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CONTRIBUTION OF VILLAGE FUND TO ECONOMIC GROWTH AND POVERTY ALLEVIATION IN ENREKANG REGENCY, INDONESIA

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ABSTRACT

This study aims to analyse the contribution of village funds to economic growth and poverty alleviation in Enrekang Regency, Indonesia. Village funds are a fiscal policy instrument expected to accelerate village economic development and improve community welfare. The research method employed is a quantitative approach, using secondary data analysis from village financial reports, local economic indicators, and poverty levels before and after the implementation of village funds. Data were collected through an analysis of local government reports and interviews with 15 village heads in 12 sub-districts. The study results indicate that village funds significantly improve village infrastructure, strengthen the micro-business sector, and create new jobs. Furthermore, programmes funded by village funds have been proven to reduce poverty through various community-based economic empowerment initiatives. The allocation of village funds amounting to IDR 94.8 billion in 2024 across 112 villages is prioritised for funding development and community empowerment, as well as for addressing extreme poverty. However, the effectiveness of these funds is still influenced by village financial governance, community participation, and synergy with regional development policies. Optimisation is needed in planning and monitoring the use of village funds to ensure that the impact is maximised in encouraging sustainable economic growth and poverty alleviation.

Introduction

Village development is a priority in national development policies aimed at achieving economic equality and reducing social disparities. The delegation of budget management authority from the central government to local governments is expected to be more efficient in meeting the needs of local communities (Oates, 1972). Village funds represent a tangible form of direct fiscal decentralisation to villages, rather than merely to district or city governments. The direct allocation of village funds to village governments is likely to be more effective in improving community welfare, fostering local economic growth, and alleviating poverty, as it takes local preferences into account and enhances the efficiency of public resource management.

The Indonesian government, through the Village Fund policy regulated in Law No. 6 of 2014 concerning Villages, has allocated a significant budget to support independent and sustainable village development. The village fund aims to improve the welfare of village communities, accelerate local economic growth, and combat poverty through various infrastructure development programmes, community empowerment, and the strengthening of the economy based on local potential (Ernawati *et al*., 2021). Village funds are not merely fiscal instruments but are tools for social transformation aimed at achieving inclusive, equitable, and participatory economic growth. This integrated approach positions village communities as active subjects of development rather than mere recipients of aid (Kanbur, 2010). Referring to the sustainable livelihood framework of Chambers and Conway (1992), village funds can be analysed not only as fiscal allocations but also as strategic instruments for strengthening the livelihood assets of village communities to create economic resilience, environmental sustainability, and social empowerment as a means of overcoming structural poverty.

Enrekang Regency, where the majority of the population depends on the agricultural sector and micro-enterprises, has also felt the impact of the village fund policy. In 2024, funds amounting to IDR 94.87 billion were allocated to 112 villages across 12 sub-districts to improve village infrastructure, increase agricultural productivity, and create new business opportunities for the community. Although various programmes have been implemented, challenges in optimising the use of village funds persist, such as low planning and governance capacity at the village level and limitations in measuring the long-term impact on economic growth and poverty alleviation (Hartojo *et al*., 2022). North's institutional theory (1990) emphasises that economic performance is largely determined by the existence and quality of institutions. Therefore, the effectiveness of village funds in Enrekang Regency is significantly influenced by the capacity of village institutions in managing development and empowering communities sustainably. Institutions are the rules of the game in society, or more precisely, the boundaries created by humans that shape human interactions (Karim *et al*., 2025). Village institutions play a crucial role in participatory planning, transparency, and accountability in village fund management, as well as in the implementation of development and economic empowerment programmes.

This study aims to analyse the role of village funds in driving economic growth in Enrekang Regency. It evaluates the impact of village funds on poverty alleviation in beneficiary villages (Vicol *et al*., 2018) and identifies inhibiting factors in the utilisation of village funds while providing policy recommendations to enhance their effectiveness (Karim *et al*., 2021). The results of the study can contribute academically to the field of village development policies and serve as a reference for local governments in optimising the use of village funds. Additionally, this study can provide insights for other stakeholders, such as village heads, communities, and non-governmental organisations (NGOs), in increasing the effectiveness of sustainable and inclusive village development programmes (Bahtiar *et al*., 2021). The varying institutional capacity of villages affects the effectiveness of village fund utilisation, and there is a lack of empirical evidence regarding the direct and indirect relationship between village funds and the improvement of welfare and village economic development.

Village funds are one of the policy instruments designed by the Indonesian government to accelerate village economic development and reduce poverty levels (Jahid *et al*., 2023). They have become the primary funding source for village governments to build infrastructure, improve the quality of public services, and support community economic empowerment. Enrekang Regency, with its mountainous geographical characteristics and a population primarily engaged in the agricultural and livestock sectors, faces challenges in effectively utilising village funds to stimulate economic growth and alleviate poverty.

Although village funds have been disbursed over the past few years, their effectiveness in increasing economic growth and alleviating poverty in Enrekang Regency remains questionable. The extent to which village funds contribute to job creation, increase community business productivity, and reduce economic inequality still requires in-depth study (Rimawan *et al*., 2020). This study aims to address several key questions: (1) How do village funds contribute to the economy in

Enrekang Regency? (2) Do village funds affect economic growth and poverty alleviation? (3) Do village institutions mediate the relationship between village funds and community economic welfare? The objectives of this study are closely related to testing the relationships between variables, including: (1) The effect of village funds on the village economy; (2) the relationship between village funds and village economic growth in Enrekang Regency; (3) the role of village institutions as intervening variables in enhancing the effectiveness of village funds; and (4) the effect of village funds on reducing poverty rates at the village level.

This study will enrich the scientific literature related to the relationship between village fiscal policies, particularly village funds, and local economic growth and poverty alleviation. By adhering to an empirical approach and relevant theoretical frameworks (Baka *et al*., 2024), this study can serve as a reference for academics, researchers, and students in developing studies on village economic development, village financial governance, and institutional strengthening at the local level. Practically, the results of this study are expected to inform local governments, particularly in Enrekang Regency, in formulating more effective village fund management strategies that directly impact community welfare (Chahyono *et al*., 2025).

This study aims to provide a concrete understanding of the role of village funds in supporting economic growth and reducing poverty levels in villages. It also seeks to offer input for stakeholders such as village-owned enterprises, village institutions, and the community in enhancing participation, accountability, and innovation in future village fund management. Thus, this study not only addresses theoretical questions but also makes tangible contributions to the formulation of village development policies based on data and empirical evidence.

Literature Review

Poverty remains one of the biggest challenges faced by Indonesia, especially in rural areas. Most rural residents rely on the agriculture and fisheries sectors as their main source of livelihood, which are often vulnerable to economic, climate, and policy changes (Chagwedera & Manhimanzi, 2024). To address this issue, the Indonesian government has launched various programmes, one of which is the village fund. This programme aims to accelerate village development while alleviating poverty. It highlights the important role of village funds in overcoming poverty in rural areas, the challenges faced, and strategic steps to optimise their benefits (Anugrah *et al*., 2022).

