to electricity, telephone signal, village office internet, access to drinking water, garbage, latrines, bathing and washing water, residents' internet access.   |
| Economy (IKE)      | Community Production Diversity | Production diversity  |
|                    | Access Trade Center and Market | Shops, markets, taverns and inns, grocery stores/stalls.  |
|                    | Logistics Access               | Post and logistics  |
|                    | Access to Banking and Credit   | Banks and rural banks, economic institutions, credit.   |
|                    | Territory Openness             | Public transportation modes, road quality, territorial openness.  |
| Ecology (IKL)      | Environmental Quality          | Environmental Quality   |
|                    | Natural disasters              | Disaster-prone  |
|                    | Disaster Response              | Disaster response   |

Source: Ministry of Village, 2019 (processed by author)

that development is an accumulation process of complementary economic, social and environmental dimensions. Each of these dimensions is formed from several variables detailed in indicators. The components that make up the IDM referred to can be seen in [Table 2](#).

In the second step, variables and indicators of the economic dimension in IDM are matched with Village Fund activities. This stage aims to map two sets of data, namely the economic dimension indicators contained in the IDM questionnaire and the Village Fund activity code. The IDM indicator is used as a guideline for analyzing whether the Village Fund is used to fund activities that support and are in line with village development, especially in the economic dimension. Using content analysis, the authors identify the relationship between IDM indicators and Village Fund activities. According to [Neuman \(2014\)](#), content analysis is a technique for capturing and analyzing the content of a particular document. Content refers to words, images, symbols, meanings, ideas, themes, or messages that can be communicated. Content analysis is a research method that aims to provide an objective, quantitative and systematic description of the content of communications ([Berelson, 1952](#)). Furthermore, [Stone et al. \(1966\)](#) defines content analysis as a research technique for making conclusions by systematically and objectively identifying certain characteristics in a text.

Correspondence between economic indicators on IDM and Village Fund activities is an important contribution of this research because it has never been mapped in previous studies. Content analysis is carried out by understanding and matching the meaning of the words in the description of Village Fund activities with indicators that fall into the economic dimension of IDM. In this way, an overview can be obtained of how the activities of the Village Fund are related to village development in the economic dimension.

The next step is tagging by analyzing budget support for village development on the economic dimension. Based on the mapping results in the previous step, look for expenditure realization for each economic dimension variable using Village Fund expenditure realization data. The result of this stage is the realization of Village Funds based on the economic dimension, which reflects regional priorities in utilizing Village Funds for village development in the economic field. It should be noted that this study obtained complete Village Fund realization report data for the 2019 and 2020 Fiscal Years (FY), while for FY 2021, the absorption realization data that was entered as of January 28, 2022, was 84.58%. For FY 2021, it is enough to use the available data because the authors believe that adding the remaining realization will not significantly change the overall results, considering the relatively small percentage of Village Fund realization that has not been reported.

### 3. Results and Discussion

The first objective of this study is to identify Village Fund program activities that can affect village economic development. To fulfill this objective, mapping is carried out based on the data that has been collected.

The results of mapping Village Fund activities in this study include six variables on the economic dimension. The logistics access variable with postal and logistics indicators was not included in the mapping results because no Village Fund activities were found related to these indicators. Social assistance and equity participation are not included in the Economic Resilience Index at IDM, but in this study, both elements are included in the economic dimension. Social assistance is included in the economic dimension group because it provides additional income for the poor to increase purchasing power in meeting their daily needs or food assistance. Equity participation is also included in the economic dimension group because its use supports the sustainability of BUMDes, which can increase village economic activity.

[Table 3](#) shows that most types of Village Fund activities support the diversity of community production, including training, increasing production, developing small industries, and village tourism. The development and maintenance of village-owned

