

AUDITING | RESEARCH ARTICLE

Effectiveness of Village Fund Management on Community Welfare in Muara Muntai Ulu

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ABSTRACT

This study aims to analyze the effectiveness of Village Fund management in improving community welfare in Muara Muntai Ulu Village, Muara Muntai District, Kutai Kartanegara Regency. Although Village Funds have been directed to finance various priority sectors such as basic infrastructure development, education, health, and community economic empowerment, their implementation still faces a number of challenges. This study used a qualitative research method with a descriptive-analytical approach. The results show that, although in general, Village Fund management in Muara Muntai Ulu Village has shown positive achievements in increasing access to basic services and economic empowerment, significant obstacles remain that hinder the policy's effectiveness. These obstacles include the limited capacity of village officials in planning and reporting, suboptimal community participation, inaccurate beneficiary data, and weak coordination between village institutions. In addition, the suboptimal utilization of Village Funds for productive economic innovation and a weak monitoring system are also challenges. Therefore, institutional capacity building, data system improvements, and mainstreaming of public participation are needed so that Village Funds truly contribute to community welfare comprehensively and sustainably.

Keywords: Village Funds, Community Welfare, Policy Effectiveness, Participation, Village Government.

JEL Code: H72, O18, I38, R11

I. Introduction

Strengthening village development has become one of the Indonesian government's strategic policies, as outlined in Law Number 6 of 2014 concerning Villages. One concrete manifestation of this policy is the allocation of Village Funds, which continues to increase significantly each year. Village Funds are projected as a fiscal instrument to accelerate local economic development, alleviate poverty, and improve the welfare of rural communities. In this context, villages are not merely objects of development but active subjects in formulating and realizing development agendas based on specific local needs. As outlined by Erfit et al., the Village Fund policy aims to realize participatory, inclusive, and sustainable development (Erfit et al., 2023). The increase in Village Fund distribution in Muara Muntai Ulu Village also occurs annually, starting in 2020 at 806.118 million, in 2021 at 879.116 million, in 2022 at 789.134 million, in 2023 at 1,063.840 billion, and in 2024 at 1,065.109 billion. The increase in Village Fund distribution must of course be directly proportional to the level of community welfare. The results of the study indicate that the successful use of Village Funds depends not only on the amount of the allocated budget, but also on how effectively the funds are managed and distributed for purposes that directly improve community welfare (Mardalena et al., 2023).



However, a significant increase in budget allocation has not fully guaranteed improvements in the community's socio-economic conditions. This phenomenon is evident in Muara Muntai Ulu Village, Muara Muntai District, Kutai Kartanegara Regency, East Kalimantan. Data shows that from 2020 to 2024, Village Funds in this village increased from approximately IDR 806 million to over IDR 1 billion. However, various structural and technical issues still limit the effective use of these funds in achieving welfare goals. For example, community involvement in planning and oversight is still minimal, there is a misalignment between program planning and implementation, weak capacity of village officials, and the absence of a public transparency system through a village information portal, as expected by the principle of accountability.

Community involvement in decision-making related to the use of Village Funds is still minimal. This is based on information from the Village Head and confirmed by the Village Secretary of Muara Muntai Ulu, who stated that although the Village Development Planning Meeting (Musrenbangdes) is held every year, only stakeholders and heads of village institutions are invited, such as: the Muara Muntai Sub-district Head, BPD, LPM, the Village PKK Team, Customary Institutions, KPM, Posyandu, Posbindu, school principals located in Muara Muntai Ulu Village, the Head of the Sub-district Education Service Unit, the Head of the Sub-district Agriculture Service Unit/Coordinator of BP3K, neighborhood chiefs (RT), Karang Taruna, village social workers, and community leaders. Furthermore, the decisions resulting from the Musrenbangdes are not directly communicated to the wider community but are limited to discussions of the Village Government Work Plan (RKPDes) with the Village Consultative Body (BPD). As a result, the community does not know the amount of Village Funds received and does not understand how the funds are managed. As stated in a study by Syamsi (2014) in Wakan Village, the community can be involved in planning, implementation, and supervision of Village Fund management. However, lack of budget transparency, low levels of education, and poor communication between the village government and the community hinder public participation. Similarly, research shows that low community participation, low competence of village facilitators, and weak commitment from local governments can reduce the effectiveness of Village Fund management (Julianto & Dewi, 2019).

