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MAPPING IDEA & LITERATURE FORMAT | RESEARCH ARTICLE

Improving Community Welfare Through the Management of Muara Muntai Ulu Village Funds, Muara Muntai District, Kutai Kartanegara Regency

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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, including basic infrastructure development, education, health, and community economic empowerment, their implementation still faces several challenges. This study used a qualitative research method with a descriptive-analytical approach. The results show that, although Village Fund management in Muara Muntai Ulu Village has generally achieved positive outcomes in increasing access to basic services and promoting 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.

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.[2] 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 remains minimal, there is a misalignment between program planning and implementation, a weak capacity among 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 the statement of the Village Head and confirmed by the Secretary of Muara Muntai Ulu Village that, Musrenbangdes activities have been carried out every year, but those invited are only stakeholders and heads of institutions in the village such as: Muara Muntai Sub-district Head, BPD, LPM, TP PKK Village, Traditional Institutions, KPM, Posyandu, Posbindu, School Principals located in Muara Muntai Ulu Village, Head of UPT Education Services Muara Muntai Sub-district, Head of UPT Distanak/Coordinator of BP3K Muara Muntai Sub-district, Head of RT, Karang Taruna, Village Social Officers and Community Leaders and the results of the Musrenbangdes decisions are not directly informed to the community but only limited to discussions on the Village Government Work Plan (RKPDes) with the Village Consultative Body (BPD), so that with these conditions the community does not know how much the Village Fund budget received, does not understand what the Village Fund is managed for. As research by(Syamsi, 2014)In Wakan Village, the community can be involved in planning, implementing, and monitoring the use of Village Funds. However, a lack of budget transparency, low levels of education, and poor communication between the village government and the community hinder community participation. Furthermore, research indicates that low community participation, inadequate village facilitator competency, and limited local government commitment can hinder the success 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 that take into account the dimensions of communication, resources, implementer disposition, and bureaucratic structure, as developed in Edwards' implementation theory. However, this research did not focus on in-depth studies of outcomes in the form of community welfare, nor did it simultaneously integrate theoretical perspectives from organizational and relational perspectives.

It is from this gap that this research presents a novelty, namely by combining theoretical approaches: 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, specifically the community of Muara Muntai Ulu Village, where the majority of residents work as fishermen and have different socio-economic characteristics compared to other villages, which are generally the focus of Village Fund research. (Radhi et al., 2025). Thus, this research not only expands the theoretical realm but also offers contextual solutions for villages with similar typologies. Village Fund Management, based on Steers' effectiveness theory and agency theory, complements each other because each offers a multidimensional framework encompassing structural and relational elements. Steers emphasizes three main pillars: goal achievement, system integration, and adaptation. These three pillars ensure that fund allocation specifically encourages infrastructure development, improving basic services, and responding to socio-economic changes. Meanwhile, Agency Theory strengthens this framework by focusing on accountability and oversight that address the possibility of village officials (agents) deviating from the interests of the community (principals).

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The integration of these two theories is demonstrated by the fact that achieving infrastructure goals (Steers) can only be achieved with the help of participatory oversight mechanisms (Agency).

a. The main problem underlying this research encompasses several aspects. How can the effectiveness of Village Fund management improve the welfare of the Muara Muntai Ulu Village community?
b. What are the challenges and obstacles faced in managing 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 the formulation of evidence-based policies and add to the scientific literature on participatory and accountable village development governance.

II. Literature Review and Hypothesis Development

This research is grounded in several developmental theories, serving 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 key 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 is evident in the success of the Village Fund in supporting infrastructure development, enhancing 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 & Qibthiyyah, 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).

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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 (Komang 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 is likely to produce a more substantial long-term impact in building independent villages (Karim et al., 2021).

This research has been reviewed and analyzed in conjunction with previous studies. Therefore, the researcher presents the following:

Table 1. Previous Research

No.	Researcher & Year	Research Location	Research Focus	Research methods	Key Findings
1	Rozandi & Digdowiseiso (2021)	Sengkubang Village, Mempawah Hilir District, West Kalimantan	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 persist, including limited technology and competing 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.

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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.

Source: Results of Previous Research Studies

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 primary 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 (RKPDes), 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 key 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.

