

**THE EFFECTIVENESS OF NEIGHBORHOOD FUND PROGRAMS  
ON REGIONAL DEVELOPMENT IN THE SIANTAR MARIMBUN  
SUB-DISTRICT FROM A COMMUNITY-DRIVEN DEVELOPMENT  
PERSPECTIVE**

**ABSTRACT**

The aim of this research is to determine the effectiveness of neighborhood fund management through the lens of Community-Driven Development. Purposive sampling was used in this study, with a sample size of 100 individuals. The researcher employed a quantitative method with SEM-PLS analysis technique. The findings indicate that neighborhood funds, under the Community-Driven Development approach, significantly influence the development of neighborhood infrastructure but do not significantly affect community empowerment in the Siantar Marimbun Sub-District. The Neighborhood Fund Program for regional development achieves an effectiveness ratio of 98%. This suggests that the management of neighborhood funds in the Siantar Marimbun Sub-District in 2020 still focuses on physical programs (infrastructure) and has yet to emphasize community empowerment development, partly due to the COVID-19 pandemic and the absence of specific guidelines regarding the allocation percentage for infrastructure development versus community empowerment in Mayor Regulation No. 13 of 2019 for Pematangsiantar.

**Keywords:** Community-Driven Development; neighborhood fund; effectiveness; regional development.

**I. INTRODUCTION**

Neighborhood funds are allocations from the national budget aimed at neighborhoods and disbursed through the City's Regional Expenditure Budget. These funds are used for various purposes, ranging from governance to infrastructure development and community empowerment. The distribution of neighborhood funds is regulated based on relevant laws and government regulations. One such regulation is Minister of Home Affairs Regulation No. 130 of 2018, which governs infrastructure development activities and community empowerment in neighborhoods throughout Indonesia. Neighborhood funds aim to accelerate infrastructure development and improve community welfare in neighborhoods.

In the Siantar Marimbun Sub-District, neighborhood funds are used to equalize infrastructure development and to empower communities. The process of utilizing neighborhood funds includes planning development consultations from the neighborhood level (Kelurahan Development Consultation), implementation, monitoring, and reporting of usage results. Additionally, community empowerment activities are carried out through various training and business development programs.

Despite the expectation that neighborhood funds can evenly improve community welfare, there are still several challenges. One of them is the limited understanding and skills of neighborhood officials in managing neighborhood funds. Moreover, there are also constraints in community interest and motivation to participate in empowerment programs. This leads to suboptimal implementation of certain activities, such as training, and even discontinuation of programs in subsequent years. Realization data of development activities indicate that the majority of implemented activities are physical development.

The management of neighborhood funds needs to be carefully considered, especially regarding the allocation distribution for infrastructure development and community empowerment. Nonetheless, disparities still exist in neighborhood fund management in several neighborhoods in the Siantar Marimbun Sub-District, particularly concerning the lack of activities for community empowerment. This study aims to analyze the effectiveness of neighborhood funds in regional development in the Siantar Marimbun Sub-District. The research findings are expected to provide valuable insights for the implementation of Neighborhood Fund Programs in the area and demonstrate the extent of the positive impact of neighborhood funds on regional development.

## II. RESEARCH METHOD

This research adopts a quantitative descriptive approach with a focus on Community Driven Development (CDD), an approach to development that emphasizes community initiative to enhance their quality of life. The concept of CDD consists of five main characteristics, including community focus, participatory planning, community control over resources, involvement in implementation, and community-based monitoring and evaluation. The study was conducted in the Siantar Marimbun Sub-District, Pematangsiantar City, North Sumatra Province, in September 2023.

The research population includes various stakeholders, ranging from village heads, village officials, community groups (Pokmas), to Siantar Marimbun Sub-District officials. The sampling technique used purposive sampling with a total of 100 respondents distributed across 6 villages and 1 sub-district.