Previous research by Rozandi & Digdowiseiso in Sengkubang Village, West Kalimantan, emphasized the importance of implementing Village Fund policies by considering dimensions of communication, resources, implementer disposition, and bureaucratic structure as developed in Edwards' implementation theory. However, the focus of that study did not thoroughly examine the outcomes in terms of community welfare and did not integrate theoretical perspectives simultaneously from both organizational and relational dimensions. From this gap, the present study emerges by offering a novelty, namely by combining theoretical approaches: the Organizational Effectiveness Theory by Richard M. Steers, which emphasizes indicators of goal achievement, system integration, and adaptation to change; and Agency Theory by Jensen & Meckling, which views the relationship between the community as the principal and the village government as the agent managing public funds (Anwar & Melawati, 2024). Another novelty lies in the local context—namely, the community of Muara Muntai Ulu Village, which is predominantly engaged in fishing activities and has socio-economic characteristics that differ from other villages commonly used as research objects in Village Fund studies (Radhi et al., 2025). Thus, this research not only expands the theoretical domain but also offers contextual solutions for villages with similar typologies. Village Fund management, based on Steers' effectiveness theory and agency theory, is complementary because each provides a multidimensional framework encompassing both structural and relational elements. Steers emphasizes three main pillars: goal achievement, system integration, and adaptation.

These pillars ensure that financial allocations specifically drive infrastructure development, improvement of basic services, and responsiveness to socio-economic changes. Meanwhile, Agency Theory strengthens this framework by focusing on accountability and oversight mechanisms that address the possibility that village officials (agents) may deviate from the interests of the community (principal). The integration of these two theories is evident in the fact that achieving infrastructure development goals (Steers) can only be realized through participatory monitoring mechanisms (Agency).

- a. What is the extent to which the effectiveness of Village Fund management can improve the welfare of the community in Muara Muntai Ulu Village?
- b. What challenges and obstacles are encountered in the management of Village Funds in Muara Muntai Ulu Village?

Therefore, this research is crucial as a comprehensive evaluation of the effectiveness of Village Fund management in Muara Muntai Ulu Village. This evaluation covers input (allocation and institutional structure), process (transparency, participation, and program implementation), and outcome (improved community welfare). The results are expected to provide practical contributions to formulating evidence-based policies and adding to the scientific literature on participatory and accountable village development governance.

II. Literature Review and Hypothesis Development

This research is based on several developmental theories as a framework for analyzing the problems that arise. These developmental theories are:

2.1. Policy Effectiveness in the Context of Village Funds

Policy effectiveness is a measure of the success of a program or public policy in achieving its stated objectives with available resources. In the context of public management, effectiveness encompasses the extent to which a policy addresses community needs and produces desired change (Desrinelti et al., 2021). Policy implementation is not only oriented toward results but also toward a process that reflects accountability, transparency, and community involvement as key actors in the village development process (Suryono, 2018). Monitoring and evaluation are crucial aspects in maintaining the effectiveness of village policy implementation. Monitoring is conducted periodically to ensure implementation is on track, while evaluation focuses more on assessing the impact and sustainability of the policy (Putri et al., 2024; Pristika & Kurniawan, 2021). Therefore, in the context of Village Funds, effectiveness is assessed not only by physical development but also by increased community capacity and strengthened village governance (Firmansyah & Anisykurlillah, 2023).

2.2. Richard M. Steers' Theory of Effectiveness

The organizational effectiveness theory developed by Steers (in Mathieu & Martel, 2010) offers three main indicators for measuring institutional effectiveness: goal achievement, integration, and adaptation. Goal achievement focuses on the organization's success in realizing desired outcomes. In the village context, this indicator can be seen in the success of the Village Fund in supporting infrastructure development, improving basic services, and reducing poverty (Joetarto et al., 2020). The integration indicator measures the extent to which coordination and collaboration between units within the organization are effective. In Village Fund management, integration is reflected in the synergy between the village government, village institutions, and the community (Mardalena et al., 2023). Meanwhile, adaptation refers to the village's ability to adapt policies and programs to the surrounding social, economic, and environmental dynamics (Sutisna & Qibthiyah, 2023). Steers' approach is considered relevant in evaluating Village Fund management because it emphasizes the alignment between goals, organizational processes, and the environment as part of a dynamic development system (Guswandi & Amelia, 2023).