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IV. Results and Discussion

4.1. 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:

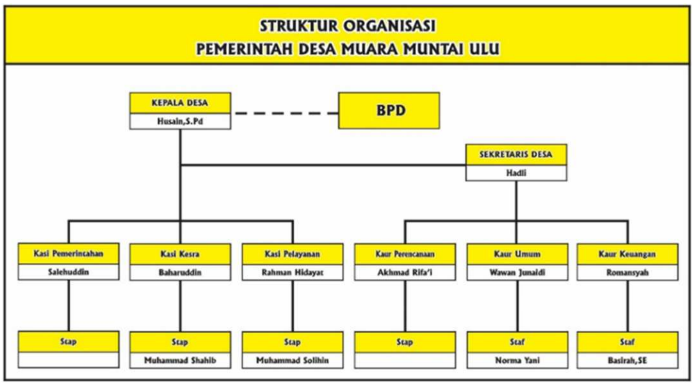

Figure 1. Structure Muara Muntai Ulu Village Government Organization
Source: Researcher Observation Results

From 2020 to 2024, Muara Muntai Ulu Village received Village Funds, which continued to increase every year. In 2020, the Village Funds received were IDR 806,118,000, and increased to IDR 1,065,109,000 in 2024. In 2023, the Realized Revenue of Muara Muntai Ulu Village was IDR 5,002,620,200 (Five Billion Two Million Six Hundred Twenty Thousand Two Hundred Rupiah), or if assumed with the revenue of the 2024 budget year, there was an increase in revenue. Village Income includes all cash receipts through the Village account, which are the Village's rights in 1 (one) budget year that do not need to be repaid by the Village. Village income is grouped into Village Original Income, Transfers, and Other Income. The Village Original Income group is divided into Income from Village Businesses, Results from Village Asset Management, Results from Self-Help and Participation, Results from Mutual Funds, 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:

Table 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 revenue sharing (BHPRD)	Rp. 121,823,800,-
4	Provincial Financial Assistance	Rp. 75,000,000,-
5	BKKD Funds (RT Funds)	Rp. 600,000,000,-
6	BKKD Posyandu Funds	Rp. 168,600,000,-
7	BKKD Health Worker Fund	Rp. 71,619,600,-
Amount		Rp. 5,059,061,300,-

Source: Researcher Observation Results

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These funds are allocated to various priority village sectors, including infrastructure, education, health, and direct assistance to individuals experiencing poverty. However, in its implementation, the management of Village Funds in Muara Muntai Ulu Village still faces various challenges. Some issues identified include the 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 most residents unaware of the amount of Village Funds received or their use. 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 poses a challenge. The sub-district verification team identified improvements in the reports, suggesting a need for training and capacity building for village officials in governance and administration. Despite this, 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 are 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 in order to assess the extent to which these funds are managed effectively, efficiently, and accountably, and have an impact on 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 is not only defined by program output, but also by how Village Fund management can produce 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 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.

Table 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	Including a Scholarship of 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	Including a scholarship of Rp. 22,500,000	Rp. 1,065,109,000

Source: Processed Results of Researcher Interviews

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In the 2022 fiscal year, the Village Fund received an amount of Rp 789,134,000, which was primarily focused on physical development and basic services. One significant 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. In contrast, 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. A diversification of allocations accompanied this increase. 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 implementation 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 Rp 10,943,000.

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 (Integrated Health Posts), training of health cadres, and spending on medical facilities. Meanwhile, education allocated a budget of Rp97,700,000, which included funds 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%
Implementation of Villa Development	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 Realization of Village Funds	Rp. 1,065,109,000	100%

Source: Processed Results of Researcher Interviews

The facts from this realization document are reinforced by the findings of direct interviews with the community and sub-district officials, which illustrate that the use of funds has been directed to important sectors whose benefits are directly felt by residents. Based on Steers' theory, goal achievement indicators are the first dimension that can be analyzed. Village Funds in Muara Muntai Ulu have been proven to support the realization of various programs that directly target the needs of residents. For example, the construction of neighborhood roads and production roads in 2024 cost Rp547,822,000 or approximately 51.42% of the total Village Fund. Residents of RW 02 confirmed that the road, which was previously only clay, has now been cast in concrete, facilitating access for fish catches to the market. A fisherman named Mr. H (55 years old) stated: "Now our catch can be delivered 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 the 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 revealed that although administrative participation exists, "not all residents can critique and understand the substance of the budget." This means that community involvement still tends to be passive and ceremonial in nature. Adaptation indicators are also relevant when viewed from the perspective of village responses to changing community needs. For example, in 2021–2022, Village Funds were partially diverted to direct cash assistance (BLT-DD) due to the COVID-19 pandemic.

