

EVALUATING THE EFFECTIVENESS OF VILLAGE FUND POLICY IN STRENGTHENING LOCAL ECONOMIC RESILIENCE: EVIDENCE FROM SLEMAN REGENCY, INDONESIA

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ABSTRACT

This study critically evaluates the effectiveness of Indonesia's Village Fund policy in enhancing local economic resilience, with a specific focus on Sleman Regency. Recognizing the Village Fund as a strategic fiscal tool to empower rural communities, the research adopts a literature review methodology to synthesize findings from existing scholarly and policy-based sources. The study explores the policy's design, implementation mechanisms, and its alignment with community-driven economic development. Key themes include governance quality, participatory planning, fund utilization efficiency, and socio-economic outcomes. A thematic analysis reveals that while the policy shows potential in improving rural livelihoods, challenges such as bureaucratic rigidity and limited capacity at the village level persist. The evidence also suggests significant regional disparities in policy impact, highlighting the need for context-sensitive governance strategies. By integrating perspectives from empirical case studies and theoretical frameworks, this research contributes to a deeper understanding of policy effectiveness in rural economic strengthening. The paper also provides critical insights for policymakers aiming to refine the Village Fund framework. Overall, the findings underscore the importance of adaptive, inclusive, and accountable approaches to village-level fiscal decentralization.

Keywords: *Village Fund Policy, Local Economic Resilience, Fiscal Decentralization, Rural Development, Sleman Regency.*

INTRODUCTION

Local economic resilience has emerged as a pivotal component in achieving sustainable development, particularly in the face of escalating global challenges. The capacity of local economies to anticipate, withstand, and recover from various shocks—ranging from economic downturns to natural disasters—is essential for maintaining economic stability and growth (U.S. Economic Development Administration, n.d.). This resilience ensures that communities can adapt to changing circumstances, thereby safeguarding livelihoods and promoting long-term development. In the context of sustainable development, resilient local economies contribute to reducing poverty, enhancing social equity, and ensuring environmental sustainability (OECD, 2021). The Organisation for Economic Co-operation and Development (OECD) emphasizes that policies aimed at strengthening local economic resilience are integral to fostering inclusive growth and mitigating the impacts of crises (OECD, 2021). The United Nations' Sustainable Development Goal 8

underscores the importance of promoting sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all, which are inherently linked to the resilience of local economies (United Nations, n.d.). The decentralization policies implemented in the early 2000s have aimed to empower local governments, recognizing that localized decision-making can lead to more effective and context-specific development strategies (World Bank, 2003). The Village Fund policy, introduced in 2014, represents a significant fiscal decentralization effort intended to bolster rural development and economic resilience at the village level (Ministry of Finance of the Republic of Indonesia, 2014). By allocating funds directly to villages, the policy seeks to enhance local infrastructure, support community-based enterprises, and improve public services, thereby strengthening the economic foundations of rural areas. However, the effectiveness of such policies in achieving their intended outcomes depends on various factors, including governance capacity, community participation, and the adaptability of local

institutions (World Bank, 2018). Evaluating the impact of the Village Fund policy on local economic resilience is crucial for understanding its role in Indonesia's broader sustainable development agenda. This study aims to contribute to this understanding by synthesizing existing literature on the subject, with a particular focus on Sleman Regency, Indonesia. Through a comprehensive literature review, the research will examine the extent to which the Village Fund policy has enhanced local economic resilience, identify the challenges encountered, and provide insights for policy refinement. Strengthening local economic resilience through effective policy implementation is vital for achieving sustainable development goals and ensuring the well-being of communities. This study holds significance for policymakers, practitioners, and scholars interested in rural development, fiscal decentralization, and economic resilience.