**Table 3.** Mapping Village Fund Activities on the Economic Dimension

| Economic Dimension             | Village Fund Activities  |
|--------------------------------|--|
| Community Production Diversity | <ul style="list-style-type: none"> <li>• Fisheries assistance</li> <li>• Appropriate technology training for inland fisheries/fishermen</li> <li>• Increased production of food crops</li> <li>• Increase in livestock production</li> <li>• Appropriate technology training for agriculture/livestock</li> <li>• Development of MSME infrastructure and cooperatives</li> <li>• Procurement of appropriate technology for economic development</li> <li>• Village-level small industry development</li> <li>• Formation/training of productive economic business groups</li> <li>• Maintenance and development of village-owned tourism infrastructure</li> <li>• Village-level tourism development</li> <li>• Other tourism sub-sector activities</li> </ul> |
| Access Trade Center and Market | <ul style="list-style-type: none"> <li>• Maintenance of the village market/village-owned stalls</li> <li>• Construction/rehabilitation of village markets/village-owned stalls</li> </ul>  |
| Access to Banking and Credit   | <ul style="list-style-type: none"> <li>• Strengthening Cooperatives/KUD/MSME</li> <li>• Field study of Cooperative/KUD/MSME management</li> <li>• Formation of Village Owned Enterprises (BUMDes)</li> <li>• BUMDes management training</li> </ul>   |
| Territory Openness             | <ul style="list-style-type: none"> <li>• Maintenance and construction of village transportation infrastructure</li> <li>• Maintenance and construction of village roads</li> <li>• Maintenance and construction of residential neighborhood roads</li> <li>• Maintenance and construction of farm roads</li> <li>• Maintenance and construction of village-owned bridges</li> <li>• Maintenance and construction of village road infrastructure</li> </ul>   |
| Social Assistance              | <ul style="list-style-type: none"> <li>• Village Direct Cash Assistance (BLT).</li> <li>• Food/basic food assistance</li> </ul>  |
| Equity Capital                 | <ul style="list-style-type: none"> <li>• BUMDes equity participation</li> </ul>  |

Source: Processing Results

markets or kiosks support access to the trade center. Village Fund activities support access to banking and credit through strengthening and training in the management of KUD and BUMDes, where some of the KUD and BUMDes are engaged in savings and loans. Village Fund activities support regional openness through the maintenance and construction of roads and transportation facilities, and infrastructure.

The second objective of this study is to determine regional priorities in utilizing Village Funds for village development in the economic field. In order to fulfill this objective, tagging is carried out by analyzing the Village Fund budget used to carry out activities that support development in the economic dimension. Based on the results of the mapping in Table 3, the total realization is then calculated concerning activities sourced from the Village Fund.

**Table 4.** Realization of Village Fund Expenditures in the Economic Dimension

| Economic Dimension             | 2019 (IDR)                | 2020 (IDR)                | 2021 (IDR)                |
|--------------------------------|---------------------------|---------------------------|---------------------------|
| Community Production Diversity | 3,319,672,939,085         | 2,135,044,244,570         | 2,391,258,014,756         |
| Access Trade Center and Market | 579,703,040,702           | 302,471,644,560           | 376,422,444,323           |
| Access to Banking and Credit   | 377,071,475,482           | 145,284,343,012           | 189,514,889,243           |
| Territory Openness             | 30,245,419,188,173        | 14,601,898,593,507        | 11,604,305,835,304        |
| Social Assistance              | 20,742,425,946            | 24,294,639,116,109        | 19,762,474,235,718        |
| Equity Capital                 | 1,770,345,650,503         | 787,023,382,064           | 962,907,061,626           |
| <b>Total</b>                   | <b>36,312,954,719,891</b> | <b>42,266,361,323,822</b> | <b>35,286,882,480,970</b> |

Source: Processing Results

Table 4 compares the realization of Village Fund spending in the economic sector from 2019 to 2021 in aggregate from all villages in Indonesia. In 2019 the largest portion of Village Fund spending was used to support regional openness, including

for the construction and maintenance of roads, bridges, and village transportation facilities and infrastructure. This indicated that the village's priority programs for that year focused more on infrastructure development. The realization of Village Funds for infrastructure development to support the openness of the area follows the mandate from the central government regarding the use of Village Funds, as stated in the Permendesa PD TT Number 16 of 2018 concerning the Priority for Using Village Funds in 2019. The main priority for using Village Funds in 2019 is to finance the implementation of programs and activities in the field of village development and village community empowerment. These priorities can be realized, among other things, through infrastructure projects implemented under a cash-for-work scheme so that they can absorb a large number of local workers. Regional openness has an important role in village economic development. The availability of adequate road access will facilitate the flow of goods into and out of the village. With good transportation access, the goods needed by the village community will be more easily fulfilled. In addition, adequate road facilities can also help reduce logistics costs for agricultural products in the area so that the prices of the commodities produced become more competitive. This regional openness can also support the development of other economic dimensions, namely the diversity of community production, access to trade centers, and access to banking and credit.