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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 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 real community 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 do not 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. Overall, analysis based on theory and field data indicates that Village Fund management in Muara Muntai Ulu has been quite effective in increasing access to basic services, mobilizing community participation, and responding to changing needs. However, this effectiveness still needs to be improved in terms of economic empowerment and strengthening the accountability system. Improving the capacity of village officials and increasing community financial literacy are essential prerequisites for achieving more participatory, equitable, and sustainable Village Fund management.

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

Village Fund management in Muara Muntai Ulu Village has achieved positive results in terms of physical development and several social programs. However, a deeper examination reveals several fundamental challenges that hinder the Village Fund's effectiveness as a tool 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.

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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 partially absorbed, with Rp53,394,311 utilized, leaving a shortfall 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 areas, including support for early childhood education (PAUD) and the construction of educational facilities. This data demonstrates a recurring pattern of weak budget realization across various sectors, primarily due to the lack of technical and administrative preparedness among village officials in planning, executing, and accounting for programs efficiently and in accordance with procedures.

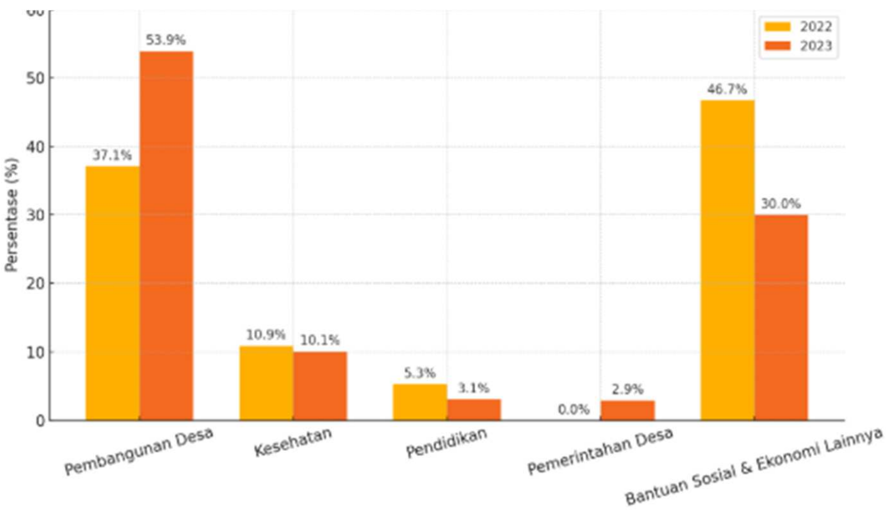

Figure 4. Distribution Village Fund Disbursement in 2022 and 2023

Source: Muara Muntai Village Fund Report 2022-2023

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 & Economic Assistance decreased from 46.7% to 30%;
3) Education and health remain relatively stable, while village government allocations will begin to emerge in 2023.

When compared with the study by Firmansyah & Anisykurlillah (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.

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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 have never received necessities; 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 policy. According to Suryono (2018), a fundamental requirement for development planning is a valid and verified database. Without robust data, villages tend to rely on intuitive approaches or social proximity when distributing aid. This situation contradicts the principles of Steers' organizational theory, particularly the aspect of adaptation, which refers to an organization's ability to adjust its direction and priorities in response to relevant information. Data inaccuracy also creates opportunities for patronage practices and distributional disparities.

c. Regulatory Complexity and Inability to Adapt

The almost annual changes to Village Fund regulations, coupled with the need for 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 after they are already in operation." 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 & Qibthiyyah (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 the critical capacity and courage of villagers strongly influence active community participation in planning and oversight.

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 have not received assistance...even though we have lived here longer," said Aban. This demonstrates the lack of distributive justice principles in Village Fund management. For example, the Rp22,500,000 scholarship fund allocated for 2024 is not widely known among recipients. The lack of transparency in the criteria and recipient data collection leads to recipient bias. This contradicts the values of inclusive public policy theory and reinforces the findings of Komang Saputra et al. (2018), who stated that elite bias in the distribution of Village Funds 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

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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 primarily focused on 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 suggests that the village development strategy has not been designed to promote sustainability or economic independence for its 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 in the indicators of public organization theory, as outlined by Richard M. Steers: goal achievement, institutional integration, and adaptability to local dynamics. The village consistently adjusts its budget allocations to meet 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 owners.

On the other hand, the effectiveness of Village Fund management is not yet fully optimal due to several crucial challenges. Limited human resource capacity among village officials is a significant 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 should periodically enhance their staff's capacity 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. Citizen oversight mechanisms can be strengthened by establishing community watchdog 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 sustainably improving community welfare.

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