Indonesia's Village Fund policy represents a significant stride in the nation's fiscal decentralization efforts, aiming to empower rural communities through direct financial allocations. Initiated in 2015 under Law No. 6/2014, the policy mandates the transfer of substantial funds from the central government to villages, enabling them to manage and utilize resources based on local priorities (Gonschorek & Schulze, 2018). This approach seeks to enhance local governance by granting villages autonomy in planning and executing development projects, thereby fostering community participation and accountability (Sutiyo & Maharjan, 2017). The policy's design emphasizes the importance of aligning financial resources with the unique needs of each village, promoting equitable development across diverse regions (Lewis, 2017). Empirical studies have highlighted the policy's potential in stimulating rural economies, particularly through investments in infrastructure and social services (Hartojo et al., 2022). Challenges persist in ensuring effective implementation, as disparities in administrative capacity among villages can hinder optimal utilization of funds (Pranadji et al., 2020). The success of the Village Fund policy is contingent upon transparent governance mechanisms and robust

community engagement to prevent misallocation and corruption (Suryahadi et al., 2018). The policy also underscores the need for continuous capacity-building initiatives to equip local authorities with the necessary skills for efficient fund management (Brodjonegoro, 2016). The Village Fund policy not only serves as a fiscal tool but also as a catalyst for institutional strengthening at the grassroots level. By decentralizing financial authority, the policy aims to bridge development gaps between urban and rural areas, contributing to national objectives of inclusive growth (World Bank, 2018). The integration of community-based planning processes within the policy framework further reinforces the role of local knowledge in shaping development trajectories (Sutiyo & Maharjan, 2017). Nevertheless, ensuring the sustainability of such decentralized initiatives requires ongoing monitoring and evaluation to adapt to evolving local contexts (Lewis, 2017). The Village Fund policy's emphasis on participatory governance aligns with broader global trends advocating for localized development solutions. As Indonesia continues to refine this policy, lessons learned can inform similar decentralization efforts in other developing nations. Ultimately, the Village Fund policy embodies a transformative approach to rural development, positioning villages as pivotal actors in the nation's socio-economic advancement.

The implementation of Indonesia's Village Fund policy has encountered several challenges that potentially hinder its effectiveness in promoting rural development. A significant issue is the limited administrative capacity at the village level, which affects the planning, execution, and accountability of fund utilization (Anam et al., 2023). Many village officials lack adequate training and experience in financial management, leading to inefficiencies and mismanagement of resources (Adam et al., 2024). The prevalence of elite capture, where local elites dominate decision-making processes, undermines the inclusivity and equity of development initiatives (Sidik, 2024). This concentration of power often results in the marginalization of vulnerable groups and

the misallocation of funds. Inadequate monitoring and evaluation mechanisms also pose a challenge, as they limit the ability to assess the impact of the Village Fund and to identify areas for improvement (Udjianto et al., 2020). The lack of transparency and accountability in fund management has, in some cases, led to corruption and the misuse of resources (Mulyani et al., 2020). Cultural factors such as local norms and traditions, can also influence the implementation of the policy, sometimes hindering community participation and the adoption of best practices (Sonbay et al., 2022). The complexity of bureaucratic procedures and the overlapping responsibilities among government agencies can create confusion and delays in fund disbursement (Nara et al., 2018). The digital divide, characterized by limited access to technology and internet connectivity in rural areas, further complicates the implementation of e-governance initiatives aimed at improving transparency (U.S. Economic Development Administration, n.d.). The one-size-fits-all approach of the policy does not account for the diverse needs and capacities of different villages, leading to suboptimal outcomes (Lewis, 2017). The COVID-19 pandemic has exacerbated these challenges by disrupting administrative processes and diverting attention and resources away from development activities (World Bank, 2020). Addressing these multifaceted challenges requires a comprehensive strategy that includes capacity-building, institutional reforms, and the adaptation of the policy to local contexts. Strengthening community engagement and fostering partnerships with civil society organizations can also enhance the effectiveness and sustainability of the Village Fund policy. Ultimately, overcoming these challenges is crucial for realizing the policy's potential in fostering inclusive and resilient rural development in Indonesia.