2.3. Agency Theory by Jensen and Meckling

Agency theory, introduced by Jensen and Meckling (1976), explains the relationship between the principal (the community) and the agent (the village government) in managing public resources. In this case, village officials, as agents, are required to act on behalf of the community as principals. Information imbalances and weak oversight can lead to deviations from the given mandate (Read, 2014). In the context of Village Funds, strengthening accountability and oversight is key to reducing the potential for misuse. Accountability demands transparency in the management and reporting of Village Funds, while oversight is carried out by both the community and vertical institutions (Purnamasari, 2021; Diansari et al., 2022). If these two elements function well, it will increase public trust in the village government and support improved community welfare (Freitasl & Costa, 2022; Suhardi et al., 2023).

2.4. Village Funds and Their Impact on Welfare

Village Funds are a form of fiscal transfer from the central government aimed at accelerating village development and improving community welfare (Kolang Adi Kurniawan Saputra et al., 2018). Law Number 6 of 2014 concerning Villages serves as the legal basis for the implementation of Village Funds, including granting villages the authority to plan, implement, and account for the use of funds (Rahmatullah & Rahmatullah, 2021). Research shows that Village Funds can encourage physical development such as village roads, bridges, and clean water, as well as social development such as skills training, MSMEs, and the development of Village-Owned Enterprises (BUMDes) (Warsita et al., 2019). However, the effectiveness of implementation is often hampered by the weak capacity of village officials, lack of community involvement, and a suboptimal monitoring system (Agusta & Khoirunurrofik, 2024). Community welfare, as the primary objective of the Village Fund, includes indicators of education, health, income, and social participation (Huda et al., 2021; Rahayu & Erika, 2023). Development carried out with active community participation will produce a stronger long-term impact in building independent villages (Karim et al., 2021). This research has been reviewed and analyzed in conjunction with other previous research. Therefore, the researcher presents the following:

Tabel 1. Previous Research

No.	Researcher & Tahun	Research Location	Research Focus	Research methods	Key Findings
1	Rozandi & Digdowiseiso (2021)	Sengkubang Village, Mempawah Hilir District,	Implementation of the use of Village Funds for development	Qualitative (case study)	The use of Village Funds has been quite effective based on Edwards' implementation theory. However, technical challenges remain, such as limited technology and program priorities.
2	Syarfi et al. (2019)	South Solok Regency, West Sumatra	Effectiveness of Village Fund utilization for development	Qualitative	Village Funds are considered effective in achieving goals and integration, but are not yet effective in terms of adapting to the dynamics of community needs.
3	Wahyuddin et al. (2019)	Kuala District, Nagan Raya Regency, Aceh	Effectiveness of Village Funds in poverty alleviation	Qualitative	The use of Village Funds has not been effective, as indicated by the increase in poverty rates in 2017, despite a decrease in the previous year.

III. Research Method

This study uses a qualitative approach with descriptive methods. This approach was chosen because it was considered most appropriate for exploring in depth the processes, dynamics, and challenges in Village Fund management in Muara Muntai Ulu Village, Muara Muntai District, Kutai Kartanegara Regency. The main focus of the study is to understand the effectiveness of Village Fund management on community welfare from the perspective of actors in the field, including the village government, village institutions, assistants, and beneficiary communities. This research was conducted during May 2025 and centered in Muara Muntai Ulu Village, which was selected purposively because it has characteristics of problems that reflect the complexity of Village Fund management, such as mismatches in planning and implementation, low community participation, limited apparatus capacity, and the suboptimal role of Village-Owned Enterprises (BUMDes).

Data collection was conducted through in-depth interviews, participatory observation, and documentation studies. Semi-structured interviews were conducted with ten purposively selected key informants: one sub-district head as the area supervisor, three implementing officials (village head, village secretary, and LPM chairman), one person from the Village Consultative Body (BPD), one village expert, and four residents as beneficiaries. Observations were conducted by participating in activities related to Village Fund management, such as village deliberations and monitoring of development activities. Meanwhile, documentation studies included a review of official documents such as the Village Budget (APBDes), Village Work Plan (RKPDs), budget realization reports, and minutes of village deliberations.

