

IMPLEMENTATION AND IMPACT OF VILLAGE FUND POLICY ON POVERTY REDUCTION AND INFRASTRUCTURE DEVELOPMENT IN VILLAGES

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Abstract

The Village Fund Policy is one of the strategic steps of the Indonesian government in efforts to eradicate poverty and develop infrastructure in villages. This fund aims to improve the welfare of village communities through local economic empowerment and basic infrastructure development. However, the implementation of this policy is not free from challenges and problems that need to be analyzed in depth. This paper aims to explore the implementation and impact of the Village Fund policy on poverty alleviation and infrastructure development, using the latest data and statistics as the basis for analysis.

Keywords: Village Funds, Poverty Alleviation, Infrastructure Development, Villages, Public Policy

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1. INTRODUCTION

Village development is one of the crucial aspects in the context of national development in Indonesia. Villages as the smallest unit in the government structure have a strategic role in supporting the economic and social growth of society. According to the Central Statistics Agency (BPS), around 27% of Indonesia's population lives in rural areas, and the majority of them depend on the agricultural and fisheries sectors as their main source of livelihood (1). Therefore, improving the quality of life in villages is very important to achieve sustainable development goals and reduce the gap between urban and rural areas.

The Village Fund Policy was introduced by the Indonesian government in 2015 as part of an effort to accelerate development at the village level. Through this policy, the central government allocates significant funds to each village, which can be used for various development programs, including infrastructure, education, and health (2). The Village Fund is expected to provide more autonomy for villages in determining development priorities according to the needs of the local community.

1.1. The problem

Although Village Funds offer great potential to improve people's welfare, the problem of poverty in rural Indonesia remains a significant challenge. According to BPS data, the poverty rate in rural areas reached 13.6% in 2021, indicating that many rural communities still live below the poverty line (3). In addition, inadequate infrastructure, such as roads, bridges, and access to clean water, worsens the living conditions of rural communities. This results in limited access to education, health, and better economic opportunities.

Challenges in implementing Village Funds also include the problem of uneven distribution of funds and ineffective utilization. Many villages face difficulties in planning and implementing development projects that are in accordance with community needs. In addition, the lack of managerial capacity and understanding of the use of funds is also an obstacle in achieving the expected development goals (4).

1.2. Research purposes

The purpose of this study is to examine the extent to which Village Funds have an impact on poverty alleviation and infrastructure development in villages. This study also aims to assess the effectiveness of the implementation of Village Funds in improving the welfare of village communities. Using qualitative and quantitative approaches, this study will analyze data from various sources, including case studies in several villages that have successfully used Village Funds for infrastructure development and poverty alleviation programs.

Through this research, it is hoped that it can provide recommendations for the government and other stakeholders in increasing the effectiveness of the use of Village Funds, so that it can be more optimal in achieving sustainable development goals at the village level.

1.3. Literature Review

1.3.1. Village Fund Policy

The Village Fund Policy in Indonesia is one of the government's initiatives aimed at accelerating development at the village level through budget allocations that are directly transferred from the central government to the village. This concept is regulated in Law Number 6 of 2014 concerning Villages, which emphasizes the importance of the fund as a source of financing for village development. Village Funds are allocated based on the population and poverty levels in the village, with the aim of improving the welfare of village communities and strengthening village governance (5).

In its implementation, Village Funds are not only used for infrastructure development, but also for community empowerment and local economic development. Data from the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration shows that in 2022, the total allocation of Village Funds reached IDR 72 trillion, with more than 70% used for infrastructure development such as roads, bridges, and other public facilities (6). However, challenges in the management and use of Village Funds still exist, including the lack of human resource capacity at the village level and the potential for budget misuse.

Previous studies have shown that the effectiveness of Village Funds varies greatly across regions. For example, research by Supriyadi et al. (2021) in Central Java found that villages with proactive and participatory leaders were able to make better use of Village Funds, resulting in significant positive impacts on infrastructure development and poverty alleviation (7). Meanwhile, in areas with less managerial capacity, Village Funds are often not used optimally, resulting in minimal impact.

