



International Journal of Applied Economics, Banking and Management (IJAEBM)

Email: arsypersadaquality@gmail.com

<https://ejournalarsypersada.com/index.php/ajaebm>

SUSTAINABLE VILLAGE DEVELOPMENT PLANNING THROUGH OPTIMIZATION OF VILLAGE FUNDS IN 2026

Sindi Rahmadani¹, Adelia Sahputri Nainggolan², Fahmi Reja Sitepu³,
Muhammad Bintang Ramadhan Saragih⁴, Ataina Zulfa Nasution⁵

Faculty of Economics and Islamic Business, State Islamic University of
North Sumatra JL. IAIN No. 1 Gaharu, East Medan District, Medan City,
North Sumatra

sindirahmadani2022@gmail.com¹, adeliasahputri15@gmail.com²,
rezasitepu289@gmail.com³, muhammadbintangramadhan21@gmail.com⁴,
ataina1100000168@uinsu.ac.id⁵

ABSTRACT: This study examines sustainable village development planning through the optimization of *Dana Desa* 2026 within the framework of Islamic Economics. Using a descriptive qualitative case study in Desa Jaranguda, Karo Regency, the research highlights that while infrastructure has improved, weak human resources and manual financial systems in BUMDes hinder sustainability. The proposed Maqashid-Based Digital Governance Model (MBDGM) offers a solution to enhance fund management, accountability (*amanah*), and economic empowerment. Strengthening digital integration, transparency, and coordination is essential for achieving Jaranguda's 2026 sustainable development goals.

Keywords: *village fund, sustainable development, village planning, community empowerment, Islamic economics*

Submitted: September ; Revised: oktober ; Accepted: November

INTRODUCTION

Indonesia's national development structurally establishes villages as the spearhead of program implementation and the primary beneficiaries of fiscal decentralization implemented by the central government. Since the enactment of Law Number 6 of 2014 concerning Villages, the role of villages has fundamentally transformed, shifting from mere objects of development to autonomous subjects in control of their own planning. The effectiveness of

government macro policies in equitable welfare and poverty alleviation depends heavily on the institutional capacity of the approximately 74,957 villages across the archipelago to manage resources professionally. This crucial role demands careful strategic planning, which focuses not only on routine administration but also on optimizing local potential to build a resilient and sustainable institutional framework. The performance of village governance, therefore, directly determines the success of an inclusive and equitable development agenda at the national level.

The implementation of the Village Fund since 2015 is a transformative policy launched by the central government with the primary goal of creating equitable development and reducing the sharp disparity between urban and rural areas. Empirical data shows that in its initial phase, the fund was successfully utilized to finance urgent physical needs, significantly improving connectivity through road rehabilitation and providing access to basic facilities in many areas. While this substantial fiscal capital provision has successfully stimulated local economies through infrastructure spending, this strong focus on physical capital often neglects the need to build a self-sustaining economic engine. This concentration of spending on physical development has raised serious questions about the resulting long-term multiplier effects on the economic well-being of rural communities. Understanding the history of this allocation provides a crucial foundation for reformulating the strategic priorities of the 2026 Village Fund, which must target higher and more sustainable returns on non-physical capital. (Margareta & Siahaan, 2022)

The direction of village development policy in 2026 is explicitly guided by the concept of Sustainable Development, the operationalization of which is known as the Village SDGs. The fundamental principle of sustainable development, as defined by the Brundtland Report, emphasizes the importance of “meeting the needs of the present without compromising the needs of future generations.” For Jaranguda Village, this adaptation concept requires a balance between three pillars: local economic growth, social equality, and environmental preservation, demanding a holistic approach to resource management. The Village SDGs framework requires that every Village Fund investment, from infrastructure development to capitalizing on Village-Owned Enterprises (BUMDes), must have a long-term impact and not be exploitative of natural resources or human capital. This targeted strategic orientation serves as a filter for the Village Fund program selection criteria, ensuring that the 2026 allocation is highly relevant to resilient development needs.