Evaluating the impact of the Village Fund policy within specific regional contexts is crucial for understanding its effectiveness in addressing local development challenges. Sleman Regency, located in the Special Region of Yogyakarta, presents a unique case due to its diverse socio-economic landscape and varying levels of administrative capacity across villages. The region's proximity to

urban centers and its blend of rural and semi-urban areas necessitate tailored approaches to policy implementation. Studies have indicated that the success of the Village Fund policy is influenced by local governance structures and community participation levels (Adam et al., 2024). In Sleman disparities in these factors can lead to uneven outcomes in fund utilization and development progress. The presence of active village-owned enterprises (BUMDes) in some areas of Sleman has shown potential in enhancing local economic resilience, yet their effectiveness varies significantly (Pratomo, 2022). This variability underscores the need for region-specific evaluations to identify best practices and areas requiring improvement. The urgency of such evaluations is heightened by the ongoing challenges posed by the COVID-19 pandemic, which has strained local economies and tested the adaptability of village governance systems (World Bank, 2020). Understanding how Sleman's villages have navigated these challenges can provide valuable insights for refining the Village Fund policy. Assessing the policy's impact in Sleman can contribute to broader discussions on fiscal decentralization and rural development strategies in Indonesia. By focusing on a specific regency, researchers can delve deeper into the nuanced interactions between policy frameworks and local dynamics. Such localized studies are essential for informing policy adjustments that are responsive to the unique needs of different regions. They also facilitate the identification of scalable models that can be adapted to other areas with similar characteristics. Sleman serves as a pertinent case study for examining the multifaceted impacts of the Village Fund policy. The findings from such an evaluation can guide policymakers in enhancing the policy's design and implementation to better support local economic resilience.

This study aims to critically assess the effectiveness of Indonesia's Village Fund policy in enhancing local economic resilience, focusing specifically on Sleman Regency. The evaluation is designed to determine how the policy has contributed to sustainable rural development and addressed persistent socio-economic

inequalities (Anam et al., 2023). The study is guided by several research questions including how the Village Fund policy impacts economic resilience, what factors influence its successful implementation, and how local governance and participation affect outcomes (Indra & Khoirunurrofik, 2022). These questions explore the interlinkages between institutional capacity, fiscal transfer mechanisms, and development effectiveness (Adam et al., 2024). The research highlights the complexity of village-level governance and the contextual factors that mediate policy outcomes (Permatasari et al., 2021). It also emphasizes the importance of investigating regional diversity in policy impacts to avoid overgeneralization. Sleman's socio-economic diversity provides a suitable case for this evaluation as it reflects a microcosm of Indonesia's broader decentralization landscape. In particular, assessing policy effectiveness in such a hybrid rural-urban region may reveal lessons for scalable development strategies. The study adopts a literature review methodology to synthesize and critique relevant academic and policy sources. This approach enables a comprehensive understanding of how the Village Fund interacts with local institutions and community structures (Lestari et al., 2023). By relying on secondary data and peer-reviewed studies, the research also circumvents limitations associated with field-based data collection. This methodological stance is justified considering the abundance of existing evaluations and scholarly discourse on the Village Fund's performance. The study seeks to integrate these insights into a coherent analytical framework to assess both the theoretical and practical dimensions of the policy. The objective is not only to understand what works and what does not but also to offer actionable recommendations for improving the design and delivery of the Village Fund. Ultimately, this research contributes to evidence-based policymaking in Indonesia's fiscal decentralization agenda. It also enhances scholarly dialogue on rural development financing models in emerging economies (Permatasari et al., 2021).