**Table 1** Research Respondents

No.	Description	Number (Individuals)
1	POKMAS and Village Officials of Nagahuta Village	15
2	POKMAS and Village Officials of Nagahuta Timur Village	15
3	POKMAS and Village Officials of Tong Marimbun Village	15
4	POKMAS and Village Officials of Simarimbun Village	15
5	POKMAS and Village Officials of Marihat Jaya Village	15
6	POKMAS and Village Officials of Pematang Marihat Village	15
7	Siantar Marimbun Sub-District Officials	10
<b>Total</b>		<b>100</b>

Data collection was conducted using quantitative methods with primary data collected through questionnaires and secondary data. The variables include:

- a. Independent variables (X), these variables influence or cause changes in the dependent variable. In this study, the independent variable is Neighborhood Fund in the Siantar Marimbun Sub-District.
- b. Dependent variables (Y), these variables are influenced or are the result of the independent variables. In this case, the researcher uses dependent variables, namely Infrastructure Development (Y1) and Community Empowerment (Y2) in the Siantar Marimbun Sub-District.
- c. Intervening variables (Z), these variables theoretically affect the relationship between the independent and dependent variables indirectly and cannot be directly observed or measured. These variables act as mediators between the independent and dependent variables, so the independent variable indirectly affects the changes or emergence of the dependent variable. The intervening variable in this study is Community Driven Development.

Data analysis is conducted using SPSS 25.0 for validity and reliability tests, as well as Structural Equation Modeling (SEM) techniques with the assistance of the AMOS program to test the relationships between variables. Therefore, this article aims to evaluate the effectiveness of the Neighborhood Fund Program on regional development with a focus on the Siantar Marimbun Sub-District, using the perspective of Community Driven Development.

### **III.RESULT AND DISCUSSION**

The Siantar Marimbun Sub-District covers an area of 18,006 km<sup>2</sup>. Geographically, the Siantar Marimbun Sub-District is located between 1°22'03" North Latitude and 99°14'0.44" East Longitude. The sub-district consists of 6 villages, with Simarimbun Village being the largest in terms of area at 6.12 km<sup>2</sup>, accounting for 33.99% of the Siantar Marimbun Sub-District, and East Nagahuta Village being the smallest at 1.474 km<sup>2</sup>, accounting for 8.19% of the sub-district's area. According to the data from the Siantar Marimbun Sub-District in Figures 2023, the population of the Siantar Marimbun Sub-District in 2022 was 20,453 people with a population density of 1.13 people/km<sup>2</sup> spread across 6 villages. Pematang Marihat Village has the highest population with 7,117 people, with a population density of 4.37 people/km<sup>2</sup>, while East Nagahuta Village has the lowest population of 2,347 people with a population density of 1.59 people/km<sup>2</sup>.

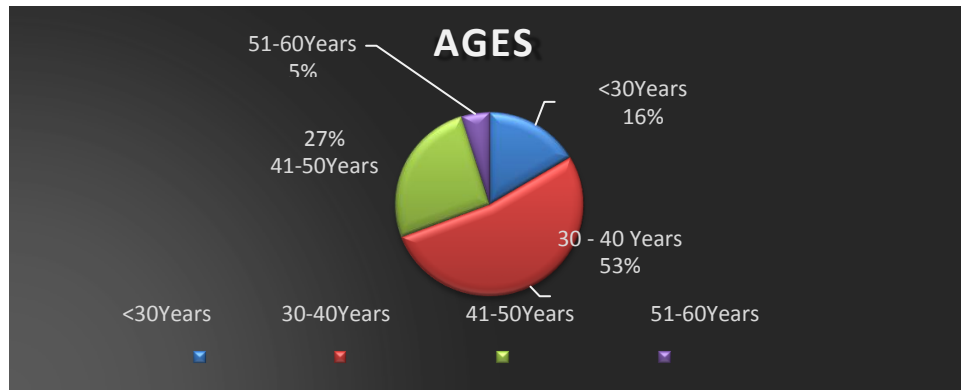
#### **3.1 Characteristics of Research Respondents**

In this study, understanding the characteristics of respondents is crucial to provide a comprehensive profile of the research data sources. Respondent characteristics include age, highest education level, gender, and occupation. Based on the following table, respondent characteristics by age can be outlined as follows:

- Respondents under 30 years old: 16 respondents or 16.3% of the total respondents.
- Respondents aged 30 to 40 years: 54 respondents or 52.9% of the total respondents.
- Respondents aged 41 to 50 years: 26 respondents or 26% of the total respondents.
- Respondents aged 51 to 60 years: 4 respondents or 4.8% of the total respondents.

