


The Mediating Role of Village Funds in the Relationship Between Poverty Rate and Economic Growth in Sumatra, Indonesia

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ABSTRACT

This study examines the effectiveness of Village Funds in reducing poverty and promoting economic growth across districts and cities on Sumatra Island, Indonesia. It aims to analyze both the direct and indirect effects of Village Funds on poverty rates and village economic growth using a comprehensive panel dataset from 2018 to 2023. The study applies Structural Equation Modeling (SEM) to explore the mediating role of poverty in the relationship between Village Funds and economic growth, offering new insights into the impact of fiscal decentralization on rural development. Using a quantitative panel data approach with 689 observations from 121 districts and cities, the results indicate that Village Funds significantly enhance village economic growth but do not directly reduce poverty. Poverty rates negatively influence economic growth and partially mediate the relationship between Village Funds and economic growth, though this mediation is not statistically significant. The findings emphasize that the developmental benefits of Village Funds depend on governance quality, fund management, and community engagement. The study provides valuable guidance for policymakers to strengthen institutional capacity and improve fund targeting, supporting inclusive and sustainable rural development.

Keywords: Village Funds; Poverty Rate; Economic Growth

INTRODUCTION

Village Funds represent a strategic government policy aimed at accelerating economic development in rural areas. Through substantial annual allocations, villages are granted authority to design and implement development programs that reflect their specific local needs. However, practical realities reveal that the magnitude of funding does not always correlate with improvements in community welfare. A persistent issue is the continued prevalence of rural poverty, indicating that increased financial allocations have not consistently translated into reduced poverty levels or inclusive economic growth (Fitriani et al., 2024; Permatasari et al., 2024).

Poverty remains one of the most significant macroeconomic challenges in rural Indonesia (Hartojo et al., 2024; Purwono et al., 2021). Despite various government interventions, including the Village Fund program, many rural areas still struggle with high poverty rates due to limited access to infrastructure, productive resources, and employment opportunities (Anam et al., 2023). Scholars argue that examining the impact of Village Funds on poverty is essential for understanding how fiscal interventions can alleviate deprivation and promote development (Chipunza & Fanta, 2023; Rimawan et al., 2020).

Efficient allocation and utilization of Village Funds can reduce poverty by supporting productive economic activities, improving basic services, and empowering marginalized groups (Capasso et al., 2021; Liu and Chen, 2024; Finocchiaro Castro et al., 2025). Moreover, Village Funds may directly stimulate rural economic growth by financing infrastructure and enhancing the capacity of local institutions (Hartojo et al., 2024). These dual effects suggest that Village Funds are instrumental in both reducing poverty and fostering economic development.

While previous studies have examined the impact of Village Funds on various development outcomes, few have positioned poverty as a central macroeconomic factor that mediates the relationship between fiscal interventions and economic growth (Neuhuber & Schneider, 2025). Most existing models remain fragmented and do not adequately explore how Village Funds influence poverty reduction and subsequently contribute to economic development at the village level.

This study aims to answer several key questions: How much do Village Funds reduce poverty in rural areas? Do these funds also help boost local economic growth? Does poverty itself influence economic growth? And finally, does poverty play a role in linking Village Funds to economic growth?

By exploring these questions, the study seeks to provide useful insights for policymakers. The goal is to help improve how Village Funds are used so they not only reduce poverty but also support long-term, inclusive economic development in rural communities. This can lead to better planning, stronger local governance, and more effective rural development programs.

LITERATURE REVIEW

Poverty and Village Economic Development

Poverty is one of the central challenges affecting rural economic development in Indonesia (Hartojo et al., 2024; Purwono et al., 2021). In many villages, high poverty rates reflect structural limitations such as low access to education, inadequate infrastructure, and limited employment opportunities. These factors hinder the ability of

communities to engage in productive economic activities and constrain long-term growth (Capasso et al., 2021; Rimawan et al., 2020).

The persistence of poverty not only reduces household income and quality of life but also weakens the fiscal capacity of villages to generate local revenue and invest in development (Hamzah et al., 2024; Hidajat, 2025). Asongu et al. (2024) argue that poverty constrains the local government's ability to mobilize resources and deliver public services effectively. In this context, addressing rural poverty is a prerequisite for inclusive and sustainable economic growth at the village level.

