Volume 6 Number 1 (2026)
January-June 2026
Page: 891-910

E-ISSN: 2808-1102
DOI: 10.37680/ijief.v6i1.10102

Indonesian Journal of Islamic Economics and Finance

The Impact of Community Trust and Participation on Village Fund Utilization and Rural Economic Development: A Case Study of Padang Matinggi Village, Padang Lawas Regency

Serly Charita Harahap[1], Purnama Ramadani Silalahi[1], Waizul Qarni[1]

[1] Universitas Islam Negeri Sumatera Utara, Medan, Indonesia

Received: 03/05/2026 Revised: 23/06/2026 Accepted: 28/07/2026

Abstract

This study aims to analyze the effects of community trust and community participation on Village Fund utilization and rural economic development in Padang Matinggi Village, Padang Lawas Regency. A quantitative survey method was applied to 96 respondents using purposive sampling and analyzed with multiple linear regression (SPSS). The results show that community trust has a positive and significant effect on Village Funds Utilization ($t = 13.749$; sig. < 0.05) and village economic improvement ($t = 3.734$; sig. < 0.05), community participation has a positive and significant effect on Village Funds Utilization ($t = 12.154$; sig. < 0.05) and village economic improvement ($t = 3.272$; sig. < 0.05), and Village Fund utilization has a positive and significant effect on village economic improvement ($t = 2.873$; sig. $= 0.005 < 0.05$). Community trust and community participation simultaneously explain 73.9% of the variation in Village Fund utilization, while all three variables simultaneously explain 41.5% of the variation in village economic improvement ($F = 21.749$; sig. < 0.05), with the remaining 58.5% influenced by other factors outside this study. Therefore, strengthening community trust and participation is essential to optimizing Village Fund management for sustainable village economic growth.

Keywords

Community Trust; Community Participation; Village Funds; Village Economic Improvement.

Corresponding Author:
Serly Charita Harahap
Universitas Islam Negeri Sumatera Utara, Medan, Indonesia; serlycharitaharahap@gmail.com

1. INTRODUCTION

The Indonesian government has designated the Village Fund as a strategic fiscal instrument to promote development and economic growth in rural communities (Rachman, 2023). The Village Fund is sourced from the State Budget (APBN) and channeled through local governments to each village with the aim of financing infrastructure development, community economic empowerment, poverty alleviation, and village government operations (Putra & Yulianto, 2022). The government's hope for this program is to foster sustainable economic growth in villages, create new job opportunities, increase community income, and reduce poverty rates in rural areas (Ananda, 2021). To realize these goals, the management of the Village Fund must be grounded in the principles of participation, transparency, and

Published by Sunan Giri Islamic Institute (INSURI) Ponorogo; Indonesia
Accredited Sinta 3

accountability at every stage of its implementation (Faoziyah & Salim, 2020). (Imsar & Kurniawan, 2023) emphasize that sustainable village development requires synergy between transparent management of the Village Fund and enhanced community participation, so that the allocated funds can truly drive tangible local economic growth. From an Islamic economic perspective, Soemitra (2021) emphasizes that the management of public resources, including village development funds, must be grounded in the principles of trust (amanah) and distributive justice so that the benefits can be felt by all segments of society.

From the perspective of Islamic public governance, community participation also reflects the principle of *shura* (consultation), whereby public policies and development priorities should be determined through collective deliberation to achieve *maslahah* (public welfare) (Nasution, 2022). The implementation of *shura* encourages active community involvement in planning, implementing, and monitoring development programs, including the management of Village Funds (Hajarani & Imsar, 2025). Therefore, strengthening community participation is not only an administrative requirement but also represents the practical application of Islamic governance principles aimed at realizing equitable and sustainable rural development (Harahap, 2023).

In 2025, Padang Matinggi Village, Barumun Tengah Subdistrict, Padang Lawas Regency received Village Funds totaling Rp 643,272,000 from Padang Lawas Regency's total allocation of Rp 224,897,540,000 (Kantor Desa Padang Matinggi, 2025). These funds were allocated to several sectors, including the construction and maintenance of village infrastructure (roads, bridges, drainage), village economic development through village-owned enterprises (BUMDes) and small and medium-sized enterprises (UMKM), Direct Cash Assistance (BLT) for the poor, village government operations, and social services such as integrated health posts (posyandu) and public health services.

