

THE EFFECT OF VILLAGE FUNDS AND VILLAGE FUND ALLOCATION AT THE DISTRICT LEVEL ON THE VILLAGE DEVELOPMENT INDEX (IDM) IN CENTRAL ACEH REGENCY

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Abstract

This study aims to determine the effect of Village Funds and Village Fund Allocation on the Village Development Index (IDM) in Central Aceh Regency in 2020-2024. The research method used in this study is the panel data regression method with the *Random Effect Model approach*. The results of this study prove that partially Village Funds have a positive and significant effect on the Village Development Index (IDM) and Village Fund Allocation has a negative and significant effect on the Village Development Index (IDM). Simultaneously, Village Funds and Village Fund Allocation have a significant effect on the Village Development Index (IDM) in Central Aceh Regency. This study shows that the management and distribution of Village Funds and Village Fund Allocation Villages play a crucial role in rural development. Therefore, policies for distributing Village Funds and Allocation of Village Funds need to be directed more effectively and equitably to encourage an increase in the Village Development Index (IDM) in Central Aceh Regency.

Keywords: *Village Funds, Village Fund Allocation, Village Development Index, Sub-district*

1. Introduction

Villages are a crucial part of national development because they have the authority to regulate and manage community interests based on community initiatives, ancestral rights, and traditional rights recognized within the government system of the Unitary State of the Republic of Indonesia. Law Number 6 of 2014 concerning Villages, as amended by Law Number 3 of 2024, provides greater space for villages to plan and manage development according to the needs and characteristics of their regions. This policy positions villages as development subjects that have a role in determining the direction of development and optimizing local potential. The success of village development can further be measured through the Village Development Index (IDM), which describes village development and independence based on three dimensions: social, economic, and ecological/environmental resilience.

In supporting the improvement of the Human Development Index (HDI), the government provides funding sources for village development, primarily the Village Fund (DD) and the Village Fund Allocation (ADD). Based on Government Regulation Number 60 of 2014, the Village Fund is sourced from the State Budget (APBN) and transferred through the district/city APBD to finance governance, development, community development, and community empowerment, with allocations that, among other things, take into account population size, poverty, area size, and level of geographic difficulty. Meanwhile, the Village Fund Allocation is part of the transfer revenue in the Village APBD that is sourced from the district/city APBD and is used to support governance, development, and community empowerment. Thus, DD and ADD have a strategic position in supporting increased welfare, independence, and village development capacity.

The urgency of this funding is further heightened by the diversity of development conditions across villages in Indonesia. Limited infrastructure, technology, access to education and healthcare, agricultural productivity, and employment opportunities remain challenges that impact the well-being of rural communities. These conditions can

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also widen the gap between rural and urban areas and encourage urbanization. Accordingly, the 2025–2029 National Medium-Term Development Plan (RPJMN), through Presidential Regulation No. 12 of 2025, continues to prioritize improving village quality as part of the national development agenda by maintaining the three dimensions of the Human Development Index (IDM): social, economic, and ecological. This policy is aimed at strengthening village independence, increasing income, reducing poverty and inequality, and improving village governance.

This context is relevant for study in Central Aceh Regency, characterized by mountainous areas with economic potential in coffee plantations, secondary crops, and tourism. This potential can be used to strengthen economic resilience and improve village development status. However, some areas still face obstacles in terms of physical accessibility, internet networks, infrastructure, digital marketing, and environmental issues. These diverse conditions indicate that improving the HDI depends not only on the amount of financial support but also on the effective management and utilization of Village Funds (DD) and Village Allocations (ADD) according to the needs of each region. Therefore, it is important to examine the influence of Village Funds and Village Fund Allocations on the Village Development Index at the sub-district level in Central Aceh Regency.



Figure 1. Village Development Index in Central Aceh Regency 2020–2024

Source: DPMK Central Aceh Regency

The development of the Human Development Index (HDI) in Central Aceh Regency showed an increasing trend during the 2020–2024 period. The IDM value increased from 0.6204 in 2020, to 0.6245 in 2021, 0.6549 in 2022, 0.6825 in 2023, and reached 0.704 in 2024. This increase indicates improvements in the village's social, economic, and environmental conditions. The increase in IDM achievement is also supported by various development programs, including improvements in health and education facilities and infrastructure, strengthening community participation, local economic development, and sustainable development management.

