

## Village Fund and Rural Poverty: Evidence from North Aceh, the Poorest Region in Aceh

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### ABSTRACT

*The Indonesian government implemented the Village Fund policy 2014 to encourage development and reduce rural poverty. This study aims to analyze the impact of the Village Fund on poverty in North Aceh District. The research method uses descriptive analysis, focusing on the Village Fund variable, the poverty variable, and Direct Cash Assistance (BLT) as a representation of the number of poor people, and the Developing Villages Index (IDM) variable as a representation of poverty in the context of village development. The villages of Cot Girek, Pulo Dulang, Grong-Grong, Cot Trueng, and Meunasah Lhok were selected as case examples to provide a more comprehensive picture. The research found that during the 2018-2023 period, Village Fund allocations in North Aceh Regency fluctuated, poverty rates decreased, and village development increased significantly. Within five years, more than 50% of villages in North Aceh changed their status from underdeveloped to developing villages. Fluctuations in the Village Fund also occurred in the five research villages, and there was an increase in the number of poor BLT recipients in several villages. The five villages continued to experience holistic village development, including social, economic, and ecological improvements.*

**Keywords:** Aceh, developing villages index, rural poverty, village fund

## INTRODUCTION

Poverty is a crucial issue in most developing countries. The World Bank estimates that, by the end of 2022, 685 million people will still live in severe poverty. Rural-centered poverty accounts for 62.7% of the population below the poverty line (IFAD, 2022). In Indonesia, poverty remains a fundamental problem that requires careful and practical actions to mitigate its possible impacts.

The UN Sustainable Development Goals (SDGs) emphasize its commitment to eradicating poverty, reducing inequality, and overcoming disparities caused by geography or social identity. The focus of development programs is on marginalized communities, including communities in underdeveloped areas. To address rural underdevelopment, one approach Bednarska-Olejniczak et al. (2020) proposes is the bottom-up implementation of the SDGs, where the lowest level of government plays an important role and requires adequate resources to achieve the SDGs.

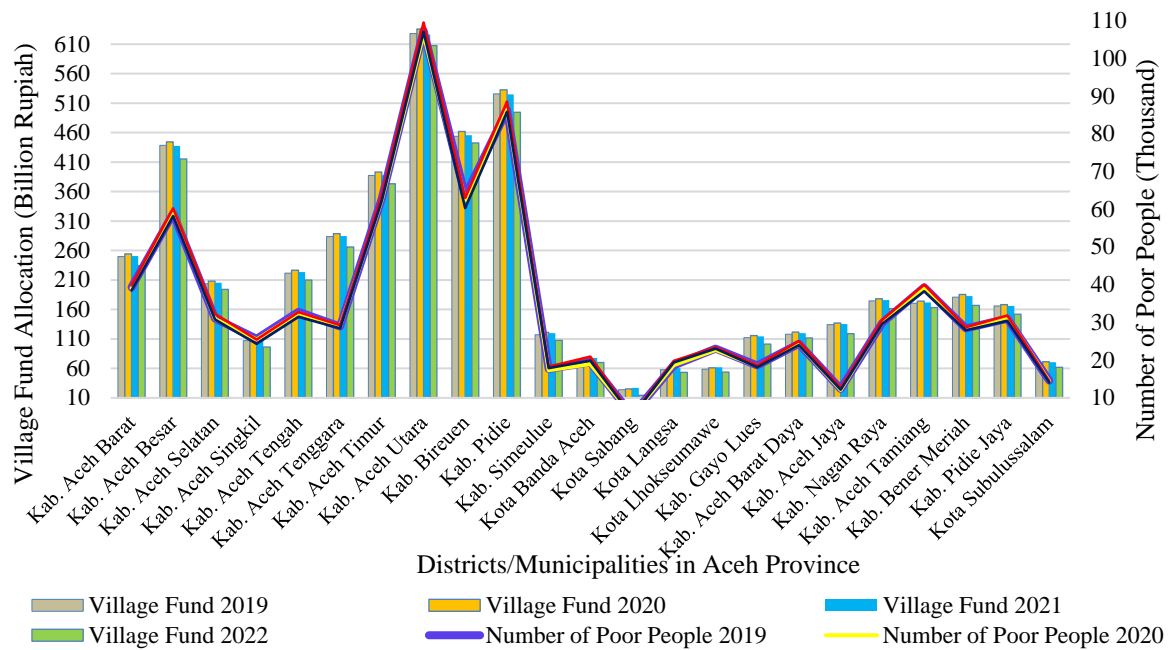
In Indonesia, villages are the lowest level of government. Under Village Law No. 6/2014, the Indonesian government devolved most of its budgeting authority to village governments to accelerate village development by transferring Village Funds (*DD*). The launch of the Village Fund program began in 2015, totaling RP. 268 trillion for the 2015-2019 fiscal year. Village Funds are a National State Budget (*Anggaran Pendapatan dan Belanja Negara, APBN*) funds intended for villages provided through the district/city regional revenue and expenditure (*Anggaran Pendapatan dan Belanja Daerah, APBD*), and prioritized for 1) Development implementation and 2) Village community empowerment (Kementerian Keuangan, 2021).

In the long-term perspective, the government wants communities in rural areas to achieve optimal levels of welfare and be self-reliant through the support of the Village Fund. To achieve the goal of independent and advanced village development, the Ministry of Villages has designed a framework called the Developing Villages Index (IDM) as an indicator of sustainable development. According to the regulation of the Minister of Rural Affairs, Development of Disadvantaged Regions, and Transmigration Number 2 of 2016, the IDM plays a role in mapping village typologies and determining priorities for using Village Funds. The dimensions of social, economic, and ecological resilience become the foundation that strengthens the process of achieving development goals and community empowerment at the village level (Kementerian Desa PDTT, 2023).

Although Village Fund allocations have been planned for village development and community empowerment projects, most funds have been allocated for infrastructure development (Sutiyono et al., 2018; Yusuf & Khoirunurrofik, 2022). Utilizing the Village Fund on a large scale to implement infrastructure development will only have a limited impact on reducing poverty levels (Saragi, 2021). Over the four years to 2018, the Ministry of Villages reported that the infrastructure that had been built included 38,259 km of village roads, 136.21 km of village bridges, 2,407 village markets, 1,813 village reservoir units, 1,813 irrigation units, and other village development projects (Kementerian Desa PDTT, 2019). As a result, the Village Fund program and the Village Fund allocation have yet to contribute optimally to poverty reduction, as most of the Village Fund is still allocated for infrastructure development or other physical aspects.