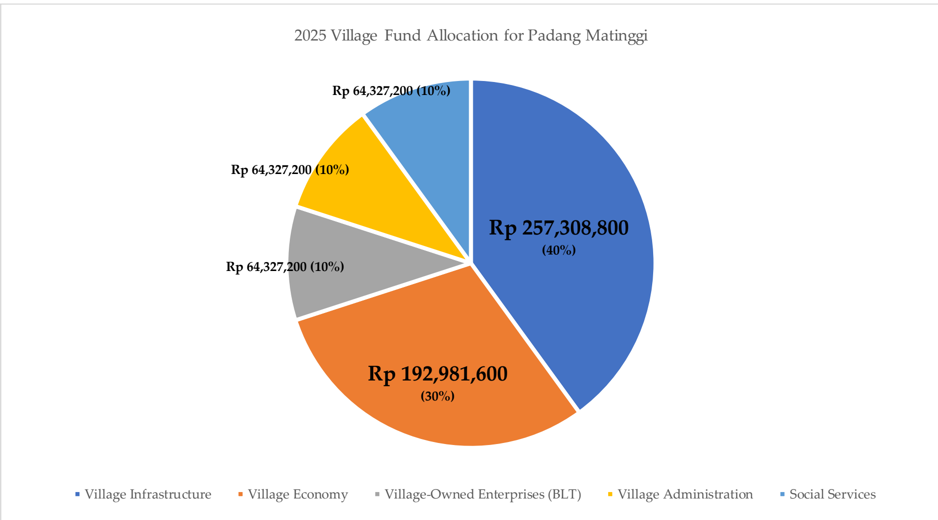

Figure 1. Diagram of the 2025 Village Fund Allocation for Padang Matinggi

Source: Padang Matinggi Village Office, 2025

However, the reality on the ground differs from these expectations. The researchers conducted a preliminary survey directly in Padang Matinggi Village in December 2025 through field observations and preliminary interviews with a number of residents and village officials. The results of the preliminary survey indicate that although the Village Fund has been allocated, its impact on improving the community's economy has not been optimal. This situation is evident from the large number of village roads that remain unrepaired, the scarcity of ongoing economic empowerment activities, and the limited number of programs whose benefits are truly felt by residents. Furthermore, the majority of residents admitted they had never been involved in the planning process or in monitoring the use of the Village Fund. Additionally, public trust in the transparency of budget management by the village government remains low (Fachrun et al., 2020). Village Funds are already in place and have been allocated in significant amounts, but their benefits have not yet been fully realized by the community. The primary cause identified in the field is the low level of community trust and participation in the management of Village Funds (Ismanudin, 2025). These two factors are the focus of this study, which aims to analyze the influence of community trust and participation on economic improvement in Padang Matinggi Village through the use of Village Funds.

The main novelty of this study lies not only in examining community trust and community participation simultaneously but also in demonstrating empirically that community trust is the strongest determinant of the effectiveness of Village Fund utilization in promoting rural economic development. This finding highlights the strategic role of social capital in maximizing the economic impact of public fiscal transfers at the village level while integrating the principles of *amanah*, *shura*, and *maslahah* as the foundation of Islamic public governance (Widiyana et al., 2025). Furthermore, this study provides the latest empirical contribution through a case study of Padang Matinggi Village, Padang Lawas Regency, which possesses unique socioeconomic characteristics, and links this analysis to relevant local literature on Village Fund management and the economic empowerment of rural communities. Hajariani and Imsar (2025) reinforce this argument by stating that previous studies generally examined only a single mediating variable, whereas research combining trust and participation as concurrent mediating variables in the context of Village Fund management remains very limited, particularly in the North Sumatra region.

2. METHODS

This study employs a quantitative approach with a survey design aimed at analyzing the influence of community trust and participation on village economic development through the use of Village Funds. The quantitative approach was chosen to obtain data that is measurable and can be statistically analyzed (Kuncoro et al., 2025). The study was conducted in Padang Matinggi Village, Barumun Tengah

Subdistrict, Padang Lawas Regency, with a total village population of 2,215 people. The sample size was determined using the Slovin formula with a 10% margin of error, resulting in a total sample of 96 respondents. The respondents were selected using a purposive sampling technique based on specific criteria. They consisted of household representatives, community leaders, youth leaders, women's organizations, members of the Village Consultative Body (BPD), and residents who had participated in Village Fund planning, implementation, monitoring, or evaluation activities. These respondents were purposively selected because they possessed sufficient knowledge and direct experience regarding the management and utilization of Village Funds, enabling them to provide reliable information relevant to the objectives of this study.

Data were collected through a structured questionnaire using a 1–5 Likert scale to measure the variables of community trust, community participation, and village economic improvement, with indicators including the transparency and accountability of the village government, community involvement in program planning and implementation, and increases in community income and economic activity. The validity and reliability of the research instrument were tested using Cronbach's Alpha. Hasibuan et al., (2024) state that the data obtained were analyzed using multiple linear regression to determine the effect of independent variables on the dependent variable, after first conducting tests of classical assumptions including tests for normality, multicollinearity, and heteroscedasticity and that data processing was performed using SPSS.

The data were analyzed using two multiple linear regression models. The first regression model examined the effects of community trust and community participation on Village Fund utilization. The second regression model analyzed the effects of community trust, community participation, and Village Fund utilization on rural economic development. All statistical analyses were performed using SPSS after the classical assumption tests were satisfied. The research framework is shown in the following figure :

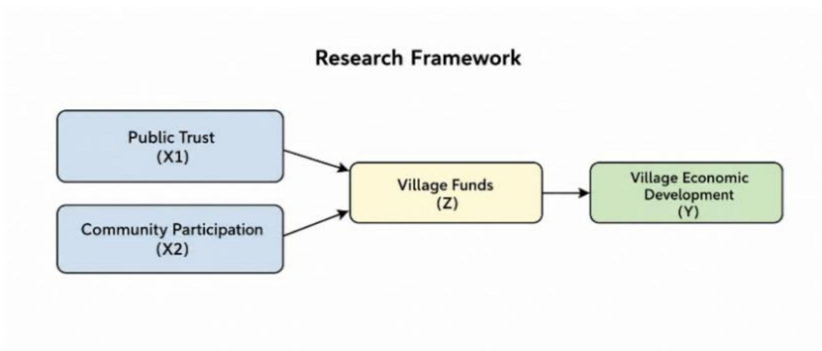

Figure 2. Research Framework

Based on the research framework above, Community Trust (X1) and Community Participation (X2) influence the management of Village Funds (Z). Effective management of village funds can then drive

Village Economic Growth (Y) through community development and empowerment, thereby improving the well-being of the village community.