The primary instrument in this study was the researcher herself, supplemented by an interview guide and observation notes compiled based on six main focuses: goal achievement, integration, adaptation, accountability, impact on community welfare, and challenges and obstacles in Village Fund management. The data obtained were then analyzed using an inductive approach with the Miles and Huberman analysis model, which consists of three main stages: data reduction, data presentation, and conclusion drawing. Data reduction was carried out to filter important information from the interview and observation results; data presentation was carried out through thematic categorization and narrative visualization; while conclusion drawing was carried out iteratively through triangulation and confirmation with informants (member checking).

Two theories serve as the basis for analysis in this study. First, Richard M. Steers' theory of organizational effectiveness, which focuses on three indicators: goal achievement, integration, and adaptation, is used to assess the performance of village organizations in utilizing Village Funds. Second, Jensen and Meckling's agency theory is used to understand the relationship between the community as principal and the village government as agent in the context of accountability and oversight of Village Funds. Data validity is ensured through triangulation of sources and techniques, member checking, extended observation, and peer discussions. With this approach, the study is expected to produce a comprehensive, in-depth, and contextual picture of the effectiveness of Village Fund management in coastal villages such as Muara Muntai Ulu.

IV. Results and Discussion

4.1. General Overview of Muara Muntai Ulu Village Fund Management Policy

Village Fund management in Muara Muntai Ulu Village is carried out in accordance with statutory provisions, specifically Law Number 6 of 2014 concerning Villages, which authorizes the village government to manage funds independently according to local needs. Over the past five years, the amount of Village Funds received by this village has shown an increasing trend, reflecting the government's attention to village-level development. The Village Work Organizational Structure (STOK) is based on Regent Regulation Number 7 of 2016. Muara Muntai Ulu Village adheres to a village government institutional system with a self-help pattern, the details are as follows:



Figure 1. Organizational Structure of Muara Muntai Ulu Village Government

From 2020 to 2024, Muara Muntai Ulu Village received Village Funds, which continued to increase annually. In 2020, Village Funds received amounted to IDR 806,118,000, increasing to IDR 1,065,109,000 in 2024. In 2023, Muara Muntai Ulu Village's realized revenue was IDR 5,002,620,200 (Five Billion Two Million Six Hundred Twenty Thousand Two Hundred Rupiah), or, if assumed to be the same as the 2024 fiscal year revenue, there was an increase. Village revenue includes all cash receipts through the Village account, which are the Village's right within one fiscal year and do not require repayment by the Village. Village revenue is grouped into Village Original Revenue, Transfers, and Other Revenue. The Village Original Income Group is divided into Income from Village Business Results, Results from Village Asset Management, Results from Self-Help and Participation, Results from Mutual Cooperation and Other Legitimate Original Income. The assumption of Village Income in 2025 is Rp. 5,059,061,300,- (Five Billion Fifty Nine Million Sixty One Thousand Three Hundred Rupiah) which comes from Provincial Financial Assistance Income, tax revenue sharing funds, BKKD Funds, Transfer Income namely Village Fund Allocation and Village Funds sourced from the APBN with the following details:

Tabel 1. Recapitulation of Village Funds and Village Funds sourced from the APBN

No	Income Description	Budget Amount
1	Village Funds	Rp. 822.720.000,-
2	Village Fund Allocation	Rp. 3.199.297.900,-
3	Regional Tax and Levy Sharing (BHPRD)	Rp. 121.823.800,-
4	Provincial Financial Assistance	Rp. 75.000.000,-
5	Regional Community Empowerment Agency (RT) Funds	Rp. 600.000.000,-
6	Posyandu Community Empowerment Agency (BKKD) Funds	Rp. 168.600.000,-
7	Healthcare Agency (BKKD) Funds	Rp. 71.619.600,-
Amount		Rp. 5.059.061.300,-

Source: Researcher Observation Results

These funds are used for various priority village sectors such as infrastructure, education, health, and direct assistance to the poor. However, in its implementation, the management of Village Funds in Muara Muntai Ulu Village still faces various challenges. Some issues identified include limited capacity of village officials in financial planning and reporting, suboptimal community participation in the decision-making process, and a lack of transparency in the delivery of village financial information. Furthermore, the utilization of Village Funds for community empowerment programs has not been optimal.