This indicates that the majority of respondents in this study are aged between 30 and

50 years, with the highest percentage in the 30-40 age group at 52.9%. Further information about respondent characteristics can be seen in the following diagram:



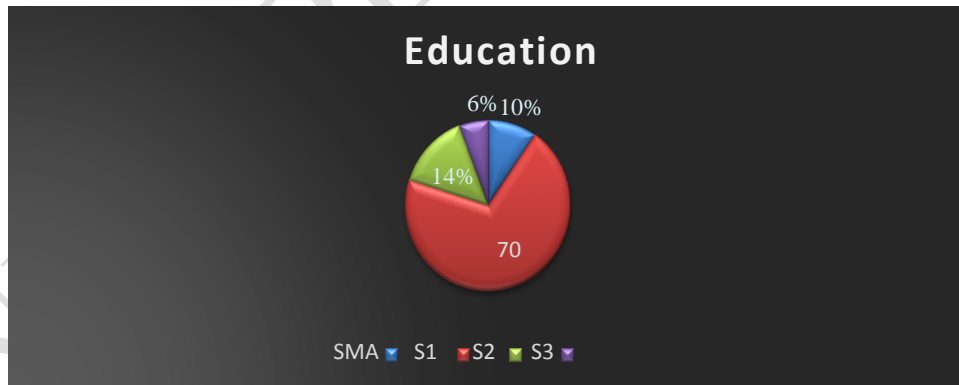
Source: Data Processed (2024)

**Diagram 1: Respondent Characteristics by Age**

Respondent characteristics by highest education level can be outlined as follows:

- Respondents with high school education: 9 individuals or 9.6% of the total respondents.
- Respondents with Bachelor's degree (S1): 72 individuals or 70.2% of the total respondents.
- Respondents with Master's degree (S2): 14 individuals or 14.4% of the total respondents.
- Respondents with Doctoral degree (S3): 5 individuals or 5.8% of the total respondents.

This indicates that the majority of respondents have a Bachelor's degree, accounting for 70.2% of the total respondents. Meanwhile, the Master's degree level is a minority with a percentage of 14.4%. Further information about respondent characteristics by highest education level can be seen in the following diagram:



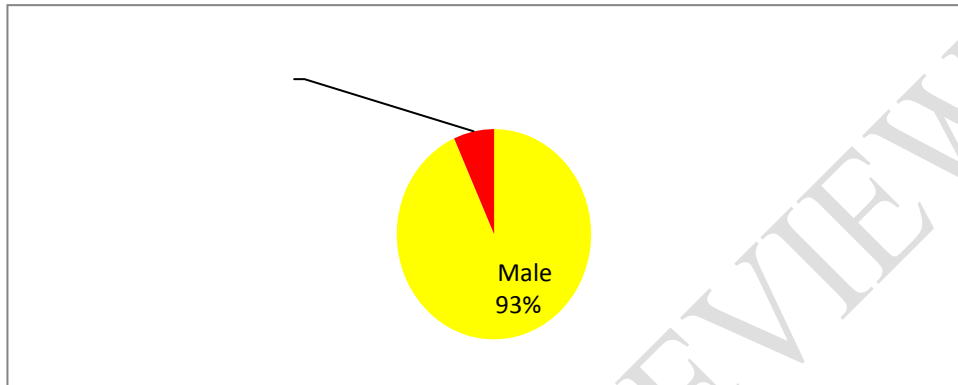
Source: Data Processed (2024)

**Diagram 2: Respondent Characteristics by Highest Education Level**

Respondent characteristics by gender can be outlined as follows:

- Male respondents: 95 individuals or 93.3% of the total respondents.
- Female respondents: 5 individuals or 6.7% of the total respondents.

