



Local Development under the Village Fund Program in Indonesia

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Abstract

This study examines the dilemma of local development under the Village Fund program with a focus on Tanjung Baringin Village, a 3T area in Padang Lawas Regency, North Sumatra. Through a mixed quantitative and qualitative approach, this study analyzes the effectiveness of Village Funds on two main dimensions: physical infrastructure development and community economic empowerment. The results of the survey of 50 respondents show that there is a significant contribution of the Village Fund to the construction of roads, bridges, and transportation facilities that improve village connectivity. However, its impact on strengthening the household economy and the development of BUMDes is still limited. The data shows that only a fraction of the community feels the immediate economic benefits, while public perception is also divided on certain projects, such as the development of waterways. These findings confirm the imbalance between the physical development output seen and the substantive goals of economic resilience and community empowerment. Therefore, the study recommends a policy shift from a physical orientation to a more holistic, participatory, and sustainable approach. By highlighting the case of Tanjung Baringin Village, this study enriches the literature on the implementation of Village Funds in the 3T area and emphasizes the importance of integration between infrastructure development, economic empowerment, and strengthening local institutional capacity.

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Introduction

The year 2014 became an important milestone in the history of Indonesia's rural development through Law Number 6 of 2014. Although it is not the first time, the state has allocated the Village Fund as a fiscal instrument oriented towards rural governance transformation and strengthening the local economy. This program is seen as one of the most substantial manifestations of fiscal decentralization in Indonesia that aims not only to accelerate the development of basic infrastructure in villages, but also to reduce socio-economic disparities between regions and strengthen national cohesion through more equitable development. In this policy vision, the Village Fund is expected to encourage village independence by expanding economic opportunities, improving the welfare of residents, and building a sustainable foundation for the future of rural Indonesia.

. This debate focuses primarily on the aim of construction a new country with its own government, that occurs expected financial, public, and governmental (Palombara 1963:36).The Establishment of the Democracy of Tajikistan was selected in April 1994. New and professionally planned. The type of the governmental method of Tajikistan in the Establishment of Tajikistan is sovereign. Tajikistan is established the law of "rule of regulation". Immunity, balance and generous representative rights are shielded for one establishment. The type of the governmental arrangement is elucidated in the Establishment of the Democracy of Tajikistan.

International experience shows that similar schemes in many countries have played an important role in encouraging rural development. In Europe such as the Republic of Chechnya and Sweden (Monsalve, Zafrilla & Cadarso, 2016; Nordin & Manevska-Tasevska, 2013) ^[14, 15], Asians such as India and Nepal (Deininger & Liu, 2009, 2013; Parajuli & Acharya, 2012) ^[5, 17], Japan (Ito *et al.*, 2019) ^[11], Bangladesh and Pakistan (Al-Shami *et al.*, 2017; Scott, 2015 ^[2], to Africa such as Egypt (Shaaban, 2019) ^[20], village development funds have been proven to expand community access to infrastructure, create new jobs, and even encourage women's empowerment. For example, village development policies in Thailand since the early 2000s have succeeded in increasing village income (Boonperm *et al.*, 2013; Chandoevrit & Ashakul, 2008; Kislak & Menkhoff, 2016), while in China, massive allocations for the rural sector reached hundreds of billions of dollars in just four years ((Zeng *et al.*, 2021). It was USD 212 billion in 2016, with a cumulative budget from 2016 to 2019 of USD 925.9 billion. A similar phenomenon is also seen in South Asia, where rural financing support has helped drive poverty reduction and economic resilience (Deininger & Liu, 2009, 2013; Parajuli & Acharya, 2012) ^[5, 17]. In this comparative context, the Indonesian Village Fund program is on a path that is in line with global practice, which is to utilize direct fiscal transfers to strengthen the basis of local development.