One funding source playing a role in this process is the Village Fund. Since the Village Fund policy was implemented, 295 villages in Central Aceh have received financial support for infrastructure development, community empowerment, food security, stunting management, literacy improvement, and local economic development through Village-Owned Enterprises (BUMK). The Village Fund is also used to address real community needs, such as road construction, clean water provision, healthcare and education facilities, and development of the agricultural and tourism sectors .

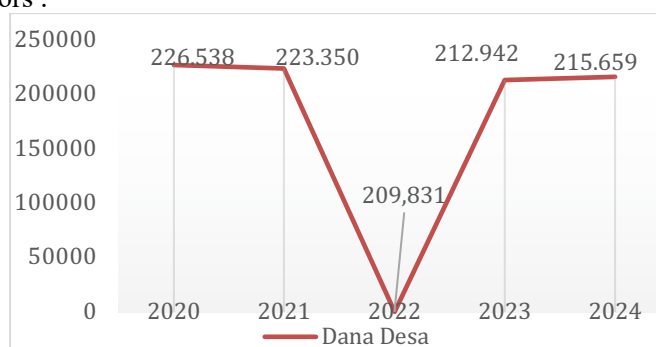


Figure 2. Village Funds for Central Aceh Regency 2020 – 2024 (Billion Rupiah)

Source: BPK Central Aceh Regency

However, the allocation of Village Funds in Central Aceh Regency fluctuated during the study period. In 2020, the Village Funds amounted to Rp226.538 billion, then decreased to Rp223.350 billion in 2021 and Rp209.831 billion in 2022. This decrease was related to national budget adjustments due to the COVID-19 pandemic and budget refocusing policies. Subsequently, the Village Funds increased again to Rp212.942 billion in 2023 and Rp215.659 billion in 2024. This increase is in line with the development of the Human Development Index (HDI) and the improvement of village status in Central Aceh Regency.

In addition to Village Funds, village development in Central Aceh also receives support from the Village Fund Allocation (ADK). This term is used because, based on Central Aceh Regency Qanun Number 4 of 2011, villages in Central Aceh Regency are nomenclaturally referred to as villages. In substance, ADK is a form of Village Fund Allocation sourced from the district government and used to support government administration, fixed income and operational costs for village officials, incentives for traditional institutions, and development and community empowerment needs. ADK thus has a different but complementary function to the Village Fund in supporting the sustainability of village development .

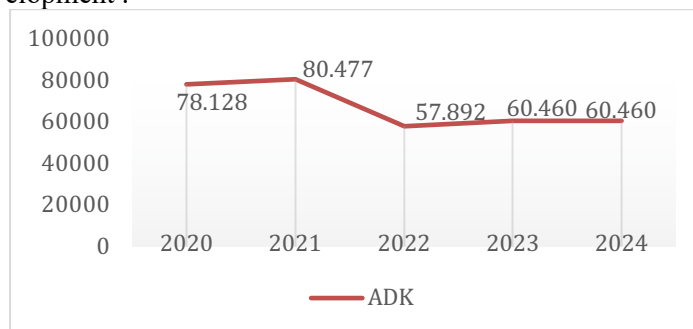


Figure 3. Village Fund Allocation in Central Aceh Regency 2020–2024 (Billion Rupiah)

Source: Central Aceh Regency Financial Management Agency

Data shows that the Central Aceh Regency ADK also experienced changes during 2020–2024. The ADK allocation was IDR 78.128 billion in 2020, increased to IDR 80.477 billion in 2021, then decreased to IDR 57.892 billion in 2022. Furthermore, the ADK increased to IDR 60.460 billion in 2023 and remained at the same figure in 2024. These fluctuations were related to, among other things, the condition of regional financial capacity and adjustments to Transfers to Regions and Village Funds (TKDD). Nevertheless, the ADK remains directed towards supporting the handling of extreme poverty, food security, and village government operations.

The relationship between government funding and village development can be explained through Wagner's Law, which states that government roles and spending tend to increase along with the economic development of a region (Dluhosch & Zimmermann, 2006). In the context of village development, increasing government fiscal support through the Village Fund can be an instrument to expand development and public services. Kafrini (2022) also places central government transfers through the Village Fund as an important part of increasing the role of government spending in supporting village economic development. Thus, conceptually, increasing village funding is expected to strengthen development as reflected in an increase in the HDI.