3. FINDINGS AND DISCUSSION

Research Findings

Table 1. Results of the Public Trust Validity Test

Statement	Calculated R	Table R	Result
1	0,721	0,2006	Valid
2	0,757	0,2006	Valid
3	0,728	0,2006	Valid
4	0,542	0,2006	Valid
5	0,651	0,2006	Valid
6	0,709	0,2006	Valid

Source: Data Analysis Results, 2026

The R-table value for the population in this study, consisting of 96 respondents, with a significance level of 5% and df = n-2, where df = 96-2 = 94, is 0.2006. Therefore, if the calculated r is greater than the table r (0.2006), the statement is considered valid. Based on the results of the validity test for the Public Trust variable presented in Table 1, it can be concluded that the 6 statements are valid and can be used in this study.

Table 2. Results of the Community Participation Validity Test

Statement	Calculated R	Table R	Result
1	0,850	0,2006	Valid
2	0,922	0,2006	Valid
3	0,861	0,2006	Valid
4	0,466	0,2006	Valid

Source: Data Analysis Results, 2026

The table-value of r for the population in this study, consisting of 96 respondents, with a significance level of 5% and df = n-2, is 0.2006 (since df = 96-2 = 94). Therefore, if the calculated r is greater than the table-value of r (0.2006), the statement is considered valid. Based on the results of the validity test for the Community Participation variable presented in Table 2, it can be concluded that the four statements are valid and can be used in this study.

Table 3. Results of the Village Fund Validity Test

Statement	Calculated R	Table R	Result
1	**0,634**	**0,2006**	**Valid**
2	**0,727**	**0,2006**	**Valid**
3	**0,811**	**0,2006**	**Valid**
4	**0,737**	**0,2006**	**Valid**
5	**0,769**	**0,2006**	**Valid**

Source: Data Analysis Results, 2026

The R-table value for the population in this study, consisting of 96 respondents, with a significance level of 5% and df = n-2, where df = 96-2 = 94, is 0.2006. Therefore, if the calculated r is greater than the table r (0.2006), the statement is considered valid. Based on the results of the validity test for the Village Fund variable presented in Table 3, it can be concluded that the five statements are valid and can be used in this study.

Table 4. Results of the Validity Test for Village Economic Development

Statement	Calculated R	Table R	Result
1	**0,619**	**0,2006**	**Valid**
2	**0,822**	**0,2006**	**Valid**
3	**0,867**	**0,2006**	**Valid**
4	**0,852**	**0,2006**	**Valid**

Source: Data Analysis Results, 2026

The R-table value for the population in this study, consisting of 96 respondents, with a significance level of 5% and df = n-2, where df = 96-2 = 94, is 0.2006. Therefore, if the calculated r is greater than the table r (0.2006), the statement is considered valid. Based on the results of the validity test for the "Village Economic Improvement" variable presented in Table 4, it can be concluded that all four statements are valid and can be used in this study.

Table 5. Results of the Cronbach's Alpha Reliability Test for Variables

Variable	Croncbach's Alpha	Critical Value	Notes
Public Trust	**0,777**	**0,6**	**Reliable**
Community Participation	**0,805**	**0,6**	**Reliable**
Village Funds	**0,787**	**0,6**	**Reliable**
Village Economic Development	**0,760**	**0,6**	**Reliable**

Source: Data Analysis Results, 2026

Based on Table 5, which presents the results of the reliability test, the Cronbach's alpha values for each variable are greater than 0.6. Therefore, all items within each variable are considered reliable, and it can be concluded that all items passed both the validity and reliability tests.

Table 6. Results of the Normality Test

One-Sample Kolmogorov-Smirnov Test			
			Unstandardized Residual
N			96
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		1.61209450
Most Extreme Differences	Absolute		.074
	Positive		.074
	Negative		-.067
Test Statistic			.074
Asymp. Sig. (2-tailed)			.200[c,d]
Monte Carlo Sig. (2-tailed)	Sig.		.644[e]
	99% Confidence Interval	Lower Bound	.632
		Upper Bound	.657

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.
e. Based on 10000 sampled tables with starting seed 926214481.

Source: Data Analysis Results, 2026

Based on the results of the Kolmogorov-Smirnov normality test, the Asymp. Sig. value was 0.200. Since this value is greater than 0.05, it can be concluded that the data in this study are normally distributed. Thus, the regression model used satisfies the assumption of normality and can therefore be used for further analysis.

