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## Enhancing Socio-Economic Well-being: The Role of Village Funds in Nagan Raya Regency

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Citation: Hajad, V., Putri, D, Z., Ikhsan., Setiawan, D., Herizal. (2024). Enhancing Socio-Economic Well-being: The Role of Village Funds in Nagan Raya Regency. Ilomata International Journal of Social Science, 5(2), 554-568. https://doi.org/10.61194/ijss.v5i2.1142 ABSTRACT: This study examines the role of effective communication in enhancing the management of Village Funds for community empowerment in Nagan Raya Regency. Utilizing a qualitative approach, including interviews, focus group discussions, and document analysis, data was collected from local government officials, community leaders, and residents involved in Village Fund management. Thematic coding was employed for data analysis to identify critical patterns and themes related to communication processes and Village Fund management The findings reveal effectiveness. that effective communication between local government and communities is crucial for the success of Village Fund management. Open and inclusive communication facilitates active community participation in decision-making, leading to the identification of community needs and priorities. Moreover, transparent and accountable communication practices foster trust and collaboration between stakeholders, contributing to the sustainable development of Nagan Raya Regency. In conclusion, this study emphasizes the significance of effective communication in optimizing Village Fund utilization for community empowerment. Maintaining open, inclusive, and responsive communication channels ensures that Village Funds address community needs and promote sustainable development. The study underscores the importance of ongoing efforts to strengthen communication mechanisms and foster collaboration between local government and communities to enhance the impact of Village Fund initiatives on community well-being in Nagan Raya Regency.

**Keywords:** Village Funds, Effective Communication, Community Empowerment, Stakeholder Collaboration, Sustainable Development

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#### INTRODUCTION

The Village Fund is a program that aims to empower and improve the community's welfare at the village level (Luju et al., 2020). This program was implemented in Indonesia as part of the

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government's efforts to support villages financially and encourage sustainable local development (Sunardi & Lesmana, 2020). The origins of Village Funds can be traced back to Law Number 6 of 2014 concerning Villages, where funds are specifically allocated to each village to support the implementation of village autonomy in various aspects of development and community empowerment (Aziz, 2016). The main aim of this program is to provide opportunities for village communities to manage resources independently and improve their welfare (Abidin & Zainul, 2015).

The Village Funds funding mechanism involves budget allocations from the central and regional governments to the district level, distributed to villages. Village Fund management is carried out by the village government and the local community through a village deliberation process (Abidin & Zainul, 2015). These funds must be used by the village development plan prepared in a participatory manner by the local community. With Village Funds, it is hoped that village communities can implement development programs that suit their local needs, such as essential infrastructure development, economic empowerment, education, health, etc (Yuesti, 2023). Through this program, it is hoped that villages can be created that are independent, developing and able to improve community welfare sustainably (Kartika, Tyas et al., 2020).

So far, writings on Village Funds have highlighted various aspects related to the allocation, management and impact of the use of these funds in the context of development and welfare of village communities (Hajad et al., 2020; Menkhoff & Rungruxsirivorn, 2011; Ronaldo & Suryanto, 2022; Syafingi et al., 2020). These studies focus attention on several important issues, including how Village Funds are used by village governments for various development activities at the local level (Ikhsan et al., 2020). Apart from that, many studies also highlight transparency and accountability in managing Village Funds by examining the extent to which local communities are open and supervising the decision-making process.

In the Indonesian context, research on Village Funds also discusses the relationship between Village Funds and projects to improve the quality of life in rural areas, which must compete with infrastructure projects (Watts et al., 2019). In addition, other research shows that there are gaps in the design of Village Fund management that open up the potential for corruption, for example, through large budget allocations, limited human resources, unclear service assignments, complicated procedures, and control and accountability mechanisms that are difficult to understand. by the village government and community (Imawan & Purwanto, 2020). Village Funds, in their management, are also often associated with the growth of Village-Owned Enterprises (BUMDes) (Safitri et al., 2021). The studies reviewed previously focused on the existence of Village Funds and criticism of implementing Village Fund management in Indonesia (Syaifudin et al., 2022). However, people still need to discuss comprehensively the critical role of Village Funds in creating socio-economic prosperity in Indonesia. The author wants to fill the gap in previous research through this article.