Empirically, this relationship is also supported by research Andi & Puji (2022) showing that the use of Village Funds has a positive and significant effect on the Human Development Index (HDI) in Gowa Regency. This finding indicates that the use of Village Funds for development and empowerment can contribute to improving village status and independence. However, the influence of village funding on the HDI cannot always be assessed solely on budget size, as its effectiveness is also influenced by regional characteristics, management quality, development priorities, and the village government's ability to direct the budget to community needs.

In Central Aceh Regency, other funding sources exist, such as the DPRK's main ideas and *Corporate Social Responsibility* (CSR). The existence of these funding sources demonstrates that village development does not solely rely on Village Funds (DD) and Village Funds (ADK). However, in their implementation, there is still potential for overlap between programs funded through these main ideas and activities planned through DD and ADK. Furthermore, differences in the amount of development support between villages can lead to varying speeds for infrastructure and basic service improvements. This is crucial because differences in funding capacity and utilization can ultimately be linked to differences in the Human Development Index (IDM) achievement between villages.

Thus, Village Funds and Village/Village Fund Allocations hold a strategic position as fiscal instruments supporting the transformation of village development. Both can be used to finance basic infrastructure development, improve health and education services, empower communities, strengthen local economies, and enhance the capacity of civil servants. If managed effectively and directed at appropriate development needs, this financial support has the potential to improve the social, economic, and ecological dimensions that form the basis for measuring the HDI. Conversely, differences in geographic conditions, regional financial capacity, governance quality, and budget priorities can result in the amount of funds received not always producing the same development outcomes.

Based on these conditions, there is a need to empirically test whether changes in Village Funds and Village/Village Fund Allocations actually have an impact on improving the Human Development Index (HDI) in Central Aceh Regency. This research is important because previous studies referred to in this thesis have primarily

examined the use of Village Funds in relation to other development indicators, such as poverty, the Human Development Index (HDI), Regional Original Income (PAD), the Special Allocation Fund (DAK), and economic growth. This study specifically places the Village Development Index as the outcome variable and analyzes village financing at the sub-district level in Central Aceh Regency during the 2020–2024 period.

Based on the phenomena, conceptual foundations, and research gaps, this study aims to analyze the influence of Village Funds at the sub-district level on the Village Development Index in Central Aceh Regency, analyze the influence of Village Fund Allocation at the sub-district level on the Village Development Index, and analyze the influence of Village Funds and Village Fund Allocation simultaneously on the Village Development Index in Central Aceh Regency. This study is expected to provide empirical evidence regarding the effectiveness of village fiscal support in encouraging increased development status and village independence in Central Aceh Regency .

2. Literature Review

2.1 Village Development Index (IDM)

The Village Development Index (IDM) is a composite index based on three indices: the social resilience index, the economic resilience index, and the ecological/environmental resilience index. The set of indicators developed in the Village Development Index (IDM) is based on the concept that achieving advanced and independent villages requires a sustainable development framework where social, economic, and ecological aspects complement each other and maintain the potential and capabilities of villages to improve their well-being.

2.2 Village Funds

Village funds are funds sourced from the state budget (APBN) and allocated to villages through transfers from the central government to finance governance, development, community development, and community empowerment. The implementation of Village Funds is legally regulated, including by Government Regulation No. 60 of 2014 and derivative regulations from the Ministry of Finance. According to the Direktorat Jenderal Perimbangan Keuangan (2019), the Village Fund Program encourages fair and equitable development for the welfare of the people.

2.3 Village Fund Allocation

Village Fund Allocation (ADD) is part of the transfer revenue within the Village Budget (APBDes) structure, budgeted from the Regency/City Regional Budget (APBD). Law Number 6 of 2014 stipulates that the ADD sourced from the APBD is budgeted at a minimum of 10% of the regency/city balancing fund minus the Special Allocation Fund (DAK). The nominal amount allocated to each village will vary depending on the village's geography, population, and mortality rate.

2.4 Conceptual Framework

Village Funds (DD) and Village Fund Allocation (ADD) theoretically have a positive relationship with the Village Development Index (IDM) because both are sources of funding that support governance, infrastructure development, community empowerment, and poverty alleviation in villages. Increasing government spending through DD and ADD is expected to accelerate development and improve the welfare and independence of village communities, as Wagner's government expenditure theory states that increasing government spending can encourage development (Dumairy, 2004). In line with village development goals and Village SDGs, effective utilization of DD and ADD can strengthen social, economic, and ecological resilience as dimensions forming the IDM. Thus, the more optimal the management and utilization of DD and ADD, the greater the potential for increasing the IDM and the status of village independence (Seliman et al., 2023).