Research has demonstrated that areas with lower poverty rates tend to show stronger economic performance due to a healthier labor force, better education levels, and greater participation in the local economy (Chipunza & Fanta, 2023). Therefore, identifying and addressing poverty-related barriers is essential for designing policies that aim to stimulate rural development through appropriate fiscal interventions and investment.

Village Fund Allocation and Its Role in Economic Development

Village Funds function as a fiscal policy tool aimed at accelerating rural development and alleviating poverty by transferring financial resources directly to villages. The allocation is based on several criteria, including population size, geographic conditions, and poverty level, allowing for a more equitable distribution that reflects the socio-economic challenges of each region (Permatasari et al., 2024). The effectiveness of Village Funds in driving economic growth is highly dependent on their planning and management. These funds support infrastructure, human capital, and economic empowerment initiatives that can stimulate productivity and local enterprise (Izzah, 2024). When implemented in accordance with village priorities and supported by adequate administrative capacity, Village Funds become a catalyst for improving public services and fostering sustainable economic activities (Kurniawan et al., 2024; Putri et al., 2024). Community participation also plays a crucial role in enhancing the impact of Village Funds. Involving residents in decision-making ensures that fund utilization aligns with local needs, increasing accountability and ownership. This participatory governance model has been linked to improved infrastructure, poverty reduction, and local job creation contributing directly to economic growth in rural areas (AnikRahma et al., 2022; Damayanti & Sujana, 2024). Thus, Village Funds are more than fiscal transfers; they are key instruments in transforming village economies when managed with accuracy and inclusivity.

Economic Growth

Economic growth is influenced by a multitude of factors ranging from institutional quality to infrastructure development, each contributing uniquely to the overall economic performance of a nation (Fajri et al., 2025; Mariana et al., 2024; Timilsina et al., 2024; Zergawu et al., 2020). Understanding these influences is critical for the formulation of effective economic policies aimed at sustainable growth. Institutional quality is a key determinant of economic growth (de Almeida et al., 2024; Uddin et al., 2023). Studies have established a significant positive correlation between institutional quality and economic growth across various regions, particularly in Sub-Saharan Africa, where improved governance structures tend to enhance economic performance as measured by GDP growth rates and per capita GDP (Dzimba & Poll, 2022; Omoteso & Mobolaji, 2014; Phan et al., 2025). The liberalization of economic processes facilitates stronger economic growth by fostering productivity and increasing investment levels in response to enhanced civil liberties and governance (Labidi, 2025; Surya et al., 2021). The removal of barriers to trade and the establishment of frameworks that promote commercial activities contribute significantly to economic expansion (Omoteso & Mobolaji, 2014). Moreover, infrastructure development, particularly in transportation, has shown to be a

substantial driver of economic growth. Research on port development in Djibouti illustrates that a mere 1% increase in port freight leads to a remarkable 7.6% growth in GDP per capita, showcasing the critical role of infrastructural investments in stimulating economic activities. Efficient transport networks enhance trade and commerce, thereby facilitating deeper market integration and economic development (Munim & Schramm, 2018).

Additionally, the role of technology, particularly information and communication technology (ICT), cannot be overstated. ICT infrastructure has been found to substantially influence economic growth by increasing efficiency across various sectors and driving entrepreneurial activities (Vu et al., 2020). Studies indicate that countries with developed ICT sectors experience higher economic growth, as evidenced by empirical assessments conducted in EU nations which highlighted the profound impact of ICT development on GDP (Toader et al., 2018). However, the digital divide presents a significant challenge in realizing these benefits uniformly across different socioeconomic groups, necessitating targeted policies to bridge this gap (Jin et al., 2023; Sawng et al., 2021). In the context of developing economies such as Zambia, the sustainability of economic growth is often compromised by factors such as high debt levels and suboptimal policy implementations, which can lead to fleeting economic gains (Chikalipah, 2021; Saungweme & Odhiambo, 2019). Furthermore, research indicates that social dynamics, such as income inequality, can significantly moderate the effects of economic growth. In the European Union, varying levels of income inequality across member states yield divergent growth trajectories, emphasizing the need for equity-focused policies to optimize growth outcomes (Saucedo-Acosta, 2024). Integrating these factors into a cohesive economic strategy is essential for achieving not only growth but also inclusivity in economic development.

