

The Effectiveness of Village Fund Allocation Management in Improving the Development of Petak Village, Nuhon District, Banggai Regency

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Abstract

Village Fund Allocation (ADD) is an essential instrument in supporting village governance and promoting community development and empowerment. However, in practice, the effectiveness of ADD management still faces various challenges in terms of planning, implementation, and accountability. This study aims to analyze the effectiveness of Village Fund Allocation (ADD) management in enhancing the development of Petak Village, Nuhon Subdistrict, Banggai Regency, as well as to identify the supporting and inhibiting factors in its management. The research method employed is a qualitative method with a descriptive approach. Data collection techniques were conducted through interviews, observations, and documentation, with primary informants including village government officials and the community. Data analysis was performed through the stages of data reduction, data display, and conclusion drawing. The results indicate that the management of ADD in Petak Village covering the stages of planning, implementation, administration, reporting, and accountability has generally operated effectively and in accordance with applicable regulations. ADD contributes positively to village infrastructure development and community empowerment, although several obstacles remain, such as limited human resources, suboptimal community participation, and technical constraints in reporting.

Keyword: Village Fund Allocation, Management Effectiveness, Village Development, Village Governance, Community Empowerment.

INTRODUCTION

Villages represent the lowest administrative unit within Indonesia's governmental system and play a strategic role in the implementation of regional autonomy. The effectiveness of village governance is closely linked to the capacity of villages to manage administrative systems that support effective, efficient, transparent, and accountable development processes while ensuring active community participation. According to Law No. 3 of 2024, villages and customary villages are recognized as legal community entities with territorial boundaries and authority to regulate and manage local governance affairs based on community initiatives, original rights, and traditional values within the framework of the Unitary State of the Republic of Indonesia.

The implementation of village autonomy provides villages with greater authority to manage their own governance and development agendas. However, this autonomy also entails increased responsibilities, particularly in ensuring accountability and compliance with prevailing regulations. One of the key fiscal instruments supporting village autonomy is the Village Fund Allocation (Alokasi Dana Desa/ADD), which is regulated under Minister of Finance Regulation (PMK) No. 145 of 2023. This regulation governs budgeting, allocation, distribution, administration, accountability, reporting, utilization, monitoring, evaluation, and suspension of village fund disbursement.

ADD is a fiscal transfer from district or municipal budgets sourced from the intergovernmental fiscal balance, with a minimum allocation of 10 percent designated for villages (Nurcholis, 2011). The primary objective of ADD is to support village development, community empowerment, improvement of public services, poverty reduction, and enhancement of local economic capacity. Through this mechanism, villages are expected to design and implement development programs aligned with community priorities identified through village development planning forums (musrenbangdes).

Despite the strategic role of ADD, empirical evidence indicates that its management effectiveness remains a challenge in many villages. Desa Petak, located in Nuhon District, Banggai Regency, exemplifies this issue. Although the village receives ADD annually, several development objectives have not been fully achieved. In particular, infrastructure development remains uneven, as evidenced by damaged and partially unpaved village roads, suggesting that fund allocation has not optimally addressed essential community needs. These conditions raise concerns regarding the effectiveness of ADD utilization at the village level.

Effectiveness, as defined by (Mardiasmo, 2004), refers to the extent to which an organization achieves its predetermined objectives. In the context of village finance,

effectiveness reflects the alignment between planned development goals and realized outcomes. Effective ADD management is therefore crucial not only for achieving development targets but also for strengthening village governance performance.

Furthermore, ADD management is closely linked to the principles of good governance, which emphasize transparency, accountability, participation, responsiveness, efficiency, and equity. The World Bank (Haryanto, 2007) defines good governance as responsible development management aligned with democratic principles and efficient markets. In the context of village governance, good governance serves as an institutional framework that reinforces decentralization by bringing government closer to the community.

Based on these considerations, this study examines the effectiveness of Village Fund Allocation (ADD) management in Desa Petak, with particular attention to the application of good governance principles. The findings are expected to contribute to policy evaluation and provide insights for improving village financial management practices to achieve sustainable and equitable rural development.

METHOD

This study employed a qualitative descriptive research design aimed at exploring and understanding the management of the Village Fund Allocation (Alokasi Dana Desa/ADD) in Desa Petak, Nuhon District, Banggai Regency. Qualitative methods were selected to capture in-depth perspectives, practices, and contextual factors related to ADD management. According to Bogdan (1996), qualitative research generates descriptive data in the form of written or spoken words derived from observable behaviors and social interactions. The research was conducted in Desa Petak, located in Nuhon District, Banggai Regency, Indonesia. This location was selected due to its relevance to the research focus, particularly regarding the implementation and utilization of ADD at the village level.