Optimal village development planning requires a solid foundation in the village's local potential and established sustainability principles. Village Funds will only achieve maximum effectiveness if expenditure allocations are based on a specific and endogenous blueprint, moving away from generic schemes that are often irrelevant to field conditions. Jaranguda Village, located in the Karo region, has specific economic potential that must be accurately identified, such as Arabica coffee production and the potential for local tourism development that needs to be maximized. This endogenous development principle ensures that Village Fund investments are productive, converting public funds into

permanent economic capacity, rather than simply being consumed for temporary relief. Therefore, the 2026 planning process demands rigorous potential mapping, utilizing BPS data such as the Village Potential Index (PODES), to ensure alignment between resources and local economic realities.(Septriani et al., 2024)

Despite clear regulations from the central government, village administrations in Indonesia still face a series of internal challenges that significantly hamper the optimal use of the Village Fund. Empirical research repeatedly highlights that the low human resource capacity of village officials in complex financial management and project planning is a persistent structural obstacle. Furthermore, deficits in transparency and accountability in financial reporting often undermine public trust and limit the effectiveness of participatory oversight that should be carried out by the community. These limited human resource capacity can ultimately lead to suboptimal project selection or poor management, resulting in Village Fund expenditures not generating the maximum expected social and economic benefits. Addressing these structural weaknesses through improved administrative capacity is an absolute prerequisite for unlocking the Village Fund's full potential by fiscal year 2026.(Adam et al., 2024)

The concept of optimizing Village Funds gains significant ethical depth when viewed from an Islamic economic perspective, particularly through the Maqasid Sharia framework. Ethical principles such as amanah (trust), justice (equitable distribution), and maslahah (public benefit) provide normative standards that go far beyond mere formal regulatory compliance. The management of Village Funds, which are essentially public assets (Mal al-Aam), is morally bound to uphold these values, demanding absolute efficiency and equitable allocation of development outcomes. Integrating this framework ensures that Village Fund management is focused on preserving public assets (Hifz al-Mal) and enhancing communal well-being, encouraging decision-makers to make rational and productive investments and avoiding speculative or wasteful expenditures.

The Village Fund stands as a powerful policy instrument, capable of simultaneously addressing multiple dimensions of rural well-being and establishing a crucial causal link between financial investment and desired socio-economic outcomes. Directly, this fund plays a crucial role in poverty alleviation by supporting local economic vehicles such as Village-Owned Enterprises (BUMDes) and funding basic social services such as healthcare and education, while simultaneously fulfilling the principles of Hifz an-Nafs and Hifz al-Aql. Infrastructure improvements, such as better roads and clean water systems, effectively increase connectivity and productivity, ultimately reducing local economic transaction costs. Therefore, the optimization strategy for 2026 must be deliberately designed to create strong synergies among these three pillars – physical development, social support, and economic empowerment – to maximize its comprehensive impact on the Jaranguda Village community.(United Nations World Commission on Environment and Development, 1987)

The main objective of this study is to conduct an in-depth analysis and formulate a measurable strategy for optimizing Village Funds in 2026, specifically in Jaranguda Village, in order to support the sustainable village development agenda. This study specifically aims to evaluate the existing institutional capacity, especially the operations of village economic entities such as the Red and White Cooperative BUMDes, against good village governance standards and ethical demands of Maqashid Syariah. The main output of this study is the proposal of a holistic model that is able to overcome specific challenges of Jaranguda, such as the human resource capacity deficit and the manual accounting system of BUMDes, to ensure that future Village Fund allocations generate maximum benefits and align with the long-term vision of the Village SDGs.

LITERATURE REVIEW

The theory of sustainable development, popularized by the Brundtland Report (1987), with its definition focused on intergenerational equity, serves as the philosophical foundation for the Village SDGs. Applying this concept to rural areas fundamentally demands a paradigm shift away from resource exploitation and toward long-term conservation, ultimately achieving harmony between the local economy, society, and ecology. True sustainability, according to this definition, relies heavily on the development of a "quality population," as only through increased human resource capacity can natural resources be managed efficiently, optimally, and without damaging the environment. In the context of Village Fund utilization, this means that investments must be prioritized for human capital development and the creation of economic activities that intrinsically contribute to social and ecological resilience, integrating development with the core mandate of the Village SDGs. (Kadafi & Sudrahman, 2020)

The legal and institutional framework for Village Funds in Indonesia stems from Law No. 6 of 2014, which grants villages significant fiscal autonomy to manage their finances. The use of Village Funds is strictly regulated by derivative regulations, specifically the Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration (Permendes PDRT), which periodically determines annual spending priorities, for example, Permendes No. 8 of 2022. This regulation mandates a systematic planning cycle, culminating in a Village Government Work Plan (RKP Desa), which must align with the Village Medium-Term Development Plan (RPJMDes). Compliance with this regulatory structure is the minimum threshold for accountability; however, optimal utilization requires the adoption of the spirit of the regulation—namely, long-term and integrated planning—to be fully internalized by village officials. (Irfan et al., 2021)

Accountability and transparency are two non-negotiable principles of governance in the management of public funds, aiming to ensure that village governments meet the criteria of good village governance. Accountability requires village officials to report all financial transactions and performance results honestly, accurately, and timely to authorities and the public.