This indicates that the majority of respondents are male, accounting for 93.3% of the total respondents, while female respondents only make up 6.7%. Further information about respondent characteristics by gender can be seen in the following diagram:



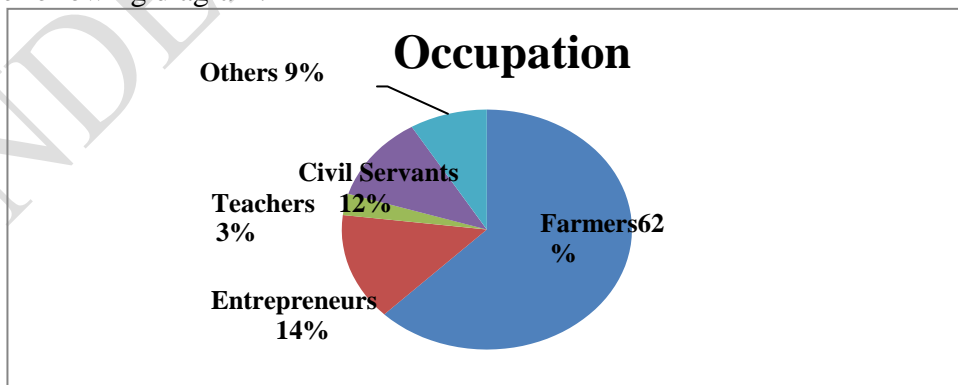
Source:Data Processed (2024)

**Diagram 3: Respondent Characteristics by Gender**

Respondent characteristics by occupation can be outlined as follows:

- Farmers: 64 respondents or 62.5% of the total respondents.
- Entrepreneurs: 14 respondents or 14.4% of the total respondents.
- Teachers: 2 respondents or 2.9% of the total respondents.
- Civil Servants (PNS): 11 respondents or 11.5% of the total respondents.
- Others: 9 respondents or 8.7% of the total respondents.

This indicates that the majority of respondents work as farmers, accounting for 62.5% of the total respondents. Meanwhile, there is a variation of other occupations such as entrepreneurs, teachers, civil servants, and others. Further information about respondent characteristics by occupation can be seen in the following diagram:



Source:Data Processed (2024)

**Diagram 4: Respondent Characteristics by Occupation**

### 3.2 Analysis Results of Respondents

Based on the respondents' answers regarding the variables used and their effectiveness analysis, the Neighborhood Fund is assessed based on several measured

parameters, such as infrastructure development and community empowerment, as follows:

1. Infrastructure Development in Villages:
  - The majority of physical development projects, such as road and drainage construction, demonstrate high levels of effectiveness, with effectiveness percentages ranging from approximately 91% to 100%.
  - Most projects achieve adequate or highly effective levels of effectiveness in achieving the goals of infrastructure development in villages.
2. Community Empowerment in Villages:
  - Community empowerment programs, such as sewing training and other training sessions, generally exhibit high levels of effectiveness, with effectiveness percentages around 100%.
  - This indicates that community empowerment programs have succeeded in achieving their objectives and have had a positive impact on the local community.
3. Average Effectiveness:
  - The average effectiveness of all Neighborhood Fund projects is 98%, indicating that the majority of projects are performing well and aligning with the set objectives.

This analysis indicates that the Neighborhood Fund has made a significant contribution to infrastructure development and community empowerment in various villages. The high level of effectiveness suggests that the Neighborhood Fund has been well-managed and has provided tangible benefits to the local community.

### **3.3 SEM PLS Analysis Results**

Effectiveness pertains to whether a implemented policy achieves the desired outcomes. The requirements for assessing the effectiveness of a program include inputs covering the determination of aspects to be evaluated, the process (implementation), and the output (results), which encompass the clarity of assessment outcomes such as benefits, impacts, risks, and follow-up recommendations.