Village funds are allocated by the central government to villages through the state revenue and expenditure budget. These funds are provided directly to village accounts to be used according to village development needs and priorities (Karim & Syamsuddin, 2024). Village funds aim to support village development, improve community welfare, and reduce the development gap between villages and cities. The use of village funds is regulated in various regulations to suit the needs of the community (Sofyan *et al*., 2021). Priorities for the use of village funds include the development of basic infrastructure such as village roads, irrigation, and sanitation, as well as economic empowerment through skills training, business capital assistance, and the development of village economic institutions.

The Role of Village Funds in Alleviating Poverty in Rural Areas

Community welfare is one of the main focuses in regional development. One of the indicators used to measure the level of community welfare is the poverty rate (Andari & Fitria, 2023). Poverty in Indonesia is defined as the inability to meet basic needs. This approach views poverty from an economic perspective, namely the inability to meet basic needs, both food and non-food, which is measured through expenditure. People are considered poor if they are unable to meet their basic needs, such as food, adequately.

The Village Fund is a fiscal policy instrument introduced through Law No. 6

of 2014 concerning villages, which aims to accelerate village development independently and sustainably (Herawati *et al*., 2022). According to the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration (2022), the village fund can be used to improve basic infrastructure, empower the community economy, and develop local potential, which is the driving force of village economic growth (Permatasari *et al*., 2021). Village economic development can be achieved through investment in infrastructure, education, and economic empowerment. Village funds act as initial capital in creating sustainable development in rural areas by increasing access to public facilities and enhancing human resource capacity (Razak *et al*., 2025).

There are three main strategies for addressing extreme poverty in Indonesia (Yusriadi *et al*., 2024): First, reducing the burden on poor families through social assistance, such as the Family Hope Programme for more than 10 million residents and basic food assistance to over 18 million recipients. Second, increasing the income of poor families through a people's credit interest subsidy policy that supports the agriculture, fisheries, and small and medium enterprises sectors. Third, addressing pockets of poverty by increasing transfers to areas with higher levels of extreme poverty.

One of the main objectives of the village fund is to reduce poverty levels in rural areas. Poverty in rural areas remains a challenge, with the main factors being limited access to economic resources, low education, and lack of productive employment. The sustainable livelihoods framework approach (Chambers & Conway, 1992) states that poverty alleviation efforts must be oriented towards strengthening the economic capacity of communities through livelihood diversification and community empowerment. Villages that utilise village funds for micro-enterprise empowerment programmes and cash-intensive labour programmes experience a faster decline in poverty rates than villages that only use them for direct cash assistance (Permatasari *et al*., 2021). Case studies in several regions show that programmes funded by village funds, such as entrepreneurship training, business capital assistance, and technology-based agricultural development, contribute to increasing village community income (Mardjuni *et al*., 2022).

The effectiveness of village funds is greatly influenced by good governance, which includes transparency, accountability, and community participation. Villages with strong governance tend to be more successful in allocating village funds to programmes that have a direct impact on poverty reduction (Ohoiwutun, 2015). Some of the main problems in managing village funds include: (1) A lack of governance capacity at the village level, which leads to ineffective and misdirected fund allocation; (2) minimal community participation, resulting in programme planning that often does not reflect local needs; and (3) the risk of budget misuse, including corruption and overlapping policies between the central and regional governments. A study by Amin (2020) suggests that improving the quality of planning, enhancing financial transparency, and strengthening the monitoring mechanism can increase the effectiveness of village funds in achieving sustainable development goals (Abdulai *et al*., 2022).

Enrekang Regency, as an area that relies on the agricultural sector, has received a significant allocation of village funds since the implementation of this policy, according to the Enrekang Regency Financial and Regional Asset Management Agency (BPS, 2024). The total village funds allocated in 2022 reached IDR 115.95 billion for 112 villages. A study by Rahman (2023) found that most of the funds were used for infrastructure development and farmer empowerment programmes. Although the village fund has helped reduce poverty in several villages, the level of dependence on government assistance remains high. Therefore, a more strategic policy is needed to ensure that the village fund can effectively drive sustainable economic growth and reduce poverty in Enrekang Regency.

Based on the various literature discussed, the village fund plays an important role in increasing economic growth and reducing poverty, particularly through infrastructure development, economic empowerment, and job creation. However, challenges in implementation, such as suboptimal village governance, limited community participation, and the risk of fund misuse, continue to hinder progress towards achieving sustainable village development goals (Susilo *et al*., 2021). This study examines the correlation between village fund distribution and poverty reduction in rural areas. The author conducted an analysis based on total village fund data, the realisation of village fund distribution, and the percentage of the poverty rate in Enrekang Regency in 2024.

Optimisation of Village Funds Encourages Improvement of Community Welfare

The village fund allocation policy supports sustainable village development, community empowerment, and poverty alleviation. Village funds are prioritised for strategic programmes, such as tackling extreme poverty, ensuring food security, and reducing stunting at the village level (Bustanul *et al*., 2021). The government allocates up to 25% of village funds for direct cash assistance to poor families and at least 20% for food and animal security programmes. In addition, villages are expected to allocate funds for priority sectors relevant to local characteristics and potential, including capital participation for village-owned enterprises (Haeruddin *et al*., 2024). The Indonesian government also provides fiscal incentives for regions that demonstrate the best performance in financial governance and public services. These incentives, regulated under Law No. 1 of 2022, serve as awards for regions that achieve optimal results in areas such as financial management, support for national policies, and service innovation.

The assessment of fiscal incentive allocation takes into account the previous year's performance data based on four main categories: Government financial management, basic public services such as sanitation and education, support for national policies on controlling inflation and reducing poverty, and regional policy synergy (Tamma & Duile, 2020). Regions will be divided into several clusters, ranging from those with very high fiscal capacity to underdeveloped regions, with adjusted assessments. Through this incentive policy, the government hopes to improve financial governance, encourage accountability, and create synergy between central and regional policies (Didiharyono *et al*., 2024).

Encouraging regions to innovate and focus on strategic programmes is expected to enhance the quality of life throughout Indonesia, especially in areas with differing potentials and challenges. The 2024 village fund allocation and fiscal incentive policies reflect the government's commitment to strengthening village independence and promoting accountable financial governance (Suriani *et al*., 2024). Through strict supervision and the provision of performance-based incentives, it is hoped that village funds can be used effectively and provide optimal benefits for village communities throughout Indonesia.

By optimising village funds and targeted fiscal incentives, villages in Indonesia are expected to become increasingly independent in managing resources and accelerating local economic growth (Rong-bo & Chang-biao, 2023). Synergy between the central and regional governments is also key to successfully realising advanced and prosperous villages. The implementation of this policy requires an active role from the village government, the community, and other stakeholders to ensure that village funds truly have a significant impact on development and people's welfare (Olla & Mareta, 2023). With good management, village funds can become a strategic instrument in creating strong, productive, and competitive villages in this digital era.

The success of the village fund programme is highly dependent on the active participation of the community and the synergy between the village government and the community in the planning and implementation process of the programme. The optimisation of village funds in improving community welfare can be explained through several economic and development theories (Roy *et al*., 2024). Economic growth is the main indicator in measuring the development of a region. Effective village development must be based on active community participation. Village funds that are used optimally allow communities to play a direct role in decision-making and managing development programmes, ensuring that the results align more closely with local needs.