Transparency, on the other hand, ensures that these reports are easily accessible and understood by the wider community and oversight bodies, thus facilitating participatory monitoring. Empirical studies often show that weaknesses in the internal management competencies of village officials hinder this process, resulting in incomplete or manually compiled reports, inherently complicating effective public oversight.(Hanum, 2019)

Islamic economics provides a robust ethical framework for the management of public funds (Mal al-Aam), with a central focus on achieving the highest social benefit (maslahah) and upholding fiscal justice. The principle of trust requires Village Fund managers to act with absolute integrity and honesty in discharging the public trust in these assets. Furthermore, the goal of maslahah is achieved through the operationalization of Maqasid Sharia, which encompasses the preservation of assets (Hifz al-Mal), the prevention of corruption, and the promotion of efficiency in resource allocation. This perspective fundamentally elevates Village Fund management from a mere administrative task to a moral obligation to ensure community well-being and long-term financial stability.(Setyono, 2015)

The participatory planning model, implemented through the Village Consultative Assembly (Musdes), is a legally mandated mechanism to ensure that Village Fund projects are relevant to the real needs of the community and foster a sense of local ownership. This model actively involves various community elements—including the Village Consultative Body (BPD), women's groups, and traditional leaders—in the decision-making process, ensuring that proposals are based on grassroots priorities. When participation is implemented collaboratively, it not only minimizes conflicts of interest but also maximizes the social impact of investments, while strengthening the principles of transparency and fair governance. However, for participation to be truly effective, the village government must not only gather input but also provide clear and accessible feedback on how community proposals are integrated into the final Village Work Plan (RKP Desa) document.(Wahab, 2012)

Extensive empirical evidence confirms that the Village Fund has made substantial progress in rural infrastructure development, significantly improving the quality of life through projects such as clean water provision, drainage rehabilitation, and road access improvements. However, research also highlights that many villages still tend to allocate the majority of funds to physical development, often failing to create the multiplier effect necessary for sustainable economic growth. Key obstacles frequently cited are the lack of technical expertise among village staff to manage complex economic programs and the centralization of decision-making that limits innovative allocations based on local potential. Addressing these structural barriers is crucial to directing the use of the 2026 Village Fund toward more transformative investments and higher returns.

The synergy between the Village Fund and the 18 SDGs demands a structured and measurable planning and reporting methodology, going beyond simple budget absorption metrics. This linkage requires that each expenditure be categorized and measured against specific sustainability indicators; for example,

BUMDes capitalization should be directly linked to SDG 8 (Economic Growth), while capacity training should be linked to SDG 4 (Education) and Hifz al-Aql. Achieving this high level of synergy requires detailed and accurate data (such as BPS's PODES) to accurately diagnose local gaps and design projects that offer systemic solutions. Thus, Village Fund investments truly contribute to improving village resilience and sustainability in the long term. (Agustino, 2014)

While numerous studies have examined Village Fund governance and its impact on development, significant limitations exist in research that holistically integrates sustainable development planning with the Maqasid Sharia ethical framework. Most previous analyses have focused on regulatory governance aspects or isolated studies of Islamic economic instruments, but few have used the Maqasid framework as a comprehensive benchmark for evaluating optimization strategies in a specific village setting like Jaranguda. Therefore, this study seeks to fill this gap by empirically linking identified governance challenges—such as the still-manual BUMDes accounting system—with normative failures in fulfilling Hifz al-Mal and Hifz al-Aql. The goal is to offer a new, ethically informed model for optimal Village Fund utilization by 2026.

METHODOLOGY

This study employs descriptive qualitative research that deeply analyzes the phenomenon of Village Fund management and sustainable development planning in Jaranguda Village. This qualitative approach was chosen because this study aims to interpret the meaning, processes, and context surrounding Village Fund optimization efforts, specific governance challenges, and local actors' understanding of ethical compliance (Maqashid Syariah). Unlike quantitative research that attempts to make statistical generalizations, qualitative methods allow for the acquisition of rich and nuanced data, capable of capturing the unique institutional and cultural factors that influence planning outcomes in the selected village. This in-depth contextualization is essential for formulating strategies that are not only optimal but also practical and relevant to the socio-economic environment of Jaranguda Village.