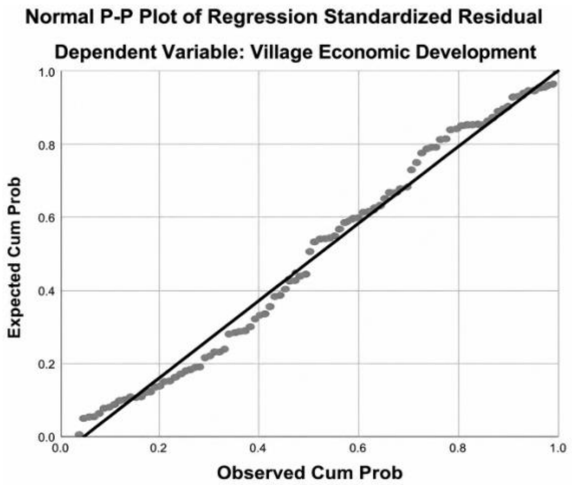

Figure 3. Results of the Normality Test (Heteroskedastisitas)

Source: Data Analysis Results, 2026

Based on the Normal P-P Plot of Regression Standardized Residuals, it can be seen that the data points are scattered around the diagonal line and follow the direction of that line. This indicates that the distribution of residuals in the regression model approximates a normal distribution. Thus, it can be concluded that the regression model in this study satisfies the assumption of normality, allowing the regression analysis to proceed to the next testing stage.

Table 7. Results of the Multicollinearity Test

Coefficients[a]

		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Public Trust	.866	1.154
	Community Participation	.866	1.154

a. Dependent Variable: Village Economic Development

Source: Data Analysis Results, 2026

Based on the results of the multicollinearity test, it was found that the Tolerance values for the Public Trust and Community Participation variables were 0.866 each, all of which were greater than 0.10. The VIF values for each variable are 1.154 and 1.154, respectively, all of which are less than 10. This indicates that there is no multicollinearity among the independent variables in this study

Table 8. Results of the Multicollinearity Test

Coefficients[a]

		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Public Trust	.593	1.686
	Community Participation	.865	1.156
	Village Funds	.661	1.513

a. Dependent Variable: Village Economic Development

Source: Data Analysis Results, 2026

Based on the results of the multicollinearity test, it was found that the Tolerance values for the variables Trust, Community Participation, and Use of Village Funds were 0.593, 0.865, and 0.661, respectively—all of which are greater than 0.10. The VIF values for each variable are 1.686, 1.156, and 1.513, respectively, all of which are less than 10. This indicates that there is no multicollinearity among the independent variables in this study.

Table 9. Results of the Heteroscedasticity Test

Coefficients[a]

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t	**Sig.**
(Constant)	12.614	4.106		3.072	**.003**
Public Trust	-.075	.173	-.057	-.434	**.666**
Community Participation	.044	.127	.038	.347	**.729**
Village Funds	**-.308**	**.216**	**-.179**	**-1.431**	**.156**

a. Dependent Variable: ABS_RES

Source: Data Analysis Results, 2026

Based on the results of the heteroscedasticity test, it was found that the significance values for the variables "Trust" were 0.666, "Community Participation" were 0.729, and "Use of Village Funds" were 0.156. All of these significance values are greater than 0.05; therefore, it can be concluded that there is no evidence of heteroscedasticity in the regression model of this study.

Table 10. Results of the Multiple Linear Regression Analysis

Variable Independent Error	B	Standar
(Constant)	**11.190**	**1.048**
Public Trust	**0.565**	**0.41**
Community Participation	**0.298**	**0.25**

Source: Data Analysis Results, 2026

The results of the multiple linear regression analysis indicate that the variables of public trust (X1) and public participation (X2) have a positive effect on Village Funds (Z). These values can be expressed in the following regression equation :

$$Z=a+b1X1+b2X2+e$$

$$Z = 11,190 + 0,565X1 + 0,298X2 + e$$

The Effect of Public Trust (X1) on Village Funds (Z)

A regression coefficient of 0.565 indicates that a 1-unit increase in public trust will increase Village Funds by 0.565 units, assuming all other variables remain constant. Thus, public trust has a positive partial relationship with Village Funds.

The Effect of Community Participation (X2) on Village Funds (Z)

A regression coefficient of 0.298 indicates that a 1-unit increase in community participation will increase Village Funds by 0.298 units, assuming all other variables remain constant. Thus, community participation has a partial positive relationship with Village Funds.

Table 11. Results of Multiple Linear Regression Analysis

Variable Independent Error	B	Standar
(Constan)	**1.640**	**1.959**
Public Trust	**0.308**	**0.308**
Community Participation	**0.092**	**0.140**
Village Funds	**0.295**	**0.103**

Source: Data Analysis Results, 2026

The results of the multiple linear regression analysis indicate that the variables of community trust (X1), community participation (X2), and Village Funds (Z) have a positive effect on Village Economic Development (Y). These values can be expressed in the following regression equation :

$$Y=a+b1X1+b2X2+b3Z+e$$

$$Y = 1,640 + 0,308X1 + 0,092X2 + 0,295Z + e$$

The Effect of Community Trust (X1) on Rural Economic Growth (Y)

The regression coefficient for the Community Trust variable, which is 0.308, indicates that for every 1-unit increase in community trust, rural economic growth will increase by 0.308 units, assuming all other variables remain constant. A positive coefficient indicates that community trust has a direct relationship with rural economic growth.

The Effect of Community Participation (X2) on Rural Economic Growth (Y)

The regression coefficient for the Community Participation variable is 0.092, indicating that for every 1-unit increase in community participation, the improvement in the village economy will increase by 0.092 units, assuming all other variables remain constant. A positive coefficient indicates that as community participation increases, the improvement in the village economy also tends to increase.