According to Todaro and Smith (2020), economic growth is an increase in the capacity of an economy to produce goods and services in the long term. However, high economic growth is not necessarily followed by an equal distribution of welfare. Social welfare can be improved when the government provides sufficient resources for basic services such as education, health, and infrastructure. Village funds serve as an instrument that helps village governments provide these services to the community. Kuznets (1955), in his curve hypothesis, showed that in the early stages of development, economic inequality tends to increase before finally decreasing alongside income redistribution and equitable development policies. In the context of villages, equitable economic growth is key to ensuring that all people can enjoy the benefits of development. Sen (1999), in his theory of development as freedom, emphasises the importance of equal access to economic resources, education, and health as the main factors in creating inclusive growth.

Local economic theory emphasises the importance of local-based economic empowerment to create jobs and increase community income. Village funds allocated for economic programmes such as skills training and business capital assistance can drive economic growth at the village level (Aini *et al*., 2024). Several studies in Indonesia have shown that the success of equitable village economic growth is highly dependent on a combination of appropriate policies and community involvement in development (Zulkarnain & Mashur, 2019). Villages that allocated village funds in Enrekang Regency for the development of the technology-based agricultural sector experienced a more equitable increase in farmer income compared to villages that only focused on physical development (Rahmayanti *et al*., 2023). Research by Bahtiar *et al* (2021) in several districts in South Sulawesi showed that villages that had access to markets and microfinance institutions were better able to create jobs and reduce economic disparities in society.

The Relationship between Village Funds, Economic Growth, and Poverty Alleviation

Economic growth is the process of increasing the production capacity of an economy, which is manifested in the form of an increase in real national income (Amin, 2020). Economic growth is characterised by rising per capita income and improvements in other welfare indicators such as education and health. Village funds are expected to boost the productivity of rural communities through infrastructure development and local economic empowerment, which ultimately contributes to the economic growth of rural areas. Poverty can be defined as a condition of lacking resources to meet basic needs, both absolutely and relatively. According to Amartya Sen (1999), poverty is not only about a lack of income, but also the inability to access basic services such as education, health, and infrastructure.

Village funds serve as a strategic instrument in breaking the chain of poverty through programmes such as direct cash assistance, cash for work, and village human resource development. Participatory development theory emphasises the importance of community involvement in the entire development process, from planning and implementation to evaluation stages. Chambers (1995) stated that successful development is that which is driven by the community itself, rather than being top-down. Effective implementation of village funds requires participatory mechanisms, such as village deliberations, to ensure that the programmes designed truly address the needs and potential of local communities. Fiscal decentralisation refers to the transfer of authority and funds from the central government to the regions to improve the efficiency, accountability, and equity of development. According to Oates (1972), budget allocations made by local governments tend to be more efficient because they are more familiar with the needs of the community.

Village funds represent a concrete form of fiscal decentralisation policy, where villages, as the primary government units, are given the authority to directly manage public budgets. Empowerment, according to Zimmerman (2000), is a process that enables individuals or communities to gain control over their lives through access to resources and decision-making. Village funds play a crucial role in community empowerment efforts, particularly through financing training activities, micro-business development, and support for village-owned enterprises, all of which aim to enhance the economic and social capacity of village communities. Conceptually, village funds can drive village economic development if managed properly. Basic infrastructure built through village funds encourages economic mobility, while social and empowerment programmes enhance people's ability to access economic opportunities (Wahyuni *et al*., 2025). Thus, village funds have the potential to create a positive cycle of economic growth while reducing the poverty gap, provided their management adheres to the principles of good, transparent, and participatory governance.

Methods

In this qualitative research, variables are not understood as entities measured quantitatively, but rather as conceptual themes developed through the interaction between empirical data and theoretical constructs. Operationalisation is conducted in the form of conceptual dimensions and indicators of experience, which will be the focus of observation and in-depth exploration through interviews and documentation. Village funds are state fiscal instruments transferred to villages to strengthen local capacity in community development and empowerment. In this context, the role of village funds is examined from the perspective of local actors' perceptions and the process of their utilisation. Village economic growth, in a qualitative context, includes socio-economic changes among villagers that occur as a result of village fund-based development and empowerment programmes. Poverty alleviation is understood as a social process that involves empowering poor communities, increasing access to basic services, and reducing dependence on external assistance.

Research Approach

This study employs a descriptive qualitative approach aimed at gaining an in-depth understanding of the contribution of village funds to the dynamics of economic growth and poverty alleviation efforts, from the perspective of local actors, including both village governments and beneficiary communities. This approach was selected to explore the meanings, experiences, and perceptions of village communities regarding village fund policies and their implementation in a contextual and holistic manner.

The quantitative aspect of the study aims to identify the impact of village funds on economic indicators such as income, the number of MSMEs, and poverty rates. A qualitative approach is also utilised to explore the perceptions of the community and stakeholders regarding the effectiveness of village funds in promoting economic growth and reducing poverty. The methods employed include in-depth interviews, focus group discussions (FGDs), and field observations. The goal is to understand the social, cultural, and policy factors that influence the success or challenges in the implementation of village funds.

Research Location and Subjects

The research was conducted in 18 out of a total of 112 villages in Enrekang Regency, which received village funds exceeding IDR 1 billion in 2024, with high intensity and varying economic characteristics. The research subjects (informants) included: (1) Village apparatus (village heads, village officials, and village deliberative bodies); (2) beneficiary communities (MSMEs, farmer groups, women's groups); (3) the Village and Community Empowerment Service of Enrekang Regency; and (4) community leaders and academics.

Informants were selected based on their involvement in the implementation of or their status as beneficiaries of village funds. The criteria for informants in this study included individuals with in-depth insight into village fund policies and implementation. (1) The village head and village apparatus are responsible for planning and implementing village fund programmes. (2) The village deliberative body oversees the use of village funds at the village level. (3) Beneficiary communities receive assistance in the form of business capital, economic empowerment programmes, or infrastructure from village funds. (4) The Community and Village Empowerment Service of Enrekang Regency serves as the policymaker regarding the management of village funds. (5) MSME actors are small entrepreneurs who receive support from village funds. (6) Farmer and fisher groups are communities that benefit from assistance provided by village funds for the development of agricultural or fishery businesses. (7) Community leaders and local academics possess insights into village fund policies.

Informant Determination Technique

The informant determination technique in this qualitative research employs the in-depth interview method and focus group discussions (FGDs). The following techniques are used: (1) Purposive sampling, which involves selecting informants based on specific criteria relevant to the research; (2) Snowball sampling, where initial informants recommend other informants deemed relevant; (3) Convenience sampling, which involves selecting informants who are easily accessible and willing to be interviewed; (4) Quota sampling, used to select informants based on specific categories, such as age, experience, or type of business; and (5) Critical case sampling, which focuses on selecting informants considered vital for understanding the research phenomenon.