This research approach adopts a detailed single-case study analysis in Jaranguda Village, strategically selected because it exhibits high levels of BUMDes activity yet still faces classic operational challenges, making it an ideal location for policy intervention. This approach also integrates a policy analysis framework to evaluate how central government regulations (Permendes, SDGs Desa) are translated, adapted, and implemented at the village level, particularly regarding economic empowerment initiatives. Through a sharp focus on Jaranguda, this study provides a micro-lens to identify causal relationships between low institutional capacity (e.g., manual reporting) and failure to achieve higher-level development goals (e.g., sustainable economic growth). This contextual specificity ensures that the resulting recommendations are applicable and tailored to institutional realities on the ground. (Bawono & Styadi, 2019)

The data sources used in this study include primary and secondary data to ensure comprehensive coverage and triangulation of findings. Primary data were obtained through semi-structured interviews with key informants, including the

Head of Jaranguda Village, members of the Village Consultative Body (BPD), administrators of the Red and White Cooperative Village-Owned Enterprise (BUMDes), and influential community leaders. Secondary data comprise official regulatory documents (such as Permendes), local planning documents (RPJMDes, RKPDDes 2026, APBDes), and internal BUMDes reports, including existing manual financial records. This in-depth analysis of BUMDes financial documentation is crucial because it provides empirical evidence regarding transparency and capacity challenges that are the focus of improvement in the 2026 Village Fund planning.

Data collection techniques combined rigorous literature review and intensive fieldwork to verify information. The literature review served to establish a strong theoretical foundation (e.g., Brundtland Theory and Maqashid Syariah) and define the empirical context for Village Fund implementation in Indonesia. Observations were conducted during Village Deliberations (Musyawarah Desa) and Village-Owned Enterprise (BUMDes) activities to confirm the extent to which participatory mechanisms were functioning and the operational environment. Meanwhile, primary data came from semi-structured interviews, which allowed informants to elaborate on their experiences, perceptions of mandates, and specific obstacles encountered in financial management, providing important contextual details beyond formal documents. Systematic data collection through these various modalities ensured that institutional statements could be verified against practical experience and documented results.

The collected data were analyzed through a three-stage qualitative process, including data reduction, data presentation, and conclusion drawing, using thematic analysis. The data reduction stage involved summarizing, coding, and selecting relevant themes from interview transcripts and documents, with a primary focus on governance gaps, economic productivity, and Maqasid Syariah compliance (e.g., coding Hifz al-Mal evidence). The data presentation stage organized these thematic codes into a structured matrix and narrative, facilitating the identification of causal relationships, such as the correlation between manual accounting systems and weak BUMDes accountability. Finally, conclusions were drawn by synthesizing the findings to produce a cohesive and actionable model for optimizing Village Funds in Jaranguda Village.

Jaranguda Village, located in Merdeka District, Karo Regency, was chosen as a focus location because it represents an ideal case study, reflecting a village actively engaged in economic development but facing typical operational challenges. The village has successfully established a formal economic entity, the Merah Putih Cooperative/BUMDes, with a clear mandate for the 2025-2027 period, demonstrating strong development ambitions. However, research documentation also reveals persistent governance weaknesses, particularly the lack of a standardized or digital BUMDes financial reporting system. This combination of development ambitions and capacity deficits makes Jaranguda highly relevant for developing a focused strategy that can be immediately implemented to achieve sustainable governance within the 2026 planning cycle.

RESEARCH RESULT

The implementation of the Village Fund in Jaranguda Village from 2015 to 2024 demonstrated an allocation pattern consistent with national trends, with spending dominating the community's basic needs and physical infrastructure development. The budget in the early years was largely directed toward improving accessibility, including village road rehabilitation, clean water pipeline construction, and social facility improvements, in line with other regional priorities in Karo. This initial phase successfully addressed immediate deficiencies and laid the physical foundation necessary to support economic activity and improved connectivity within the village. This strong focus on infrastructure spending reflects a low-risk allocation strategy, where physical projects tend to be more easily justified and more quickly absorbed than complex economic programs. This reality suggests that Village Fund planning for 2026 must prioritize a strategic shift to maximize the productivity of already constructed physical assets. (Bihambing, 2019)

The most tangible benefit from the Village Fund utilization in Jaranguda is the improvement of public infrastructure, which directly contributes to the *Hifz an-Nafs* (nourishing the soul) aspect by improving the quality of life. The rehabilitation of vital farm roads has reduced transportation costs and time for local agricultural products, such as coffee, thereby improving market access and competitiveness. Furthermore, investments in water infrastructure, including a clean water pipeline, have positively impacted public health and sanitation, providing essential social returns. These infrastructure achievements signal that the village has achieved the first generation of Village Fund targets, confirming that the focus of future planning should shift to maximizing the productive returns from existing physical capital.