The Effect of Village Funds (Z) on the Improvement in the Village Economy (Y)

The regression coefficient for the Village Fund variable is 0.295, indicating that for every 1-unit increase in village funds, the village's economic growth will increase by 0.295 units, assuming all other variables remain constant. A positive coefficient indicates that as the amount of available village funds increases, the village's economic growth also tends to increase

Table 12. Results of the t-Test
Coefficients[a]

Unstandardized Coefficients			Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
(Constant)	11.190	1.048		10.680	<,001
Public Trust	.565	.041	.744	13.749	<,001
Community Participation	**.298**	**.025**	**.658**	**12.154**	**<,001**

a. Dependent Variable: Village Funds

Source: Data Analysis Results, 2026

The Effect of Community Trust on Village Funds

Based on the results of the t-test, the calculated t-value was 13.749 with a significance level of 0.001 < 0.05; therefore, it can be concluded that community trust has a significant effect on village funds.

The Effect of Community Participation on Village Funds

Based on the results of the t-test, the calculated t-value was 12.154 with a significance level of 0.001 < 0.05; therefore, it can be concluded that community participation has a significant effect on village funds.

Table 13. Results of the t-Test

Coefficientsa

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.640	1.959		.837	**.405**
Public Trust	.308	.083	.387	3.734	**<,001**
Community Participation	.092	.140	.338	3.272	**<,001**
Village Funds	**.295**	**.103**	**.282**	**2.873**	**.005**

a. Dependent Variable: Village Economic Development

Source: Data Analysis Results, 2026

The Effect of Community Trust on Rural Economic Growth

Based on the results of the t-test, the calculated t-value was 3.734 with a significance level of 0.001 < 0.05; therefore, it can be concluded that community trust has a significant effect on rural economic growth

The Effect of Community Participation on Rural Economic Growth

Based on the results of the t-test, the calculated t-value was 3.272 with a significance level of 0.001 < 0.05; therefore, it can be concluded that community participation has a significant effect on rural economic development.

The Effect of Village Funds on Village Economic Growth

Based on the results of the t-test, the calculated t-value was 2.873 with a significance level of 0.005 < 0.05; therefore, it can be concluded that village funds have a significant effect on village economic growth.

Table 14. Results of the F-Test

ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	285.702	2	142.851	135.382	**<,001[b]**
Residual	98.131	93	1.055		
Total	**383.833**	**95**			

a. Dependent Variable: Village Funds

b. Predictors: (Constant), Community Participation, Public Trust

Source: Data Analysis Results, 2026

Based on the results of the F-test, the calculated F-value was 135.382 with a significance level of .001. Since this significance level is less than 0.05, it can be concluded that public trust and public participation simultaneously have a significant effect on village funds.

Table 15. Results of the F-Test

ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	175.099	3	58.366	21.749	**<,001[b]**
Residual	246.891	92	2.684		
Total	**421.990**	**95**			

a. Dependent Variable: Village Economic Development
b. Predictors: (Constant), Village Funds, Community Participation, Public Trust

Source: Data Analysis Results, 2026

Based on the results of the F-test, the calculated F-value was 21.749 with a significance level of .001. Since this significance level is less than 0.05, it can be concluded that community trust, community participation, and village funds simultaneously have a significant effect on village economic growth.

Table 16. Results of the Coefficient of Determination (R^2) Test

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	**.863[a]**	**.744**	**.739**	**1.027**

a. Predictors: (Constant), Community Participation, Public Trust
b. Dependent Variabel: Village Funds

Source: Data Analysis Results, 2026

Based on the results of the coefficient of determination test above, it can be seen that in the first model, the Adjusted R-Square value is 0.739, or 73.9%. This indicates that the variables of public trust and community participation account for 73.9% of the variation in the Village Fund variable. The remaining 26.1% is influenced by other factors outside the scope of this study.

Table 17. Results of the Coefficient of Determination (R^2) Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	**.644[a]**	**.415**	**.396**	**1.638**

a. Predictors: (Constant), Village Funds, Community Participation, Public Trust

b. Dependent Variable: Village Economic Development

Source: Data Analysis Results, 2026

Based on the analysis results, the R value was 0.644, with an R-squared value of 0.415 and an adjusted R-squared value of 0.396. This indicates that 41.5% of the variation in village economic growth can be explained by the variables of trust, community participation, and the use of village funds, while 58.5% is influenced by other variables outside the scope of this study.

Discussion

a. The Effect of Community Trust on Village Economic Growth Through the Use of Village Funds in Padang Matinggi Village

The research results show that community trust has a positive and significant effect on Village Funds ($t = 13.749$; sig. < 0.05) and on village economic growth ($t = 3.734$; sig. < 0.05). The exceptionally high t-value (13.749) indicates that community trust is the strongest determinant of effective Village Fund utilization in Padang Matinggi Village. This finding implies that public confidence in the transparency, accountability, and integrity of the village government serves as an important form of social capital that encourages residents to support development programs, participate in collective activities, and oversee the implementation of Village Fund programs. As observed during the preliminary field survey, transparency practices such as the dissemination of Village Fund information, public accountability, and direct communication between village officials and residents contribute to strengthening community trust. Consequently, higher levels of public trust encourage more active participation in village development initiatives, resulting in more effective utilization of Village Funds, increased employment opportunities, higher household income, and the expansion of local economic activities.

