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# Academia Open



*By Universitas Muhammadiyah Sidoarjo*

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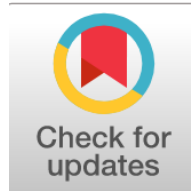
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## Sharia-Based Evaluation of Village Fund Allocation for Infrastructure Development

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### Abstract

**General Background:** Effective village fund management is vital for advancing rural development, especially through infrastructure enhancement that directly supports community welfare. **Specific Background:** Karangmulyo village exemplifies the central role of village governance in allocating and utilizing these funds to deliver essential infrastructure. **Knowledge Gap:** Despite significant fund allocations, comprehensive assessments of fund effectiveness and alignment with Islamic economic principles remain limited. **Aim:** This study aims to evaluate the effectiveness of village fund utilization for infrastructure development in Karangmulyo village and to analyze it from an Islamic economic perspective. **Results:** The findings reveal that 81% of the village fund was effectively utilized in infrastructure development, aligning with standards set by the Minister of Home Affairs Decree No. 690.900.327/1996. Communication among stakeholders and adherence to procedures were satisfactory, despite constraints such as limited human resources and budget. **Novelty:** This research uniquely integrates conventional performance metrics with Islamic economic principles—mutual assistance (*ta'awun*), benefit (*maslahah*), and justice (*'adl*)—to assess infrastructure governance. **Implications:** The study contributes to policy discourse on optimizing village fund use, emphasizing both administrative accountability and Sharia compliance as foundations for sustainable rural development.

#### Highlights:

- Measures fund effectiveness using government benchmarks.
- Highlights barriers like limited resources and budget.
- Integrates Islamic economic values in development assessment.

**Keywords:** Village Fund Management, Infrastructure Development, Islamic Economics, Rural Welfare, Sharia Compliance

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## Introduction

Village Fund Management is one of the important instruments in the development of village infrastructure throughout Banyuwangi Regency, particularly in Karangmulyo Village. This study focuses on Karangmulyo Village due to its unique challenges in fund allocation and community diversity, making it a critical case for assessing effectiveness. According to Law Number 6 of 2014 concerning Villages, Village Funds are intended to improve community welfare and quality of life through sustainable infrastructure development [1], [2]. However, the effectiveness of Village Fund management is often questioned, especially in terms of achieving the development goals, such as the budget allocation in Karangmulyo Village. In 2023, Karangmulyo Village received a village fund budget of Rp. 2,279,150,200. The fund was allocated as follows: 3% for village government operations, 20% for Direct Cash Assistance (BATDD), 20% for food defense, 40% for infrastructure development, and 17% for empowerment, poverty alleviation, education, and health.

Village funds, as defined by Lili [3], are funds received by villages every year from the State Budget, specifically allocated to villages through the Regency/City Budget to finance government affairs, village development, and rural community empowerment. Government Regulation No. 60 of 2014 also describes Village Funds as sourced from the State Revenue and Expenditure Budget, which are transferred to villages via the Regional Revenue and Expenditure Budget for financing government administration, development implementation, community development, and empowerment. The Karangmulyo Village government explains that the management of village funds follows several stages: planning, implementation, supervision, and evaluation [4], [5]. After the realization of Musdus (Hamlet Deliberation) activities in the three hamlets of Karangmulyo Village, namely Kaligesing, West Sumkembang, and East Sumkembang, the deliberation results are brought to the Musrenbangdes (Village Development Planning Deliberation) forum. Musrenbang serves as a planning forum where the village government collaborates with the community and stakeholders to produce consensus decisions related to the development of Karangmulyo Village infrastructure [6], [7].

This study assumes that the management of village funds based on sharia economic principles can increase the effectiveness of infrastructure development. The infrastructure development carried out in Karangmulyo Village has a positive impact, benefiting the local community by promoting justice, mutual assistance, and community empowerment in both economic and social aspects [7]. Despite the religious diversity in Karangmulyo Village, the community has fostered a high level of tolerance and cooperation, which is reflected in positive communication and collaboration among residents, ultimately benefiting the development process. From the perspective of sharia economics, village fund management should be conducted in accordance with the principles of benefit, justice, mutual help, and ethical values [8], [9].