Despite regulatory demands for strong governance, research finds that achieving full transparency remains a challenge in Jaranguda, particularly regarding the village's economic entity, the Red and White Cooperative, a village-owned enterprise (BUMDes). The evaluation revealed that the current BUMDes financial reporting system is still managed manually on paper, a situation that requires serious intervention to at least standardize reporting using basic digital tools such as Microsoft Excel. This manual system significantly limits the capacity for objective monitoring and evaluation (M&E), creates inherent barriers to public oversight, and undermines the principles of honesty and meticulous record-keeping required by *Maqashid Syariah*. Consequently, these structural weaknesses hinder the village government's efforts to achieve the digital and robust institutional accountability standards that are hallmarks of good village governance.

The Village Fund optimization strategy in Jaranguda was positively influenced by the strong involvement of the community and traditional institutions through the Village Consultative Forum (*Musyawarah Desa*). Stakeholders, including the Village Consultative Body (BPD), women's groups, and traditional leaders, were actively involved in proposing and prioritizing projects for the 2026 Village Work Plan (RKP Desa). This high level of enthusiasm

and participation from community organizations served as a crucial social mechanism for upholding the mandate, providing an informal check on potential financial irregularities. This strong participatory approach ensured that the strategic shift toward economic empowerment through Village-Owned Enterprises (BUMDes) was supported by collective consensus, a crucial factor in determining the long-term success and sustainability of economic projects.

The most substantial opportunity for optimizing Village Funds in 2026 lies in the capitalization of Village-Owned Enterprises (BUMDes), which were recently reorganized into the Red and White Cooperative with a mandate until 2027. These BUMDes focus their activities on core needs, including savings and loan services, agricultural input (fertilizer) provision, and livestock support, leveraging the village's potential in the agricultural sector. By channeling funds into these local economic activities, Village Fund allocations transform into revolving capital, directly fulfilling the ethical mandate of *Hifz al-Mal* (the maintenance and growth of wealth) as outlined by the *Maqasid Sharia*. Successful BUMDes capitalization will ensure inclusive, community-based economic growth, supporting the development of local Micro, Small, and Medium Enterprises (MSMEs). (Ubaid, 2004)

The leadership role of Village Head Elisa Sinuraya, SH, is central to directing the development agenda, particularly in establishing a formal economic entity (the Merah Putih Cooperative). The Village Head explicitly emphasized the importance of integrity, competence, and responsibility among the new BUMDes management, reflecting a deep understanding of the principle of trust. However, despite the leadership's commitment to honesty, the overall effectiveness of planning remains highly dependent on the technical capacity of the supporting apparatus. A key challenge for the 2026 planning process is how to translate leadership integrity into sustainable institutional professionalism, particularly by addressing the clear lack of modern financial management skills among village staff.

Jaranguda's planning documents demonstrate an effort to conceptually integrate Village Fund allocations with the Village SDGs framework, with specific targets on economic growth (SDG 8) and social welfare (SDG 3). The current economic empowerment strategy implemented through the Red and White Cooperative Village-Owned Enterprise (BUMDes) is a clear indicator of alignment with SDG 8 (Decent Work and Economic Growth), signaling a shift away from a focus solely on basic needs. However, a detailed evaluation revealed that appropriate and measurable monitoring metrics related to the SDGs, beyond basic output reporting, are often lacking, making it difficult to assess true long-term sustainable impact. Optimizing integration for 2026 requires the adoption of data-driven planning and monitoring tools to accurately measure village progress against all relevant Village SDG indicators.