1.3.2. Infrastructure Development in Villages

Infrastructure development in villages is a crucial aspect in improving the quality of life of the community. Good infrastructure can improve accessibility, support economic activities, and accelerate the flow of information. According to the World Bank (2020), adequate infrastructure in rural areas contributes to increasing household income and reducing poverty rates (8). For

example, the construction of village roads connecting remote areas with economic centers can increase population mobility and expand markets for local products.

In the context of Village Funds, many villages have succeeded in building basic infrastructure such as roads, bridges, and sanitation facilities. Data from BPS (Central Statistics Agency) shows that between 2015 and 2021, there was a significant increase in the length of paved village roads, from 30% to 60% (9). This not only increases people's access to public services, but also drives local economic growth through increased trade and investment activities.

However, challenges in infrastructure development in villages remain. Many villages still face problems in planning and implementing infrastructure projects. Research by Habibullah et al. (2022) shows that the lack of community participation in project planning often results in development that is not in accordance with local needs (10). Therefore, it is important to involve the community in every stage of infrastructure development so that the results achieved are more sustainable and in accordance with community expectations.

1.3.3. Poverty Alleviation through Village Funds

Poverty alleviation is one of the main objectives of the Village Fund. This policy seeks to create community-based programs, where village communities are involved in the planning and implementation of development programs. This approach is in line with the theory of sustainable development which emphasizes the importance of community participation in achieving development goals (11).

Programs funded by the Village Fund often include skills training, provision of business capital, and development of micro-enterprises. According to research by Nurhayati (2021), villages that actively use the Village Fund for economic empowerment programs show a significant decrease in poverty rates, with an average decrease of 10% in a three-year period (12). This shows that the Village Fund can be an effective instrument for empowering communities and improving welfare.

However, the effectiveness of poverty alleviation programs through Village Funds is highly dependent on the quality of management and community participation. Research by Rahman et al. (2022) found that villages with transparent and accountable management systems tend to be more successful in achieving poverty alleviation goals (13). Therefore, strengthening the capacity of Village Fund managers and increasing community participation should be the main focus in implementing this policy.

1.3.4. Relevant Sustainable Development Theories and Concepts

Sustainable development is a relevant framework in evaluating the impact of Village Funds on poverty alleviation and infrastructure development. This concept emphasizes the importance of balance between economic, social, and environmental aspects in every development project. According to the Brundtland Report (1987), sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs (14).

In the context of Village Funds, the application of sustainable development principles can be seen from efforts to create environmentally friendly infrastructure and empowerment programs that pay attention to social aspects. Research by Sari et al. (2023) shows that villages that integrate sustainability principles in the planning and implementation of Village Fund projects are able to create a more positive impact on community welfare (15). For example, the

development of organic farming and sustainable management of natural resources is one real example of the implementation of sustainable development in villages.

However, challenges in implementing sustainable development in villages must also be faced. Many villages are still trapped in unsustainable development patterns, such as excessive exploitation of natural resources. Therefore, it is important to educate and train village communities about the importance of sustainability in every aspect of development (16).

2. METHODOLOGY

2.1. RESEARCH APPROACH

In this study, the approach used is a combination of qualitative and quantitative methods. Qualitative methods are applied to understand the social and cultural context in villages receiving Village Funds, while quantitative methods are used to measure the concrete impact of Village Fund use on poverty alleviation and infrastructure development. This study also adopts a case study design, which allows researchers to explore in depth how Village Fund policies are implemented in several different villages in Indonesia. These case studies were chosen because they provide richer insights into local dynamics and factors that influence the success or failure of policy implementation (17).

2.2. DATA COLLECTION

Data for this study were collected through a literature review aimed at collecting quantitative data on the use of Village Funds, changes in the economic conditions of the community, and the infrastructure development carried out. and Policy document analysis was also conducted to understand the regulations and guidelines governing the use of Village Funds (18).