The importance of economic empowerment for village communities is very relevant to the concept and implementation of Village Funds. Village Funds, as a source of funds allocated to villages from the central and regional government budgets, aim to support the development and empowerment of local communities (Muslihah & Siregar, 2019). Through Village Funds, village communities can

carry out various economic activities that support their empowerment. Village Funds can be used to develop local economic potential, such as increasing agricultural productivity, supporting micro and small businesses, building basic economic infrastructure, and expanding market access for local products (Lisaputra, 2024). Thus, Village Funds can be an effective instrument in supporting the economic empowerment of village communities.

The appropriate use of Village Funds can also help increase village community access to education and health services. Village Funds can be allocated to build and improve education and health facilities in the village, thereby improving the quality of life and overall welfare of the village community (Quraisy & Arifin, 2017). Thus, Village Funds not only act as a source of funding for local economic development but also as an instrument for improving the socio-economic welfare of village communities. Therefore, local governments and various related parties need to manage Village Funds well and ensure that their allocation and use are by the needs and potential of village communities in advancing their economy and welfare (Inanyah & Hajad, 2022).

Regional development challenges are often complex and cover various social and economic aspects. Some common challenges regions face include high levels of poverty, low access to education and health services, inadequate infrastructure, and low community involvement in the development process (Mirayanti, 2020). These problems can worsen the socio-economic conditions of society and hinder local economic growth. In addition, regions often face challenges in sustainably managing their local resources, such as natural resources and local economic potential (Asfi & Wijaya, Holi, 2015). Lack of access to markets and technology is also an obstacle to regional economic development (Lubis et al., 2024). In this context, Village Funds have great potential to help overcome development challenges in the region by empowering local communities through developing basic economic infrastructure, increasing access to social services, and developing local economic potential (Aldiansyah et al., 2023). Strengthening the role of Village Funds is hoped to improve community welfare and accelerate development in the region.

Nagan Raya Regency is one of the regions in Indonesia that implements the Village Funds program as part of efforts to empower village communities. This program has a long history in the context of local development in the district. Since its introduction, Village Funds have become one of the main instruments supporting economic and social development at the village level (Tang et al., 2022). The Village Funds budget allocation in Nagan Raya Regency has been directed towards various development programs, such as essential infrastructure development, increasing access to education and health services, developing micro and small businesses, and community empowerment programs.

In fact, the problems encountered in the implementation of the village construction through the Village Funds have not yet found a significant enough result this because in its implementation there is still a lot of found use of village budget funds that are not properly targeted (Saragih & Agung, 2017). In the village of Bumi Sari in Nagan Raya Regency, the allocation of the Village Fund is not as expected by the Indonesian Government that holds the concept of the State of Welfare because of the lack of attention to the well-being of the people when seen from the village of Bumi Sari where the construction against the community is less compared to the operational

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office and unforeseen funds that the funds are not actually felt by the village community of Zumi Sari (<u>Mustafa & Aulia, 2023</u>). In Kuala Sub-district, Nagan Raya Regency, implementation of Village Fund still not maximizing the potential of the village, because the program is directed to infrastructure development, while the management of the potential for improving the economy of the community is not so maximized, it is because of the bureaucratic constraints and the existing human resource constraint (Ramly et al., 2017<u>REFERENCE</u>).

Based on the problems of the research, the research question is how effective communication can improve the management of the Village Fund for empowerment of the community in Nagan Raya Regency ?. The aim of this research is to find out the effectiveness of communication in the management of Village Funds for empowerment of the community in Nagan Raya Regency.

#### METHOD

The appropriate research method for this article is qualitative research with a case study approach (<u>Creswell, 2019</u>). This method will allow researchers to gain an in-depth understanding of the implementation of Village Funds in Nagan Raya Regency and its impact on the welfare of village communities. Through this approach, researchers can collect data directly from the field, such as interviews with relevant stakeholders, direct observation of activities funded by the Village Fund, and analysis of policy and program implementation documents. Case studies allow researchers to explore the complexity of the Village Funds program in a specific local context, including the challenges and opportunities faced in its implementation. By gaining in-depth insight into how Village Funds are managed and used in Nagan Raya, researchers can identify factors that influence the program's effectiveness in improving the welfare of village communities.