These results are consistent with Setyowati, Wahyuni, and Kusmanto (2024), who state that public trust in the village government has a positive effect on the success of village development, as well as Sarah et al. (2021), who emphasize that the success of village economic development is determined by the quality of governance, which is closely linked to public trust. Theoretically, public trust is a core component of Social Capital Theory developed by Putnam (1993), which explains that trust enables communities to coordinate efficiently, reduce transaction costs, and strengthen collective action in development. In the context of Village Fund management, high public trust encourages more active citizen participation, strengthens social oversight, and improves the alignment of development programs with community needs. From the perspective of Islamic economics, this finding also reflects the principle of *amanah*, whereby transparent and accountable management of public resources is essential for achieving *maslahah* (public welfare). Therefore, maintaining public trust is not only an administrative necessity but also a fundamental prerequisite for ensuring that Village Funds effectively contribute to sustainable rural economic development.

This finding is reinforced by (Maulana & Hendra, 2022) who found that community trust in village financial management has a significant impact on the success of village economic programs, particularly in terms of community participation and support. In line with this, (Kurniawan et al., 2023) demonstrate that transparency on the part of the village government directly increases community trust and leads to greater resident engagement in productive economic activities; thus, community trust has proven to be a strategic variable that determines the success of Village Fund management and sustainable village economic growth.

b. The Effect of Community Participation on Village Economic Growth Through the Use of Village Funds in Padang Matinggi Village

The research results show that community participation has a positive and significant effect on Village Funds ($t = 12.154$; sig. < 0.05) and on village economic growth ($t = 3.272$; sig. < 0.05). The relatively high t-value (12.154) indicates that community participation is one of the key determinants of the effectiveness of Village Fund utilization in Padang Matinggi Village. This finding demonstrates that the active involvement of community members in the planning, implementation, monitoring, and evaluation of Village Fund programs contributes significantly to improving the quality of development outcomes (Kafabih & Utami, 2024). As observed during the preliminary field survey, villages with higher levels of community participation tend to implement development programs that are more responsive to local needs, thereby enhancing the effectiveness of Village Fund utilization and generating broader economic benefits. Consequently, greater community participation supports the creation of employment opportunities, increases household income, and strengthens local economic activities through development programs that are more relevant to community priorities.

These findings are consistent with Hasanah et al. (2025), who demonstrated that community participation significantly improves the effectiveness of village development, as well as Sulaeman et al. (2025), who emphasized that community-based empowerment is an essential driver of sustainable rural economic growth. Theoretically, Empowerment Theory developed by Rappaport (1984) explains that active community participation not only enhances the relevance of development programs but also strengthens the capacity of local communities to control decisions and resources that influence their welfare. Rambe et al., (2024) further argue that improvements in community well-being depend largely on the ability of local communities to utilize available economic resources effectively. From the perspective of Islamic economics, community participation reflects the principle of *shura* (consultation), whereby development decisions should be reached through collective deliberation to achieve *maslahah* (public welfare). Therefore, involving the community throughout the Village Fund management process is not merely an administrative requirement but also represents the practical implementation of Islamic governance principles that promote transparency, justice, and sustainable development.

Santoso & Fitriani (2022) found that community participation in Village Fund planning meetings has a positive and significant effect on budget effectiveness and the improvement of villagers' income. Likewise, Wijaya et al., (2023) demonstrated that villages consistently implementing participatory mechanisms throughout the Village Fund management cycle experience higher economic growth and greater poverty reduction than villages with lower participation levels. These findings reinforce the conclusion that community participation is a strategic factor in maximizing the effectiveness of Village Funds and ensuring sustainable rural economic development.

c. The Effect of Village Fund Allocation on Economic Growth in Padang Matinggi Village

The research findings indicate that Village Fund allocation has a positive and significant effect on village economic growth ($t = 2.873$; sig. $= 0.005 < 0.05$). Although the t-value is lower than those of community trust and community participation, the findings confirm that Village Funds remain an important policy instrument for stimulating rural economic development. The allocation of Rp 643,272,000 in 2025 to infrastructure development, community empowerment, Village-Owned Enterprises (BUMDes), social assistance, and public services has contributed to improving the economic well-being of the residents of Padang Matinggi Village. Nevertheless, the comparatively lower statistical effect suggests that the effectiveness of Village Funds depends not only on the amount of funding provided but also on the quality of governance, transparency, accountability, and active community involvement in managing these resources. This finding is in line with Suciana et al., (2025), who argued that Village Fund management should be supported by transparency and accountability to ensure that the funds are well targeted and provide tangible benefits to the community. Therefore, Village Funds generate greater economic benefits when they are supported by strong public trust and meaningful community participation. These findings are supported by Wasudewa & Iskandar (2023), who found that Village Funds have a positive effect on regional economic growth and development in Indonesia. This indicates that effective Village Fund management can accelerate local economic development and improve community welfare, which is consistent with the findings of the present study.

These findings are consistent with Rachman (2025), who explains that accountable Village Fund management has a tangible impact on improving rural community welfare, while Goo and Sanda (2022) emphasize that good governance principles enhance the effectiveness of Village Fund utilization. Theoretically, the Theory of Fiscal Federalism proposed by Oates (1972) argues that fiscal decentralization improves the efficiency of public resource allocation because local governments possess better knowledge of community needs and local development priorities. Within this framework, allocating Village Funds to strategic sectors such as infrastructure development, microenterprise empowerment, and the strengthening of village economic institutions creates a multiplier effect that supports sustainable local economic growth. From the perspective of Islamic economics, effective Village Fund allocation also reflects the principle of *maslahah*, whereby public resources should be managed responsibly to maximize collective welfare while ensuring distributive justice through the fulfillment of society's essential needs (*daruriyyat*) (A. Syahputra et al., 2023).