Meanwhile, in 2020 and 2021, there will be a shift in priorities in the use of Village Funds which previously focused on infrastructure to social assistance. Refocusing Village Fund spending is following the mandate from the central government regarding the priority use of Village Funds in handling the Covid-19 pandemic. Social assistance is mostly distributed in the form of Direct Cash Assistance (BLT) for the rural poor as part of the economic recovery program due to the Covid-19 pandemic. Village BLT is given to rural poor families who are not included in the recipients of the Family Hope Program, Cash Social Assistance, Pre-Employment Cards, Staple Food Cards, and other social assistance. The existence of this provision means that there is no overlapping in the distribution of government social assistance, including Village BLT. To avoid this overlapping, good coordination is needed and supported by an integrated single data system between the relevant ministries. Furthermore, the realization of Village Fund spending on the economic dimension of each village is then compared with the total realization of absorption in each village so that the composition of the economic dimension share of spending on the realization of Village Fund absorption is produced. The size of this share of economic spending reflects the village's priority in utilizing the Village Funds received.

**Table 5** compares the share of Village Fund economic spending by province and large island regions in Indonesia from 2019 to 2021. Most areas experienced an increase in their share of economic spending in 2020 and then decreased again in 2021. However, some provinces with a share of economic spending will continue to increase consistently until 2021. This increase could be used more for economic recovery, which still requires a lot of financial support through the Village BLT program, or maybe it can also be used to increase infrastructure development because most of these areas are located in the eastern part of Indonesia, which still lags behind other regions. Increasing the development of rural areas, especially in disadvantaged areas, must be accelerated to reduce the depth and severity of poverty in the region (Handoyo et al., 2021).

The average share of Village Fund economic spending in the Sumatra Island region from 2019 to 2021 is 56.80%. This percentage is in the middle position among other island regions. The largest average share of village fund economic spending is in Riau Province, which is equal to 66.07%. The large share of economic spending cannot be separated from the Ministry of Village's encouragement to accelerate infrastructure and regional development in Riau Province. In this case, the Ministry of Village has a role in consolidating villages around industrial, investment, and food estate areas. Apart from the Ministry of Village, several ministries involved in implementing the Village Fund program include the Ministry of Home Affairs, the Ministry of Finance, and the Ministry