The qualitative approach also allows researchers to understand the perspectives and direct experiences of village communities who are beneficiaries of the Village Funds program. This will provide a valuable perspective on the program's actual impact on the daily lives of village communities and will enrich the analysis of the role of Village Funds in improving socio-economic well-being. The data sources used are secondary and primary, where researchers obtain the data directly or indirectly. The primary data source is obtained by direct access to the research objects in the district of Nagan Raya, secondary data sources are obtained by the researchers to support and strengthen the primary information by accessing the official website, studies of documents, journals, books and information related to the effectiveness of communication management of the Village Funds for empowerment of the community in the Districts. The data collection techniques used by researchers were observation, documentation and interviews. In this research, the source determination technique is purposive sampling. Purposive sampling is a method for selecting samples from data sources by considering certain factors related to the research problem (Sugiyono, 2016). For example, the person who knows best about the research we are researching and is directly involved with the research problem. The collected data is then analyzed by presenting the research results so that they can be understood and analyzed according to the desired objectives. In addition, data reduction was carried out to select the results of data records

in the field. After everything is done, it concludes to produce new findings that have never existed before.

### **RESULT AND DISCUSSION**

#### Introduction to Village Funds in Nagan Raya Regency

The Village Fund Program in Nagan Raya Regency is proof of the transformative potential of grassroots initiatives in driving socio-economic progress. Born out of a visionary effort to decentralize government and empower local communities, this program has emerged as a powerful instrument of change, addressing various challenges facing rural areas in Nagan Raya. In essence, the Village Fund program reflects a paradigm shift towards participatory development and community-based decision-making. It was conceived in response to the great need for a comprehensive development strategy tailored to the specific needs and aspirations of Nagan Raya's rural population. By placing control of development in the hands of local stakeholders, the program aims to foster a sense of ownership and accountability while leveraging indigenous knowledge and resources for sustainable growth.

Village Funds come from a balance of central and regional government funds allocated to villages to finance development and community empowerment. This is explained in Government Regulation Number 60 of 2014 concerning Village Funds, which originate from the State Revenue and Expenditure Budget. Article 19, paragraph (2) explains that the Village Fund, as referred to in paragraph (1), prioritizes financing for village development and empowerment. Community. Village Fund management begins with program planning and continues with implementation after it is implemented and accounted for to improve the welfare of village communities, improve the quality of life of the community, and alleviate poverty.

Nagan Raya Regency, in accordance with the Minister of Finance Regulation Number 146 of 2023 concerning the Allocation of Village Funds for Each Village, Distribution, and Use of Village Funds in 2024, received a Village Fund allocation of IDR 167 billion and a district village revenue sharing fund allocation of IDR 62.9 billion which was intended for 222 villages in Nagan Raya. There are four priority ways to use Village Funds in Nagan Rya district for community welfare, namely handling extreme poverty, food, and animal security programs, village-scale stunting prevention and reduction programs, and priority sector programs in villages through capital assistance from Village-Owned Enterprises (BUMDes) —potential and characteristics of villages in Nagan Raya. Table 1 below shows the amount of Village Funds that must be managed by the village each year.

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Years	Village Funds
2019	1.492.775.000
2020	1.471.429.000
2021	1.456.420.000
2022	1.090.554.000
2023	1.043.279.000
2024	709.826.000

Source: Document of Alue Raya Village (2024)

The objectives of the Village Fund program vary greatly, depending on the community group it serves. From alleviating poverty and improving infrastructure to increasing livelihood opportunities and improving access to essential services, the ultimate goal is to improve the quality of life for residents across Nagan Raya Regency. Through strategic investments and targeted interventions, the program seeks to create an enabling environment for socio-economic development, laying the foundations for long-term prosperity and resilience. Figure 1 shows infrastructure development in Kubu Village, Nagan Raya Regency.



Figure 1. Infrastructure Development in Kubu Village Nagan Raya Regency Source: Document of Kubu Village (2024)

Situated amidst Aceh's beautiful landscape, Nagan Raya Regency grapples with various development challenges, which are exacerbated by rural conditions and geographical constraints. Poverty, limited access to basic facilities, and underdeveloped infrastructure are the main concerns faced by local communities. In this context, the Village Fund program emerges as a glimmer of hope, offering a platform for collaboration and collective action to address pressing socio-economic problems. The results of interviews with the Head of Arongan Village, Nagan Raya Regency show that Village Funds can create community welfare through village independence.