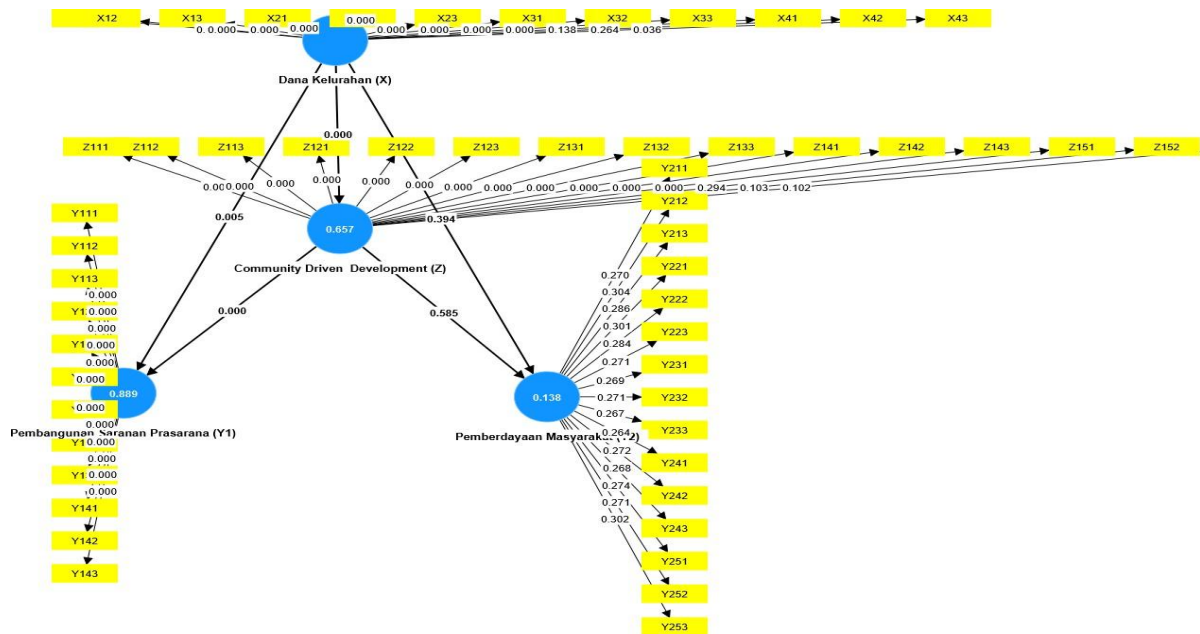


Figure 1 Data Result (Output) SEM-PLS

Here are seven main sections to be discussed in the analysis of the research findings:

### 3.3.1 Impact of Village Funds on Community-Driven Development

The influence of Village Funds on Community-Driven Development has an original sample value of 0.811, a sample mean of 0.818, a standard deviation of 0.032, a T Statistic of 2.831, and a p-value less than 0.005, specifically 0.003, indicating significance. Community involvement in monitoring and evaluating the management of Village Funds will realize transparency in their administration. Transparency reduces uncertainty in decision-making regarding Village Fund management. Additionally, it narrows the opportunities for corruption within the village government as the community participates in decision-making (Kasenda, H., Sambiran, S., & Sumampow, 2021).

### 3.3.2 Impact of Village Funds on Infrastructure Development

The impact of Village Funds on Infrastructure Development has an original sample value of 0.182, a sample mean of 0.175, a standard deviation of 0.064, a T Statistic of 0.852, and a p-value less than 0.005, specifically 0.005, indicating significance.

### 3.3.3 Impact of Village Funds on Community Empowerment

The impact of Village Funds on Community Empowerment has an original sample value of -0.478, a sample mean of -0.025, a standard deviation of 0.561, a T Statistic of 0.852, and a p-value greater than 0.005, specifically 0.394, indicating no significant impact.

### **3.3.4 Impact of Community-Driven Development on Infrastructure Development**

The impact of Community-Driven Development on Infrastructure Development has an original sample value of 0.789, a sample mean of 0.794, a standard deviation of 0.053, a T Statistic of 14.901, and a p-value less than 0.005, specifically 0.004, indicating significance. The Community-Driven Development perspective prioritizes community initiative to enhance their own quality of life (Kilby, 2011, as cited in Mashuri et al., 2020). Five key characteristics define the CDD approach: (1) Community focus; (2) Participatory planning and design; (3) Community control over resources; (4) Community involvement in implementation; and (5) Community-based monitoring and evaluation.