2.3. DATA ANALYSIS

After the data is collected, analysis is carried out using descriptive statistical techniques for quantitative data, and thematic analysis for qualitative data. Quantitative data will be analyzed to identify trends and patterns that emerge from the use of Village Funds, such as increased community income, reduced poverty rates, and infrastructure development. Meanwhile, thematic analysis will be used to identify key themes from policy documents, covering challenges faced in implementing Village Funds, as well as factors that influence the success of the program. With this approach, it is hoped that a comprehensive picture can be obtained regarding the impact of Village Funds on poverty alleviation and infrastructure development in villages (19).

2.4. VALIDITY AND RELIABILITY

To ensure the validity and reliability of the data, this study will use data triangulation, namely comparing information obtained from various sources and methods. It is hoped that the research results can be trusted and provide meaningful contributions to public policy and development practices in the village (20).

2.5. Research Ethics

The ethical aspect of this research is also very important. Researchers are committed to reporting research results honestly and transparently, and providing recommendations based on valid and accountable findings. By paying attention to this ethical aspect, it is hoped that research can provide benefits to village communities and policy makers (21).

3. RESULTS AND DISCUSSION

3.1. IMPLEMENTATION OF VILLAGE FUNDS

The implementation of Village Funds in Indonesia has become one of the government's main strategies in improving the welfare of village communities. Since the launch of this policy in 2015, funds allocated to villages have increased significantly. In 2021, the total village funds distributed reached IDR 72 trillion, with more than 74,000 villages benefiting (22). This achievement shows the government's commitment to empowering villages to be able to manage resources independently.

However, the implementation of Village Funds is not without obstacles. Many villages experience difficulties in planning and managing funds. According to research by Supriyanto and Rahman (2020), the lack of human resource capacity at the village level is a major obstacle to the implementation of Village Funds. In addition, there are still corrupt practices and misuse of the budget that reduce the effectiveness of the use of these funds. For example, in several villages in Central Java, cases were found where village funds were used not in accordance with the work plan that had been prepared, so that the resulting projects did not provide maximum benefits to the community (23) .

Overall, the implementation of Village Funds has shown varying results in different regions. Some villages have successfully utilized these funds for innovative programs, such as developing micro and small enterprises (MSMEs) and increasing community capacity. However, many villages are still trapped in ineffective management practices, which ultimately hinder the achievement of the main objectives of this policy, namely poverty alleviation and sustainable infrastructure development.

3.2. IMPACT ON POVERTY REDUCTION

The impact of Village Funds on poverty alleviation can be seen from changes in poverty rates in villages receiving funds. Data from the Central Statistics Agency (BPS) shows that the poverty rate in villages has decreased from 14.0% in 2015 to 9.78% in 2021 (24). This shows that Village Funds have contributed positively to reducing poverty rates, especially in areas that were previously classified as poor.

A study by Yulianti and Hidayati (2022) revealed that villages that actively use Village Funds for economic empowerment programs, such as skills training and business development, experience a more significant reduction in poverty rates compared to villages that only use funds for infrastructure development. A successful example can be seen in Sukamaju Village, which has succeeded in increasing community income through handicraft training programs and marketing of local products (25) .

However, not all villages experience the same impact. In some areas, market access constraints and lack of support from local governments are inhibiting factors. For example, in Cibodas Village, although village funds are used for agricultural development, the harvest cannot be marketed properly due to poor road infrastructure and minimal access to market information. This shows that poverty alleviation requires a comprehensive approach, not just relying on Village Funds alone.

3.3. IMPACT ON VILLAGE INFRASTRUCTURE DEVELOPMENT

Village Funds also play an important role in the development of basic infrastructure in villages. Based on data collected by the Ministry of PUPR, more than 60% of village funds are used

for infrastructure development, such as roads, bridges, and other public facilities (26). This infrastructure development not only increases accessibility, but also contributes to improving the quality of life of village communities.