"More of the Village Funds disbursed are channeled for development because by increasing village development it can improve the village economy and make villages more independent."

The success of the Village Fund program depends on a participatory approach in planning and implementing development. By actively involving community members in decision-making processes, the program ensures that development initiatives are tailored to local needs and priorities (Arifin et al., 2020; Hilmawan et al., 2023). Through inclusive dialogue and consensus building, stakeholders work together to identify challenges, set goals, and develop action plans that align with the aspirations of Nagan Raya's diverse villages. Apart from that, the Village Fund program also functions as a catalyst for building collaboration and partnerships between various stakeholders, including government institutions, non-governmental organizations, and the private sector. By forging alliances and pooling resources, the program maximizes its impact and increases the sustainability of its interventions. This collaborative ethos is important for addressing the complex challenges facing rural development and fostering a culture of solidarity and mutual support (Syafingi et al., 2020).

It can be said that the Village Fund Program is a glimmer of hope for resilient communities in Nagan Raya Regency. Through a participatory approach, strategic investments, and a collaborative spirit, the program drives positive change and paves the way to a brighter future for everyone. As its reach develops and expands, the Village Fund program has become a clear example of the transformative power of community-based development in improving socio-economic welfare and building community resilience. The Village Funds the government provides to villages in Nagan Raya impact village growth and development. For example, in Nagan Raya Regency, there has been an improvement in the community's economy. Village communities are helped by Village Funds, encouraging villages to accelerate development independently, physically and non-physically. Non-physically, the Village Fund self-management system in Nagan Raya Regency can improve the community's economy by opening up job opportunities and increasing income. For example, when village facilities are being built, many local workers must complete the work.

Village Fund management in Nagan Raya has been running effectively. This can be seen from the Village Fund management planning process, which involves community members. Village Fund management cycle is based on the values of village financial management, starting from the planning, implementation, administration, reporting and accountability stages. Figure 2 shows how Village Fund management works.



Figure 2 Village Fund Management Process Source: Processed by Researchers (2024)

Planning determines what must be done to achieve certain goals, especially where, by whom, or how to achieve those goals. Thus, planning in managing village funds is the activity of selecting a series of activities related to development in the village and then focusing on what must be done, when, how, and by whom (Watts et al., 2019). This planning process produces documents in the form of Village Fund planning, including the Village Medium Term Development Plan and Village Government Work Plan, which are prepared as a result of agreements in Village deliberations. At the planning stage, communication is an important aspect that must exist in the form of deliberation. This communication was carried out in a participatory manner in a village development planning deliberation forum involving the Village Consultative Body and elements of the village community in Nagan Raya Regency.

According to the Head of Arongan Village, the Village Medium Term Development Plan in Nagan Raya Regency contains the Regency Medium Term Development Plan. Still, it takes into account the objective conditions that occur in each village. This is important to do because the Village Medium Term Development Plan is prepared by taking into account and containing derivatives of the vision and mission that have been created by the Village Head and contains plans for implementing Village Government, implementing development, community development, community empowerment, and the direction of village development planning policies.

The Village Medium Term Development Plan in Nagan Raya Regency is determined within three months, starting from the time of the village head's inauguration, which is a maximum deadline of one year. Meanwhile, the Village Government Work Plan contains plans for organizing village government, implementing village development, community development, and empowering village communities, as well as containing an evaluation of the implementation of the village government's work plan for the previous year, program priorities, activities, and Village Funds managed by the village government or through collaboration, between villages.

#### The Impact of Village Funds on Local Communities

Village Funds have a significant impact on community empowerment in Nagan Raya. As a development instrument aiming to improve community welfare and empowerment at the local level, Village Funds have provided various benefits that local residents can feel directly. The following are some of the main impacts of Village Funds for community empowerment in Nagan Raya such as basic infrastructure, economic empowerment, education, health, women's empowerment, environmental sustainability, and community participation (Boonperm et al., 2013). The impact of Village Funds on local communities within Nagan Raya Regency is profound and multifaceted, significantly influencing various aspects of socio-economic well-being. Through targeted investments and community-driven initiatives, Village Funds have emerged as crucial instruments in catalyzing positive transformations and fostering inclusive development across the district. Figure 3 shows impact of Village Funds in Nagan Raya community.