Conducting a literature review-based study to evaluate the effectiveness of Indonesia's Village Fund policy is pivotal for several reasons. It allows for a comprehensive synthesis of existing research, providing a holistic understanding of the policy's implementation and outcomes across different regions (Palisuri et al., 2024). Such an approach facilitates the identification of common challenges and best practices, which can inform policy refinement and replication in similar contexts (Ramly et al., 2018). A literature review enables the assessment of the policy's alignment with broader development goals, such as the Sustainable Development Goals (SDGs), by analyzing how the Village Fund contributes to poverty reduction, infrastructure development, and community empowerment (Permatasari et al., 2021). This method allows for the critical examination of the policy's theoretical underpinnings, including its basis in fiscal decentralization and community-driven development paradigms (Handayani & Badrudin, 2019). By evaluating the policy through these lenses, researchers can assess its conceptual soundness and practical applicability. A literature review-based study can uncover gaps in the current body of knowledge, highlighting areas where further empirical research is needed (Hanafie & Nugraha, 2020). This is particularly important in the context of Sleman Regency, where localized studies can provide insights into region-specific dynamics affecting policy implementation. Synthesizing findings from various studies can help in understanding the interplay between community participation, governance structures, and policy outcomes (Gani et al., 2023). Such insights are crucial for tailoring interventions that enhance the effectiveness of the Village Fund policy. A literature review can serve as a valuable resource for policymakers, offering evidence-based recommendations grounded in a broad spectrum of research. It also promotes academic discourse by consolidating diverse perspectives and fostering a deeper understanding of the policy's multifaceted impacts. In sum, a literature review-based evaluation is instrumental in advancing knowledge, guiding policy improvements,

and ultimately contributing to the sustainable development of rural communities in Indonesia.

METHOD

This study employs a qualitative approach grounded entirely in literature review to evaluate the effectiveness of the Village Fund policy in strengthening local economic resilience in Sleman Regency, Indonesia. The research does not involve primary data collection, such as field surveys or interviews, but instead synthesizes secondary data from scholarly articles, policy documents, government reports, and statistical publications. The review process begins with the identification of relevant literature using academic databases and institutional repositories. Keywords such as "Village Fund," "economic resilience," "fiscal decentralization," and "rural development" were systematically applied to retrieve pertinent publications. Only peer-reviewed journal articles, credible institutional publications, and official policy assessments published within the last ten years were considered. The selection criteria also emphasized relevance to the Indonesian context and empirical richness. The study includes both conceptual discussions and empirical findings that illustrate the impacts and challenges of the Village Fund policy. A thematic analysis technique was adopted to identify and categorize recurring issues, patterns, and insights across the literature. The themes were derived inductively from the reviewed materials and then clustered into core categories such as governance quality, fund management efficiency, community participation, and socio-economic outcomes. Each theme was examined for both its theoretical contribution and its practical implications. The review also accounts for regional diversity, drawing particular attention to studies with case-specific findings from Sleman or similar regencies. The methodology ensures triangulation of knowledge by comparing perspectives across different disciplines, such as public policy, economics, and development studies. Analytical rigor was maintained through a structured coding process and iterative cross-checking of sources. The reliability of

the findings was enhanced by prioritizing literature published in internationally recognized journals. Studies containing conflicting or inconclusive evidence were also included to ensure balanced interpretation. The research process followed a systematic and transparent procedure to enhance reproducibility and validity. No statistical tests were applied, as the emphasis was placed on qualitative synthesis and critical analysis. The result is a consolidated body of knowledge that informs the discussion on how the Village Fund policy supports, constrains, or transforms local economic resilience. This methodological approach allows the study to remain theoretically grounded while delivering practically relevant insights for policy evaluation and refinement.

RESULTS AND DISCUSSION

Administrative Capacity and Policy Outcomes

Village-level administrative capacity plays a pivotal role in determining the effectiveness of the Village Fund policy. Local governments with well-trained staff implement programs more efficiently. Village heads who demonstrate leadership and planning skills often guide development projects toward measurable goals. Administrative structures that maintain organized records ensure greater transparency in fund usage. Trained personnel manage reporting requirements with higher accuracy and timeliness. Strong coordination among village officials reduces redundancy in project execution. Local authorities who adopt participatory budgeting practices distribute resources more equitably. Villages that update development plans regularly align better with regional and national priorities. Administrative teams that conduct monitoring and evaluation consistently improve policy responsiveness. Well-established internal controls prevent misuse of funds and build public trust. Staff members who receive technical assistance apply regulatory frameworks more effectively. Proficient administrative units engage more stakeholders in decision-making processes. Efficient procurement and accounting systems contribute to better

cost management. Administrations that enforce performance-based budgeting allocate resources more strategically. Teams that embrace digital governance tools track implementation progress more reliably. Administrative capacity, therefore, defines not only how policies are implemented but also how they transform into tangible improvements in local resilience.