The effectiveness of Village RKP planning depends heavily on the quality of the data used, which requires a synthesis of BPS data (such as PODES) and grassroots input gathered during Village Consultative Meetings (*Musyawarah Desa*). While participatory input was enthusiastically received by the community, the internal capacity of villages to transform raw community input

into quantified, risk-assessed, and technically sound project proposals remains low. Furthermore, the absence of a standardized and digital reporting system means that subsequent Village Fund performance evaluations (M&E) lack sufficient objective data to inform planning, creating a permanent gap between plan formulation and outcome measurement. Truly effective planning for 2026 must include mandatory technical training to standardize data collection and analysis at the village level.

The main obstacle identified in the implementation of the Jaranguda Village Fund is limited human resources, particularly in mastering modern financial administration techniques necessary for accountable public fund management. This limitation is evident in the continued use of manual accounting systems in economically vital Village-Owned Enterprises (BUMDes). Furthermore, gaps in technological access and skills are a major barrier to achieving digital transparency and efficient communication between village governments, BUMDes, and community oversight bodies. Furthermore, coordination challenges among local institutions, including the Village Consultative Body (BPD) and Traditional Institutions (Lembaga Adat), sometimes lead to fragmented strategic focus, complicating the implementation of integrated and holistic Village Fund planning. (Mondini, 2020)

Despite facing various challenges, Jaranguda Village has significant opportunities to address internal capacity deficits through strategic and innovative external collaborations. Partnerships with nearby academic institutions (such as the State Islamic University of North Sumatra) or specialized non-governmental organizations (NGOs) could facilitate much-needed technical training in financial management and digital literacy. Such external support could immediately bridge the technology gap by assisting in the implementation of systematic accounting methods (e.g., the suggested Excel-based system). These collaborations provide the necessary impetus for rapid institutional innovation, enabling Jaranguda to build a robust governance framework and maximize the productive use of the 2026 Village Fund allocation.

DISCUSSION

Sustainable Village Development in Jaranguda should be understood as a systemic shift from consumption-oriented infrastructure spending to income-generating capital investment, aligned with the national RPJMN and the Village SDGs mandate. The primary focus must shift from merely addressing the symptoms of underdevelopment to building resilient local systems capable of independently addressing economic shocks and environmental change. Analysis indicates that Jaranguda has reached a stage of maturity where further development should place greater emphasis on optimizing human capital and formalizing the Red and White Cooperative Village-Owned Enterprise (BUMDes) as a driver of sustainable economic growth. This strategic reorientation ensures that the village's economic future is self-determined and does not rely on recurring external subsidies. (Pemerintah Republik Indonesia, 2014)

Optimization of the Village Fund must be firmly grounded in the principles of social and economic justice, ensuring that Village Fund benefits are distributed

equitably across all demographic segments of Jaranguda. From an economic perspective, this means prioritizing investments in Village-Owned Enterprises (BUMDes) activities, such as savings and loan services and fertilizer distribution, which provide easily accessible capital and resources to vulnerable farmers and MSMEs, consistent with the spirit of *Hifz al-Mal* (preservation of wealth). Social justice is also achieved through increased transparency, which ensures that all community members can hold the government accountable, thus preventing misuse of funds that would violate the Islamic principle of fiscal justice. Thus, the Village Fund serves as a key instrument for wealth redistribution and the creation of equitable opportunities at the community level.

The ethical obligation of trustworthiness occupies a central position in Village Fund management, imposing a moral duty on the Village Head and village officials to act with full integrity in managing public assets. Research findings regarding the manual and unsystematic financial reporting of the Jaranguda Village-Owned Enterprise (BUMDes) constitute a direct institutional violation of this principle of trustworthiness, as it complicates transparency and increases the risk of error or manipulation. Conversely, directing funds to productive BUMDes activities and skills training is a concrete manifestation of achieving public welfare through the implementation of *Hifz al-Mal* (economic stability) and *Hifz al-Aql* (increased knowledge). Therefore, adopting systematic financial controls is not merely legal compliance, but also the fulfillment of a fundamental moral and ethical obligation.

The implementation of good village governance in Jaranguda demands immediate action to address the transparency deficit caused by the BUMDes' manual accounting system. Transitioning to digital financial reporting—even if only using the previously suggested Excel-based system—is a prerequisite for increased community participation and oversight. Digital platforms ensure instant data access, enabling communities through the BPD and Village Consultative Assembly (*Musyawarah Desa*) to monitor expenditures and performance in real time, which in turn strengthens the principle of trust. These institutional changes align with broader policy recommendations regarding institutional improvement as a core strategy for increasing the overall effectiveness of the Village Fund.