Since its launch, the Village Fund program in Indonesia has shown a real contribution to infrastructure development and the expansion of public services in villages (Atichasari *et al.*, 2023; Permatasari *et al.*, 2021) ^[3, 18]. More than 260 thousand kilometers of roads, nearly 12 thousand village markets, tens of thousands of irrigations, and thousands of health and education facilities have been built from this fund (Irawan, 2023; Dwitayanti *et al.*, 2020; Abdullah *et al.*, 2019) ^[10, 6, 1]. However, massive achievements in the physical sector do not necessarily reflect holistic success (Harun *et al.*, 2021) ^[8]. Several studies have found that although infrastructure development is increasing rapidly, its impact on village economic empowerment is still limited (Nugroho *et al.*, 2022; Shome *et al.*, 2023) ^[16, 21]. The village development index, which is supposed to be the main indicator of program success, shows a low correlation with the amount of fund allocation (Harmadi *et al.*, 2020) ^[7]. This suggests that the development strategy still emphasizes the physical aspect more than the deeper socio-economic dimension.

In the local context, the case of Tanjung Baringin Village in Padang Lawas Regency, North Sumatra, provides an interesting illustration. This village is one of the 3T areas—disadvantaged, outermost, and frontier—with very limited road access and basic services. Since the implementation of the Village Fund, most of the budget allocation in Tanjung Baringin has been used for the construction of roads, bridges, and drainage, which has indeed succeeded in improving regional connectivity. However, the impact on the economic growth of villagers is still not significant. This condition confirms the dilemma faced by the Village Fund program: between the success of physical development that is visible

to the naked eye and the weakness in creating economic resilience and substantial community empowerment. Therefore, this research departs from the need to understand more deeply how the implementation of the Village Fund works in the context of hard-to-reach suburban areas. The study of Tanjung Baringin Village highlights the imbalance between the physical outcomes and the socio-economic needs of the residents. With its challenging geographical background and status as a 3T area, the village presents a critical portrait of the limitations of an infrastructure focused development approach. This research not only adds a local perspective that is rarely researched, but also emphasizes the importance of shifting the village development paradigm towards a more participatory, holistic, and sustainable approach.

Research Methods

This research is designed by combining two approaches, namely quantitative and qualitative, to obtain a comprehensive picture of the effectiveness of Village Funds in the 3T area. A quantitative approach is used by applying descriptive statistics (Creswell, 2003; Terrell, 2016), which allows researchers to map general patterns from the collected numerical data. Meanwhile, qualitative methods are used to understand social phenomena more deeply through interpretation and contextual analysis (Moleong, 2022). Relying on interviews, observations, and text analysis (Teddlie & Tashakkori, 2012), this study seeks a richer understanding of how communities interpret the impact of Village Funds in their daily lives. The research location focuses on Tanjung Baringin Village in Padang Lawas Regency, North Sumatra, which is part of the disadvantaged, outermost, and frontier (3T) areas. The implementation of the research will be carried out in April 2025 by utilizing online surveys as the main instrument for data collection. The questionnaire in Indonesian was designed using Google Forms and distributed through the researcher's network on the WhatsApp application. Through the purposive sampling technique, responses were collected from 50 respondents who were selected based on their relationship with the local context. The questionnaire is organized into three main sections. First, basic information about respondents which includes socio-demographic characteristics such as gender, age, and occupation. Second, the respondents' perception of the impact of the Village Fund on the development of physical infrastructure. Third, the respondents' evaluation of the influence of the Village Fund on improving the village economy. Thus, the study not only measures public perception, but also relates it to the socio-economic background of citizens.

To measure respondents' perceptions, the questionnaire presented five main categories: (1) physical infrastructure development, (2) village community empowerment, (3) poverty alleviation, (4) community economic improvement, and (5) equitable distribution of family income in villages. Each aspect is rated using a five-point Likert scale, ranging from "very accurate" (5) to "very inaccurate" (0). In addition, respondents were also asked to evaluate the extent to which

they assessed that the Village Fund program could be trusted in encouraging economic improvement, with a scale ranging from "very reliable" (5) to "unreliable" (0). Finally, quantitative data from the survey was combined with in-depth interviews to reinforce the interpretation of the results. This approach allows for a sharper analysis of the imbalance between physical development and economic empowerment in Tanjung Baringin, while highlighting the way in which residents assess the relevance of the Village Fund program in their daily lives.