Data Collection Technique

The data collection techniques used in the research are as follows: (1) In-depth interviews to understand the experiences and perspectives of stakeholders related to the implementation of village funds; (2) Focus Group Discussions (FGD) conducted with community members and village officials to gain collective insight into the impact of village funds; (3) Participatory observation to directly observe projects funded by village funds, including infrastructure development and community economic programmes; and (4) Documentation and document analysis that examine village revenue and expenditure budget documents, village fund realisation reports, and related policies. Additionally, secondary data from the central statistics agency's reports on poverty and village economic growth is analysed.

Data Analysis Techniques

The approach used is thematic analysis to identify patterns and meanings in data that capture the meaning, perception, and socio-economic dynamics of village fund implementation. The steps are as follows: (1) Data reduction to filter and select data from interviews with village heads, village officials, communities, and related parties, focusing on data relevant to the use of village funds, their impact on the local economy, and changes in poverty levels; (2) Presentation of data arranged in the form of tables, matrices, or thematic narratives, including village fund programmes, types of activities, economic impacts, and community perceptions; (3) Concluding whether and how village funds contribute to economic growth and poverty alleviation in Enrekang Regency; and (4) Data triangulation to verify findings by comparing various sources of document data, contrasting information from village heads with that from the community.

Interview results are used to compare village fund reports with realisation in the field, and observations are made to match consistency between direct observations and secondary data. The analysis was conducted iteratively and reflectively, allowing researchers to capture the deep meaning of informants' experiences and narratives.

Data Credibility and Validity

To ensure the validity of the research results, the following steps are applied (Creswell, 2013): (1) Comparing data from interviews, observations, and documents (source triangulation); (2) asking for confirmation from informants regarding interview results (member check); and (3) recording the research process in detail to increase transparency (audit trail).

This research method aims to explore community experiences, challenges, and the real impact of village funds on the local economy and poverty alleviation in Enrekang Regency. Using a case study approach, along with in-depth interviews, observations, and document analysis, this research is expected to provide a rich and contextual picture of the contribution of village funds at the village level.

Results and Discussions

Results

Enrekang Regency is one of the regencies in the province of South Sulawesi, Indonesia, with its capital located in the Enrekang Sub-district. Enrekang Regency comprises 12 sub-districts and 112 villages. This regency covers an area of 1,784.93 km² and has a population of 225,172 people. For 2024, the Enrekang Regency village fund has been disbursed to the amount of IDR 94.8 billion for the 112 villages. The priority of this funding is development and community empowerment, as well as addressing stunting and extreme poverty. Village funds are a government programme aimed at supporting the development and empowerment of rural communities. These funds are allocated directly from the state budget to villages throughout Indonesia. The main objectives are to encourage infrastructure development, improve community welfare, alleviate poverty, and empower the village economy. The utilisation of village funds focuses on physical development, such as roads, bridges, irrigation, and public facilities, as well as community empowerment through training programmes, small business development, and improving basic services like health and education. Additionally, these funds also support the sustainable management of natural resources at the village level.

The village government has the authority to design programmes that cater to local needs but must remain accountable for the use of these funds in a transparent manner to both the community and the central government. Village funds are an important instrument for realising equitable development and reducing regional disparities in Indonesia. The Head of Bontongan Village in Baraka Sub-district, who received village funds of IDR 1.04 billion, stated that people in his village who are categorised as unemployed could be empowered through the cash-intensive work programme. Meanwhile, the Head of Pekalobean Village in Anggeraja Sub-district, who received village funds amounting to IDR 1.06 billion, noted that these funds greatly contributed to poverty alleviation in his village, as several farmer groups and MSMEs in Pekalobean Village received cash assistance sourced from the village funds.

The Government of the Republic of Indonesia distributed village funds throughout Indonesia in 2024, amounting to IDR 71 trillion, representing an increase of 1.42 percent compared to 2023. In Enrekang Regency, village funds totalling IDR 94,874,563,000 were allocated for 112 villages. The priority of this funding is for development and community empowerment, as well as addressing stunting and extreme poverty. The distribution of village funds in Enrekang Regency for 2024 is determined by the number of villages in each district, as shown in Table 1.

Table 1. Total village funds in Enrekang Regency in 2024

No.	Districts	Total of Villages	Village Fund Ceiling (IDR)
1	Maiwa	21	16,036,269,000
2	Enrekang	12	10,235,518,000
3	Baraka	12	9,288,325,000
4	Anggeraja	12	9,353,660,000
5	Alla	5	4,167,584,000
6	Bungin	6	5,659,459,000
7	Cendana	7	5,482,647,000
8	Curio	11	9,771,331,000
9	Malua	7	5,586,231,000
10	Buntu Batu	8	8,005,930,000
11	Masalle	6	6,840,997,000
12	Baroko	5	4,446,612,000
		Total Village Fund	**94,874,563,000**

Source: Community and Village Empowerment Service, Enrekang Regency, 2024.

The distribution of village funds from the central government to the villages in Enrekang Regency is based on the Regulation of the Minister of Finance No. 201/PMK.07/2023 concerning the management of village funds in 2024. The head of Bungin village in Bungin Sub-district indicated that 20% of the village funds are prioritised for food security initiatives. This allocation is intended for the construction of farm roads and farmers' bridges located in rice fields. To expedite the distribution of village funds, the Community and Village Empowerment Service of Enrekang Regency is collaborating with village assistants. This collaboration aims to monitor the management of village funds in villages where distribution has not yet reached optimal levels. The initiative is designed to assist villages in overcoming any obstacles encountered in implementing the budget, ensuring that village funds are promptly distributed to the community.

Village funds in Enrekang Regency will be allocated for a cash-intensive work programme across 12 sub-districts in 2024. This initiative aims to empower village communities productively, particularly the poor and marginalised. It prioritises the use of local resources, labour, and technology to provide additional income, increase purchasing power, reduce poverty, and simultaneously support the reduction of stunting rates. Data on village budget allocations to finance cash-intensive work programmes in all sub-districts of Enrekang Regency, sourced from the Ministry of Villages and Development of Disadvantaged Regions of the Republic of Indonesia, is presented in Table 2.

The cash-intensive labour programme in Enrekang Regency is an initiative aimed at improving the welfare of rural communities through infrastructure development involving local workers. One example of the implementation of this programme can be seen in Tongkonan Basse Village, Masalle Sub-district, where various developments have been carried out since 2018, such as casting farm roads, creating drainage systems, building road embankments, constructing healthcare centres, and installing toilets. Funding for this cash-intensive labour programme comes from village funds allocated by the central government. The use of these funds is directed towards creating job opportunities and providing additional wages/income for village communities (Razak *et al*., 2023). Generally, part of the village

Table 2: Allocation of funds for cash-intensive work programmes

Sub-district	Budget Allocation (IDR)	Total Villages	Male	Female	Poor Family	Unemployment	Marginalised Groups
Maiwa	46,232,000	21	35	0	23	7	0
Enrekang	17,355,000	12	0	0	0	0	0
Baraka	107,177,000	12	72	0	26	22	0
Anggeraja	97,440,000	12	39	3	6	12	0
Alla	13,960,000	5	19	0	17	0	0
Bungin	158,043,000	6	117	41	57	28	18
Cendana	0	7	0	0	0	0	0
Curio	18,641,800	11	0	0	0	0	0
Malua	79,752,000	7	30	0	18	0	0
Buntu Batu	35,000,000	8	25	0	10	10	0
Masalle	35,166,940	6	62	1	29	9	1
Baroko	9,751,000	5	50	4	20	14	0
Total	**618,518,740**	**112**	**449**	**49**	**206**	**102**	**19**

Source: Ministry of Villages and Development of Disadvantaged Regions of the Republic of Indonesia, 2024.

funds is allocated for labour-intensive activities, with a certain percentage determined by the government.