The Village Development Planning Meeting (Musrenbangdes) is attended only by policymakers and community leaders, leaving the majority of residents unaware of the amount of Village Funds received or how they are used. The lack of a village information system also leads to a lack of transparency in financial reporting. Furthermore, the capacity of village officials to prepare the Village Budget (APBDes) and financial reports also poses a challenge. The sub-district verification team found improvements to the reports, indicating the need for training and capacity building for village officials in governance and administration. Nevertheless, Village Funds have been used to finance various physical and social development activities, such as improving basic infrastructure, supporting early childhood education, and providing public health services. In general, Village Funds have been used for bridge construction, improving village roads, rehabilitating uninhabitable houses, organizing Early Childhood Education (PAUD) activities, Integrated Health Posts (Posyandu), and providing scholarships for high-achieving and underprivileged students. Based on the 2022–2024 budget realization report, the majority of Village Fund allocations were used for physical development, with a significant proportion also used to support education and public health. The management of Village Funds in this village is important to examine to assess the extent to which these funds are managed effectively, efficiently, and accountably, and impact community welfare.

4.2. Effective Village Fund Management Can Improve the Welfare of the Muara Muntai Ulu Village Community

The effectiveness of Village Fund management in Muara Muntai Ulu Village can be examined through an integration of Richard M. Steers' organizational effectiveness theory and Jensen & Meckling's agency theory, along with comparisons with previous research findings. In this context, effectiveness refers not only to program outputs but also to how Village Fund management can generate tangible socio-economic changes in the community. Village Fund management in Muara Muntai Ulu Village over the past three years has shown an upward trend in budget value, activity focus, and program target depth. Village Fund realization from 2022 to 2024 not only increased nominally but also demonstrated a shift in priorities from solely physical development to achieving broader social welfare, particularly in the areas of health, education, and community economic empowerment.

Tabel 2. Realization of the Muara Mutai Village Fund Budget 2022-2024

Year	Amount of Village Funds	Implementation of Village Government	Village Development	Health	Education	Social & Economic Assistance	Total Realization
2022	Rp 789.134.000	Not detailed (priority to development)	Rp 292.857.800	Rp 85.703.800	Rp 41.725.000	Rp 165.779.000 (PU & Bridge)	Rp 789.134.000
2023	Rp 1.203.482.000	Rp 35.083.000	Rp 648.731.500	Rp 121.189.000	Rp 37.000.000	Includes Scholarships Rp 10.943.000	Rp 1.203.482.000
2024	Rp 1.065.109.000	Rp 27.320.000	Rp 544.593.311	Rp 199.150.700	Rp 97.700.000	Includes Scholarships Rp 22.500.000	Rp 1.065.109.000

Source: Processed Results of Researcher Interviews

In the 2022 fiscal year, the Village Fund received, amounting to Rp789,134,000, was focused on physical development and basic services. One major realization was in the area of public works and spatial planning, namely the construction and rehabilitation of village roads and bridges amounting to Rp165,779,000, reflecting a strong focus on community mobility and connectivity between hamlets. In the health sector, allocations for the implementation of Integrated Health Posts (Posyandu) and health training reached Rp85,703,800, while in the education sector, through support for Early Childhood Education (PAUD) and aid for teaching aids, funds disbursed reached Rp41,725,000.

Entering 2023, Village Funds saw a significant surge to Rp1,203,482,000. This increase was accompanied by a diversification of allocations. Funds for physical development and village infrastructure increased to Rp648,731,500, while the health sub-sector absorbed a budget of Rp121,189,000, and education received an allocation of Rp37,000,000. Furthermore, the realization of social assistance in the form of scholarships for the poor and high-achieving communities has also begun to be implemented systematically, with funds totaling Rp10,943,000. Then in 2024, the total Village Fund disbursed was Rp1,065,109,000. The largest allocation was still in the implementation of village development with a total of Rp544,593,311, which included the rehabilitation of educational facilities, the construction of health facilities, and assistance with fishing gear. Realization for health increased to Rp199,150,700, including the operation of Polindes and Posyandu, training of health cadres, and spending on medical facilities. Meanwhile, education allocated a budget of Rp97,700,000, including for early childhood education (PAUD), facility construction, and scholarships for underprivileged students.