RESEARCH METHOD

This study uses a quantitative approach with secondary data to analyze the relationship between poverty rate, Village Fund allocation, and village economic growth in Sumatra, Indonesia. The objective is to determine the extent to which poverty and the utilization of Village Funds influence the economic performance of rural areas. The analysis covers a six-year period from 2018 to 2023, enabling a longitudinal view of development trends across regions. The data were collected from official and publicly accessible sources, including:

- The Central Statistics Agency (BPS) – for data on poverty rate and gross regional domestic product (GRDP) as a proxy for village economic growth;
- The Ministry of Finance and the Ministry of Villages – for data on Village Fund allocations;
- Additional sources such as provincial/district financial reports, village development statistics, and regional budget documents published by government portals.

The population of this study includes all districts and cities in Sumatra Island that received Village Fund transfers, totaling 154 local governments (120 regencies and 34 cities) across 10 provinces. The sample was selected using purposive sampling with the following criteria: availability of complete and consistent data on poverty rate, Village Fund allocation, and GRDP from 2018 to 2023; and accessibility of official publications related to village fiscal data and economic performance. Based on these criteria, 121 districts/cities were included in the sample. Considering the six-year observation period, the expected total panel data observations were 726 (121 regions × 6 years). However, after data cleaning and outlier removal, the final dataset used for analysis consisted of 689 observations.

No primary data such as questionnaires, interviews, or direct observations were used in this research. All data were processed using quantitative statistical analysis, including descriptive statistics, correlation analysis, and path analysis (SEM-PLS), to determine the mediating role of Village Funds in the relationship between poverty and economic growth (Hair et al., 2019; Tama et al., 2023).

Methods

This study adopts a quantitative explanatory research design using secondary panel data from 121 regencies and cities across 10 provinces in Sumatra, Indonesia, spanning from 2018 to 2023. The rationale for selecting Sumatra Island lies in its wide socio-economic disparities and diverse geographical conditions, which make it a strategic region to evaluate the effectiveness of Village Funds in alleviating poverty and stimulating local economic growth. The primary objective of this research is to test the mediating role of poverty rate in the relationship between Village Funds and village economic growth. Four hypotheses were developed:

H1: Village Funds affect Poverty Rate

H2: Village Funds affect Village Economic Growth

H3: Poverty Rate affects Village Economic Growth

H4: Poverty Rate mediates the relationship between Village Funds and Village Economic Growth

The data sources include the Central Statistics Agency (BPS), Ministry of Finance, and Ministry of Villages. All data were processed using the Structural Equation Modeling (SEM) approach with the Partial Least Squares (PLS) estimation technique, due to its suitability for complex models with multiple variables and its robustness in handling non-normally distributed data (Hair et al., 2019). Data analysis was conducted using SmartPLS 4.0 software, allowing simultaneous assessment of measurement and structural models.

To estimate the relationships among variables, this study uses a partial-log-linear SEM model, incorporating natural logarithmic transformations to enhance interpretation and minimize heteroscedasticity. The model used in this study is as follows (Abazi-Alili et al., 2024; Quito et al., 2022):

$$Y = \beta_0 + \beta_1 X + \beta_2 M + \epsilon$$

Where:

Y = Economic Growth

X = Village Funds

M = Poverty Rate

β_0 = Intercept

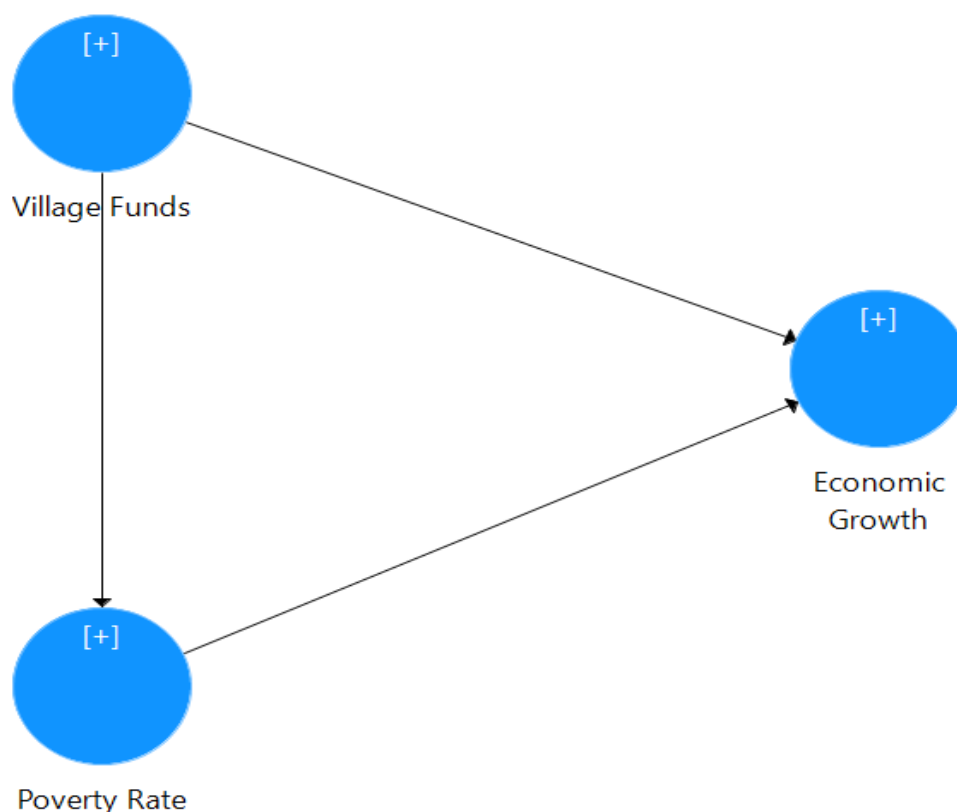
β_1, β_2 = Regression coefficients

ϵ = Error term

The mediation model examines the indirect effect of Village Funds (X) on Economic Growth (Y) through Poverty Rate (M). The model is tested using bootstrapping with 5,000 resamples (Lo et al., 2023; Magno et al., 2024). To validate the model and ensure the reliability of the findings, the study conducted various robustness checks, including:

- Variance Inflation Factor (VIF) to test multicollinearity
- Model fit indices such as SRMR (Standardized Root Mean Square Residual), RMSEA (Root Mean Square Error of Approximation), and CFI (Comparative Fit Index)
- Discriminant and convergent validity checks for latent constructs
- R² values to assess explanatory power of endogenous variables

The mediation model is illustrated in Figure 1 below.



RESULTS

Descriptive Statistics

Table 2. Descriptive Statistics of Study Variables (N = 726)

Variable	Mean	Median	Min	Max	Standard Deviation
Village Funds	247.644	225.000	110.000	480.000	110.953
Economic Growth	4.181	4.200	3.600	4.700	0.257
Poverty Rate	25.580	24.000	12.100	127.000	18.161

Source: Author's data processing, 2025.

Table 1 presents the descriptive statistics of the three main variables used in this study: Village Funds (X), Economic Growth (Y), and Poverty Rate (M). The average value (mean) of Village Funds is 247.644 with a median of 225.000, a minimum value of 110.000, and a maximum of 480.000. This variable also shows a standard deviation of 110.953, indicating moderate variability across the regions observed.

The Economic Growth variable has a mean of 4.181 and a median of 4.200, with a relatively narrow range from 3.600 to 4.700, and a low standard deviation of 0.257. This suggests that economic growth figures are relatively consistent among the sample units.

Meanwhile, the Poverty Rate variable has a mean of 25.580, a median of 24.000, a minimum value of 12.100, and a notably high maximum value of 127.000. The standard deviation of 18.161 reflects a relatively high dispersion, implying that poverty rates vary widely across the observed regencies and cities.

Coefficient of Determination (R Square)

The R Square value is used to determine the magnitude of the influence of independent variables on dependent variables. It indicates the proportion of variance in the

endogenous variable that is explained by the exogenous variables in the model. The results of the R^2 and Adjusted R^2 tests are presented in the table below:

Table 2. R Square and Adjusted R Square Values.

Endogenous Variable	R Square	Adjusted R Square
Economic Growth	0.230	0.228
Poverty Rate	0.008	0.007

Source: Author's data processing, 2025.

The R Square (R^2) values indicate the proportion of variance explained by the exogenous variables in the model. The R^2 value for Economic Growth is 0.230, suggesting that 23.0% of the variation in economic growth can be explained by the model. Meanwhile, the R^2 value for Poverty Rate is 0.008, indicating a relatively small explanatory power of the independent variables toward poverty rate. The adjusted R^2 values show minor corrections based on the number of predictors used, with values of 0.228 and 0.007 respectively.