Infrastructure, as defined by Chiyemura et al. [10], refers to physical systems essential to meeting basic human needs in the social and economic spheres. Mankiw [11] further elaborates that infrastructure includes public capital such as roads, bridges, and sewer systems, which are critical investments made by the government. However, the infrastructure development in Karangmulyo Village in 2023-2024 still requires improvement due to the lack of realized programs related to infrastructure. Challenges in managing the Karangmulyo Village Fund include limited community participation, ineffective planning coordination, and lack of transparency in the development process. Based on this background, this study is interested in researching the effectiveness of village fund use for infrastructure development from the perspective of sharia economics. The research is titled "Effectiveness of the Use of Village Funds for Infrastructure Development in the Perspective of Sharia Economics: A Case Study in Karangmulyo Village."

## Method

This study employs a descriptive qualitative research method. Data collection techniques include observation, interviews, and documentation. The observation method involves determining objectives, selecting locations, identifying subjects, and compiling observation instruments [12]. Interviews are conducted by asking questions to key informants, such as community leaders and village staff [13]. Documentation involves gathering records of events, including photographs or works related to monuments and activities within the village [14].

The object of this study is the allocation of village funds for infrastructure development in the 2023 period as outlined in the Karangmulyo Village APBDes (Village Budget Plan). Data for this study were sourced from the Karangmulyo Village report archive, specifically the 2023 APBDes report, and from interviews with village government officials [12].

The types and sources of data used in this study include both primary and secondary data. Primary data were obtained through direct interviews with community leaders and village staff (in-depth interviews) as well as through direct observation [13]. Secondary data were collected from existing research, reference books, mass media, and online sources that support the problem being studied [14].



Data from interviews and observations will be analyzed using the Miles & Huberman (1994) analysis technique. This involves four key steps: data reduction, data presentation, drawing conclusions, and verification [12]. The analysis will focus on identifying patterns and themes related to the effectiveness of village fund management, specifically in relation to infrastructure development in Karangmulyo Village [13].

## Results and Discussion

The analysis of the effectiveness of village fund management for infrastructure development in Karangmulyo Village revealed several key findings, which are discussed below, incorporating evidence from interviews and relevant theoretical frameworks.

### 1. Village Fund Allocation and Implementation

The allocation of village funds for infrastructure development in Karangmulyo Village was analyzed based on budget distribution in the 2023 APBDes (Village Revenue and Expenditure Budget) report. According to the report, the largest percentage—40%—was allocated for infrastructure development, including road construction, drainage repair, and the construction of public facilities.

The subjects of this study were the residents of Karangmulyo Village, Banyuwangi Regency, including individuals such as the village secretary, village development coordinator, and local citizens. The selection of research subjects used purposive sampling, which involves choosing informants deemed capable of providing the necessary data to ensure clarity. These informants were selected based on their background and capacity to meet the criteria required for accurate and objective data collection. Their characteristics are presented in the following table:

No	Name	Age	Gender	Occupation	Description
1	Witoko	38	Male	Village Development Coord.	
2	Fathul Manan	40	Male	Village Secretary	
3	Supriadi	41	Male	Entrepreneur	
4	Warsun	27	Male	Teacher	

**Table 1.** Informant Characteristics

According to Law No. 6 of 2014 on Villages, village funds are intended to improve the welfare and quality of life of the people through sustainable infrastructure development. In 2023, a regulation was issued by the Minister of Villages and Development of Disadvantaged Regions, Regulation No. 8 of 2022 concerning the priority of village fund usage for 2023. Article 5, paragraph 2, point g states: "Village government operational funds must not exceed 3% of the village fund allocation." This was confirmed by Mr. Fathul Manan, the village secretary of Karangmulyo, during an interview on Monday, October 7, 2024. He emphasized that the use of village funds must comply with existing regulations such as this article.