Table 3. Percentage of Fund Allocation per Sector (2024)

Field	Nominal (Rp)	Percentage of Total Village Funds
Governance	Rp 27.320.000	2,57%
Village Development Implementation	Rp 544.593.311	51,12%
Health Sector (Total)	Rp 199.150.700	18,70%
Education Sector (Total)	Rp 97.700.000	9,17%
Social & Economic Assistance	±Rp 40.000.000	3,75%
Total Village Fund Realization	Rp 1.065.109.000	100%

The facts from this realization document are reinforced by findings from direct interviews with the community and sub-district officials, which illustrate that the funds have been directed to critical sectors that directly benefit residents. Based on Steers' theory, goal achievement indicators are the first dimension to analyze. Village Funds in Muara Muntai Ulu have been proven to support the implementation of various programs that directly address community needs. For example, the construction of neighborhood roads and production roads in 2024 cost Rp 547,822,000, or approximately 51.42% of the total Village Fund. Residents of RW 02 confirmed that the previously clay road has now been paved with concrete, facilitating access for their catch to the market. A fisherman named Mr. H (55 years old) stated: "Now we can deliver our catch directly to the pier in the morning, no longer waiting to be picked up in the afternoon because the road is better."

The second indicator, integration, demonstrates cooperation between village institutional elements. The village government, the Village Consultative Body (BPD), and the Community Empowerment Institute (LPM) actively coordinate planning and implementation. This is evident in documentation of village meetings in 2023 and 2024, which involved community leaders, neighborhood associations (RT), youth, and women. However, an interview with the BPD Chairperson indicated that although administrative participation existed, "not all residents were able to critique and understand the substance of the budget." This means that community involvement still tended to be passive and ceremonial. The adaptation indicator is also relevant in terms of the village's response to changing community needs. For example, in 2021–2022, Village Funds were partially diverted for direct cash assistance (BLT-DD) due to the COVID-19 pandemic. Furthermore, in 2023 and 2024, funds were also used to support education programs (early childhood education, scholarships) and health programs (Posyandu, Polindes). Interviews with village midwives revealed an increase in toddler visits to the Posyandu due to improved facilities and the regular availability of vitamins. This demonstrates the village government's ability to adjust the direction of fund use based on the dynamics of the community's real needs.

From an agency theory perspective, the relationship between the community (principal) and the village government (agent) reflects how Village Funds are accounted for. Findings indicate that an accountability system has begun to be implemented through the installation of village financial information boards and the reporting of activity results at the end of each year. However, barriers to open data access remain. A youth informant stated: "We know the amount and activity plan, but we don't know the details of

spending and who the aid recipients are." This reflects the information asymmetry described in agency theory—that is, an imbalance between the knowledge of agents and principals that can lead to moral hazard if not closely monitored. Compared to the research of Rozandi & Digdowiseiso (2021), which found that Village Fund implementation in Sengkubang Village was hampered by technical coordination and technology utilization, Muara Muntai Ulu is at a better implementation stage in terms of achieving physical objectives. However, it remains similar in terms of weak community oversight. Meanwhile, compared to the findings of Syarfi et al. (2019) in South Solok, which stated that villages tended to be less adaptive to changing local needs, this study's results actually show that adaptation is one of Muara Muntai Ulu's strengths. The use of Village Funds for direct cash assistance (BLT), health facilities, and scholarships demonstrates an effort to adapt budget policies to community conditions.

On the other hand, effectiveness is also evident in social and economic welfare indicators, although not yet fully optimal. Data shows that over the past three years, there has been a decrease in the number of low-income residents receiving direct cash assistance (BLT), from 112 families in 2021 to 62 families in 2024. While this decrease could be due to many factors, interviews with village officials and residents indicate that Village Fund assistance, such as subsidized fishing gear and MSME development, has contributed to increasing residents' incomes. A small business owner (a processed fish seller) said: "After participating in training using village funds, I can make processed fish that lasts longer and can be sold outside the village." However, significant challenges remain in the data collection and distribution of aid, as well as in strengthening village economic institutions such as Village-Owned Enterprises (BUMDes). As of 2024, BUMDes in Muara Muntai Ulu had not made a significant contribution to Village Original Income (PADes). This indicates that while the effectiveness of Village Fund utilization for infrastructure and social purposes is quite good, its effectiveness in building a sustainable economy remains weak. This aligns with the findings of Wahyuddin et al. (2019), who stated that Village Fund management has not fully impacted long-term poverty reduction due to a lack of focus on productive economic empowerment.