Evaluation of infrastructure projects funded by Village Funds has shown positive results. In Tanjung Village, for example, the construction of a new bridge has improved transportation access for the community, making it easier for them to reach markets and health services. Research by Prasetyo and Sari (2021) noted that villages with good infrastructure tend to have lower poverty rates, because people can easily access economic opportunities (27) .

However, there are challenges in infrastructure development funded by Village Funds. Many projects are not completed on time or do not meet established standards, often due to a lack of oversight and accountability in the use of funds. In Mulyo Village, for example, the development project Roads funded by Village Funds were forced to be stopped due to budget irregularities and lack of community involvement in the planning process.

3.4. Supporting and Inhibiting Factors

To understand in depth about the implementation of Village Funds, it is important to identify the supporting and inhibiting factors. Internal factors, such as human resource capacity at the village level, are key to success in managing Village Funds. Research by Handayani and Nugroho (2020) shows that villages with trained and competent village officials tend to be more successful in planning and implementing projects funded by Village Funds (28) .

On the other hand, external factors such as support from local governments and community participation also play an important role. Community involvement in project planning and implementation can increase accountability and transparency in the use of funds. In Karangrejo Village, for example, the existence of a village deliberation forum involving various elements of society has proven effective in optimizing the use of Village Funds for the common good.

However, challenges remain, especially in terms of complex regulations and bureaucracy. Many villages complain about complicated administrative procedures, which hinder the process of disbursing and using funds. Research by Setiawan and Lestari (2019) shows that simplifying regulations and increasing the capacity of fund management at the village level is essential to achieve better results (29) .

4. CONCLUSION

4.1. SUMMARY OF FINDINGS

The Village Fund policy implemented in Indonesia since 2015 has shown a significant impact on poverty alleviation and infrastructure development in villages. Based on data from the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration, the allocation of Village Funds increased from IDR 20.76 trillion in 2015 to IDR 73 trillion in 2022, which shows the government's commitment to supporting village development (30). Research by Arsyad et al. (2020) shows that the use of Village Funds for the development of basic infrastructure, such as roads, bridges, and clean water facilities, has improved accessibility and quality of life for village communities, which in turn has contributed to reducing poverty rates (31).

In addition, a study by Mardikanto and Utomo (2021) revealed that Village Funds are also used for community empowerment programs, such as skills training and micro-business

development, which directly contribute to increasing community income (32). With these programs, previously isolated villages can now access markets and other resources, which supports local economic growth. Data shows that villages that optimally utilize Village Funds experienced a decrease in poverty rates of up to 10% in the period 2015-2020 (33).

However, the effectiveness of the use of Village Funds is not evenly distributed throughout Indonesia. Research by Fitria and Rahman (2022) shows that there are disparities in the management of Village Funds, where villages in remote areas tend to have difficulty in preparing effective development plans (34). This is due to the lack of human resource capacity and understanding of the allocation and use of funds. Therefore, efforts are needed to increase the capacity of village officials so that they can manage Village Funds better.

4.2. POLICY RECOMMENDATIONS

Based on the findings above, there are several policy recommendations that can be proposed to improve the implementation and impact of Village Fund policies. First, the government needs to improve training and capacity for village officials in managing Village Funds. This training program must cover aspects of planning, implementing, and evaluating development projects, so that the allocated funds can be used effectively and efficiently (35).

Second, there needs to be a stricter monitoring and evaluation system for the use of Village Funds. With this system, the government can ensure that the funds disbursed are truly used for the benefit of the community and sustainable infrastructure development (36). In addition, transparency in the management of Village Funds must be increased so that the community can actively participate in monitoring the use of funds.

Third, the government also needs to provide incentives for villages that are successful in managing Village Funds and show significant improvements in poverty alleviation. These incentives can be in the form of additional funding allocations or technical assistance for larger projects (37). Thus, villages will be motivated to be more proactive in using Village Funds for sustainable development.

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