Figure 3. Impact of Village Funds on the Nagan Raya Community Source: Processed by Researchers (2024)

One of the most visible impacts of Village Funds is evident in infrastructure development. These funds have been utilized to address critical gaps in infrastructure, including the construction of road networks, water supply systems, and sanitation facilities. As a result, mobility and connectivity have been significantly enhanced, leading to improved access to essential services and ultimately elevating residents' overall quality of life. Moreover, investments in infrastructure have contributed to promoting public health and hygiene standards, thus fostering a healthier living environment within communities. Another significant impact of Village Funds is observed in poverty alleviation efforts. By providing financial assistance, training, and resources for income-generating activities, Village Funds have empowered individuals and households to break free from the cycle of poverty and establish sustainable livelihoods. Additionally, support for community-based enterprises has

led to economic diversification and resilience, thereby contributing to economic growth despite external challenges.

The healthcare and education sectors have also experienced notable improvements attributed to Village Funds. Investments in healthcare infrastructure, medical supplies, and training programs have expanded access to quality healthcare services, benefiting residents in remote areas. Similarly, enhancements in education, including infrastructure upgrades and teacher training initiatives, have led to improved educational outcomes and empowered the youth with essential knowledge and skills for the future. Furthermore, Village Funds have played a crucial role in fostering employment opportunities, furthering poverty reduction, and promoting economic prosperity in Nagan Raya. Through initiatives supporting small and medium-sized enterprises, entrepreneurship promotion, and skill development programs, Village Funds have created avenues for sustainable employment generation within the community. Additionally, efforts to enhance agricultural productivity and value chains have increased rural incomes and livelihoods, enhancing overall socio-economic wellbeing.

Central to the impact of Village Funds is the empowerment of local communities (Shirleyana et al., 2023). Through capacity-building programs, participatory decision-making processes, and community-led initiatives, Village Funds have empowered residents to take charge of their development trajectory. This empowerment has nurtured a sense of ownership, agency, and collective responsibility among residents, fostering resilience, innovation, and self-reliance. In conclusion, the transformative influence of Village Funds extends across various domains, including infrastructure development, poverty alleviation, healthcare, education, employment, environmental sustainability, and community participation. As Village Funds continue to evolve and expand their reach, they promise a brighter and more prosperous future for all residents of Nagan Raya. This exemplifies the potential for inclusive and sustainable development at the grassroots level, driven by the collaborative efforts of local communities and government stakeholders.

## Challenges and Opportunities for Village Fund Implementation

The implementation of Village Funds in Nagan Raya Regency has indeed brought significant positive changes, but it also faces many challenges. Understanding these challenges and identifying opportunities for improvement is critical to ensuring the success and effectiveness of the program in driving socio-economic development in the district. One of the main challenges faced in managing Village Funds is related to financial management and accountability. Even though there are efforts to encourage transparency and accountability, there are still many errors in preparing reports on the use of Village Funds due to limited human resources. These limitations are in the form of limited knowledge and skills of village officials, especially the village head and village treasurer, who are tasked with reporting Village Funds in the online system provided.

Apart from that, another challenge in managing Village Funds for community welfare in Nagan Raya Regency is the participation aspect. Participation in the form of involvement of all stakeholders in the decision-making process regarding Village Funds is still difficult. The reasons are unequal representation, lack of community awareness or interest, and power dynamics in society (resulting from direct election of village heads), which hinder the effective participation of marginalized groups. As a result, Village Fund management is not yet inclusive and sustainable. In fact, inclusivity and sustainability are very important from the early stages of Village Fund planning because, without adequate planning for long-term maintenance, resource mobilization, and capacity building, activities undertaken become risky and unsustainable, thereby reducing potential returns (Imawan & Purwanto, 2020; Park & Wang, 2010).

Village Fund management challenges caused by unequal representation, lack of community awareness or interest, and power dynamics in the community can be overcome with a good communication process. Communication plays an important role and is a benchmark for the effectiveness of Village Fund management for community empowerment in Nagan Raya Regency, namely by looking at the suitability between the plans that have been set and the results achieved. However, it is very important to adapt to the needs and aspirations of local communities. Thus, through an open and inclusive communication process, a plan for using Village Funds can be created that accurately reflects the needs and expectations of the community. Interviews with the people of Kabu Village, Nagan Raya Regency, show that community involvement in the planning process for using Village Funds is very important to improve the social and economic conditions of the community.