The implementation mechanism of the cash-intensive work programme in the villages of Enrekang Regency involves the active participation of the local community. The village government is responsible for managing and supervising the implementation of the program, ensuring transparency, and promoting inclusiveness and effectiveness in its execution. Wages for workers are usually paid daily or weekly, adhering to the principles of the cash-intensive work programme which prioritises direct wages to the community. The amount of fund allocation and the implementation of the cash-intensive work programme can vary in each village, depending on the needs and development priorities of each region. The cash-intensive work programme through village funds in Enrekang Regency has several important benefits, particularly in reducing poverty rates.

The number of poor people in Enrekang Regency over the last three years was 26,150 (Central Statistics Agency of Enrekang Regency, 2024). The report states that the poverty rate in Enrekang Regency decreased by 1.44% in 2024. While this rate is lower than the average for districts and cities in South Sulawesi Province, it still reflects ongoing development challenges. Data on the percentage of the poverty severity index, poverty depth, and both the percentage and number of poor people in Enrekang Regency are detailed in Table 3.

The poverty line in Enrekang is determined based on minimum expenditure to meet basic needs (food and non-food). In the past year, the poverty line ranged from IDR 350,000 to IDR 400,000 per capita per month. The severity of poverty in Enrekang Regency highlights the challenge of income inequality among the poor, even though the poverty rate is relatively lower compared to other regions. An integrated approach involving infrastructure development, economic empowerment, and the improvement of social services is needed to sustainably reduce the severity of poverty (Hasniati *et al*., 2023).

Poverty in Enrekang Regency is caused by several main interrelated factors, including: (1) Limited job opportunities, which leave many

Table 3: Percentage and number of poor people in Enrekang Regency

Category	2022	2023	2024
Poverty severity index	0.49%	0.43%	0.44%
Poverty depth index	1.97%	1.96%	1.89%
Percentage of poor population	12.39%	12.69%	11.25%
Total of Poor Population (Thousand People)	**25.40**	**25.25**	**26.13**

Source: Central Statistics Agency of Enrekang Regency, 2024.

productive-age residents without permanent employment, resulting in low household income. (2) A significant portion of the Enrekang population works in the agricultural sector, which is vulnerable to extreme weather conditions such as La Niña and El Niño. These phenomena can lead to crop failure, reduce farmers' income, and increase poverty rates. (3) The human development index, which encompasses health, education, and purchasing power, significantly affects poverty rates. A low human development index indicates limited access to health and education services, as well as low purchasing power, all of which contribute to high poverty rates. (4) The migration of working-age residents who choose to seek employment or further their education in other areas results in a diminished productive workforce in Enrekang, thereby slowing local economic growth. (5) The impact of economic growth on unemployment: Although economic growth may occur, it does not always lead to a decrease in the unemployment rate. Uneven or non-inclusive economic growth can leave some individuals trapped in poverty.

More detailed and up-to-date data is needed to assess the effectiveness of ongoing policies. The following is the percentage of open unemployment in South Sulawesi Province, which comprises 24 regencies and cities from 2023 to 2024, as illustrated in Figure 1.

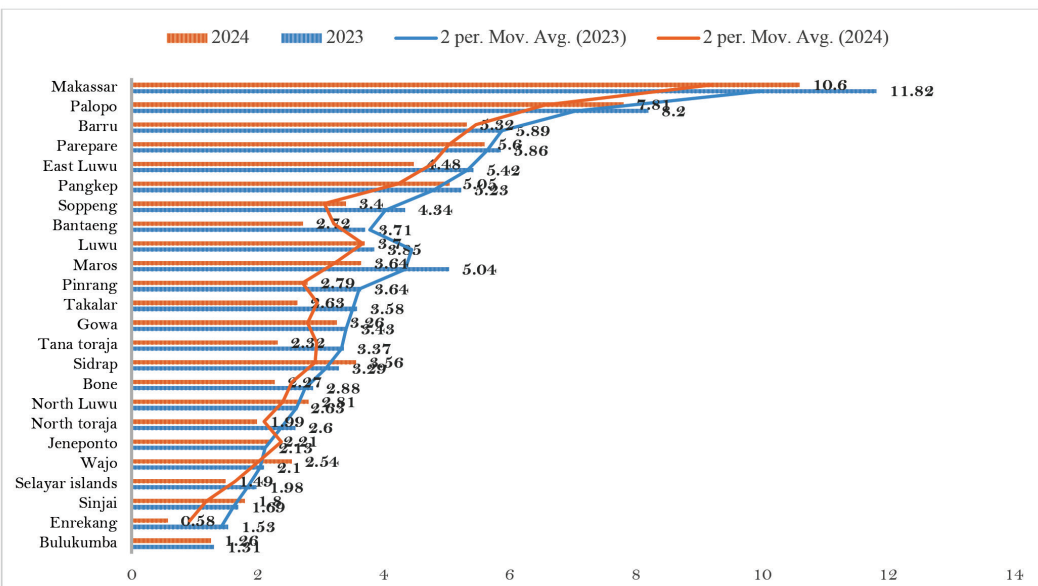

Figure 1: Percentage of open unemployment rate in South Sulawesi Province

In support of achieving the vision, mission, and theme of regional development, the Enrekang Regency Government allocated a budget through a strategic programme in the draft revised regional revenue and expenditure budget for the 2023 fiscal year, amounting to IDR 1,225,435,145,110, or 100% of the regional expenditure allocation (Regional Budget Revenue and Finance Service of Enrekang Regency, 2024). This entire budget is intended to support the achievement of priority regional development targets, as shown in Table 4.