The study utilized both primary and secondary data, data were collected using multiple techniques to enhance data credibility; observation, in-depth interviews, document analysis and questionnaires. Data analysis followed a qualitative descriptive approach, involving data reduction, categorization, interpretation, and abstraction aligned with research objectives. The results were presented in the form of narratives, tables, and schematic representations. To ensure data validity and reliability, data triangulation was applied across sources and collection methods, and findings were continuously cross-checked to enhance credibility and consistency.

RESULTS AND DISCUSSION

Allocation and Utilization of Village Fund Allocation (ADD)

The findings indicate that the Village Fund Allocation (ADD) in Desa Petak during 2023 and 2024 was predominantly allocated to the village governance sector, particularly for fixed income, allowances, social security, and operational expenditures of village officials and the Village Consultative Body (BPD). In 2023, ADD expenditures focused on:

1. Fixed income and allowances for the village head and village officials,
2. Social security for village officials,
3. Village operational costs, and
4. BPD allowances.

Similarly, in 2024, ADD allocation followed a comparable pattern with increased budget values, indicating a consistent commitment to sustaining village administrative operations. This allocation structure reflects compliance with regulatory frameworks governing ADD utilization, although it also suggests a dominant emphasis on administrative expenditure compared to development-oriented programs.

ADD Management Process and Governance Practices

1. Planning and Implementation

Interviews with the Village Head revealed that ADD planning follows a formal and participatory process beginning with Village Deliberation Meetings (Musdes) and continuing through the Village Development Planning Meeting (Musrenbangdes). The process culminates in the formulation of the Village Government Work Plan (RKPDDes) and its derivative activity lists.

According to village leadership, approximately 85% of ADD utilization has generated positive impacts, including job creation through physical development projects, community empowerment programs, increased village income, and welfare improvement. However, minor negative impacts (around 15%) were identified, primarily related to perceived inequities and nepotistic practices in aid distribution, which may trigger social tensions.

2. Financial Administration, Reporting, and Transparency

Findings from interviews with the Village Secretary and Financial Officer demonstrate that ADD financial management adheres to existing regulations. Financial reporting is conducted in stages, supported by complete administrative documentation (SPJ, receipts, and verification by the implementation team). Transparency is ensured through public disclosure via village notice boards, social media platforms, and accountability meetings. Nevertheless, recurring

challenges include delays in collecting supporting documents from field implementation teams and the need to adapt to frequent regulatory changes. These administrative constraints occasionally affect the timeliness of accountability reports, which are critical for subsequent fund disbursement.

Oversight and Community Participation

The Village Consultative Body (BPD) plays an active role in supervising ADD management by participating in planning meetings, monitoring implementation, and reviewing accountability reports. According to the BPD Chair, this oversight mechanism has contributed to maintaining transparency and ensuring alignment between planned and realized activities.

Interviews with Heads of Hamlet (Dusun 1–3) indicate that development outcomes funded by ADD have been perceived across all hamlets, although the level of infrastructure improvement varies due to phased implementation and prioritization. Community participation was generally high, particularly through collective labor (gotong royong), attendance at deliberative forums, and support for development activities, reinforcing local ownership of development outcomes.

Community Perceptions Based on Questionnaire Results

Questionnaire data collected from 40 community respondents further support the qualitative findings. The majority of respondents expressed positive perceptions of ADD management:

Table 1. Perception of the People of Petak Village, Nuhon District, Banggai Regency

Questions	Percentage	Explanation
Does the Petak Village Government manage the Village Fund Allocation properly and planned?	92,5%	Agreed that ADD is managed in a well-planned manner
Is the use of Village Fund Allocation in accordance with the needs of the community?	95%	Stated that ADD utilization aligns with community needs
Does the village government involve the community in the development planning process?	94,9%	Confirmed community involvement in development planning

Are the results of development financed from village funds visible in the village environment?	94,9%	Observed tangible development outcomes in the village
Overall, has the management of the Village Fund Allocation in Petak Village been effective?"	90%	Perceived overall ADD management as effective
As a community, are you satisfied with the results of development sourced from village funds?	95%	Acknowledged positive impacts on community welfare
Apakah Pelaksanaan kegiatan pembangunan dari dana desa dilakukan tepat waktu dan sesuai rencana?	90%	Affirmed transparency in ADD utilization

Source: Processed Data (2025)

These results indicate strong public trust in village governance and reflect the effectiveness of ADD management from the community's perspective, despite existing administrative and equity-related challenges. Overall, the results demonstrate that the management of ADD in Desa Petak has been generally effective, characterized by structured planning, regulatory compliance, community participation, and transparency. However, challenges related to administrative delays, equitable distribution, and prioritization of development spending remain critical issues that require improvement to enhance the sustainability and inclusiveness of village development.

DISCUSSION

This study discusses the effectiveness of Village Fund Allocation (ADD) management in enhancing rural development in Desa Petak, Nuhon District, Banggai Regency, by integrating empirical findings from interviews, questionnaires, and village financial documents. The discussion is structured around key stages of ADD management and its implications for development, community empowerment, and governance effectiveness.