These findings are further supported by A. Nasution et al., (2024) who conclude that government-supported community economic empowerment contributes significantly to improving public welfare. Similarly, Syahputra & Lubis (2022) found that allocating Village Funds to productive sectors increases household income and reduces rural poverty in North Sumatra. F. R. Nasution & Hasibuan (2024) also demonstrate that productive Village Fund allocation contributes directly to employment creation and higher wages for local workers. Furthermore, (Imsar et al., 2024) explain that regional economic growth can be accelerated by optimizing productive sectors based on local economic potential. Therefore, directing Village Funds toward productive investments, strengthening BUMDes, supporting MSMEs, and enhancing community capacity can generate a more sustainable economic impact while maximizing the contribution of Village Funds to long-term rural development.

4. CONCLUSION

Community trust has a positive and significant effect on the Village Fund ($t = 13.749$; sig. < 0.05) and on village economic growth ($t = 3.734$; sig. < 0.05); community participation has a positive and significant effect on the Village Fund ($t = 12.154$; sig. < 0.05) and village economic growth ($t = 3.272$; sig. < 0.05), and the use of the Village Fund has a positive and significant effect on village economic growth ($t = 2.873$; sig. $= 0.005 < 0.05$). Community trust and participation together account for 73.9% of the variation in the use of Village Funds, while the three variables together account for 41.5% of the variation in village economic growth ($F = 21.749$; sig. < 0.05), with the remaining 58.5% influenced by other factors outside this research model; thus, the higher the community's trust and participation in the management of Village Funds, the greater the impact on the sustainable economic growth of the Padang Matinggi village community.

The Padang Matinggi Village Government needs to improve transparency in the management of Village Funds and expand consultation mechanisms to optimize community participation. The Padang Lawas Regency Government is advised to provide ongoing training to village officials in financial management and community empowerment. For future researchers, it is recommended to include additional variables, such as the role of village-owned enterprises (BUMDes), and to consider using the Structural Equation Modeling (SEM) method for a more in-depth analysis.

REFERENCES

Fachrun, M., Muhiddin, A., Hardi, R., & Akbar, M. R. (2020). Community Participation In The Management Of Village In Kalahunde Village, Pakue Tengah District, North Kolaka RegencyCommunity Participation In The Management Of Village In Kalahunde Village, Pakue Tengah District, North Kolaka Regenc. *Jurnal Administrasi Pemerintahan Desa*, *1*(2). https://doi.org/10.32669/village

Faoziyah, U., & Salim, W. (2020). Seeking Prosperity Through Village Proliferation : An Evidence of the Implementation of Village Funds (Dana Desa) in Indonesia. *Journal of Regional and City Planning*, *31*(2), 97–121. https://doi.org/10.5614/jpwk.2020.31.2.1

Hajarani, P. A., & Imsar. (2025). Kontribusi Dana Desa , Lembaga Keuangan Syariah , dan Integrasi Ekonomi Regional terhadap Pertumbuhan Ekonomi. *Jurnal Inovasi Ekonomi Syariah Dan Akuntansi (JIESA)*, *2*(6), 42–51.

Harahap, I. (2023). Ketimpangan Pembangunan Desa Dan Tantangan Akuntabilitas Anggaran. *Jurnal Ekonomi Islam*, *14*(1).

Hasibuan, Y. A., Nawawi, Z. M., & Hasibuan, R. R. A. (2024). Analisis Potensi Preferensi dan Persepsi Masyarakat Desa Bintais Julu terhadap Sikap pada Asuransi Syariah. *Trending: Jurnal Ekonomi, Akuntansi Dan Manajemen*, *2*(3), 17–26.

Imsar, & Kurniawan, M. (2023). Pengelolaan Dana Desa Dalam Pembangunan Ekonomi Masyarakat Menurut Prespektif Ekonomi Islam. *Ekonomi Bisnis Manajemen Dan Akuntansi (EBMA)*, *4*(1), 1781–1787.

Imsar, Nurhayati, Harahap, I., & Silalahi, P. R. (2024). The Impact Of The Halal Industry And Islamic Financial Assets On Indonesia’s Economic Growth Using The Vector Autoregression (VAR) Approach. *Ekuitas: Jurnal Ekonomi Dan Keuangan*, *8*(2).

Ismanudin. (2025). Partisipasi Masyarakat Dalam Perencanaan Pembangunan Terhadap Penggunaan Dana Desa Studi Kasus Di Desa Tambak Kecamatan Indramayu Kabupaten Indramayu. *Jurnal Ilmu Sosial*, *11*(2).

Kafabih, A., & Utami, D. W. (2024). Implikasi Dana Desa Terhadap Pembangunan dan Kualitas Hidup. *Journal of Indonesian Rural and Regional Government*, *8*(2), 128–139.

Kantor Desa Padang Matinggi. (2025). *Anggaran Pendapatan Dan Belanja Desa (Apbdes) Desa Padang Matinggi Tahun Anggaran 2025*.