Structural Model Assessment

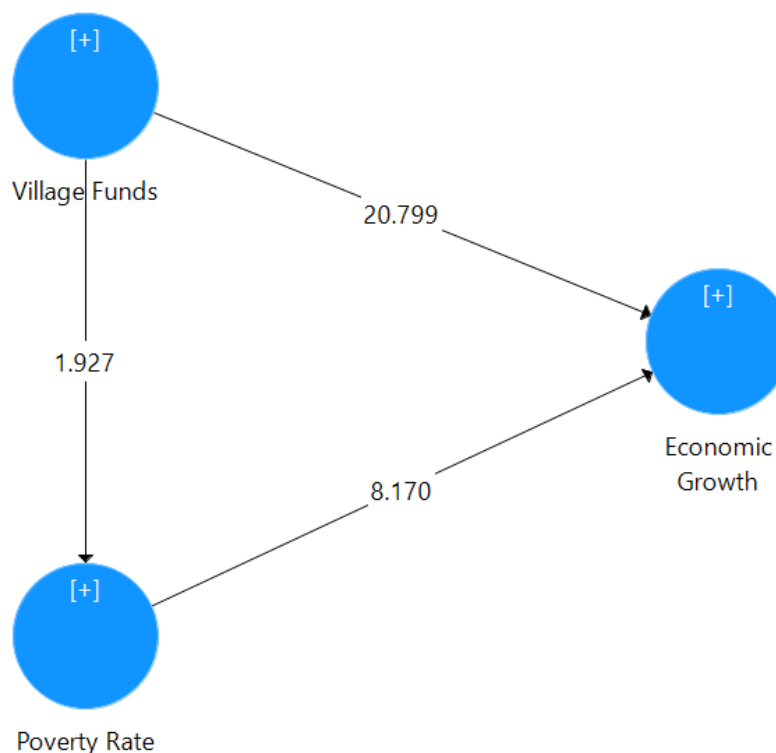


Figure 1 presents the visual representation of the structural relationships among the variables in this study.

The structural model in Figure 1 shows that Village Funds have a positive effect on Economic Growth (20.799) and also on Poverty Rate (1.927), while Poverty Rate positively affects Economic Growth (8.170). However, the R^2 values indicate that Village Funds explain only 23% of the variance in Economic Growth and just 0.8% in Poverty Rate, suggesting limited effectiveness in poverty reduction.

Path Coefficient (Direct Hypothesis Testing)

Path coefficients are used to test the direct relationships between variables in the structural model. Based on the data processing results using SmartPLS, the following path coefficient values were obtained:

Table 3. Path Coefficient Results.

Relationship	Path Coefficient (β)	T Statistics	P Values
Poverty Rate → Economic Growth	0.092	8.212	0.000
Village Funds → Economic Growth	0.471	20.769	0.000
Village Funds → Poverty Rate	0.092	1.915	0.055

Source: Author's data processing, 2025.

The results show that both the Poverty Rate and Village Funds have a significant and positive influence on Economic Growth at the 5% significance level ($p < 0.05$). Meanwhile, the effect of Village Funds on the Poverty Rate is not statistically significant ($p = 0.055$), indicating that there is insufficient evidence to support a direct relationship at the 5% significance level.

Mediation Test

The mediation test aims to examine whether Village Funds mediate the relationship between Poverty Rate (X) and Economic Growth (Y). The analysis was conducted using bootstrapping with 5,000 resamples in SmartPLS.

Table 4. Mediation Effect Test.

Path	Indirect Effect (β)	T Statistics	P Values
Poverty Rate → Village Funds → Economic Growth	0.043	1.784	0.074

Source: Author's data processing, 2025.

The indirect effect value is 0.043, with a p-value of 0.074, which is not statistically significant at the 5% level. This suggests that Village Funds do not provide a statistically significant mediation in the relationship between poverty and village economic growth. However, the effect shows a positive direction, and the direct effects remain statistically significant.

DISCUSSION

Village Funds affect Poverty Rate

Hypothesis H1 is not supported at the 5% significance level, as indicated by a p-value of 0.055 and t-statistic of 1.915, which do not meet the conventional threshold. This suggests that the relationship between Village Funds and poverty rate is not statistically significant. While Village Funds are designed as a fiscal policy tool to reduce rural poverty, their direct impact may be less pronounced than expected. In practice, these funds may be allocated across administrative, infrastructure, or ceremonial expenditures that have limited immediate effects on household welfare (Martini et al., 2021).