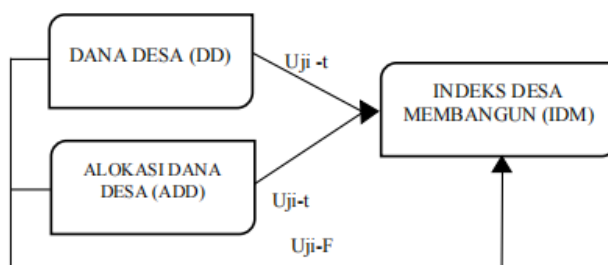


Figure 4. Village Fund Allocation in Central Aceh Regency 2020–2024 (Billion Rupiah)

Source: Central Aceh Regency Financial Management Agency

2.5 Research Hypothesis

H1: Village Funds have an impact on the Village Development Index in Central Aceh Regency.

H2: Village Fund Allocation has an effect on the Village Development Index in Central Aceh Regency.

H3: Village Funds and Village Fund Allocations have an impact on the Village Development Index in Central Aceh Regency.

3. Method

This study uses a quantitative approach with a descriptive method to analyze the effect of Village Funds (DD) and Village Fund Allocation (ADD) on the Village Development Index (IDM) in Central Aceh Regency. The research object consists of DD and ADD as independent variables and IDM as dependent variable. The data used is secondary data in the form of panel data, namely a combination of time series data for the 2020–2024 period and a cross section of 14 sub-districts in Central Aceh Regency. DD and ADD data were obtained from the Financial Management Agency of Central Aceh Regency, while IDM data was obtained from the Community and Village Empowerment Office of Central Aceh Regency.

The IDM is measured based on a composite index reflecting social, economic, and ecological/environmental resilience with a value range of 0–1. Village Funds (DD) are funds sourced from the State Budget (APBN) and used to finance governance, development, community development, and village community empowerment, while Village Allocation Funds (ADD) are funds sourced from the district/city APBD to support governance, development, and community empowerment. Village Allocation Funds (DD) and Village Allocation Funds (ADD) in this study are measured based on realized revenues for 2020–2024 in billions of rupiah and transformed into natural logarithms.

Data collection was conducted through documentation and archival searches at relevant government agencies, as well as interviews with employees who provided research data and information. Data analysis was conducted using panel data regression with the help of *EViews 12* software. The use of panel data provides a larger number of observations and allows for analysis of differences in characteristics between units and over time (Widarjono, 2013). The research model is formulated as follows:

$$IDM = \alpha + \beta_1 \text{LogDD} + \beta_2 \text{LogADD} + e$$

The selection of panel data regression models is carried out through the *Chow Test*, *Hausman Test*, and *Lagrange Multiplier (LM) Test* to determine the most appropriate model between the *Common Effect Model (CEM)*, *Fixed Effect Model (FEM)*, and *Random Effect Model (REM)* (Widarjono, 2013). Furthermore, assumption testing is carried out to ensure the feasibility of the model, including normality, multicollinearity, autocorrelation, and heteroscedasticity tests. The normality test uses the *Jarque-Bera probability*, multicollinearity is seen through the *Variance Inflation Factor (VIF)* value, autocorrelation is tested using the *Breusch-Godfrey test*, while heteroscedasticity is tested based on the *Chi-Square probability*. The testing criteria refer to (Ghozali, 2018), with a significance level of 5%.

Hypothesis testing was conducted through a t-test to determine the partial effect of DD and ADD on IDM, an F-test to determine the effect of both independent variables simultaneously, and a coefficient of determination (R^2) to measure the model's ability to explain variations in IDM. Decision making was based on the probability value (*p-value*) with a significance level of 0.05. A probability value <0.05 indicates a significant effect, while a probability value >0.05 indicates no significant effect (Ghozali, 2018).