In Figure 1, from 2019 to 2022, the three districts with the highest Village Fund budgets are North Aceh, Pidie, and Aceh Besar. Meanwhile, the lowest budgets were found in Sabang City, Lhokseumawe City, and Langsa City. According to information from Kementerian Keuangan (2021), the Village Fund is calculated based on the number of villages and distributed by considering variables such as population, poverty level, area, and geographical difficulty. The linear line on the second axis of Figure 1 shows that from 2019 to 2022, North Aceh remained the poorest region in Aceh. This results in North Aceh receiving the highest Village Fund budget in Aceh Province of IDR 607,709,747 in 2021. Similarly, Pidie gets the second largest Village Fund budget after North Aceh, with the second highest poverty rate.

When referring to Village Law No. 6 of 2014 with the issuance of PP No. 60 of 2014, which states that the allocation of Village Funds is intended to improve the welfare of rural communities, the quality of life of rural communities, and poverty reduction, and the Ministry of Villages Regulation No. 2 of 2016 regarding the Developing Villages Index (IDM), states that the Village Fund is intended to encourage the realization of independent villages. With these regulations, the Village Fund is expected to increase the Developing Villages Index (IDM), reduce poverty, and improve community welfare (Br Sebayang et al., 2023; Canon et al., 2022).



**Figure 1.** Village Fund vs Number of Poor in Aceh Province 2019-2022.

**Source:** Badan Pusat Statistik Provinsi Aceh (2022) and (DJPk Kemenkeu RI, 2022)

In the context of rural development in Indonesia, research has shown that the Village Fund has a positive and significant impact on rural development, including poverty reduction and infrastructure development (Anam et al., 2023; Hilmawan et al., 2023) In addition, one study found that villages were highly dependent on the Village Fund, and expenditure on agricultural economic recovery increased after the implementation of the Village Fund program (Nugroho, Armeidi and Mahyuddin, 2023). Another study on rural development policy and poverty alleviation in Aceh Province found that Village Fund allocations had a relationship with the number of people living in poverty (Azmi, Nuryartono, and Binenbaum, 2020).

However, several other studies have found that Village Fund budget allocations do not have a significant impact on poverty levels and that the Village Fund tends to increase without an accompanying increase in the Developing Villages Index (IDM) (Br Sebayang et al., 2023; Zaman et al., 2021). Therefore, the results of this study may provide different findings, and the impact of the Village Fund on IDM may differ depending on the context and implementation. Concerning this explanation, this study aims to analyze the impact of the Village Fund on poverty in North Aceh District as seen from two poverty contexts. Firstly, poverty is seen from the size of the poor population in North Aceh District and the poor population receiving Direct Cash Assistance (BLT) for village-level poverty. Secondly, poverty is seen from the context of village development using the Developing Villages Index (IDM) as the analyzed variable. The selection of North Aceh as the research location was based on the anomaly that North Aceh is currently the poorest district in Aceh, with 106.77 thousand poor people (BPS Aceh, 2023). It is important to note that North Aceh has received the highest Village Fund allocation since the introduction of the Village Fund in 2014 (DJPk Kemenkeu RI, 2022).

## METHODS

This research was conducted in 2023 to analyze the effect of the Village Fund on the poverty rate in the North Aceh District. The research employed a qualitative method with a case study approach, aiming to obtain more in-depth information from five villages in North Aceh District, namely Cot Girek, Pulo Dulang, Grong-Grong, Cot Trueng, and Meunasah Lhok Villages. The parameters used in the research involve the Village Fund, the Poverty Level (seen from the number of poor people and BLT recipients), and the Developing Villages Index (IDM) with its dimensions, including the Social Resilience Index

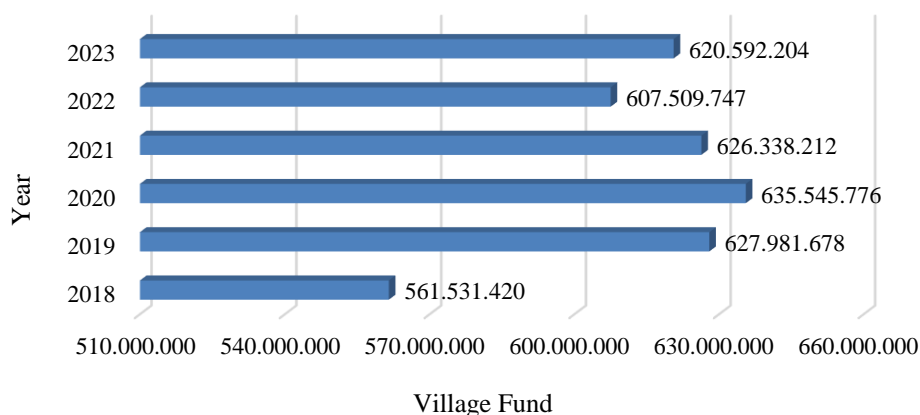
(IKS), Economic Resilience Index (IKE), and Environmental Resilience Index (IKL). To factually describe the impact of Village Fund implementation on poverty levels in North Aceh District, this research uses secondary data sources obtained from institutions such as the Central Bureau of Statistics (BPS), the Ministry of Finance (Kemenkeu), and the Ministry of Villages (Kemendes PDTT). Data analysis was carried out descriptively because descriptive research focuses on providing a description and characteristics of the phenomenon being analyzed (Nassaji, 2015). The relevance of the descriptive study is further manifested when it involves a more in-depth explanation (Nassaji, 2015).

Data analysis in this study will be conducted at two levels, namely the district level and comprehensive village-level analysis, focusing on five villages as case studies. In evaluating the implementation of the Village Fund at the district level, research attention is focused on Village Fund allocation data from the Ministry of Finance of the Republic of Indonesia. The district's poverty level data was taken from the Central Bureau of Statistics of Aceh Province, using poverty headcount statistics as the basis for poverty analysis. Meanwhile, IDM data was obtained from the Ministry of Villages to deepen the understanding of poverty levels in the context of village development. The comprehensive village-level analysis will use data sourced from the Village Information System by the Ministry of Villages. The data includes the amount of Village Fund allocation, the number of poor people receiving Direct Cash Assistance (BLT) per village, the IDM per village, and its measuring components (IKE, IKS, and IKL). With this approach, the results of the analyses will significantly contribute to understanding and discussing economic and poverty aspects in North Aceh District.