**Table 5.** Share of Village Fund Economic Expenditures by Region

| No. | Provinces/Island Territories | 2019 (%)     | 2020 (%)     | 2021 (%)     | Average (%)  |
|-----|------------------------------|--------------|--------------|--------------|--------------|
| 1   | Aceh                         | 33.97        | 45.66        | 46.62        | 42.08        |
| 2   | North Sumatra                | 57.00        | 57.76        | 56.08        | 56.95        |
| 3   | West Sumatra                 | 52.03        | 62.62        | 53.31        | 55.99        |
| 4   | Riau                         | 63.66        | 69.94        | 64.60        | 66.07        |
| 5   | Jambi                        | 54.45        | 64.73        | 55.27        | 58.15        |
| 6   | South Sumatra                | 57.37        | 61.22        | 59.52        | 59.37        |
| 7   | Bengkulu                     | 60.19        | 62.71        | 58.45        | 60.45        |
| 8   | Lampung                      | 54.95        | 54.96        | 52.57        | 54.16        |
| 9   | Bangka Belitung Islands      | 47.34        | 58.79        | 59.73        | 55.29        |
| 10  | Riau Islands                 | 54.99        | 60.39        | 63.08        | 59.49        |
|     | <b>Sumatera</b>              | <b>53.59</b> | <b>59.88</b> | <b>56.92</b> | <b>56.80</b> |
| 11  | West Java                    | 62.90        | 69.48        | 61.01        | 64.46        |
| 12  | Central Java                 | 64.30        | 67.72        | 59.62        | 63.88        |
| 13  | D. I. Yogyakarta             | 63.26        | 66.22        | 57.26        | 62.25        |
| 14  | East Java                    | 66.03        | 66.17        | 63.47        | 65.22        |
| 15  | Banten                       | 70.19        | 70.67        | 64.81        | 68.55        |
| 16  | Bali                         | 61.50        | 60.47        | 55.50        | 59.16        |
|     | <b>Java and Bali</b>         | <b>64.70</b> | <b>66.79</b> | <b>60.28</b> | <b>63.92</b> |
| 17  | West Kalimantan              | 51.35        | 56.70        | 53.09        | 53.71        |
| 18  | Central Kalimantan           | 53.97        | 57.10        | 56.10        | 55.72        |
| 19  | South Kalimantan             | 56.97        | 60.28        | 57.30        | 58.18        |
| 20  | East Kalimantan              | 62.70        | 61.24        | 57.28        | 60.41        |
| 21  | North Kalimantan             | 39.82        | 46.92        | 47.24        | 44.66        |
|     | <b>Kalimantan</b>            | <b>52.96</b> | <b>56.45</b> | <b>54.20</b> | <b>54.54</b> |
| 22  | North Sulawesi               | 58.30        | 62.21        | 64.71        | 61.74        |
| 23  | Central Sulawesi             | 40.71        | 51.61        | 49.96        | 47.43        |
| 24  | South Sulawesi               | 66.38        | 69.16        | 66.39        | 67.31        |
| 25  | Southeast Sulawesi           | 51.63        | 55.73        | 56.79        | 54.72        |
| 26  | Gorontalo                    | 33.18        | 49.08        | 44.93        | 42.40        |
| 27  | West Sulawesi                | 66.42        | 70.61        | 69.60        | 68.88        |
|     | <b>Sulawesi</b>              | <b>52.77</b> | <b>59.73</b> | <b>58.73</b> | <b>57.08</b> |
| 28  | West Nusa Tenggara           | 45.64        | 57.53        | 49.18        | 50.78        |
| 29  | East Nusa Tenggara           | 47.18        | 54.87        | 59.18        | 53.74        |
| 30  | Maluku                       | 33.06        | 48.97        | 56.87        | 46.30        |
| 31  | North Maluku                 | 43.87        | 51.84        | 51.39        | 49.03        |
| 32  | Papua                        | 24.23        | 56.57        | 57.35        | 46.05        |
| 33  | West Papua                   | 21.10        | 41.08        | 42.66        | 34.94        |
|     | <b>Nusra, Maluku, Papua</b>  | <b>35.85</b> | <b>51.81</b> | <b>52.77</b> | <b>46.81</b> |

Source: Processing Results

of National Development Planning/Bappenas. An agreement was made to align the roles of the four ministries contained in the Joint Decree (SKB) of the 4 Ministers regarding Village Funds. The SKB is an effort to align the roles of relevant ministries to make village development more effective and use Village Funds to improve people's welfare. In this SKB, the Ministry of Finance plays a role in budgeting and distributing Village Funds; The Ministry of Village establishes general guidelines and priorities for the use of Village Funds; The Ministry of Home Affairs, among others, has a role in organizing capacity building for village officials and administering village governance; as well as the Ministry of National Development Planning/Bappenas to carry out alignment and coordination between ministries. Coordination and collaboration between ministries are very important to prevent overlapping in implementing village development. Henceforth, it is also necessary to develop collaborative governance



among related agencies. Collaborative governance can help the parties involved in achieving the targets that have been set (Arsandi, 2022).

The islands of Java and Bali have the largest average share of Village Fund economic spending compared to other island regions, namely 63.92%. Banten Province remained consistent as the province with the largest share of Village Fund economic spending during the study period. It is very natural for villages in the province to catch up with other regions in Java. Banten is a province on the island of Java with the highest percentage of villages with underdeveloped and very underdeveloped status compared to other provinces in Java. In order to make up for this lag, apart from improving infrastructure, it must also be accompanied by increasing the capacity of village officials because without the ability of village officials who are qualified to manage villages, the expected village independence cannot be achieved.