The regional government policy for the allocation of regional spending in 2024 through strategic programmes in the economic empowerment sector and MSMEs, regarded as superior regional commodities, is very small, with an allocation of only 1.38%. Meanwhile, in the sector focused on accelerating innovation

Table 4: Allocation of regional spending based on regional development priorities

No.	Strategic Programme	Changes to The Regional Revenue and Expenditure Budget (IDR)	Ratio to Regional Spending
1	Strengthening bureaucratic reform through innovation in efficient and electronic-based governance and public services	728,222,818,290	58.42%
2	Strengthening connectivity of leading commodity production centres with new growth centres	192,154,019,107	15.41%
3	Acceleration of innovation and downstream procsesing of superior regional products based on local natural resources	12,395,350,574	0.99%
4	Accelerating improvements in the regional investment climate and productivity	556,300,000	0.04%
5	Enlargement of the economic scale for people's economic activities and MSMEs based on local superior commodities	17,193,198,660	1.38%
6	Strengthening the quality of health facilities and infrastructure evenly	167,939,924,162	13.47%
7	Increasing the productivity of local resources and economic actors	7,925,003,500	0.06%
8	Strengthening the quality of facilities and infrastructure for early childhood education, basic education, and equal opportunities	72,837,269,029	5.84%
9	Improving the quality of worship facilities and infrastructure	22,037,049,390	1.77%
10	Increasing production and diversity of local food ingredients	5,003,726,650	0.40%
11	Strengthening and disseminating organic farming systems for local food commodities	2,418,064,300	0.19%
12	Arrangement of environmental management and urban cleanliness systems	3,674,420,251	0.29%
	Budget Allocation	**1,226,435,145,110**	**98.00%**
	Total Regional Spending	**1,246,590,196,170**	**100.00%**

Source: Regional Budget Revenue and Finance Service of Enrekang Regency, 2024.

and downstream processing of superior regional products based on local natural resources—integrated to support digitalisation—the allocation is also minimal at just 0.99%. The MSME sector significantly contributes to local labour absorption; in 2023, MSMEs in Enrekang created over 30% of jobs in the informal sector. This sector includes trade, small-scale agriculture, and home industries spread across Baraka, Alla, and Anggeraja sub-districts. The increase in the number of jobs in the MSME sector is also supported by regional government programmes that provide entrepreneurship training, access to capital, and digital marketing support (Daga *et al*., 2024). This initiative assists MSMEs in developing and creating more new job opportunities.

In line with efforts to accelerate poverty reduction and improve community welfare in support of national programmes, the Enrekang Regency Government has established several strategic policies through the allocation of regional spending for the 2024 budget year. The focus of this policy is to direct the budget towards priority programmes that directly address the needs of the poor and vulnerable. The main objectives of this policy are (1) to significantly reduce poverty rates, (2) to increase people's purchasing power, and (3) to encourage inclusive economic growth based on village and agricultural development. Meanwhile, the strategic poverty reduction programme includes: (1) village cash for labour sourced from village funds for labour-intensive activities that employ the poor and unemployed, thereby increasing people's daily income through short-term work; (2) strengthening the agricultural and MSME sectors through fertiliser subsidies, provision of seeds, and training and mentoring for farmers and MSME operators, as well as facilitating access to capital, marketing of local products, revitalising local markets, and developing village economic infrastructure.

The Enrekang Regency Government employs a data-based approach and community participation in identifying target poor households, designing programmes according to local potential, and ensuring transparency and accountability in budget utilisation. Through these policies and budget allocations, the local government aims for a reduction in poverty rates by approximately 1.4% in 2024, along with an increase in the human development index and a decrease in social inequality, all to realise a resilient and independent village economy.

Comparative Analysis with Theoretical Predictions

Comparative analysis is used to evaluate the alignment between empirical findings derived from data collection and statistical testing and the theoretical propositions established in the study's conceptual framework. This approach allows researchers to assess the extent to which field realities support or contradict theoretical expectations. In this study, the empirical evidence demonstrates that village funds allocated for infrastructure development have a positive and significant impact on both economic growth and poverty reduction. Similarly, village funds directed towards social programmes such as direct cash assistance and labour-intensive employment schemes also show a positive and significant effect on alleviating poverty. These findings support the theoretical view that decentralisation and localised fiscal policies enhance the efficiency and effectiveness of development, as local governments possess a better understanding of community needs and priorities.

Empirical results support theoretical predictions from various approaches regarding fiscal decentralisation, economic growth, and multidimensional poverty. Village Funds have been shown to be statistically significant in influencing economic growth and poverty alleviation. However, their effectiveness in practice still depends on the quality of governance, the capacity of village officials, and community participation, as emphasised by participatory development and empowerment theories.

Table 5: Empirical vs theoretical comparison

Aspects	Theoretical Predictions	Empirical Findings	Comparative Conclusions
Village funds for infrastructure	Accelerate local economic growth through increased productivity and connectivity	Positive and significant influence on economic growth and poverty reduction	Consistent with growth theory and fiscal decentralisation
Village funds for programmes (direct cash assistance and labour-intensive programmes)	Reduce the burden of expenditure on poor households and increase purchasing power	Positive and significant influence on poverty reduction	In line with poverty and empowerment theory
Village participation and efficiency	Participatory development produces more adaptive and inclusive programmes	Identified in planning practices through village deliberations, but still facing challenges in participation and capacity	Partially consistent; requires improvement in governance quality
Model explanatory power (R^2)	Theory does not directly measure R^2, but predicts that the impact of village funds will be significant	$R^2 = 0.564$, indicating that more than half of the variation is explained by two variables	Supports the theoretical assertion that village funds play an important role in village economic development

Discussions

The central government will allocate village funds for the fiscal year 2024 to 75,259 villages. As noted, the 2024 state budget allocates Rp 71 trillion for village funds. This budget is Rp 1,070.0 billion, or 1.5%, higher than the outlook for 2023. The 2024 village fund budget will be directed towards accelerating the eradication of extreme poverty in Indonesia, in accordance with Presidential Instruction No. 4 of 2022. Currently, the country's main priority is to overcome extreme poverty, so we urge villages to allocate funds to address this issue.

There are three main strategies to eradicate extreme poverty: First, reduce the burden of community expenditure through social assistance programmes, social security, subsidies, price stability policies, and other initiatives. Second, increase community income by enhancing productivity and community empowerment through optimising village cash-intensive work programmes. Third, reduce the number of poverty-stricken areas, including by providing basic services, such as improving access to education services, health services and infrastructure, and clean drinking water and sanitation infrastructure. The flowchart for determining the extremely poor population in Indonesia is presented in Figure 2.

The Central Government has allocated village funds for Enrekang Regency in the 2024 budget year amounting to IDR 94.8 billion, which will be distributed among 112 villages. The priority uses of village funds include: (1) Community development and empowerment focused on improving the quality of infrastructure and the capacity of village communities; (2) Eradicating extreme poverty through cash-intensive work programmes and other initiatives that support the economic improvement of poor communities. Based on national policies and Enrekang Regent Regulation No. 142 of 2024, the priority uses of village funds this year include: (1) Addressing stunting and malnutrition, particularly in

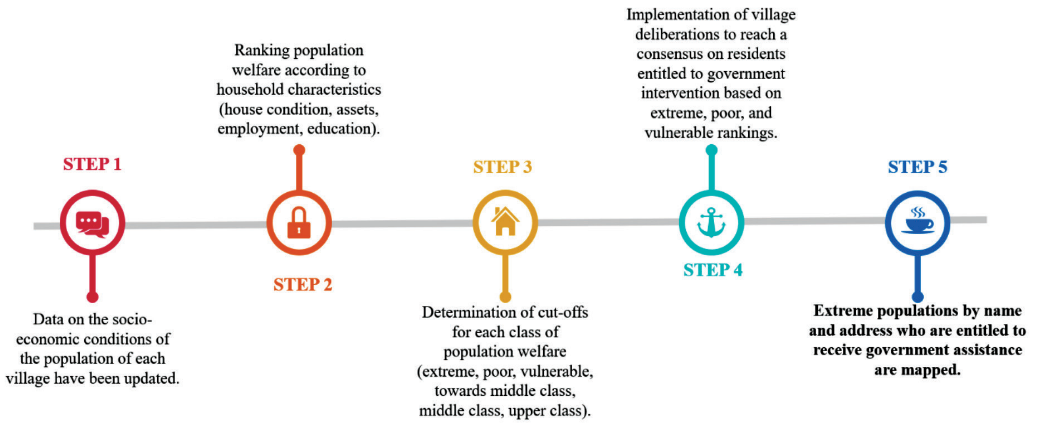

Figure 2: Flowchart for determining the extremely poor population
Source: Bungo Desa, 2024

toddlers and pregnant women; (2) Eradicating extreme poverty through cash-intensive work programmes; (3) Empowering the local economy through training and mentoring for micro-businesses; and (4) Improving basic village infrastructure such as roads, clean water channels, and sanitation.