Kuncoro, M. A., Harahap, M. I., & Daulay, A. N. (2025). Analisis Pengaruh Ragam Barang, Lokasi Dan Etika Bisnis Islam Terhadap Minat Beli Pupuk Di Ud. Selaras Tani Tembung. *JURNAL Edueco*, *8*(1).

Kurniawan, A., Pratama, R., & Susanto, H. (2023). Transparansi Pengelolaan Dana Desa, Kepercayaan Masyarakat, Dan Partisipasi Dalam Pembangunan Ekonomi Desa. *Jurnal Akuntansi Sektor Publik*, *4*(2).

Maulana, R., & Hendra, Y. (2022). Kepercayaan Masyarakat Terhadap Pengelolaan Keuangan Desa Dan Keberhasilan Program Ekonomi Desa. *Jurnal Kebijakan Publik Dan Administrasi Negara*, *7*(1).

Nasution, A., Arif, M., & Daulay, A. N. (2024). Analysis of community economic empowerment from the perspective of Islamic economics: Case study of rice farmers of Siundol Padang Lawas. *Jurnal Ekonomi Manajemen Dan Bisnis Islam*, *6*(3), 233–246.

Nasution, F. R., & Hasibuan, M. S. (2024). Dampak Dana Desa Terhadap Penyerapan Tenaga Kerja Dan Peningkatan Upah Di Sumatera Utara. *Jurnal Ekonomi Pembangunan Sumatera*, *9*(2).

Nasution, M. S. A. (2022). Pembangunan Ekonomi Islam Dan Nilai Kepercayaan Publik. *Jurnal Ekonomi Dan Bisnis Islam*, *8*(1).

Oates, W. E. (1972). *Fiscal Federalism*. Harcourt Brace Jovanovich.

Putnam, R. D. (1993). *Making Democracy Work: Civic Traditions In Modern Ital*. Princeton University Press.

Putra, I. G. A. K., & Yulianto, B. (2022). Percepatan Pembangunan Desa Melalui Dana Desa. *Jurnal Ilmu Ekonomi Dan Pembangunan*, *12*(3).

Rachman, F. (2023). Peran Dana Desa Dalam Pembangunan Dan Pemberdayaan Masyarakat Desa. *Jurnal Ekonomi Desa*, *8*(1).

Rambe, T., Rokan, M. K., & Harahap, M. I. (2024). Optimalisasi Fungsi Masjid Sebagai Pusat Ekonomi Masyarakat Berbasis Masjid Di Kota Medan Dalam Perspektif Ekonomi Islam. *Jurnal Manajemen Akuntansi (JUMSI)*, *4*(1), 647–663.

Rappaport, J. (1984). Studies In Empowerment: Introduction To The Issue. *Prevention In Human Services*, *3*(2).

Santoso, P., & Fitriani, L. (2022). Pengaruh Partisipasi Masyarakat Dalam Musyawarah Perencanaan Dana Desa Terhadap Efektivitas Penggunaan Anggaran Dan Peningkatan Pendapatan Desa. *Jurnal Ilmu Administrasi Desa*, *5*(2).

Soemitra, A. (2021). Ekonomi Islam Dan Keadilan Distribusi Sumber Daya Publik. *Jurnal Ekonomi Syari'ah*, *13*(2).

Suciana, S., Widiastuti, C. T., & Meiriyanti, R. (2025). Pengaruh Transparansi Dan Akuntabilitas Terhadap Pengelolaan Alokasi Dana Desa Dombo Dengan Good Governance Sebagai Variabel Intervening. *Balance: Jurnal Akuntansi Dan Manajemen*, *4*(2), 997–1008.

Syahputra, A., Harahap, I., Nawawi, Z. M., & Kaswinata. (2023). Distribusi Pendapatan dan Kemiskinan di Indonesia dalam Perspektif Ekonomi Islam : Tantangan dan Prospek Masa Depan. *Jurnal Iqtisaduna*, *9*(2), 144–161. https://doi.org/10.24252/iqtisaduna.v9i2.41929

Syahputra, E., & Lubis, R. (2022). Alokasi Dana Desa Pada Sektor Produktif Dan Dampaknya Terhadap Pendapatan Masyarakat Di Sumatera Utara. *Jurnal Ekonomi Regional Sumatera*, *7*(1).

Wasudewa, A. A. N. G., & Iskandar, D. A. (2023). Dampak Dana Desa terhadap Pertumbuhan dan Perkembangan Ekonomi Regional di Indonesia. *Journal of Regional and Rural Development Planning*, *7*(2), 138–150.

Widiyana, C., Mansyur, Z., & Mulhimmah, B. R. (2025). Efektivitas Pengelolaan Dana Desa Dalam Pemberdayaan Ekonomi Masyarakat Di Kecamatan Pemenang Kabupaten Lombok Utara. *SYARIKAT : Jurnal Rumpun Ekonomi Syariah*, *8*(1), 235–248.

Wijaya, T., Kusuma, A., & Haryono, B. (2023). Partisipasi Masyarakat Dalam Siklus Pengelolaan Dana Desa Dan Dampaknya Terhadap Pertumbuhan Ekonomi Desa Di Kabupaten Banyuwangi. *Jurnal Studi Pemerintahan Desa*, *6*(1).