Planning Effectiveness of ADD Management

Effective planning constitutes the cornerstone of village financial management, as it determines development priorities, allocative efficiency, and the relevance of programs to community needs. The findings indicate that ADD planning in Desa Petak has been conducted in

accordance with Permendagri No. 20 of 2018, through sequential processes involving Village Deliberation Meetings (Musdes), Village Development Planning Meetings (Musrenbangdes), and the formulation of RKPDes and APBDes.

The participatory nature of this planning process reflects the principles of good governance, particularly participation and accountability. Community involvement in deliberative forums positions villagers as active subjects of development rather than passive beneficiaries. However, while procedural participation has been achieved, the depth and inclusiveness of participation remain areas for improvement, as not all community groups are equally engaged in decision-making processes.

Implementation of ADD and Development Outcomes

The implementation of ADD in 2023–2024 largely adhered to approved planning documents, with expenditures aligned with RKPDes and APBDes. A substantial proportion of ADD was allocated to village governance functions, including salaries, allowances, and operational costs. This allocation pattern underscores the role of ADD in strengthening administrative capacity and service delivery at the village level.

Empirical findings suggest that ADD-funded development activities have produced tangible outcomes across all hamlets, albeit unevenly due to phased implementation and budget limitations. This staged approach reflects rational prioritization under fiscal constraints and indicates that effectiveness has been achieved in terms of goal alignment, though equity in spatial distribution remains a challenge.

Financial Administration, Reporting, and Transparency

ADD administration in Desa Petak demonstrates compliance with formal accountability mechanisms, including systematic bookkeeping, supporting documentation (SPJ and receipts), and staged financial reporting. Transparency is reinforced through public disclosure via information boards and village meetings, contributing to community trust in local governance.

Nevertheless, administrative challenges persist, particularly delays in collecting supporting documents from implementation teams and the need to adapt to frequently changing regulations. These constraints highlight the importance of strengthening human resource capacity and administrative coordination to sustain accountability and timeliness in financial reporting.

Effectiveness of ADD in Village Development



From an effectiveness perspective, ADD in Desa Petak has contributed positively to village development. High levels of community satisfaction and perceived benefits indicate a strong alignment between development objectives and realized outcomes. Infrastructure improvements have enhanced mobility and supported socio-economic activities, while adequate operational funding has indirectly improved the quality of public services. Importantly, effectiveness is not solely reflected in physical outputs but also in improved governance performance. Well-supported village officials are better positioned to deliver responsive and efficient services, reinforcing the institutional foundations of rural development.

ADD, Community Participation, and Empowerment

Community participation emerged as a critical determinant of ADD effectiveness. Active involvement through gotong royong, self-managed development schemes, and participatory forums fostered a sense of ownership and collective responsibility. Such engagement enhances sustainability and social cohesion, aligning with decentralization objectives that emphasize local empowerment.

However, findings reveal that empowerment-oriented programs remain limited in scope and continuity. ADD utilization continues to prioritize administrative expenditure and physical development, while investments in long-term capacity building such as skills training and productive economic activities are relatively underdeveloped. As a result, empowerment impacts tend to be short-term and have yet to fully promote economic self-reliance.

Supporting and Inhibiting Factors in ADD Management

The effectiveness of ADD management in Desa Petak is supported by clear regulatory frameworks, institutional commitment from village authorities, and active oversight by the Village Consultative Body (BPD). BPD's involvement in monitoring and deliberation strengthens transparency and accountability, reinforcing good governance practices.

Conversely, inhibiting factors include limited technical capacity among village officials, administrative delays, regulatory volatility, and perceptions of inequity in benefit distribution. These issues pose risks to social trust and underscore the need for continuous capacity building, improved coordination with implementation teams, and more inclusive communication strategies.





Implications for Good Governance and Rural Development

Overall, the findings suggest that ADD management in Desa Petak has been moderately to highly effective, particularly in supporting village administration and basic infrastructure development. However, to enhance long-term development impact, greater emphasis is needed on equitable distribution, sustainable community empowerment, and institutional capacity strengthening. Strengthening these aspects will not only improve ADD effectiveness but also reinforce good governance at the village level, ensuring that decentralization translates into inclusive, accountable, and sustainable rural development.

CONCLUSION

Based on the research results and discussion, it can be concluded that the management of Village Fund Allocation (ADD) in Petak Village, Nuhon District, has been quite effective. The community has participated in development activities, primarily through mutual cooperation and support for village programs. ADD management, including planning, implementation, administration, reporting, and accountability, has generally been carried out in accordance with applicable regulations. ADD has had a positive impact on village development, particularly infrastructure development and improved village government services. However, improvements are still needed to ensure equitable development and optimize community involvement in the planning and monitoring stages..

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