The Village Development Index is a composite index consisting of three main components, namely the Social Resilience Index (IKS), which includes social capital, health, education, and settlements; the Economic Resilience Index (IKE), which involves economic dimensions; and the Village Environmental Resilience Index (IKL), which includes ecological dimensions (Kemendes, 2022). By the guidelines set by the Ministry of Villages, the establishment of the village index aims to monitor village progress and autonomy and provide essential data required for village development purposes. The classification of village status is explained by setting the following thresholds: 1) Very Underdeveloped Village:  $IDM \leq 0.4907$  2) Disadvantaged Village:  $0.4907 < IDM \leq 0.5989$  3) Developing Village:  $0.5989 < IDM \leq 0.7072$  4) Developed Village:  $0.7072 < IDM \leq 0.8155$  5) Independent Village:  $IDM > 0.8155$ .

## RESULTS AND DISCUSSION

The research aims to evaluate the impact of the allocation of Dana Desa from the perspective of poverty in terms of individual and village development. The study will present data on the amount of Dana Desa allocation, the number of poor people, and the Developing Villages Index (IDM) development. The budget details of Dana Desa in Aceh Utara from 2018 to 2023 can be found in the provided figure.



**Figure 2.** The Amount of North Aceh District Village Fund In 2018 – 2023.

**Source:** Kementerian Keuangan RI, the year 2017 - 2022 (Data processed by the author)

Over the six years between 2018 and 2023, North Aceh District experienced interesting fluctuations in its Village Fund allocation. As seen in Figure 2, growth in Village Fund allocation receipts was recorded during the three-year implementation period from 2018 to 2020, followed by a gradual decline from 2020 to 2022. Subsequently, there was another increase in 2023. In 2018, the Village Fund allocation for North Aceh District reached 561,531,420; the following year, there was a significant increase to 627,981,678. The increase in the Village Fund allocation in 2019 was related to the Covid-19 pandemic during that period. The allocation of the Village Fund in 2020 was directed to address and prevent the spread of the Coronavirus or COVID-19 as part of its use policy (Tuanaya et al., 2020).

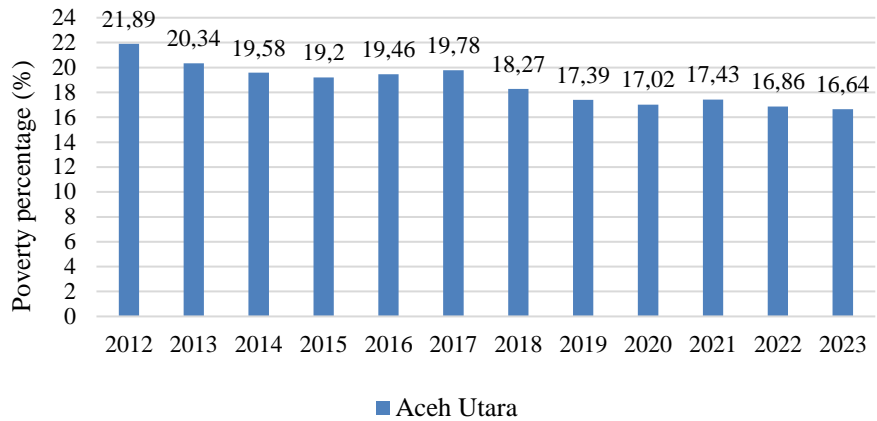
During this pandemic, the government has endeavored to support the economic recovery of communities affected by Covid-19. One action involved modifications in the Village Fund allocation mechanism during the pandemic. This action reflects the government's efforts to adjust the Village Fund allocation strategy to be more responsive to the urgent needs arising from the difficult economic conditions caused by the Covid-19 pandemic (Bidang Administrasi Pemerintah Desa, 2020; Kanwil Ditjen Perbendaharaan, 2020). With the issuance of Presidential Regulation (PERPRES) No. 54/2020 on Adjustments and Details of the 2020 State Budget (APBN) and Minister of Finance (PMK) Regulation No. 35/2020 on the Management of Transfers to Regions and Village Funds for the 2020 Fiscal Year, there was an adjustment to the Village Fund in 2020 of 71.19 trillion, a decrease from the previous amount of 72 trillion or a reduction of Rp 810 billion. The rules for adjusting and regulating the Village Fund in 2020 are directed to overcome the impact of COVID-19, focusing on providing Direct Cash Assistance to strengthen economic conditions at the village level.

The Village Fund has been a significant factor in strengthening the national economy, especially in addressing the impact of the COVID-19 pandemic. During the 2.5-year pandemic from 2019 to 2020-2021, the government allocated IDR 146.01 trillion in Village Funds to support 74,960 villages over the period (Direktorat Jenderal Perbendaharaan (DJPb), 2022). In North Aceh, in 2020, an increase in the Village Fund of IDR 635,545,776 was recorded, indicating a degree of stability in the allocation of the Village Fund compared to the previous year. The Village Fund allocation experienced a gradual decline between 2020 and 2022, reaching IDR 607,509,747 in 2022, in line with the central government's financial condition.

In 2022, there was a 5.5% decrease in the realization of the Village Fund transfer compared to the previous year, reaching IDR 67.9 trillion. This decrease was caused by several factors, including a 4.68% decrease in the allocation of the Village Fund in 2022. Although in nominal terms, it decreased by 3.95% compared to 2021, in percentage terms, the realization of the Village Fund increased by 0.77%. In addition, a decrease in the ceiling allocation and the number of district governments that received Regional Incentive Fund (DID) allocations also played a role in reducing the realization of the Village Fund (Direktorat Jenderal Perbendaharaan (DJPb), 2022). Thus, it can be concluded that internal and external factors impacted the realization of Village Fund transfers in that year.

Furthermore, in North Aceh itself, these changes can occur due to potential shortcomings in planning and the low level of absorption of the Village Fund budget in 2021. This can be seen from the large SiLPA balance in the North Aceh District of IDR 156.28 billion, which hurts the community because the absorption of the budget, which should be an economic stimulus and improve community welfare, is not optimal (Afriansyah, 2023). The performance of village officials is considered to have declined, as was the case in several cases, where there were three villages out of a total of 825 villages in North Aceh District that had not submitted documents for the disbursement of phase 3 funds in the third quarter (Bakri, 2020).