Result

Respondent Characteristics

In this field survey, the demographic distribution of respondents shows a fairly unique balance. In terms of gender, the composition of respondents was evenly divided: 50 percent male and 50 percent female. This equality is important, because it provides a relatively balanced picture in assessing how citizens' perception of the implementation of the Village Fund is formed, both through the experience of men who are more often involved in village public activities and women who are often the main users of social facilities such as health services, education, and clean water. Thus, the data not only represent one dominant perspective, but open up space to see subtle differences in the way the two gender groups interpret village development. In terms of age, the majority of respondents (44 percent) came from the young group, namely the range of 18-30 years. This generation is often seen as more adaptive to change and has different aspirations than older generations, especially in terms of expectations for the quality of public services and economic opportunities. Meanwhile, the 31–40 age groups (21 percent) and 41–50 years (20.4 percent) represent a more socially and economically established productive workforce, so their assessments tend to be influenced by family income stability. The presence of these two groups allows for a cross-generational comparative analysis of the perception of the benefits of the Village Fund—whether physical development is more appreciated by the older group, and conversely, whether the younger generation emphasizes the dimension of economic empowerment more.

In terms of employment, respondents work as farmers (40 percent), followed by traders (30 percent), and fishermen (23 percent). The structure of this work shows how the local economy is still heavily dependent on the primary sector, particularly agriculture and fisheries, with small trade as a support. Only a small percentage of respondents came from formal professions such as civil servants (4 percent) and teachers (3 percent). This distribution is important to understand because it shows the limitations of the village's economic base: the majority of respondents depend on natural resources that are vulnerable to climate and market fluctuations. Thus, the success of the Village Fund program in the eyes of the community will most likely be judged by how far infrastructure development supports their access to land, markets, and means of production.

The education level of the respondents also reinforces the picture of this structural vulnerability. Most respondents only completed their education up to junior high school (34 percent) and elementary school (25 percent), while high school graduates amounted to 23 percent. A small percentage do not even complete basic education (11 percent), and only 7 percent succeed in achieving a bachelor's education. This

low educational attainment indicates a limitation in human capacity to take advantage of new economic opportunities, so that the transformation of the village economy through the Village Fund faces a double obstacle: in addition to the issue of access to capital, there is also a low level of skills and literacy of citizens. Thus, the demographic characteristics of these respondents highlight the fundamental challenges of village development in the 3T area. Men and women, old and young, farmers and traders, all carry different expectations of the benefits of the Village Fund. However, the limited educational background and work structure are important indicators of why the impact of the Village Fund in economic empowerment is often not as strong as physical development. This data provides an analytical basis that infrastructure-based policies alone are not enough to answer the real needs of the community—which lies in strengthening human capacity and empowering productive economies.

Table 1: Socio-Demographic Respondents

Variable	Group	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	Unfinished Elementary School	11	11%
	Primary school	25	25%
	Junior High School	34	34%
	Secondary school	23	23%
	Bachelor	7	7%