### **3.3.5 Impact of Community-Driven Development on Community Empowerment**

The impact of Community-Driven Development on Community Empowerment has an original sample value of 0.142, a sample mean of 0.034, a standard deviation of 0.261, a T Statistic of 25.275, and a p-value greater than 0.005, specifically 0.585, indicating no significant impact. According to Adisasmita (2011, as cited in Wahongan, 2019), effective management involves planning, implementation, and supervision to achieve goals effectively and efficiently. Similarly, in the management of village funds, good planning and design are essential for beneficial program implementation.

### **3.3.6 Impact of Village Funds on Infrastructure Development through Community-Driven Development**

The impact of Village Funds on Infrastructure Development through community-driven development has an original sample value of 0.640, a sample mean of 0.649, a standard deviation of 0.050, a T Statistic of 12.907, and a p-value less than 0.005, specifically 0.000, indicating significance. The allocation of funds for local infrastructure development and community empowerment involves community groups and/or social organizations. The Ministry of Home Affairs issued Regulation No. 130 of 2018 concerning Village Infrastructure Development Activities and Community Empowerment in Villages, emphasizing the role of these activities in improving community welfare.

### **3.3.7 Impact of Village Funds on Community Empowerment through Community-Driven Development (CDD)**

The impact of Village Funds on Community Empowerment through community-driven development has an original sample value of 0.115, a sample mean of -0.027, a standard deviation of 0.215, a T Statistic of 0.538, and a p-value greater than 0.005, specifically 0.591, indicating no significant impact. The implementation of village fund management by the Siantar Marimbun Sub-District government has impacted the community positively, particularly in enjoying good road infrastructure. However, the significant impact on community welfare from utilizing these funds is yet to be seen (Aida, A. N., & Zahara, 2018). The initial plan for utilizing village funds should encompass infrastructure development, improving community living standards, and stimulating the local economy, yet in Siantar Marimbun Sub-District, the funds were

predominantly allocated to physical infrastructure development due to the COVID-19 pandemic and the absence of clear regulations on the percentage allocation for infrastructure and community empowerment in the Mayor's regulation. Therefore, there is a need for economic development activities, including training related to establishing and developing community-based businesses, aligning with research by Suwarno (2019) suggesting that developing the skills of the community can lead to increased prosperity.

Utilizing the Community-Driven Development perspective, the focus of this research, entails five key characteristics: community focus, participatory planning and design, community control over resources, community involvement in implementation, and community-based monitoring and evaluation.

### **1. Community Focus**

Minister of Home Affairs Regulation No. 130 of 2018 on village infrastructure development activities and community empowerment in sub-districts serves as a guideline for village fund management. The Siantar Marimbun Sub-District government, as the mandated recipient for managing village funds within its jurisdiction, has realized this through fund utilization. According to the Sub-District head, village funds in 2020 were allocated for infrastructure development, such as drainage construction in residential areas and road repairs for transportation, and for community empowerment, such as sewing training. The purpose of road construction is to facilitate transportation and provide comfort to road users.

The implementation of village fund management by the Siantar Marimbun Sub-District government has positively impacted the community, enabling them to enjoy well-constructed roads. However, the significant impact on community welfare from utilizing these funds is yet to be seen (Aida, A. N., & Zahara, 2018). The initial plan for utilizing village funds should encompass infrastructure development, improving community living standards, and stimulating the local economy. Therefore, there is a need for economic development activities, including training related to establishing and developing community-based businesses, aligning with research by Suwarno (2019) suggesting that developing the skills of the community can lead to increased prosperity.

### **2. Participatory Planning and Design**

Effective planning for village fund management is crucial for structured and targeted development in the village. Planning is the initial stage of fund management. In this dimension, the sub-district's villages, particularly community organizations (Pokmas), have sufficiently developed their Annual Work Plan (Rencana Kerja Tahunan - Renja). Renja has been well-prepared by Pokmas in the villages, incorporating activities based on community proposals for community empowerment and infrastructure.