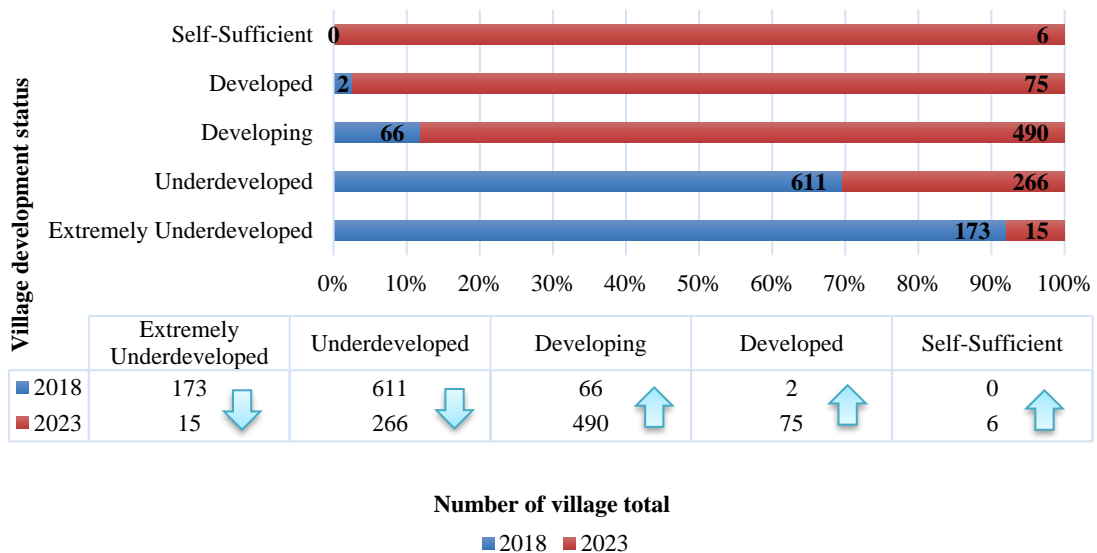
Interestingly, in 2023, there was an increase in the Village Fund budget with an allocation of IDR 620,592,204 funds in North Aceh District. According to the information recorded in the Ministry of Finance report, there is an additional Village Fund of IDR 2 trillion allocated to 74,954 villages in 35 provinces spread across 434 regencies/cities throughout Indonesia, with a total budget of IDR 70 trillion (Rizal, 2023). This is by the provisions of Law Number 28 of 2022 concerning the State Budget for Fiscal Year 2023. The addition of the Village Fund is channeled based on the evaluation of village government performance and as a form of appreciation from the relevant ministries or institutions. In addition, the government prioritizes using the 2023 Village Fund for economic recovery, extreme poverty reduction, and mitigation and management of natural and non-natural disasters.



**Figure 3:** Number of poor people in North Aceh District (thousand).

**Source:** Badan Pusat Statistik Provinsi Aceh (2022) (data processed by the author)

The poverty rate in North Aceh District has decreased from 2012 to 2023. According to BPS Aceh data, there was a decrease in the percentage of poor people in North Aceh, from 15.97% in March 2018 to 16.64% in March 2023. However, this poverty rate is still higher than the Aceh-wide average of 14.45% in 2023, indicating that North Aceh remains the region with the highest poverty rate in Aceh. Despite receiving special autonomy fund transfers for more than 13 years (Setiawan & Purwaningsih, 2020) and the amount of Village Fund allocated for rural development in Aceh increasing (Azmi et al., 2020b; Tarmizi, 2020), the poverty rate in Aceh remains high and Aceh remains one of the poorest regions in Indonesia (Azmi et al., 2020b; Setiawan & Purwaningsih, 2020; Tarmizi, 2020). This suggests that poverty has been a persistent problem in the region (World Bank, 2008) and that the effectiveness of the Village Fund in alleviating poverty in Aceh is limited. However, the policy of prioritizing the Village Fund in 2023 to alleviate extreme poverty reflects the government's ongoing efforts to address this challenge.



**Figure 4.** Comparison Of North Aceh Developing Villages Index 2018 – 2023.

**Source:** Kementerian Desa PDTT (2023)

From a village development perspective, poverty levels can be reflected in the IDM. Based on the data obtained, in 2018, North Aceh had an IDM Status that showed that 74.1% of its villages were categorized as underdeveloped villages. However, in 2023, there was a significant change in North Aceh's IDM Status. Developed and Advanced villages grew by 9.1% and 59.4%, while underdeveloped villages decreased to 32.25%. Overall, North Aceh experienced a significant improvement of more than 50% over five years, changing the status of villages in North Aceh from underdeveloped villages in 2018 to developing villages in 2023. This change indicates that North Aceh has experienced improvements in poverty levels and village development. However, to gain more in-depth information about this change, a case study of five villages in North Aceh sub-district, namely Cot Girek, Pulo Dulang, Grong-Grong, Cot Trueng and Meunasah Lhok, will be conducted to discuss the development and implications of the Village Fund, the Village Development Index and Poverty, which will be seen from the number of people receiving Direct Cash Assistance (BLT) in these five villages.

### Measuring Impact: A Review of Five Villages in North Aceh District

Table 1 shows that Cot Girek Village received a relatively large amount of Village Fund, 27.6% of the total Village Fund, compared to the other four villages. Meanwhile, Pulo Dulang, Grong-Grong, and Meunasah Lhok villages received relatively small amounts of Village Fund, at 15%, 15%, and 16% of the total Village Fund distributed per village, respectively. In contrast, the Village Fund per capita received by Cot Girek Village was much smaller than the other four villages. This is due to the dense population in Cot Girek Village, which means that the amount received is smaller when calculated per capita.

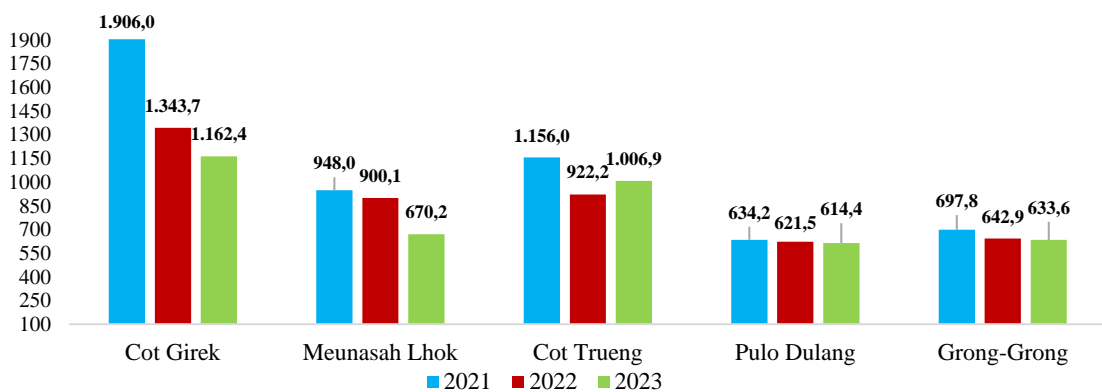
**Table 1.** Village Fund Allocation for five villages in North Aceh District in 2023.