Source: Author's Computing, 2025

The Impact of Village Funds on Physical Development

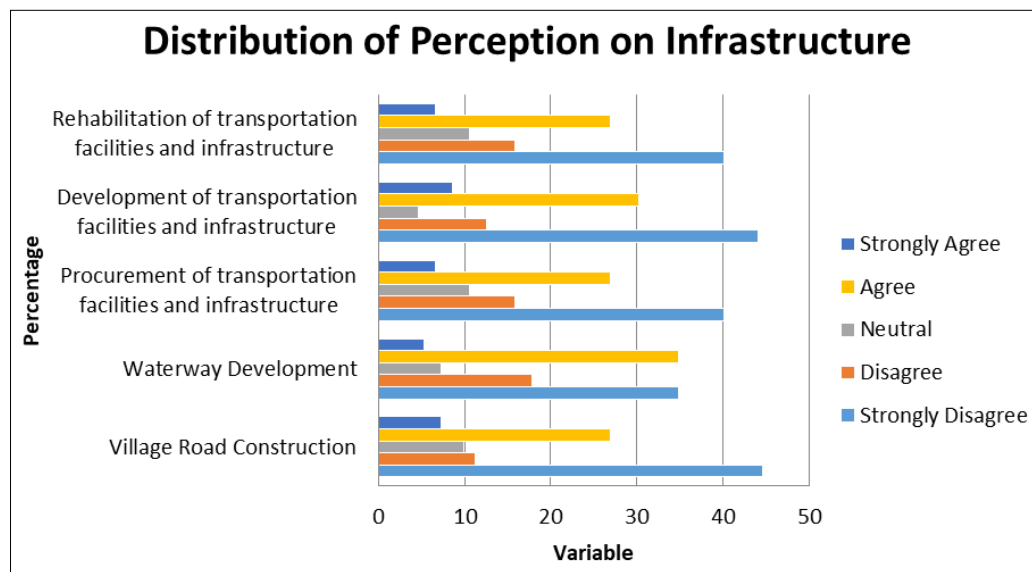
The results of the survey on the impact of the Village Fund on infrastructure development in Tanjung Baringin Village show interesting and problematic variations. On the one hand, the construction of village roads obtained a fairly high level of approval, with 44.7 percent of respondents saying they agreed and 11.2 percent strongly agreed. However, almost a third of respondents actually refused, either by stating their disagreement (27 percent) or strongly disagreeing (7.2 percent). This pattern indicates a gap between physical development output and community expectations. These findings are in line with the study of Nugroho *et al.* (2022) [16.] which emphasized that although village infrastructure development through the Village Fund shows quantitative achievements, the distribution of benefits is often uneven, causing negative perceptions in some community groups. Public dissatisfaction is increasingly evident in the development aspect of the waterway, which recorded the highest rejection rate with 34.9 percent disagreeing and 5.3 percent strongly disagreeing. Although 52.7 percent of respondents supported this development (agree + strongly agree), the fact that almost half of the respondents were negative shows the weak legitimacy of the program in a sector that is crucial to basic needs. These results reinforce the findings of Harmadi *et al.* (2020) [7], who show that village development indicators are often not in line with

the amount of Village Fund allocation due to weaknesses in the aspect of citizen participation and clarity of development priorities. In other words, development designed from the top down without participatory mechanisms has the potential to generate social resistance, even if the physical output is obvious.

In terms of procurement and development of transportation facilities, the survey results show a relatively higher trend of support (around 55–57 percent of respondents agree and strongly agree). However, the rejection rate remains significant, ranging from 27–38 percent. This situation can be read as a reflection of the uneven development theory in rural development: although transportation projects improve the mobility of some citizens, other groups still feel marginalized because of unequal access and benefits. This phenomenon is in line with the findings of Puri and Khoirunurrofik (2021)^[19], who emphasized that village infrastructure development is often not integrated with local economic planning, so the benefits are only felt by limited groups. A relatively similar pattern was also found in the rehabilitation of transportation facilities, with 55.9 percent in favor and 33.6 percent against. Here it can be seen that infrastructure maintenance initiatives have not been seen as a priority by most of the community. These findings contrast with the international literature, such as the study of Nordin & Manevska-Tasevska (2013)^[15], in Sweden, which emphasizes the importance of maintaining

rural infrastructure as a condition of sustainable development. In Indonesia, this lack of understanding can be attributed to weak socialization of village governments and the absence of accountability mechanisms that emphasize the long-term benefits of infrastructure maintenance.

Argumentatively, the results of this study show two important things. First, the Village Fund is indeed able to create real physical development outputs, as also reported by Irawan (2023)^[10] and Abdullah *et al.* (2019)^[11]. Second, it also shows the paradox that quantitative success does not always generate social legitimacy, especially when projects are not aligned with the urgent needs of local communities. Thus, the effectiveness of the Village Fund cannot be measured only through the number of roads, bridges, or waterways built, but must the dimensions of participation, equity, and conformity to the local context. These findings reaffirm the criticism of Harun *et al.* (2021)^[8], that the Village Fund program in Indonesia is still too physical-oriented and underemphasizes substantive aspects of development, such as community empowerment and local economic resilience. Thus, the response pattern of the people of Tanjung Baringin not only reflects technical satisfaction or dissatisfaction, but also becomes an indicator that the top-down development model has serious limitations in creating legitimacy and social justice.