Village funds are a key catalyst in driving rural economic growth in South Sulawesi Province, including in Enrekang Regency. With proper management, village funds serve not only as a tool for physical development but also to strengthen the local economy, create jobs, and reduce inequality between regions (Joetarto *et al*., 2020). Rural economic growth in South Sulawesi Province is significantly influenced by central government assistance through the village fund programme. The budget is allocated annually to meet the needs of each village throughout Indonesia (Karim *et al*., 2024). The amount of village funds allocated varies, including in Enrekang Regency, where funds are distributed among 112 villages across 12 sub-districts. Economic growth in Enrekang Regency, compared to other regencies and cities in South Sulawesi Province, can be seen in Table 6.

Rural economic growth in South Sulawesi Province, including Enrekang Regency, is greatly influenced by central government assistance through the village fund programme. This programme has become one of the most important fiscal instruments in encouraging village development and independence since its implementation in 2015 (Nirwana *et al*., 2023). One of the key sources of financing for the village funds is the village-owned business entity, which acts as a village economic institution that can drive the village economy through MSMEs. The village economic institution supports financial inclusion and village independence in the MSME capital sector and manages village funds productively for local investment. Village-owned businesses can function as aggregators that connect local products with wider markets through (1) digital marketing platforms to promote superior village products, (2) cooperation with cooperatives or distributors to expand distribution networks, and (3) branding village products to increase product competitiveness.

The context of village development is known for two concepts that are methodologically different in their planning approach and policy implementation. Understanding these two concepts well will provide the right starting point for planning village and rural development (Sabar, 2020). The concept of village development authoritatively provides sufficient authority for villages to develop themselves creatively and independently. Villages become unique entities with potential

Table 6: Quarterly gross regional domestic product (GRDP) growth rate in South Sulawesi Province, 2024

Regency/ City	Q to Q 2024			Y to Y 2024			C to C 2024		
	Triwulan I	Triwulan II	Triwulan III	Triwulan I	Triwulan II	Triwulan III	Triwulan I	Triwulan II	Triwulan III
Selayar Islands	-2.52	14.35	1.89	4.28	3.44	3.47	4.28	3.44	3.74
Bulukumba	-5.41	12.40	5.76	0.79	3.18	3.99	0.79	2.04	2.73
Bantaeng	-10.46	3.13	4.0	6.83	5.24	1.02	6.83	6.02	4.23
Jeneponto	1.47	37.21	-2.01	0.02	6.29	8.59	0.02	3.56	5.32
Takalar	-2,40	5.20	3.64	509	4.37	2.99	5,09	4.72	4.11
Gowa	-3.24	11.25	0.24	4,.44	4.62	5.28	4.44	4.53	4.79
Sinjai	0.70	9.64	6.03	5.41	5.14	8.29	5.41	5.27	6.33
Maros	-5.57	5.69	5.51	2.73	4.75	2.38	2.73	3.76	3.27
Pangkep	-3.48	1.08	2.49	6.72	7.04	3.51	6.72	6.88	5.71
Barru	-3.22	11.99	1.43	1.14	6.30	5.91	1.14	3.80	4.53
Bone	5.76	12.07	3.45	3.25	10.76	5.27	3.25	7.09	6.44
Soppeng	-4.07	10.66	9.03	2.26	0.89	4.32	2.26	1.54	2.53
Wajo	-3.81	4.66	8.03	0.86	2.67	3.91	0.86	1.78	2.52
Sidrap	-3.12	12.47	3.59	-1.18	6.92	3.53	-1.18	2.95	3.15
Pinrang	-13.67	25.25	-10.20	4.71	5.75	5.78	4.71	5.29	5.45
Enrekang	-0.26	12.11	-0.06	0.83	5.10	5.80	0.83	3.04	3.98
Luwu	8.75	7.11	4.68	5.23	4.04	5.98	5.23	4.61	5.09
Tana Toraja	-12.09	5.78	9.62	6.20	1.34	5.84	6.20	3.64	4.42
North Luwu	4.07	11.16	4.50	3.48	4.58	5.42	3.48	4.05	4.53
East Luwu	-8.86	5.56	3.91	6.60	1.19	2.00	6.60	3.76	3.14
North Toraja	-4.84	8.08	4.11	3.16	2.73	4.81	3.16	2.93	3.58
Makassar	-5.21	6.43	2.20	7.01	5.23	5.26	7.01	6.09	5.80
Pare-Pare	-7.99	9.36	3.90	3.78	3.94	6.29	3.78	3.86	4.71
Palopo	-6.78	8.29	3.58	4.21	2.49	4.76	4.21	3.31	3.81
South Sulawesi	-4.63	8.26	3.30	4.82	4.98	5.08	4.82	4.90	4.96

Source: Central Statistics Agency of South Sulawesi Province, 2024.

that can be developed optimally. The concept of village development should be placed integrally within the larger context of rural development, viewing the village as part of a larger systemic entity, namely the rural area. Village potential encompasses the social, economic, and ecological resources found within the village, which can be developed to improve the welfare of the village community (Aritenang, 2021). In the context of the rural economy, activating village potential requires a comprehensive understanding of the extent of that potential and the characteristics inherent within it.

Village funds play a strategic role in rural economic growth, being used to build village roads, bridges, irrigation channels, and sanitation. This infrastructure improves connectivity between regions, accelerates the distribution of agricultural products, and reduces logistics costs for villages (Arham & Payu, 2019). Several areas in South Sulawesi Province, particularly villages in mountainous regions such as Enrekang Regency, benefit significantly from the construction of farm roads. Villages can use data to understand economic potential, market needs, and distribution efficiency. Rural areas act as economic regulators by creating local policies that support the economic growth of the technology-based MSME sector in Enrekang Regency.

The Community and Village Empowerment Service of Enrekang Regency, through village funds, directly increases liquidity in the village. Cash transfers to local workers or village cash-intensive work programmes encourage community purchasing power and household consumption growth, as shown in Table 7.