4. Results and Discussion

4.1 Descriptive Statistical Analysis

Table 1. Descriptive Statistics Results

Variable	Mean	Max	Min	Std. Dev	Observation
IDM	0.660991	0.8252	0.5717	0.06253	70
DD	15493661	26189086	6717922	5500487	70
ADD	4804870	9214020	1986253	1799153	70

Source: Research Data Processing Results, 2026

Based on the results of descriptive statistics on 70 observations, the Village Fund variable has an average value of 15,493.661 billion, a maximum value of 26,189.086 billion, and a standard deviation of 5,500.487 billion, so the average value is greater than the standard deviation, indicating that the distribution of Village Fund data is not evenly distributed. The Village Fund Allocation variable has an average value of 48,048.70 billion, a maximum value of 92,140.20 billion, and a standard deviation of 17,991.53 billion. The average value greater than the standard deviation indicates that the distribution of Village Fund Allocation data is also not evenly distributed. Meanwhile,

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the Village Development Index (IDM) variable has an average value of 0.660991, a maximum value of 0.8252, and a standard deviation of 0.006253. A standard deviation value that is smaller than the mean indicates that the IDM data is relatively more homogeneous or well distributed during the observation period.

4.2 Test of Panel Data Regression Model Determination

Table 2. Chow Test Results

Redundant Fixed Effects Tests

Pool: Sub-district

Cross-section fixed effects test

Effect Test	Statistics	df	Prob.
Cross-section F	21.20811 2 126.6450 9	(13.54)	0.0000
Cross-section Chi-square	5	13	0.0000

Source: Research Data Processing Results, 2026

Chow Test in Table 2, the Chi-Square probability is $0.0000 < 0.05$, so the fixed effect model is more appropriate than the common effect model.

Table 3. Hausman Test Results

Correlated Random Effects – Hausman Test

Pool: Sub-district

Cross-section random effects test

	Chi-Sq		
Test Summary	Chi-Sq. df statistic	Prob.	
Random cross-section	2.20844 8	2	0.3315

Source: Research Data Processing Results, 2026

Based on Table 3, the Hausman test results show a probability value of 0.3315, which is greater than the 5% significance level ($0.3315 > 0.05$). This indicates that the *Random Effect Model* is more appropriate than the *Random Effect Model*.

Table 4. Results Lagrange Multiplier Test

Lagrange Multiplier Tests for Random Effects

Null hypothesis: No effects

Alternative hypotheses: Two-sided (Breusch-Pagan) and One-sided (all others) alternatives

	Test Hypotheses		
	Cross-section	Time	Both
Breusch-Pagan	84.71407 (0.0000)	0.322786 (0.5699)	85.03686 (0.0000)
Honda	9.204025 (0.0000)	0.568143 (0.2850)	6.909966 (0.0000)
King Wu	9.204025 (0.0000)	0.568143 (0.2850)	4.961434 (0.0000)
Standardized Honda	9.973541 (0.0000)	1.363239 (0.0864)	5.046088 (0.0000)
Standardized King Wu	9.973541 (0.0000)	1.363239 (0.0864)	3.351635 (0.0004)
Gourieroux, et al.			85.03686 (0.0000)

Source: Research Data Processing Results, 2026

Based on Table 4, the results of the *Lagrange Multiplier test* show a significant probability value <0.05 , thus rejecting H_0 . This means that the more appropriate estimate for this panel data regression model is the *Random Effect Model* compared to the *Common Effect Model*.

4.3 Classical Assumption Test

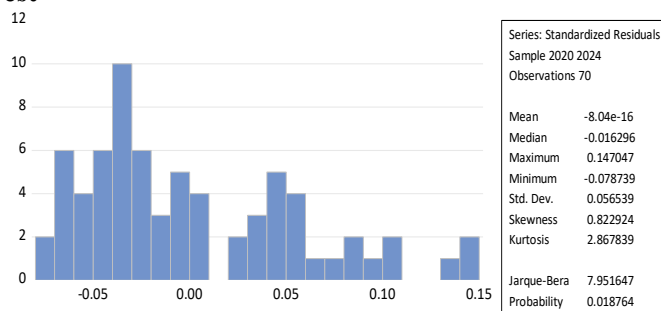


Figure 5. Normality Test Results

Source: Data processing, 2026

Based on the results of the normality test on the *Random Effect Model* (REM), a probability value of $0.018764 < 0.05$ was obtained, indicating that the residuals are not normally distributed. However, this condition does not make REM unsuitable for use because residual normality is not a primary requirement in panel data regression. Panel data estimators still have normal asymptotic properties so that statistical inference can be made on adequate samples (Baltagi et al., 2008). In addition, the use of robust standard errors helps overcome potential problems of non-normality and heteroscedasticity (Dewi et al., 2024).