"Village funds are managed well in Kabu Village. It has been managed effectively because all development carried out is in accordance with community aspirations. This means that the village government does not make decisions unilaterally but rather accommodates wishes that are beneficial to the community. This has increased rapidly because program decisions are taken based on mutual agreement with the community, so the results are more effective."

The implementation of Village Funds in Nagan Raya Regency has indeed brought significant positive changes, but it has also faced many challenges. Understanding these challenges and identifying opportunities for improvement is critical to ensuring the success and effectiveness of the program in driving socio-economic development in the district. One of the main challenges faced in managing Village Funds is related to financial management and accountability. Even though there are efforts to encourage transparency and accountability, there are still many errors in preparing reports on the use of Village Funds due to limited human resources. These limitations are in the form of limited knowledge and skills of village officials, especially village heads and village treasurers, who are responsible for reporting Village Funds in the online system provided. Transparency and accountability in this research means openness in terms of allocating and using village funds by providing information quickly and accurately so that community trust in the government is formed, which contributes to increasing participation and supervision of village fund management.

Despite these challenges, there are many opportunities to improve the implementation of Village Funds and maximize their impact on socio-economic development in Nagan Raya Regency. Such opportunities as strengthening financial management systems, improving transparency and accountability mechanisms, and increasing community engagement through targeted outreach and capacity-building initiatives can help address some of the key challenges identified. Additionally, exploring innovative approaches to fund management, such as the use of technology for financial tracking and reporting, can simplify processes and increase efficiency while reducing the risk of mismanagement of Village funds.

The results of interviews regarding the preparation of development programs carried out by Blang Baro Village show that the development process for the welfare of the village community has been implemented. The Head of Blang Baro Village said: "The development process in Blang Baro Village begins with planning, then implementation. In the process, work is carried out with supervision to avoid unwanted incidents, and at the final stage a final report is made." The next opportunity is for local communities that have the potential to develop their capacity so that development projects in villages can continue through community empowerment. This development includes training, mentoring, and technical assistance using funding from the Village Fund. Opportunities that other villages can take advantage of are through partnerships with local organizations, the business world, and government institutions. They can also expand the reach and effectiveness of Village Fund initiatives and utilize additional resources and expertise.

Effective communication between local governments, local communities, and government institutions is a reflection of community participation and is very important for achieving development goals optimally. The higher the level of community participation in planning, implementing and evaluating development projects funded by Village Funds, the greater the possibility of the project being successful and having a positive impact on the community. Therefore, communication that facilitates active community participation in Village Fund management is the key to increasing development effectiveness at the local level. The aspirations of the community and the government's response, as outlined in planning, are two-way. This means that the government does not just provide information but also listens to and responds to community aspirations and input in managing Village Funds so that the policies and programs prepared can truly meet community needs. Communication on the use of Village Funds for welfare can be seen from the village deliberation stage. Deliberations in the city were held openly, and every element of community figure, such as Tuha Peut, one of the community representatives, was present at the deliberations. The accuracy of determining targets, programs, and time greatly influences the effectiveness of Village Fund management.

## CONCLUSION

Village Funds in Nagan Raya Regency have effectively improved socio-economic welfare and reduced poverty in local communities. The research results show that programs funded by Village Funds have succeeded in meeting critical development needs and encouraging inclusive and sustainable growth. The indicators used in this research are effective communication, community participation, and good governance. Communication in managing Village Funds has been effectively carried out through open, inclusive, and responsive communication to community needs. Apart from that, indicators of community participation can be seen from community support for village development in Nagan Raya Regency. Regarding Village Fund management, every village in Nagan Raya Regency has begun implementing management that promotes the

village government's integrity, accountability, and managerial ability so that the benefits of Village Funds can be maximally absorbed for the benefit of the local community.

The recommendations from this research are as follows: First, further management of Village Funds can be focused on economic diversification by supporting MSMEs through access to capital, training, and markets, as well as strengthening the agricultural and fisheries sectors in the village. Second, it is essential to develop collaboration with the private sector, academics, and traditional institutions in supporting the Village Fund program so that it is in line with local values and culture so that Village Fund management can be maximized to improve the socio-economic status of the community in Nagan Raya Regency.

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