Source: Author's Computing, 2025

Fig 1: The impact of village funds on infrastructure

Discussion

The Village Fund Program is designed as a key pillar of fiscal decentralization in Indonesia, with the aim of reshaping local governance and encouraging rural economic growth. As with state-led development programs in different parts of the world, the Village Fund is tasked with bridging the gap between remote areas and urban centers, while driving inclusive growth. However, the implementation is not uniform in every context. In Tanjung Baringin, a 3T village in North Sumatra, the results of this policy present a paradox: physical infrastructure is growing rapidly, but economic empowerment remains limited. This inequality reflects the ongoing imbalance between visible development output and substantive goals in the form of social and economic

resilience of the community. The program's trajectory is in line with international experience, where rural funds often succeed in generating tangible public goods, but fail to spark deeper structural change. As seen in village programs in Thailand and China, large financial allocations can accelerate infrastructure development, but it does not necessarily guarantee improved welfare. Similarly, in Tanjung Baringin, data shows that more than 70 percent of the Village Fund allocation is directed towards the construction of roads, drainage, and basic facilities. Although residents acknowledge the change, only 47.4 percent feel the direct benefit to their household economy. This suggests that the emphasis on physical output has shifted investment that should be directed to human capital development and long-

term local businesses.

A survey conducted in April 2025 confirmed this tension. Respondents reported moderate satisfaction with the construction of roads and transportation facilities, but also highlighted disappointment with the waterway project. These findings cannot be understood solely as an assessment of construction quality, but also as a reflection of dissatisfaction with the participatory process and the distribution of development benefits. Just as the debate over women's political representation highlights the gap between quotas and substantive empowerment, the Village Fund faces its own version of symbolic and substantive development. Physical projects may be realized, but the empowerment dimensions—training, MSMEs, and BUMDes—are still far behind, reducing the promise of balanced progress. This dilemma raises broader questions about the sustainability of rural development strategies in Indonesia. Infrastructure can be built quickly through large flows of funds, but local economic transformation requires capacity building, social trust, and inclusive governance. Evidence from Tanjung Baringin shows that although the Village Fund has succeeded in functioning as a short-term counterweight in access and services, its potential as a driver of socio-economic transformation has not been fully realized. Therefore, the policy emphasis must shift from a single focus on physical construction to a holistic model that integrates economic empowerment, institutional strengthening, as well as participatory planning. Only then can the Village Fund go beyond the "brick-and-mortar" approach and fulfill its mandate as the foundation of rural sustainability.

Conclusion

Research on the implementation of Village Funds in Tanjung Baringin Village, Padang Lawas Regency, reveals a fundamental dilemma in local development practices. On the one hand, the program has proven effective in encouraging physical development: roads, bridges, and transportation facilities have been built, improving the connectivity of the village with the surrounding area. This is in line with the direction of national policies that place infrastructure as a top priority, while providing initial legitimacy that the state is present in the 3T region. However, on the other hand, the impact of the Village Fund on the economic empowerment of the community is still weak. The data shows that only some respondents feel direct economic benefits, while empowerment programs such as MSMEs and BUMDes have not functioned optimally. This situation poses a paradox: large allocations of funds produce visible physical output, but fail to create sustainable economic transformation. Dissatisfaction with certain sectors, such as waterway development, shows that development that is not planned in a participatory manner risks losing social legitimacy even though the output is real. Thus, the dilemma of the Village Fund in Tanjung Baringin is not just a technical problem of budget allocation, but a reflection of the imbalance of the village development paradigm in Indonesia. The success of infrastructure must be balanced with economic empowerment strategies, institutional capacity building, and active community involvement in planning. Without this paradigm transformation, the Village Fund risks being trapped in a short-term development model that emphasizes *bricks-and-mortar* alone, instead of being a transformative instrument capable of reducing inequality, strengthening

village independence, and delivering sustainable development in the 3T region.

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