Table 5. Results Multicollinearity Test

Variance Inflation Factors

Date: 08/02/26

Sample: 1 70

Included observations: 70

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.082164	1788.263	NA
LOGDD	0.002906	17200.02	9.648168
LOGADD	0.002906	14839.59	9.648168

Source: Research Data Processing Results, 2026

The test results show that the VIF value of Village Funds and Village Fund Allocation is $9.648168 < 10$, so there are no symptoms of multicollinearity in the research model.

Table 6. Heteroscedasticity Test Results

Heteroskedasticity Test: Glejser

Null hypothesis: Homoskedasticity

F-statistic	0.93926	Prob. F(2,67)	0.3960
	5		
Obs*R-squared	1.90911	Chi-Square	0.3850
	6	Prob.(2)	
Scaled explained	1.67809	Chi-Square	0.4321
SS	1	Prob.(2)	

Source: Research Data Processing Results, 2026

The heteroscedasticity test results for the *Random Effect Model* (REM) showed Chi-Square Prob. values of 0.3850 and 0.4321, both of which were > 0.05 . Thus, the REM model did not experience heteroscedasticity symptoms and met the homoscedasticity assumption.

4.4 Panel Data Analysis

Table 7. Results of Panel Data Analysis

Dependent Variable: IDM?

Method: Pooled EGLS (Cross-section random effects)

Date: 08/01/26 Time: 22:52

Sample: 1 5

Included observations: 5

Cross-sections included: 14

Total pool (balanced) observations: 70

Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.942577	0.515148	1.829721	0.0717
LOG(DD?)	0.205602	0.042750	4.809404	0.0000
LOG(ADD?)	-0.239742	0.026194	-9.152648	0.0000
Random Effects				
(Cross)				
ATULINTANG--C	-0.027145			
BEBESEN--C	0.108285			
BIES--C	0.038696			
STAR--C	-0.022966			
CELALA--C	-0.039305			
JAGONGJEGET--C	0.028822			
MOSTLY--C	0.065650			
KETOL--C	-0.053470			
KUTEPANANG--C	-0.024116			
LINGE--C	-0.045140			
LUTTAWAR--C	0.060965			
PEGASING--C	-0.010844			
RUSIPANTARA--C	-0.046816			
SILIHNARA--C	-0.032616			
Effects Specification				
		Elementary School	Rho	
Random cross-section		0.052693	0.8095	
Idiosyncratic random		0.025565	0.1905	
Weighted Statistics				
Root MSE	0.025050	R-squared	0.567994	
Mean dependent var	0.140156	Adjusted R-squared	0.555098	
SD dependent var	0.038388	SE of regression	0.025605	
Sum squared residual	0.043926	F-statistic	44.04525	
Durbin-Watson stat	1.385694	Prob(F-statistic)	0.000000	

The panel data regression estimation results produce the equation $IDM_{it} = 0.942577 + 0.205602LogDD_{it} - 0.239745LogADD_{it}$. The constant value of 0.942577 indicates that if the Village Fund and Village Fund Allocation are considered constant, the IDM value is 0.942577. The Village Fund coefficient of 0.205602 indicates that an increase in Village Funds tends to increase IDM by 0.205602, assuming other variables are constant. Conversely, the Village Fund Allocation coefficient of -0.239745 indicates that an increase in ADD tends to decrease IDM by 0.239745, assuming other variables are constant.

4.5 Statistical Tests

Table 8. Partial Test Results (t-Test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.942577	0.515148	1.829721	0.0717
LOG(DD?)	0.205602	0.042750	4.809404	0.0000
LOG(ADD?)	-0.239742	0.026194	-9.152648	0.0000

Based on the t-test, Village Funds have a positive and significant effect on the Village Development Index (IDM) in Central Aceh Regency, with a t-statistic of 4.809404 > t-table of 1.66792 and a probability of 0.0000 < 0.01. Meanwhile, Village Fund Allocation has a negative and significant effect on the IDM, with a t-statistic of -9.152648 and a probability of 0.0000 < 0.01.