Village	Village Fund	%Per-Village	%Per-District*	Number of Family Card	Village Fund (Per capita)
Cot Girek	1.1162.44.000	27,6	0,22	1.986	562.056
Meunasah Lhok	670.156.000	16,6	0,15	254	2.638.409
Cot Trueng	1.006.918.000	24,9	0,15	532	1.892.703
Pulo Dulang	614.388.000	15,2	0,10	80	7.679.850
Grong-Grong	633.617.000	15,7	0,11	147	4.310.320
<b>Total</b>	<b>4.041.323.000</b>	<b>100,0</b>	<b>0,73</b>	<b>2.999</b>	<b>1.347.557</b>

**Source:** Kemendes PDTT, (2023)

\*The total Village Fund of North Aceh District in 2023 is IDR 620,592,204,000.00.

Figure 5. presents an overview of the development of the Village Fund in several villages in North Aceh District over three years (2021-2023), where the data shows a very diverse pattern of fluctuations at the village level, depending on population, poverty rate, area, and geographical difficulty.



**Figure 5.** Development of village funds in five villages in North Aceh District.

**Source:** Village Information System, Kemendes PDTT, (2023)

In addition, changes in Village Fund allocations may be influenced by various other factors, including government policies, development priorities, and other local factors (Indra & Khoirunrofik, 2022). For example, some studies have found that corruption can lead to errors in Village Fund allocations, which may result in budget disruptions (Utoyo et al., 2020). Factors such as economic cycles, inflation rates, interest rates, and competition between local governments can also affect local government budget processes. Changes in population, age distribution, and individual income levels can have a significant and long-lasting impact on local finances. Meanwhile, the participation and qualifications of village officials, village financial management systems, and community participation can also play a role in influencing accountability in the management of the Village Fund (Bawono et al., 2020).

Based on the distribution of cash assistance (BLT) in the village, it can be seen how many people in a village received BLT as an indicator of poverty. The Dana Desa Cash Transfer (BLT) program is a pro-poor initiative that provides direct financial assistance to underprivileged families in villages to meet their daily needs (Indah Hapsari et al., 2022). The program is also part of the social protection cluster and is intended to mitigate the economic impact of the COVID-19 pandemic on poor or underprivileged families in villages. The program is implemented for three months, with a monthly assistance amount of Rp600,000 per family (Idrus, 2022). Based on research, recipients of the Village Fund Cash Assistance Programme have relatively low levels of education, and most have per capita incomes between IDR133,333-706,667 (Indah Hapsari, Apriyani and Alfarisy, 2022).

**Table 2.** Percentage of Poor Population Based on BLT Beneficiaries.

Village	Number of Family Card	Year (2021)	Percent (%)	Year (2022)	Percent (%)
Cot Girek	1.986	254	12,79	165	8,31
Meunasah Lhok	254	0	0,00	129	50,79
Cot Trueng	532	130	24,44	115	21,62
Pulo Dulang	80	16	20,00	75	93,75
Grong-Grong	147	22	14,97	71	48,30
<b>Total</b>	<b>2.999</b>	<b>422</b>	<b>14,07</b>	<b>555</b>	<b>18,51</b>

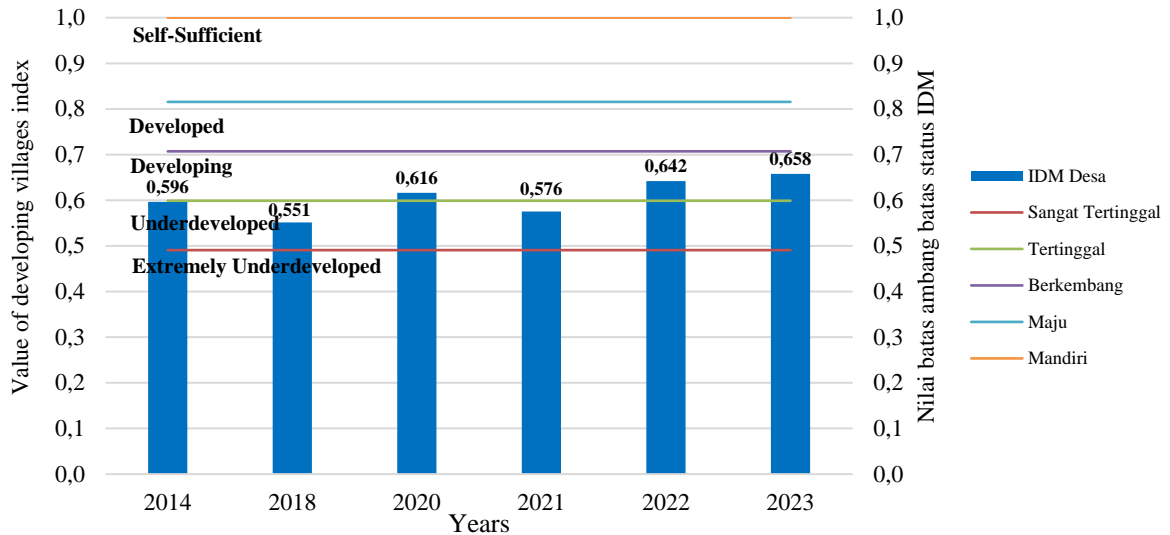
**Source:** SID Kemendesa (2023)

Based on information from Table 2, which covers the period from 2021 to 2022, there was an increase in the number of Direct Cash Transfer (BLT) recipients in several villages that were the focus of the research. This increase can be observed in Meunasah Lhok, Pulo Dulang, and Grong-Grong villages, with increases of 50.79%, 73.75%, and 33.33% respectively. In contrast, Cot Girek village, which had the highest number of people per family, experienced a decrease in BLT recipients of 4.48%, while Cot Trueng also experienced a decline of 2.82%. Pulo Dulang village recorded the highest percentage, with 93.75% of its total population receiving BLT, while Cot Girek village had the lowest rate, 8.31%. This shows that in Cot Girek village, the number of poor people receiving BLT decreased significantly compared to the other villages.