However, due to the lack of clear guidelines from the Mayor's Regulation of 2019 on the percentage allocation for infrastructure and community empowerment, the planning process tends to allocate more funds to infrastructure development than community empowerment activities. The COVID-19 pandemic in early 2020 also influenced the dominant allocation of village funds to infrastructure development. The planning process involves the village deliberation forum (Musrenbang), which is mandatory for community involvement in deciding which development programs will be implemented in the next fiscal year. The agreed-upon planning process must also adhere to the principles of transparency to be accountable to the village community. Subsequently, village development planning, according to Minister of Home

Affairs Regulation No. 130 of 2018, stipulates that village development planning is a participatory and transparent process involving village governments, Pokmas, and community members to achieve development objectives.

Community involvement in the planning phase, as evidenced by research, has engaged the community in crafting program and activity plans implemented by the villages under the sub-district.

### **3. Community Control over Resources**

Community control over resources in village fund management lies entirely with the village government. Community control over resources is represented by neighborhood association (RT) officials. The implementation of village fund management involves various activities that engage community participation, including their role in resource control (Kilby, as cited in Mashuri et al., 2020). Direct community involvement in resource control related to village fund management activities enhances accountability in fund management.

### **4. Community Involvement in Implementation**

The implementation of village fund management in the Siantar Marimbun Sub-District aligns with Minister of Home Affairs Regulation No. 130 of 2018. According to this regulation, village fund management processes must be executed well and be accountable. The village government has prepared Annual Work Plans (Renja) in village fund management planning involving Village Consultative Boards (LPM) and the community through village deliberation forums (Musrenbang) conducted in all villages in the Siantar Marimbun Sub-District in 2021.

When the community is fully involved in village fund management implementation, they not only understand management practices but also experience the impacts of the changes resulting from each implemented activity (Gita F. M., 2021).

### **5. Community-Based Monitoring and Evaluation**

In general, the principles of village fund management follow the principles of Good Governance, including transparency, accountability, participation, and equality (Prasetyo, Z. N. D., Pabalik, D., & Bintari, 2017). Achieving good governance requires the implementation of monitoring and evaluation. This also applies to the Siantar Marimbun Sub-District government regarding village fund management.

In implementing the principle of accountability in administrative reporting, each village in the Siantar Marimbun Sub-District submits quarterly and annual accountability reports. This complies with Minister of Home Affairs Regulation No. 130 of 2018 on reporting the realization of village fund budget implementation. Village heads submit reports on village fund budget implementation to the Regent/Mayor, including:

- A mid-year report on the realization of Village Fund Budget, submitted no later than the second week of July of the current year.
- A year-end report submitted no later than the second week of January of the following year.

In the reporting phase, there is no community involvement, as reporting is solely done by budget users such as the village head. However, the village government is also obligated to inform the community through written records. The minimum information provided to the community must include reports on the realization of the Village Budget, realization reports of activities, unfinished

or unimplemented activity reports, remaining budget reports, and complaint addresses. Evaluation is conducted by the Inspectorate as auditors mandated to audit the use of village funds. Essentially, evaluation has been applied regarding the use of village funds, but it is not community-based. The community has not been fully involved in formal monitoring and evaluation. Involving the community in monitoring and evaluating village fund management activities will realize transparency, reducing uncertainty in decision-making regarding village fund management. Moreover, transparency can narrow the opportunities for corruption within the village government when the community participates in decision-making (Kasenda, H., Sambiran, S., & Sumampow, 2021).

#### **IV. CONCLUSION AND RECOMMENDATION**

The utilization of Village Fund with a Community Driven Development (CDD) approach has proven to be significant in influencing the development of village infrastructure and facilities in the Siantar Marimbun District. However, there still exists insignificance in its influence on community empowerment, indicating the need for a shift in program focus towards community empowerment in the coming years. Furthermore, the Village Fund program has been effective in achieving its goals with a high level of effectiveness.

Therefore, it is recommended that village fund management programs in the upcoming years be more focused on community empowerment, while still actively involving the community in planning, implementation, and oversight through community representative institutions (LPM). Thus, it is hoped that the program's goal of improving rural economic welfare can be achieved more optimally

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