This finding also highlights the critical role of governance and implementation quality. In some villages particularly those with capable leadership and participatory planning mechanisms Village Funds may contribute to poverty reduction. Conversely, in areas with weak institutions, poor planning, or lack of accountability, the funds may fail to reach the intended beneficiaries or stimulate sustainable income generation.

These results align with prior studies that found limited or inconclusive effects of Village Funds on poverty. For example, Martini et al. (2021) identified a near-significant relationship, emphasizing a gap between financial input and development outcomes. Similarly, (Mahembe and Odhiambo (2019) argued that the effectiveness of public funding in poverty reduction depends heavily on complementary factors such as governance, transparency, and targeted investment.

In summary, the findings suggest that Village Funds alone may not be sufficient to significantly reduce poverty unless supported by effective governance and strategic planning. This underscores the need for better fund targeting, enhanced community participation, and stronger oversight to maximize the impact of fiscal transfers on poverty alleviation (Purnamasari, 2021).

Village Funds Affect Village Economic Growth

The results of this study provide strong statistical evidence in support of Hypothesis H6, which posits that Village Funds have a significant positive effect on village-level economic growth. The regression analysis reveals a t-value of 20.769, far exceeding the critical threshold of ± 1.96 , and a p-value of 0.000, well below the standard significance level of 0.05. This confirms that the relationship is not only statistically significant but also robust and reliable.

This finding implies that increased allocation and effective utilization of Village Funds are strongly associated with improvements in economic performance at the village level. Village Funds serve as a critical fiscal mechanism for stimulating rural economies through investments in infrastructure, social services, and support for productive sectors. The injection of such funds helps overcome budgetary constraints in rural areas, enabling the provision of essential public goods and services that lay the foundation for sustainable local development (Puri & Khoirunurrofik, 2021).

The substantial t-statistic and highly significant p-value indicate that Village Funds are not merely supplemental financing tools, but rather play a transformative role in enabling village governments to implement inclusive development strategies. This is consistent with recent empirical findings, which suggest that Village Funds facilitate employment generation, improve access to public services, and foster entrepreneurial activity, especially when directed toward priority sectors and community-driven projects (Mardalena et al., 2023).

Moreover, the strategic use of Village Funds for capacity building and support of Village-Owned Enterprises (BUMDes) has been shown to significantly contribute to income diversification and economic resilience, particularly in the post-pandemic recovery period (Ramadhanti et al., 2023). These enterprises act as local economic hubs, providing employment opportunities and enhancing value chains that are otherwise underdeveloped in rural contexts.

However, the impact of Village Funds on economic growth is conditional upon the quality of governance, planning, and monitoring. Studies have highlighted that without adequate oversight and transparency, the funds risk being misallocated or misused, thereby diluting their developmental impact (Akbar & Sihalo, 2019; Rahayu et al., 2024). Therefore, the effectiveness of Village Funds in promoting economic growth is maximized when combined with strong institutional capacity, participatory mechanisms, and context-sensitive implementation strategies (Aritenang, 2021; Abdallah et al., 2024). In conclusion, the findings of this study reaffirm the crucial role of Village Funds in advancing village-level economic growth, highlighting their potential as a central instrument in Indonesia's decentralized development framework. The robust statistical evidence supports the continued prioritization of Village Funds in national and local policy agendas, while also underscoring the need for continuous improvement in fund management, transparency, and community engagement to ensure their long-term developmental impact (Holum, 2023; Purnamasari, 2021).

Poverty Rate Affects Village Economic Growth

The analysis confirms that Hypothesis H3 is accepted, with a t-value of 8.212 and a significance level of 0.000, indicating a statistically significant impact of poverty rate on village economic growth. This signifies that higher poverty levels are strongly associated with lower economic growth at the village level.

This finding aligns with economic development theory, which posits that poverty acts as a major constraint on local economic performance by limiting access to productive resources, human capital, and market opportunities (Rimawan et al., 2020). Villages burdened by high poverty rates often experience reduced labor productivity and weaker entrepreneurial activities, ultimately slowing economic progress.

What else is revealed by this result is the critical role of poverty in mediating broader developmental challenges in rural areas. High poverty rates can impede infrastructure development, education quality, and health services, creating a feedback loop that restricts economic growth (Chipunza & Fanta, 2023). These dynamic highlights the necessity for integrated policies that address both poverty reduction and economic stimulation simultaneously.