Community Participation as a Determinant of Economic Resilience

Community participation serves as a critical driver of the Village Fund's success in promoting economic resilience. Citizens who engage in village meetings influence development priorities more effectively. Residents who voice their needs during planning processes shape projects that reflect real community demands. Villagers who participate in monitoring activities help reduce fund misappropriation. Local communities that contribute ideas during budgeting stages improve program relevance and responsiveness. Active residents hold village leaders accountable for transparent fund allocation. Participants in public discussions enhance the legitimacy of development decisions. Women and marginalized groups who join decision-making forums increase inclusivity and equity. Youth involvement in community development projects strengthens innovation and sustainability. Volunteer groups that support implementation build stronger social capital. Community-led initiatives often align more closely with cultural values and local wisdom. Households that take ownership of projects maintain infrastructure more sustainably. Civic engagement during evaluation stages generates feedback that strengthens future planning. When villagers feel ownership of outcomes, they invest more time and resources in collective action. Participatory processes cultivate trust between governments and citizens. High levels of community involvement increase the social cohesion and adaptive capacity essential for long-term economic resilience.

Governance Quality and Risk of Elite Capture

Governance quality directly shapes the integrity and fairness of Village Fund distribution. Transparent leadership promotes equal access to development opportunities. Accountable village heads prevent misuse of public resources. Village councils that conduct open meetings foster public trust and institutional legitimacy. Leaders who enforce anti-corruption mechanisms reduce the risk of fund diversion. Villages that publish budget plans and implementation reports deter unethical behavior. Decision-makers who welcome scrutiny from civil society strengthen oversight functions. Conversely weak governance allows elites to dominate decision-making processes. Political actors who manipulate fund allocation for personal gain marginalize vulnerable groups. Village leaders who restrict public participation increase the concentration of power. Officials who bypass community consultation limit the effectiveness of development programs. Elites who influence procurement decisions often inflate costs and compromise project quality. Patronage networks that dominate governance discourage merit-based leadership. Village institutions that ignore accountability mechanisms face higher risks of fund mismanagement. When governance lacks transparency, citizens withdraw from public affairs. Poor governance not only distorts fund distribution but also weakens the long-term foundation of inclusive development. Strong and ethical governance therefore serves as a safeguard against elite capture and ensures that the Village Fund achieves its intended outcomes.

Variability in Fund Utilization Efficiency

Villages utilize the Village Fund with varying degrees of efficiency. Some prioritize infrastructure development to stimulate short-term economic activity. Others allocate resources to social programs that enhance long-term human capital. Village leaders who align spending with local needs increase program impact. Officials who conduct needs assessments allocate funds more strategically. Teams that coordinate across sectors avoid duplication and maximize outcomes. Villages that invest in

entrepreneurship support generate local employment. Administrators who monitor implementation adjust budgets responsively. Resource use becomes inefficient when planning lacks data-driven analysis. Projects without performance indicators fail to meet intended objectives. Leaders who overlook local input often misallocate funds. Communities that participate in budgeting improve cost-effectiveness. Villages with clear spending priorities achieve better economic results. Weak oversight allows spending on low-impact activities. Administrators who follow rigid templates struggle to adapt to local challenges. Effective fund utilization requires strategic planning, responsive leadership, and local contextualization. Villages that integrate these elements transform limited funds into sustainable economic gains.