4.3. Challenges and Obstacles Faced in Village Fund Management in Muara Muntai Ulu Village

Village Fund management in Muara Muntai Ulu Village has demonstrated positive achievements in terms of physical development and some social programs. However, a deeper examination reveals a number of fundamental challenges that hinder the Village Fund's effectiveness as an instrument for improving welfare. This research found that these challenges are not isolated but interconnected, forming a cycle of problems that require simultaneous structural and cultural improvements.

a. Limited Capacity of Village Apparatus Chronic Structural Barriers

One of the factors that significantly determines the success of Village Fund management is the capacity of village officials to understand, manage, and evaluate development programs funded by these funds. In the context of Muara Muntai Ulu Village, field findings indicate that there are still significant limitations in the human resources (HR) capacity of village officials, particularly in understanding Village Fund management regulations, using the village financial system application (Siskeudes), and preparing systematic plans and reports. The Village Head and his staff still have difficulty understanding technical and administrative regulations. The Muara Muntai Sub-district Head stated, "The limited capacity of village officials, HR, is probably one of them; they are not adapting quickly enough to regulatory changes." This has a direct impact on slow program implementation, resulting in remaining funds (silpa). For example, in 2024, the budget for Posyandu activities of Rp84,350,000 was only absorbed by Rp53,394,311, leaving funds of Rp30,955,689 (36.7%). This surplus of funds is not due to unnecessary expenditure, but rather to weak coordination and technical planning. According to Steers (1980), this failure to achieve goals is a sign of the organization's ineffectiveness in carrying out its overall functions.

Similar issues have occurred in previous years. In 2023, for example, underspending occurred in several activities, such as supporting early childhood education (PAUD) and building educational facilities.

This data demonstrates a recurring pattern of weak budget realization across various sectors, generally related to the lack of technical and administrative preparedness of village officials in planning, executing, and accounting for programs efficiently and according to procedures.

Based on the bar chart depicting the distribution of Village Fund realization in Muara Muntai Ulu Village in 2022 and 2023 by main expenditure category, this graph shows that:

- 1) Village development experienced a significant increase from 37.1% (2022) to 53.9% (2023);
- 2) Social and Economic Assistance decreased from 46.7% to 30%;
- 3) Education and health remained relatively stable, while village government allocations began to emerge in 2023.

When compared with the study by Firmansyah & Anisykurillah (2023), they found a similarity: the capacity of implementers is a key determinant of the success of Village Funds. Villages with low regulatory and digital literacy among their officials and operators tend to fail to design programs that are well-targeted and meet community needs.

b. Lack of Accurate Data: Unresponsive Planning

Another crucial obstacle is the lack of accurate data on the community's real conditions and needs. In interviews, residents like Aban and Sumrin reported that aid distribution is often unfair. "We've never received basic food supplies; we only get ringgi or bukat," Sumrin said, indicating that aid does not reach marginalized groups equally. This problem reflects the failure of participatory planning and evidence-based policymaking. According to Suryono (2018), a fundamental requirement for development planning is a valid and verified database. Without robust data, villages tend to use intuitive approaches or social proximity when distributing aid. This situation contradicts the principles of Steers' organizational theory, particularly the aspect of adaptation, which is the ability of an organization to adjust its direction and priorities based on relevant information. Data inaccuracy also opens up opportunities for patronage practices and disparities in distribution.

c. Regulatory Complexity and Inability to Adapt

The almost annual changes in Village Fund regulations, coupled with financial reporting based on the Village Financial Information System (Siskeudes), have overwhelmed village officials. According to the sub-district head, "Regulatory changes are rapid, but training is sometimes incomplete. Villages sometimes only learn about the regulations once they're already in place." This situation indicates that village governments lack a robust knowledge management system. Steers' theory suggests that organizations unable to adapt to a changing environment will stagnate and decline in effectiveness. This finding aligns with research by Sutisna & Qibthiyah (2023), which highlights the weak adaptive capacity of villages in responding to the dynamics of national regulations. Adaptation is not only about the technical ability to operate new systems, but also about internalizing new values in public financial management, including the principles of efficiency, transparency, and accountability.

d. Public Participation Is Still Symbolic

Although a village deliberation structure has been established, public involvement in Village Fund oversight remains minimal. Residents like Aban stated, "I just listen, I never ask questions or provide input." This phenomenon reflects low public literacy regarding their rights and roles in the village development cycle. In agency theory, this demonstrates an unequal relationship between the principal (the community) and the agent (the village government). When communities are unable to control or demand transparency, the potential for abuse of power by agents increases (Jensen & Meckling, 1976). Research by Purnamasari (2021) confirms that active community participation in planning and oversight is strongly influenced by the critical capacity and courage of villagers.