No	Description	2023 Budget
1	Total Budget	Rp. 2,279,150,200
2	Village Original Revenue	Rp. 90,000,000
3	Transfer from Central Government	Rp. 1,123,530,000
4	District Government	Rp. 868,443,000
5	Revenue Sharing from Tax and Retribution	Rp. 88,906,200
6	Additional Village Funds from District Gov.	Rp. 115,827,000
	<b>Total</b>	Rp. 2,279,150,200

**Table 2.** Karangmulyo Village Fund Budget

The table above shows the general village budget for 2023. More detailed data related to budget components and APBDes realization could not be presented due to restricted access by the village government. However, it is noted that the village received additional funds from the Banyuwangi District Government in 2023.

No	Description	Percentage	Amount
1	Village Operational Costs	3%	Rp. 64,898,496
2	Food Assistance	20%	Rp. 432,656,640
3	BATT Assistance	20%	Rp. 432,656,640
4	Infrastructure Development	40%	Rp. 865,313,280
5	Health, Empowerment, and MSMEs	17%	Rp. 367,720,024

**Table 3.** Village Fund Allocation Plan

During an interview on Friday, October 10, 2024, Mr. Witoko (development coordinator) stated that Karangmulyo Village had implemented four infrastructure projects in 2023 and two in 2024. These development projects were located at the following sites:

No	Description	Funds Used
1	Paving road in Kaligesing Hamlet, RT 2 RW 1	Rp. 100,800,000
2	Paving road in East Sumberkembang Hamlet, RT 5 RW 1	Rp. 138,000,000
3	Paving road in East Sumberkembang Hamlet, RT 7 RW 1	Rp. 149,550,000
4	Paving road in West Sumberkembang Hamlet, RT 4 RW 1	Rp. 120,000,000
5	Road retaining wall in East Sumberkembang Hamlet	Rp. 200,780,000

**Table 4.** Infrastructure Projects in Karangmulyo Village

## 2. Measuring the Effectiveness of Village Fund Allocation

Effectiveness reflects the government's ability to realize financial allocations of Village Funds to implement planned programs against predetermined targets in real value. The effectiveness formula used is:

$$\text{Effectiveness} = \text{Realization of Village Fund} / \text{Target Village Fund}$$

$$\text{Effectiveness} = 709,130,000 / 865,313,280 = 81\%$$

- Above 100% = Very effective
- 90%–100% = Effective
- 80%–90% = Fairly effective
- 60%–80% = Less effective
- Below 60% = Ineffective

According to the Ministry of Home Affairs Decree No. 690.900.327 of 1996 on financial performance evaluation criteria, effectiveness is considered fulfilled if it meets the standard criteria. The findings indicate that the management of village funds in Karangmulyo has been effective, with an effectiveness rate of 81%. This is evident from the alignment between the village development budget and the actual implementation, including real infrastructure projects. These developments have significantly improved residents' daily access, timeliness of execution, and overall ease of life.

The principle of justice plays a crucial role in ensuring fair distribution and transparent use of funds. Edmans [17] argues that financial management based on ethical values such as justice and mutual assistance should prioritize inclusiveness so that all members of the community benefit from development. Community participation in Karangmulyo Village aligns with these principles, indicating that the infrastructure development allocation meets the criteria of justice and collective benefit in Islamic economic

## 3. Community Involvement and Empowerment

In the effort to advance the village, the village government consistently strives to provide the best. However, it is undeniable that every activity carried out inevitably encounters obstacles.