Regional Characteristics and Policy Effectiveness

Local socio-economic and geographic characteristics significantly influence the outcomes of the Village Fund policy. Villages located near urban areas often access better infrastructure and markets. These villages tend to implement projects more efficiently due to logistical advantages. Remote areas face higher costs and delays in fund utilization. Isolated communities struggle with limited access to skilled labor and construction materials. Economic diversity across regions shapes spending priorities and development strategies. Villages in agricultural zones often invest in irrigation and farm support programs. Coastal regions allocate funds to fisheries and disaster mitigation efforts. Mountainous areas focus on connectivity and transportation. Cultural norms also shape how communities interpret participatory processes. Regions with strong traditions of collective action mobilize community support more effectively. Local institutions that adapt to environmental constraints manage risks more proactively. Geographic vulnerabilities such as floods or landslides require flexible planning and fund reallocation. Uniform policy frameworks fail to account for these local variations. Villages that customize implementation strategies achieve more relevant and sustainable outcomes.

Policymakers who acknowledge regional diversity improve the responsiveness of rural development initiatives. Understanding regional dynamics enables more targeted and equitable Village Fund interventions.

Administrative capacity significantly influences the effectiveness of the Village Fund policy in Indonesia. Villages with competent administrative personnel manage funds more effectively, leading to improved development outcomes (Gani et al., 2023). The presence of skilled officials ensures accurate reporting and accountability in fund usage (Indra & Khoirunurrofik, 2022). Effective coordination among village officials reduces redundancy and enhances the impact of development initiatives (Adam et al., 2024). Villages that regularly update their development plans align better with national priorities, resulting in more strategic resource allocation (Permatasari et al., 2021). Conversely, inadequate administrative capacity hampers the planning and execution of development projects, leading to suboptimal outcomes (Anam et al., 2023). The integration of digital governance tools by proficient administrative units facilitates better tracking of implementation progress (Lestari et al., 2023). Strong administrative structures also foster greater community participation, which is essential for the sustainability of development programs (Pratolo et al., 2020). Enhancing administrative capacity at the village level is crucial for the successful implementation of the Village Fund policy and the achievement of its intended development goals.

Community participation plays a crucial role in the successful implementation of the Village Fund policy in Indonesia. Villages that actively involve community members in planning and decision-making processes tend to achieve more sustainable development outcomes (Junaidi & Hasanah, 2023). Effective community engagement fosters a sense of ownership and responsibility among villagers, leading to better maintenance of infrastructure projects (Rosario da Gama, 2024). Participatory approaches enhance transparency and accountability in fund utilization, reducing the risk of

mismanagement (Anam et al., 2023). Studies have shown that when villagers are involved in monitoring and evaluation, there is a significant improvement in project quality and relevance to local needs (Lestari et al., 2023). Challenges such as limited awareness, lack of capacity, and socio-cultural barriers can hinder effective participation (Pratolo et al., 2020). To address these issues, capacity-building programs and inclusive policies are essential to empower community members and ensure their meaningful involvement in development initiatives (Permatasari et al., 2021). Fostering community participation is vital for the success and sustainability of Village Fund programs, as it ensures that development efforts are aligned with the actual needs and aspirations of the local population.

Transparency and accountability are pivotal in ensuring the effective management of Village Funds in Indonesia. Villages that implement transparent practices in fund allocation and reporting tend to experience higher levels of community trust and engagement (Taufiqi & Ariani, 2022). Clear communication of financial information enables villagers to monitor expenditures, thereby reducing opportunities for mismanagement (Sulila et al., 2023). Accountability mechanisms, such as regular audits and community oversight, have been shown to enhance the reliability of fund utilization (Suwanda & Suryana, 2021). Studies indicate that when village officials are held accountable for their actions, there is a significant improvement in the alignment of fund usage with development goals (Ramadhani & Yuliati, 2021). The presence of accountability structures fosters a culture of responsibility among village administrators, leading to more prudent financial decisions (Garung & Ga, 2020). Challenges persist, including limited access to financial information for villagers and inadequate capacity for effective oversight (Utami & Ibrahim, 2019). To address these issues, capacity-building initiatives and the establishment of transparent reporting systems are essential (Permata et al., 2022). Enhancing transparency and accountability is crucial for the success of Village Fund programs, as it ensures that resources are

utilized effectively to meet the developmental needs of rural communities.