This increase is related to the addition of direct cash assistance (BLT) recipients in each village due to the increasing number of poor people affected by the COVID-19 pandemic (Winata et al., 2023). It has been established that direct cash assistance (BLT) must be used at least 8% of the village fund ceiling for each village to fund the handling of COVID-19. In handling COVID-19, the allocation of at least 8% of village funds is external and does not include Village Fund cash direct assistance (BLT-DD) funding (Supriyanto, 2022). The reduced allocation of village funds may be due to government policies prioritizing areas or villages most affected by the COVID-19 pandemic.

Bergstrom and Dodds's (2021) research shows that transfer programs focused explicitly on low-income groups based on consumption or poverty levels have significantly impacted poverty reduction efforts in Indonesia (Hanna & Olken, 2018). The study also highlights that the implementation of programs such as direct cash assistance (BLT), rice distribution to the poor (Raskin), and the provision of subsidized credit (Bergstrom & Dodds, 2021) have played a role in improving welfare. Nonetheless, using various income indicators to determine aid recipients may result in the distribution of aid to those who are not poor, while at the same time, not all groups of people experiencing poverty get assistance, as noted in Hanna and Olken's (2018) study.

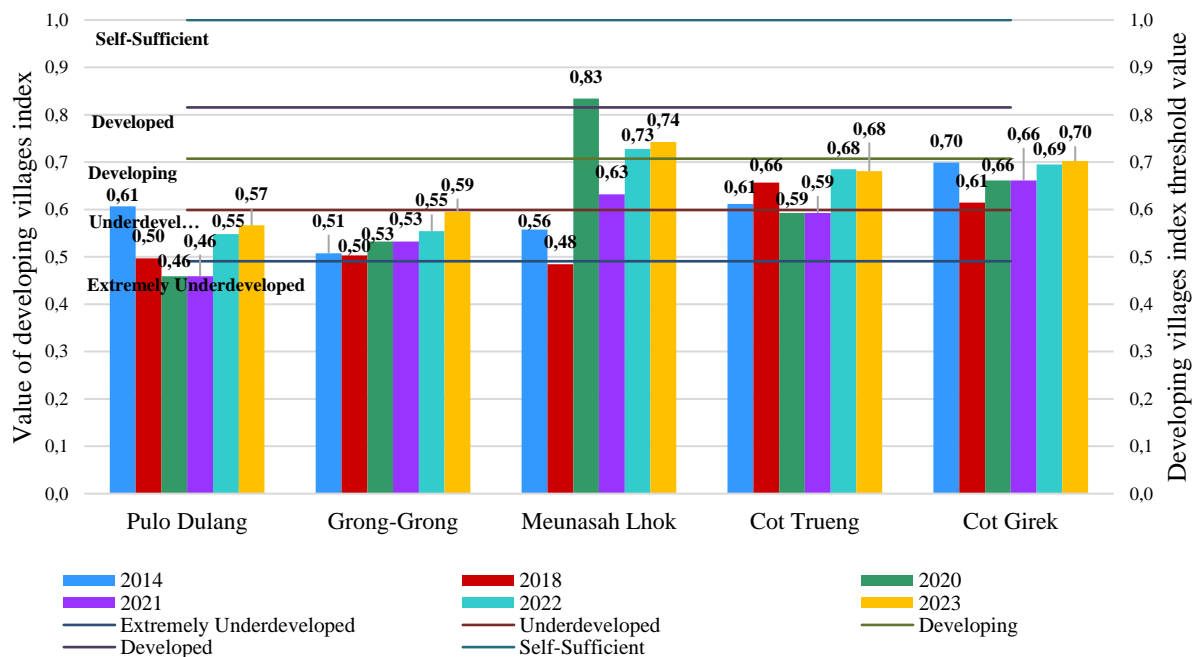




**Figure 6.** IDM development in five villages in North Aceh District.

**Source:** SID Kemendesa (2023) (data processed by the author)

From the perspective of village development, poverty can be reflected in changes in village status (IDM). The data in Figure 6 reflect the variation and dynamics of changes in village status over ten years, from 2014 to 2023, in five villages in North Aceh District. During the first five-year period since the launch of the Village Fund program in 2014, there were no changes in the status of the village, which remained in the category of "lagging." Significant improvements began to occur in 2020 when the status of the five villages shifted from "lagging" in 2018 to "developing." Despite the decline in the value of IDMs in 2021 and the status of villages returning to "lagging" in 2022-2023, the IDMs of all five villages showed sustainable changes and returned to the status of "developing villages."

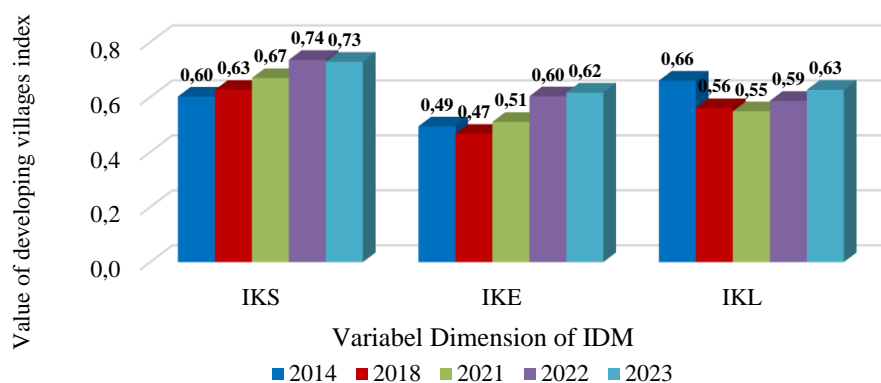


**Figure 7.** Developing Villages Index (IDM) development in five villages in North Aceh District.

**Source:** SID Kemendesa (2023)

When analyzed in detail, Figure 7 reflects the diversity in the status development of the observed villages. Some villages are experiencing significant positive changes. It can be seen that overall, the value of IDM in 2014 decreased in 2018, which had an impact on changes in village status, except for Cot Trueng village, which experienced a significant increase in value and status. The decline in village status may be due to ongoing adjustments to IDM data and input systems, leading to errors in IDM data and changes in village classification. As reported by the World Bank, there are early indications of changes in the classification of villages, where the number of "independent villages" increased and the number of "disadvantaged villages" decreased between 2014 and 2018 in Indonesia (The World Bank, 2019). These changes reflect complex dynamics in village development, where significant improvements can occur over some time, but challenges and fluctuations still affect changes in the overall status of the village. Sustainable changes in IDM demonstrate development efforts and policies that successfully address challenges and support rural communities' economic development and well-being.