Table 9. Simultaneous Test (F-Test)

Root MSE	0.025050	R-squared	0.567994
Mean dependent var	0.140156	Adjusted R-squared	0.555098
S.D. dependent var	0.038388	S.E. of regression	0.025605
Sum squared resid	0.043926	F-statistic	44.04525
Durbin-Watson stat	1.385694	Prob(F-statistic)	0.000000

Based on the F test, the F-statistic value is 44.04525 and the probability is 0.0000 < 0.05, so that Village Funds (DD) and Village Fund Allocation (ADD) simultaneously have a significant effect on the Village Development Index (IDM) in Central Aceh Regency.

Table 10 Results of the Determination Coefficient Test

Root MSE	0.025050	R-squared	0.567994
Mean dependent var	0.140156	Adjusted R-squared	0.555098
S.D. dependent var	0.038388	S.E. of regression	0.025605
Sum squared resid	0.043926	F-statistic	44.04525
Durbin-Watson stat	1.385694	Prob(F-statistic)	0.000000

Adjusted R-Squared value of 0.5550 indicates that Village Funds (DD) and Village Fund Allocation (ADD) are able to explain 55.50% of the variation in IDM, while the remaining 44.50% is influenced by other variables outside the study.

4.6 Discussion

Based on the estimation and model testing results, the Random Effect Model (REM) was determined as the most appropriate model to use. The partial analysis results showed that Village Funds (DD) had a positive and significant effect on the Village Development Index (IDM) in 14 sub-districts in Central Aceh Regency. Theoretically, an increase in Village Funds should be followed by an increase in the IDM because DD supports development and improves the welfare of village communities. This result is in accordance with the research hypothesis and is in line with Andi & Puji (2022) the finding that Village Funds have a positive and significant effect on the IDM in Gowa Regency, so that an increase in the IDM can improve the quality of life of the community from an economic, social, and ecological perspective. Meanwhile, the Village Fund Allocation (ADD) partially had a negative and significant effect on the IDM in Central Aceh Regency. Theoretically, ADD aims to increase the capacity of village government, public services, community empowerment, and village development, which is ultimately expected to increase economic, social, and environmental resilience as components of the IDM.

However, the results of the study showed a negative effect, which is in line with Saputra (2020) that Village Funds (ADD) have a negative and significant effect on the Human Development Index (HDI) because most of the ADD is used more for routine village government expenditures than for development programs that support social and economic resilience. Simultaneously, Village Funds and Village Fund Allocations have a significant effect on the HDI in Central Aceh Regency, thus in accordance with the research hypothesis. Village Funds and Village Fund Allocations are fiscal policy instruments that play a role in accelerating village development, improving welfare, reducing regional disparities, and realizing village independence through development financing and village governance. These results are in line with Fardana & Roekhudin (2024) those stating that Village Funds and Village Fund Allocations simultaneously have a positive and significant effect on the HDI in Gowa Regency.

5. Conclusion and Suggestions

5.1 Conclusion

1. Partially, Village Funds have a positive and significant impact on 14 sub-districts in Central Aceh Regency. This indicates that increases or decreases in Village Funds can affect the Human Development Index (HDI) in Central Aceh Regency.
2. Partially, Village Fund Allocation had a negative and significant impact on 14 sub-districts in Central Aceh Regency. This indicates that increasing Village Fund Allocation can improve the Human Development Index (HDI) in Central Aceh Regency.
3. Simultaneously, Village Funds and Village Fund Allocations had a positive and significant impact on 14 sub-districts in Central Aceh Regency. This indicates that increases in Village Funds and Village Fund Allocations simultaneously impacted the Human Development Index (HDI) in Central Aceh Regency.

5.2 Suggestions

1. The government needs to increase the effectiveness of Village Fund (DD) management by prioritizing infrastructure development, economic development, education, health, and community empowerment to increase the Human Development Index (IDM).
2. The Central Aceh District Government needs to optimize the Village Fund Allocation (ADD) so that it is not only used for government operations, but also supports empowerment and social, economic, and environmental resilience.
3. The government needs to increase the capacity of village officials through training and mentoring in financial management and strengthen supervision to improve governance and the effectiveness of village development.
4. Village governments need to increase community participation in development planning, implementation, and evaluation through musrenbang so that the use of DD and ADD is according to needs and supports the sustainable improvement of IDM.
5. Further researchers are advised to add research variables, expand the amount of data, period, and research location so that the results obtained are more comprehensive.

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