The Village Fund program has significantly contributed to the enhancement of rural infrastructure and improved access to essential services in Indonesia. Akbar and Sihaloho (2020) found that the program positively impacted the construction value across provinces, indicating substantial infrastructure development. Suryadir et al. (2020) reported that the program effectively improved infrastructure in both transmigration and non-transmigration villages, leading to better access to education and health services. Abduh et al. (2024) emphasized that strengthening rural infrastructure through the Village Fund is crucial for bolstering the agricultural economic system. Kim (2023) highlighted that the implementation of the Village Fund has played a role in reducing urban-rural inequality by empowering village communities. The program has been instrumental in developing physical infrastructure, such as roads and bridges, which are vital for economic activities and service delivery (Akbar & Sihaloho, 2020). Challenges remain in ensuring the sustainability and maintenance of the constructed infrastructure. Continuous monitoring and community involvement are essential to address these challenges and maximize the benefits of the Village Fund program. Overall, the program has made significant strides in improving rural infrastructure and service access, contributing to the broader goal of rural development.

The Village Fund program has significantly contributed to economic empowerment in rural Indonesia by facilitating various development initiatives. Research indicates that the program has led to increased rural economic growth, particularly in underdeveloped villages, by providing essential financial resources for local development projects (Smeru Research Institute, 2021). These funds have enabled the establishment of village-owned enterprises (BUMDes), which play a crucial role in stimulating local economies and creating employment opportunities (Suryahadi et al., 2020). The program's emphasis on community participation

ensures that development projects align with local needs, thereby enhancing their effectiveness and sustainability (Permata et al., 2022). The Village Fund has been instrumental in improving infrastructure, such as roads and irrigation systems, which are vital for agricultural productivity and market access (Akbar & Sihalohe, 2020). Studies also highlight the program's role in reducing income disparities between rural and urban areas by promoting equitable economic development (Kim, 2023). Challenges remain in ensuring the efficient and transparent use of funds, necessitating continuous capacity-building efforts for village administrators (Lestari et al., 2023). The integration of digital tools and transparent reporting mechanisms can further enhance the program's impact by improving accountability and facilitating better monitoring of development projects (Gani et al., 2023). The Village Fund program serves as a vital instrument for economic empowerment in rural Indonesia, fostering inclusive growth and reducing regional disparities.

CONCLUSION

This study provides a comprehensive evaluation of the effectiveness of the Village Fund policy in strengthening local economic resilience in Sleman Regency, Indonesia. The research applies a literature review approach to identify critical dimensions influencing the outcomes of the policy. The findings confirm that administrative capacity plays a central role in ensuring the success of fund allocation and program execution. Competent village officials lead more strategic planning, better financial management, and stronger implementation. Villages with transparent administrative systems achieve higher levels of efficiency and accountability. Effective leadership ensures that development projects align with local needs and deliver measurable impacts. The study also reveals that active community participation contributes significantly to program sustainability. Involving citizens in planning and monitoring processes fosters ownership and trust. Villagers who participate actively tend to support and maintain development initiatives long-term. Governance quality

further shapes the equity and transparency of Village Fund utilization. Villages that uphold democratic governance avoid elite capture and protect marginalized voices. The research identifies disparities in fund utilization efficiency across different villages. Some communities prioritize infrastructure, while others focus on social programs, reflecting diverse development priorities. Geographic, economic, and cultural variations affect how each village experiences and responds to the policy. The analysis suggests that one-size-fits-all approaches limit policy effectiveness at the local level. Localized strategies offer more adaptive and context-sensitive solutions. The Village Fund has played an important role in empowering rural economies and reducing development gaps. However, the study highlights the need for continued institutional strengthening and policy refinement. Future improvements must integrate local knowledge, enhance monitoring systems, and promote capacity-building. This research reinforces the strategic importance of the Village Fund in driving inclusive rural development and building resilient communities.

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