Information on poverty levels, analyzed from the number of direct cash assistance (BLT) recipients in the 2021-2022 period, showed the most significant increase in the percentage of poor people in Pulo Dulang and Meunasah Lhok villages (see Table 2). Interestingly, when viewed from the progress of village development in the same period, both villages experienced significant development. In 2022, the status of Pulo Dulang village changed from very underdeveloped to underdeveloped, while Meunasah Lhok village developed into an advanced village. These results illustrate that despite an increase in the percentage of poor people receiving BLT in Pulo Dulang and Meunasah Lhok villages, village development in both locations continued to show progress that reflected improvements in the village's social, economic, and environmental aspects. A similar situation is also seen in other villages, such as Grong-Grong, cot Trueng, and Cot Girek, where the overall data shows an increasing trend in village development from the beginning of the implementation of the Village Fund policy in 2014 to 2023.



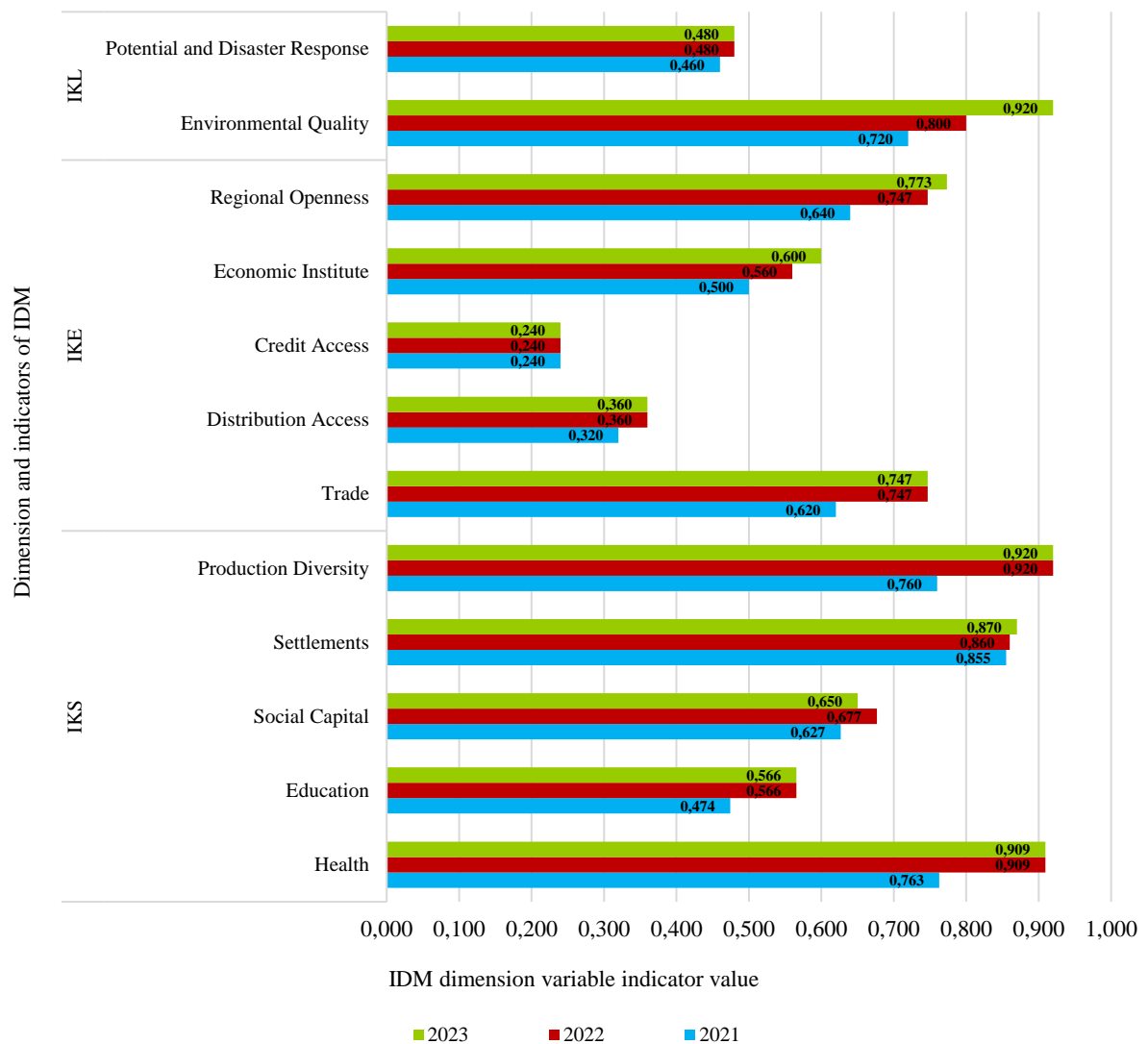
**Figure 8.** Average development of IDM variable dimensions in five villages in North Aceh District.

**Source:** SID Kemendesa (2023)

Furthermore, from 2014 to 2023, there were significant changes in the values of the three IDM measuring indices in the five villages observed (see Figure 8). The highest increase occurred in IKS, reflecting progress in social aspects of society, including health, education, social capital, and settlement. The IKS value reached 0.739, exceeding the average of all villages in the North Aceh district, which was 0.686. Meanwhile, the lowest increase was recorded at IKE, amounting to 0.617. Nevertheless, this value remains above the average of all villages in North Aceh district, amounting to 0.539 in 2023. The increased IDM value indicates a holistic improvement in village conditions, including social, economic, and ecological aspects.

The 2021-2023 Data (see Figure 9) shows increased values in the measuring variables IKS, IKE, and IKL. Poverty alleviation will result in better social conditions for households in the village (Oktarina et al., 2023). Significant improvements in IKS focused on health and production diversity, while education stabilized and social capital and settlements fluctuated. These findings underscore the need for holistic

and sustainable development efforts to improve social resilience in villages, emphasizing various dimensions affecting IKS.



**Figure 9.** IDM Dimension Indicator Scores in 5 Villages in North Aceh District, 2021 – 2023.

**Source:** Kemendes PD TT, (2023b)

The IKE Data showed mixed developments, with the dimensions of trade and regional openness experiencing significant increases while distribution access and access to credit remained low. Low access to credit indicates that public banking institutions and rural banks may not be available in all five villages, or residents may have difficulty accessing credit. Meanwhile, low distribution access indicates a need for more adequate post offices and logistics services in the area. The low value of access to credit and access to distribution variables contributed to the low value of the Economic Resilience Index in the five villages. An increase in these dimensions can provide an impetus to improve people's living standards and reduce levels of poverty and deprivation (Euler et al., 2017; Qaim et al., 2020; Santika et al., 2019).