Moreover, poverty's negative effect on economic growth underscores the importance of Village Funds and fiscal interventions to strategically target vulnerable populations and invest in capacity building (Capasso et al., 2021; Luo et al., 2024). This study's results support the view that poverty alleviation is not just a social imperative but also an economic strategy essential for fostering sustainable and inclusive growth in rural communities (Finocchiaro Castro et al., 2025).

Comparatively, these findings are consistent with previous empirical studies. For instance, Rimawan et al. (2020) emphasized that poverty reduction facilitates higher productivity and economic resilience at the village level. Similarly, Capasso et al. (2021) showed that addressing poverty enhances competitiveness and local economic dynamism. However, some studies note variability depending on governance quality and local institutional capacity, which can either amplify or mitigate poverty's impact on growth (Neuhuber & Schneider, 2025).

In conclusion, the robust statistical evidence from this study confirms that poverty remains a significant barrier to village economic growth. Addressing this challenge requires coordinated development efforts that integrate fiscal policies, community empowerment, and institutional strengthening to break the cycle of poverty and stimulate sustainable rural economies (Hartojo et al., 2024; Permatasari et al., 2024).

Poverty Rate Mediates the Relationship between Village Funds and Village Economic Growth

The analysis of Hypothesis H4 reveals a partial mediation effect of Poverty Rate on the relationship between Village Funds and Village Economic Growth, with a p-value of 0.074, which is not statistically significant at the conventional 5% level. This indicates that while Poverty Rate plays some role in mediating this relationship, the evidence is insufficient to conclusively establish it as a significant mediator.

This partial mediation suggests that Village Funds may influence economic growth both directly and indirectly through changes in poverty levels, but the indirect effect via poverty reduction is relatively weak or inconsistent across villages. One explanation for this finding is that Village Funds do not uniformly translate into effective poverty alleviation, limiting the strength of the mediation pathway (Martini et al., 2021; Purnamasari, 2021). Factors such as governance quality, targeting efficiency, and community participation

likely affect whether Village Funds can successfully reduce poverty and thereby enhance economic growth.

What else this finding reveals is the complexity of the poverty-growth nexus in rural contexts. Poverty is not the sole conduit through which Village Funds affect economic outcomes; other pathways such as infrastructure development, entrepreneurship support, and institutional capacity building also play critical roles (Capasso et al., 2021; Mardalena et al., 2023). This underscores that economic growth in villages is a multifaceted process, influenced by a combination of social, economic, and institutional factors.

In comparison to previous studies, this result aligns with research by (Neuhuber and Schneider (2025), who highlight that poverty's mediating role is often conditional and varies with local contexts. Similarly, findings by Chipunza and Fanta (2023) suggest that the linkage between fiscal transfers, poverty, and growth requires supportive policies and strong implementation mechanisms to become statistically significant.

Overall, the lack of strong mediation emphasizes the need for comprehensive strategies that integrate Village Funds allocation with targeted poverty reduction programs, enhanced governance, and community empowerment to effectively foster economic growth. Future research should explore additional mediators and moderators, such as institutional capacity and participatory governance, to better understand how Village Funds can achieve their full developmental potential (Abdallah et al., 2024; Hartojo et al., 2024)

CONCLUSION

This study demonstrates that Village Funds significantly contribute to enhancing village economic growth, highlighting their crucial role in fostering rural development. However, Village Funds do not exhibit a clear direct effect on reducing poverty rates. Poverty itself negatively affects village economic growth, indicating that it remains a persistent challenge for local development. The mediation analysis shows that poverty partially mediates the effect of Village Funds on economic growth, though this mediating role is inconclusive. Overall, Village Funds primarily drive economic growth directly, while their impact through poverty reduction requires further investigation.

To maximize the developmental impact of Village Funds, it is recommended to improve fund allocation and management to ensure resources effectively reach vulnerable populations. Strengthening governance, transparency, and community participation is essential for accountable and inclusive implementation. Enhancing the capacity of local institutions will enable better planning, monitoring, and utilization of funds to support sustainable rural economic growth. Future research should also explore qualitative factors such as governance quality, social dynamics, and political influences, using mixed-methods or longitudinal approaches to capture the long-term and complex effects of Village Funds on poverty reduction and village development

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DECLARATION OF CONFLICTING INTERESTS

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