The planning of village fund utilization must begin with a deliberation process. The initial stage of this deliberation concerning development is conducted by residents at the RT and RW levels, known as *Musdus* (Village Hamlet

Meeting). After the *Musdus* is conducted, it is followed by the *Musrenbangdes* (Village Development Planning Meeting), which involves various parties, including the village head and officials, the Village Consultative Body (BPD), as well as community representatives, such as religious leaders, traditional leaders, community leaders, education figures, and others. In this planning process, it is essential to determine which programs should be prioritized for funding. In the management of village funds in Karangmulyo Village, the researcher categorizes several aspects into strengths, weaknesses, opportunities, and threats. The strength lies in the encouragement from the village head, who believes that every person has skills that can support their ability to contribute—particularly the village apparatus, who can utilize their skills to build the village based on the knowledge imparted by the village head and experiences gained through previous activities. The weakness, however, is that village officials already have their designated duties at the village office, while the implementation of village funds involves only certain actively participating individuals, such as the secretary, finance officer, planning officer, and other members. Mutezo and Mulopo [18] state that effective empowerment requires the active participation of all stakeholders, especially the local community, in the decision-making process.

The existence of effective and structured communication between the village government and the community fosters efficiency and builds public trust toward the village administration. From the perspective of Islamic economics, this condition supports the principle of mutual assistance (*ta'awun*), which promotes community collaboration in achieving common development goals

#### 4. Transparency and Accountability

Transparency also emerges as a critical theme in the analysis. Village officials acknowledge that they face challenges in ensuring transparency in the use of Village Funds. One official stated, “*The management process of Village Funds lacks adequate supervision, making it difficult to ensure full accountability*” [16]. This lack of transparency has a significant impact on the effectiveness of infrastructure development and public trust in the village government.

According to Hasanah and Nasution [20], transparency is a core element of good governance, especially in village development projects. They emphasize that effective governance relies on clear communication, regular reporting, and public oversight. The absence of such practices in Karangmulyo Village weakens the overall development process and violates the principle of honesty in financial management from an Islamic economic perspective.

#### 5. Impact on Infrastructure Development

Despite various challenges, several positive outcomes have been identified. Road construction in the main areas of the village has significantly improved connectivity, and public facilities such as markets and parks are currently under development. These improvements provide tangible benefits for local residents, particularly in terms of economic access and mobility. One resident stated, “*The new road makes traveling to the city much easier, and more businesses are starting to open*” [16]. This indicates that although challenges remain, the overall impact of Village Fund allocation for infrastructure is beginning to show positive signs, especially in terms of economic benefits.

This aligns with the theory of public goods in economics, which posits that infrastructure is an investment that benefits the entire community. Chiyemura et al. [21] state that infrastructure projects funded by government allocations should not only focus on physical development but also contribute to the long-term economic and social well-being of society.

This program upholds the principle of justice by providing assistance to the community for the greater good. All beneficiaries are identified through a fair and transparent process, ensuring that development is carried out based on priority needs determined through village deliberation between village officials and the community. The principle of justice in community economic activities is emphasized in the Noble Qur'an through sub-principles, as found in Surah Al-Ma'idah.

## Conclusion

The management of Village Funds for infrastructure development in Karangmulyo Village has shown both positive outcomes and significant challenges. The allocation of funds for infrastructure projects has had a tangible impact on the village's economic development, particularly through improved road connectivity and the construction of public facilities. However, due to limited transparency between the village government and the residents, the full potential of the Village Funds remains hindered. These issues align with theoretical perspectives in Islamic economics, which emphasize the importance of the principles of justice, mutual assistance, and empowerment in financial management and community development [22], [23].

While the implementation of infrastructure projects has provided tangible benefits, the limited involvement of the community in planning and execution processes undermines the goals of mutual cooperation and empowerment. As outlined in the literature, transparency and accountability are critical components of effective governance, particularly

in village fund management [24], [25]. Ensuring that the community has a stake in the decision-making process is essential for fostering trust and ensuring that the development initiatives meet the needs of all residents.

In conclusion, while Karangmulyo Village has made strides in improving infrastructure, there is a clear need for reforms in governance practices, particularly in enhancing community participation, improving transparency, and ensuring that funds are used effectively and justly. By aligning the management of village funds with sharia economic principles of justice, benefit, and mutual help, the village can achieve a more sustainable and inclusive development model. Further research is needed to explore ways in which these principles can be more fully integrated into village fund management, as well as to identify additional barriers to effective governance in rural settings.

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