During the study period, the average share of Village Fund economic spending in the Kalimantan Island region was 54.54%. This percentage is among the lowest among other island regions. The lowest average share of village fund economic spending is in North Kalimantan Province, while the highest is in East Kalimantan Province. North Kalimantan is the youngest province in Kalimantan and is the result of the division of East Kalimantan Province, which is the richest province in Kalimantan. As the youngest province, villages in North Kalimantan can follow the example of villages in East Kalimantan in optimizing the use of Village Funds for village economic development, which is expected to improve the welfare of their people.

Meanwhile, the average share of Village Fund economic spending in the Sulawesi Island region from 2019 to 2021 is 57.08%. This percentage is among the highest among other island regions. The largest average share of Village Fund economic spending is in the Province of West Sulawesi, 68.88%. West Sulawesi Province is the youngest province in Sulawesi, resulting from the division of South Sulawesi Province. As the youngest province in Sulawesi, villages in West Sulawesi Province allocate more Village Funds they receive for economic development, even more so than in South Sulawesi Province.

The islands of Nusa Tenggara, Maluku, and Papua, have the smallest average share of Village Fund economic spending compared to other island regions, namely 46.81%. West Papua Province has an average share of economic spending that is always the smallest among other provinces. This is the youngest province in the Nusa Tenggara, Maluku, and Papua Island Region groups. Even though the average share of economic spending is always the smallest, the percentage increases yearly.

Judging from the grouping of island regions, on average, the largest share of Village Fund economic spending is in Java and Bali, which exceeds 60 percent. This indicates that villages in the region have greater attention to economic development than most other regions. In contrast, the share of economic spending in the Nusa Tenggara, Maluku, and Papua regions is lower than in other regions. However, seen from its development in the last two years, it has shown much improvement. This could indicate that villages in the region are trying to catch up with other regions regarding their economic development.

#### 4. Conclusion

The results of mapping and tagging show that in the pre-pandemic period, Village Fund program activities related to the economic dimension were mostly used to support regional openness, including the construction and maintenance of roads, bridges, and village transportation facilities and infrastructure. These findings indicate that village priority programs to increase economic development are generally carried out through infrastructure development. Meanwhile, during the COVID-19 pandemic, the use of Village Funds shifted its priority to economic recovery programs. This shows that the use of Village Funds is flexible and follows the real needs of the village.

The realization of Village Funds for infrastructure development to support regional openness during the pre-pandemic period following the mandate of the central

government regarding the priority use of Village Funds, namely, to finance the implementation of programs and activities in the field of village development and empowerment of village communities. These priorities can be realized, among other things, through infrastructure projects implemented under a cash-for-work scheme so that they can absorb a large number of local workers. Regional openness has an important role in village economic development, among others, to smooth the flow of goods into and out of the village, facilitate the fulfillment of village community needs, and reduce logistics costs for agricultural products in the area. Meanwhile, during the COVID-19 pandemic, there was a shift in priorities in the use of Village Funds which previously focused on infrastructure to social assistance. This refocusing is in accordance with the mandate from the central government regarding the priority use of Village Funds in the context of handling a pandemic.

The tagging results showed that the share of economic spending in the eastern part of Indonesia is lower compared to most other regions, but the trend is always increasing from year to year. The increase in the share of economic spending could be used to increase infrastructure development to catch up because many regions in the region are still lagging behind other regions. To make up for this lag, apart from improving infrastructure, it must also be accompanied by increasing the capacity of village officials because without the ability of village officials who are qualified to manage villages, and the expected village independence cannot be achieved. Meanwhile, the share of Village Fund economic spending in the Java and Bali Islands shows a higher number, indicating that villages in these areas have a higher priority for economic development than other regions.

Based on the discussion and research conclusions, several policy suggestions can be made, including: (1) villages in underdeveloped areas to prioritize Village Fund spending to improve infrastructure and regional openness to increase village progress or independence; (2) infrastructure projects for village development should be implemented under a cash-for-work scheme so that they can absorb a large number of local workers; (3) the government or related agencies need to take a role in consolidating villages to accelerate infrastructure development and regional development; (4) the need to strengthen inter-ministerial role coordination and be supported by an integrated single data system so that overlapping does not occur in the implementation of village development, including in the distribution of social assistance. While suggestions for further research, namely in mapping and tagging, it is better to involve more researchers in related fields to cross-check, strengthen arguments, and minimize subjectivity.

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