Village funds are an Indonesian government programme designed to improve the welfare of rural communities through infrastructure development, economic empowerment, and enhancement of the quality of life. Enrekang Regency, as one of the areas receiving village funds, has geographical characteristics dominated by the agricultural and livestock sectors. Therefore, analysing the contribution

Table 7: MSME sector and economic growth

No.	Economic Sectors	Activity/Product Segmentation	Contribution to Local Revenue
1	Agribusiness	Arabica coffee, vegetables, agricultural product levies	One of the export commodities that increases regional economic competitiveness
2	Local crafts and culinary	Handicrafts, traditional food, creative industry	Regional tax revenue through business levies and product sales
3	Local taxes	Entertainment, restaurants, and advertising	Business promotion tax
4	Trade levies	Traditional markets, booth rentals, and business premises	Business levies on local government revenue
5	Labor absorption	Increase in per capita income	Increasing local purchasing power and consumption and providing employment opportunities
6	Culinary tourism	Local crafts support tourist destinations	Tourism fees
7	Ecotourism	Homestay, guide services, and souvenir sales	Retribution
8	Village-owned enterprises (BUMDes)	Village economic institutions	Optimising the village economy from sharing business profits

Source: Community and Village Empowerment Service, Enrekang Regency, 2024.

of village funds in driving economic growth and alleviating poverty is crucial for measuring the effectiveness of this programme (Sami, 2024). One of the main aspects of the utilisation of village funds in Enrekang Regency is infrastructure development, such as village roads, bridges, irrigation, and agricultural support facilities. Improved infrastructure enhances accessibility and connectivity between regions, thereby accelerating the distribution of agricultural and livestock products to the market.

Village funds are also used to support small and medium enterprises (SMEs) through skills training, providing business capital, and strengthening village-owned enterprises. The existence of village-owned enterprises helps communities market local products, such as Enrekang coffee, livestock products, and handicrafts, which contribute to increasing community income (Abduh *et al*., 2024). Part of the village funds is allocated for social programmes such as direct cash assistance, education scholarships for children from underprivileged families, and public health initiatives. This helps increase the purchasing power of the poor and ensures better access to health and education services.

The results of the study show that village funds allocated for infrastructure and social programmes significantly increase village economic growth and reduce poverty rates. This finding strengthens Oates' (1972) argument in the theory of fiscal decentralisation that fiscal allocation to local governments (in this case, villages) can increase budget efficiency, as the policies made are closer to the needs of the community. Village funds have proven to be more targeted in the development of productive infrastructure, including farm roads, irrigation, and village markets. There is a need to encourage the strengthening of direct budget allocations to villages through flexible but accountable block grant mechanisms. This provides empirical evidence that increasing village fiscal capacity can be a bottom-up approach to national development.

Village funds provide benefits not only to upper economic groups but also to vulnerable groups through social programmes and economic empowerment. This finding broadens the understanding of the theory of inclusive growth, which posits that economic growth should: (1) Not only increase output (GDP), but also expand access to economic opportunities; and (2) include vulnerable groups (small farmers, village labourers, female heads of families) in the development process. There is a need to encourage a village fund format based on social inclusion, with success indicators that encompass not only physical output but also social change (increased income for the poor and women's involvement). This serves as an argument that strong and equitable village growth is an important foundation for equitable national development.

Empirical findings contribute to sustainable livelihood theory, wherein village funds are used to finance skills training, strengthen village-owned enterprises, provide assistance with production tools, and develop economic infrastructure, which supports the diversification of village community income sources (Afrianita, 2019). These findings support the approach of sustainable livelihood theory (Chambers & Conway, 1992), which emphasises: (1) Access to assets (physical, human, social, financial) as the basis for long-term livelihoods; and (2) economic resilience to shocks (seasonal, economic, climate). In terms of policy contributions, village funds are not only a tool for physical development but also for strengthening local economic structures based on village potential (Amalia *et al*., 2024). There is a need to encourage the government to develop indicators of Village Fund success based on livelihood outcomes, such as household food security, income diversification, and the reduction of rural-urban migration.

The empirical findings of this study provide real contributions to the development and strengthening of development theories: (1) Fiscal decentralisation, where village funds strengthen local fiscal efficiency and adjust policies to village needs; (2) inclusive growth, in supporting village economic growth through village funds that involve vulnerable groups and reduce disparities; and (3) sustainable livelihoods to help households survive and grow in the long term. These results support the direction of bottom-up and sustainability-based village development policies and can serve as a basis for reformulating future village fund policies from mere budget transfers to measurable, participatory, and transformative local economic development mechanisms.

Conclusions

The village fund programme disbursed by the central government has made a significant contribution to accelerating development and economic growth in the rural areas of Enrekang Regency. The use of village funds for basic infrastructure development, community economic empowerment, and institutional strengthening, particularly of village-owned enterprises, has stimulated increased local economic activity, job creation, and improved welfare for village communities. In particular, the allocation of village funds has had a significant impact on reducing poverty rates, especially in remote and underdeveloped areas. The cash-intensive approach and the use of funds for productive activities have proven effective in increasing people's purchasing power and reducing socio-economic disparities between village areas.

Village funds not only function as an instrument of physical development but also as a catalyst for sustainable rural socio-economic transformation. This finding supports the theory that development based on local resources and community participation tends to be more effective and sustainable compared to a centralised development approach. Village funds serve as a concrete instrument in encouraging the active role of village communities in determining the direction and strategy of economic growth in their areas. In the context of Enrekang Regency, the flow of funds from the centre to the village illustrates that with good governance, development results can be directly felt by the lower classes. However, the effectiveness of the utilisation of these funds will be more optimal if accompanied by a strong social control mechanism and meaningful community participation. This aligns with the theory of participatory development, which emphasises that community involvement in decision-making increases economic and social independence and empowerment.

For this reason, regional and central governments need to continue providing training and assistance to village officials to ensure that village fund management is transparent, accountable, and targeted. The focus of village fund utilisation should be directed towards productive activities such as strengthening village MSMEs, developing value-added agriculture, and supporting the local creative economy sector. Infrastructure development should be aimed at supporting community economic activities, rather than merely physical development without direct economic impact. On the other hand, the empowerment strategy for village-owned enterprises must be strengthened so that they can become the centre of the village economy. Villages that successfully manage village funds can serve as learning models (best practices) for other villages in Enrekang Regency and the South Sulawesi region.

However, there are several obstacles to accurately assessing the impact of village funds. The available data is generally aggregate and annual, making it difficult to analyse direct and short-term impacts. Additionally, not all villages have complete and structured documentation, particularly regarding the use of funds for productive sectors. This study has also not employed a quantitative approach based on causal evaluation, such as quasi-experiments (e.g., the Difference-in-Differences or Propensity Score Matching model), to measure the direct effects of village funds on economic indicators and poverty reduction. Therefore, further research is recommended to utilise a quantitative approach with evaluative models such as Difference-in-Differences

(DiD) or Propensity Score Matching (PSM) to measure the impact of policies more accurately. Furthermore, it is important to explore how the use of village funds affects vulnerable groups, including women, people with disabilities, and poor households. Research with a gender perspective will significantly contribute to the formulation of more inclusive and equitable policies. Further research should also investigate the relationship between the quality of village governance, including aspects of transparency, accountability, and community participation, and the effectiveness of village fund utilisation in achieving sustainable economic development goals.

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Conflict of Interest Statement

The authors declare that they have no conflict of interest.

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