e. Unrealized Social Justice: Unequal Distribution of Benefits

Inequality in the distribution of Village Fund assistance is also a serious issue. Several vulnerable groups, such as traditional fishermen and elderly widows, have not been proportionally reached. "Many indigenous fishermen haven't received assistance...even though we've lived here longer," said Aban. This demonstrates the lack of distributive justice principles in Village Fund management. For example, the scholarship fund, which was recorded at Rp22,500,000 in 2024, is not widely known by recipients. The lack of transparency in the criteria and data collection of recipients has led to recipient bias. This contradicts the values of inclusive public policy theory and reinforces the findings of Komang Saputra et al. (2018), which state that elite bias in Village Fund distribution occurs due to a weak data-based control system and a lack of citizen involvement in policy formulation.

f. Weak Coordination Between Village Institutions

Coordination between village officials, the Village Consultative Body (BPD), the Community Empowerment Institution (LPM), and local village facilitators has not been optimal. The sub-district head stated, "There is still a communication gap; sometimes activities are not synchronized." This results in program implementation that runs independently, overlaps, or even fails altogether. In organizational theory, coordination is a concrete indicator of integration. When organizational elements do not support each other, overall effectiveness is compromised. Research by Rozandi & Digdowiseiso (2021) shows that good coordination between village units is a key factor in the success of the Village Fund program.

g. Lack of Economic Innovation and Dependence on Aid

The Village Fund program in Muara Muntai Ulu is still dominated by physical development and social assistance programs, and has not yet seriously targeted local economic development. According to residents, "Training and small business opportunities mostly come from the district, not from the Village Fund." This indicates that the Village Fund's role as an economic stimulus is not yet optimal. The village's BUMDes (Village-Owned Enterprise) is inactive and has not contributed to the Village-Owned Enterprise (PADes). This indicates that the village development strategy has not been directed at creating sustainability or economic independence for residents. However, according to Karim et al. (2021), the Village Fund should be a catalyst for village economic growth through productive sectors based on local potential.

V. Conclusion

The effectiveness of Village Fund management in Muara Muntai Ulu Village has generally shown positive results in supporting the improvement of community welfare. Village Funds have been utilized optimally to finance priority sectors such as basic infrastructure development (village roads, bridges, and public facilities), education (PAUD, scholarships, educational facilities), health (Posyandu, Polindes, cadre training), and community economic empowerment (procurement of fishing gear, productive training). This effectiveness is reflected through the indicators of public organization theory according to Richard M. Steers: goal achievement, institutional integration, and adaptability to local dynamics. The village consistently adjusts budget allocations to community needs from year to year, which has a direct impact on increasing access to basic services and economic opportunities for fishermen and small business actors.

On the other hand, the effectiveness of Village Fund management is not yet fully optimal due to a number of crucial challenges. Limited human resource capacity among village officials is a major obstacle, particularly in the technical aspects of preparing financial planning and reporting according to standards. This has resulted in budget surpluses for several strategic activities. Furthermore, public participation in oversight remains weak, due to low budget literacy and limited access to public information. Other challenges include inaccurate data on target beneficiaries, which impacts the distribution of aid that is not entirely equitable and fair. Rapid regulatory changes without adequate training also pose a barrier to policy adaptation at the village

level. Therefore, although Village Fund management is showing a progressive direction, systematic steps are still needed to strengthen accountability, participation, and village institutional capacity.

As a recommendation, village governments need to periodically improve the capacity of their staff through technical training in planning, budget management, financial reporting, and understanding regulatory changes. Updates to target beneficiary data must also be done digitally and verified to ensure targeted aid distribution. In terms of participation, village deliberations should be expanded to be more inclusive and representative, and citizen oversight mechanisms can be strengthened through community monitoring groups. Transparency in the use of Village Funds needs to be improved through digital information channels and public boards that are easily accessible to all residents. Finally, synergy between village officials, the Village Consultative Body (BPD), the Community Empowerment Institution (LPM), and village facilitators must be optimized so that every stage of Village Fund management—from planning to evaluation—can be carried out in an integrated, responsive manner, and oriented towards improving community welfare in a sustainable manner.

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