IKL Data showed a significant improvement in Environmental Quality indicators, reflecting improvements in Environmental Management in the observed villages. In addition, indicators of potential and disaster response remained stable, indicating consistency in the region's potential and disaster response level during the observation period. These two dimensions, integral to IKL, are vital in maintaining environmental sustainability in villages.

Overall, from 2021 to 2023, all variable parameters of IKS, IKE, and IKL increased, except for the stable value of the access to credit indicator. These findings underscore the importance of sustainable development efforts to improve economic resilience in rural areas. Especially in improving access and distribution as a critical factor in regional economic development. The main focus of economic development, especially in rural areas, is to improve the welfare, status, and dignity of rural communities as a concrete step in realizing poverty reduction programs, improving the quality of rural human resources, and infrastructure development that supports the movement of goods and population mobility between villages and cities. The main priority in rural development programs should be given to these three aspects as an effort to accelerate the progress of economic and social aspects in disadvantaged areas (Andari & Ella, 2020; Syahza & Suarman, 2013).

This study has involved a thorough analysis of diverse data and has potential limitations. The method applied in this study is descriptive, which describes the interpretation of data with a more limited level of practical evidence when compared with Field Research. Despite applying a descriptive approach, this study presented comprehensive information, illustrating the relationship of Village Fund programs with poverty alleviation efforts in an interesting and informative way. Therefore, the summary of this study can ultimately make a valuable contribution to further research to test the effectiveness of this program in reducing poverty levels.

## CONCLUSIONS

The Village Fund program acts as a strategic tool for the central government in promoting economic growth and reducing inequality and poverty levels in rural areas of Indonesia. Given the complexity and sensitivity to the issue of poverty in rural areas, a more participatory, personalized, and flexible approach to research is needed (Halseth & Ryser, 2012). Therefore, in 2014, the Indonesian government enacted Village Law Number 6 2014 to provide excellent opportunities for all villages in Indonesia to manage their government and improve their quality of life.

The data in this study found fluctuations in the allocation of village funds during the 2018-2023 period. Nevertheless, the trend is showing improvement. Based on Aceh Central Statistics Agency data, the poverty rate in North Aceh District decreased by 18.27% in March 2018 to 16.64% in March 2023. However, this poverty rate is still higher than the average poverty rate throughout Aceh, which indicates that North Aceh remains the region with the highest poverty rate in Aceh. Although the fluctuation in the increase in the allocation of village funds is not as significant as the decrease in the number of poor people, the Status of the Developing Villages Index (IDM) in North Aceh has shown significant changes from year to year. In 2018, 74.1% of villages in North Aceh were categorized as underdeveloped villages. However, in 2023, there was a substantial increase, with the percentage of villages classified as developing or developed villages increasing by more than 50%. This transformation shows a significant improvement in poverty levels and Village development.

Analysis conducted on five villages in North Aceh District shows that implementing village funds positively contributes to the village's progress, as seen from the improvement of social, economic, and environmental dimensions. Although there has been an increase in the number of poor BLT recipients in some villages, overall village development since the beginning of the Village Fund policy (2014-2023) has increased. This fact is evidenced by the change in the status of some villages, such as Pulo Dulang village, which shifted from an "extremely underdeveloped" village to an "underdeveloped" village, and Meunasah Lhok Village which was initially "developing" and became a "developed" village.

The average value of indicators that make up the variable dimensions of IKS, IKE, and IKL in the five villages in North Aceh District experienced significant changes. The most noticeable improvement occurred in the indicators of the variable dimension of SMI, reflecting progress in various social aspects of society, including health, education, social capital, and settlements. Meanwhile, the most minimal increase was recorded in the Ike variable of 0.617. However, this value is still above the average of all villages in North Aceh District. Overall, all indicators from the variable dimensions of IKS, IKE, and IKL showed an increase, except for credit access, which did not change in value on the Ike dimension. These findings highlight improvements in social, economic, and ecological conditions in rural areas. Therefore, sustainable development efforts are needed to improve economic resilience in rural areas, especially in terms of improving accessibility and distribution, which is a crucial element in advancing the local economy and one of the main factors for the low value of the Ike variable dimension.

Because the village in North Aceh has the status of a developing village, it can be concluded that North Aceh is still experiencing sustainable development. It is rightly acknowledged and fairly accepted that there has been progress in village infrastructure over the past five years. Citizens in rural areas currently enjoy a greater degree of autonomy and have access to the use of village funds, including in the implementation of infrastructure projects such as road construction, irrigation systems, and health services, among other aspects (Fatonie, 2022). Although there is a slight decrease in the number of people living in poor conditions and an increase in village development reflected through IDM status, there is a correlation between village funds and poverty reduction efforts. Several countries found that factors such as infrastructure, non-agricultural employment, entrepreneurship, local-level participation, and sustainability of agricultural development positively impacted economic development in rural areas (Hanna & Olken, 2018).

Therefore, it needs to be reconsidered to optimize the utilization of village funds, especially by focusing on the most disadvantaged villages in North Aceh. If the lagging villages get a more significant allocation of village funds than the more developed villages, the lagging villages are likely to catch up with their lagging villages. In addition, there needs to be an increase in clear, detailed, and equitable village fund management guidelines for village officials. There is also a need for constant supervision from the government and increased human resource capacity. Clarity in legal aspects can provide certainty for accountable Village Management (Nadeak et al., 2015). In addition, achievement in reducing poverty can be realized through a combination of strong accountability from the government to empower communities to be more actively involved in the development of their villages (Antlöv et al., 2016). To stimulate the development of the village, all parties involved need to carry out their respective roles. The government, local governments, and village governments must maintain the consistency and accuracy of targets in formulating policies, designing programs, implementing, monitoring, and evaluating in an integrated manner (Suharyanto & Sofianto, 2012).

There are several obstacles in the implementation of village funds, including the need for more village apparatus capabilities, limited supervision from the government, and the lack of community participation in each stage of the use of village funds. Therefore, consistent and serious scrutiny must be applied (Watts et al., 2019). In addition, complex problems arise due to the limited allocation of village funds, while the funded territories are very extensive and densely populated. This is the case in many villages in Indonesia (Permatasari et al., 2021), including the village of Cot Girek, which became the object of research. Therefore, cooperation is needed between various levels of government, from village officials and local governments to the central government, to jointly strive to achieve poverty alleviation and equality in rural areas.

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