The strategic use of the 2026 Village Fund allocation must prioritize funding that generates high economic productivity and long-term educational impact. Empirical results provide a strong warning against excessive infrastructure spending that lacks a clear economic multiplier effect. Instead, investment should be channeled to expand the Red and White Cooperative Village-Owned Enterprise (BUMDes), transforming it into a more sophisticated center for capital distribution and marketing of local products. At the same time, funds should be allocated for targeted managerial and vocational training (*Hifz al-Aql*) for village youth and BUMDes staff to ensure the sustainability of the economic enterprises built with these public funds.

The future competitiveness of the Jaranguda economy, particularly in the agriculture and local commodities sectors, demands significant digital integration and market innovation. Village-Owned Enterprises (BUMDes) must

utilize digital tools not only for internal financial management (overcoming manual accounting issues) but also to connect local products to broader markets and manage inventory efficiently. The 2026 plan should allocate resources to establish a digital presence for the Merah Putih Cooperative, transforming traditional trading practices into modern and transparent commercial operations. This adoption of technology ensures that generated wealth is managed efficiently and maximizes the potential for Hifz al-Mal fulfillment on a larger scale. (Ghassani & others, 2019)

The Red and White Cooperative BUMDes serves as a critical mechanism for operationalizing Hifz al-Mal (Hifz al-Mal) and driving Jaranguda's inclusive, community-based economic growth. Unlike private entities, BUMDes profits are reinvested back into the village, directly fulfilling the principle of *maslahah* (public good). However, its success depends heavily on professional management guided by integrity, as emphasized by the Village Head in establishing the board. Therefore, optimal Village Fund allocation in 2026 should support the professionalization of BUMDes personnel, providing specialized training in accounting, risk management, and local potential assessment, in line with recommendations from development experts.

While central government regulations, such as the Ministerial Regulation (Permendes), have effectively established a broad priority agenda (the Village SDGs), their effectiveness at the local level is often hampered by a lack of local institutional capacity and weak enforcement mechanisms. The 2026 policy must explicitly address systemic human resource capacity gaps through mandatory standardized training and the provision of simplified financial tools. Without clear policy pressure from the central level to enforce digital transparency and robust M&E systems, villages like Jaranguda will likely continue to struggle with governance weaknesses (e.g., manual BUMDes accounting) despite the regulatory intentions.

The most impactful intervention for optimizing Village Funds is strategic investment in the human capital of village officials and BUMDes managers, addressing the capacity deficits highlighted by empirical findings. The strategy should include tailored training modules focused on financial management (transitioning from manual systems), project planning, and robust monitoring and evaluation (M&E) protocols. Robust M&E is crucial to ensure that expenditures truly meet the Village SDGs indicators and uphold ethical standards for rational and non-speculative use of funds (Hifz al-Aql). These capacity-building efforts must be sustainable and strengthened through structured, time-bound partnership models. (Jalaluddin & Musdalifa, 2024)

The final recommendations synthesize these elements into a Maqasid-Based Digital Governance Model (MBDGM) for Jaranguda Village, ensuring both legally valid and ethically rigorous optimization. The model mandates that 2026 Village Fund allocation decisions explicitly justify their contribution to the five Maqasid principles (primarily Hifz al-Mal and Hifz al-Aql). Furthermore, the model calls for mandatory digital transformation of BUMDes financial reporting by 2026 to ensure real-time transparency, thereby reinforcing the core principles of *amanah* (trustworthiness) and long-term welfare. This integrated model offers

a comprehensive framework for achieving sustainable development in Jaranguda.

The following table presents an operational synthesis of the Maqashid-Based Digital Governance Model (MBDGM), integrating Sharia principles with specific development programs that Jaranguda Village must prioritize in its 2026 Village Fund planning. This framework serves as a practical guide to ensure that every rupiah of Village Funds generates maximum and measurable benefits.

Table 4. Integration of Maqashid Syariah in Optimizing Village Funds in 2026 in Jaranguda Village (MBDGM)

The Objectives Of Maqashid Sharia	Development Dimensions (Village Sdgs)	Direction Of The 2026 Village Fund Optimization Program (Jaranguda)
<i>Hifz Al-Mal (Property Maintenance)</i>	Sustainable Village Economy (SDG 8)	Increasing the working capital of the Merah Putih Cooperative (focusing on agribusiness/livestock), digitalization of BUMDes assets, SME entrepreneurship training based on Karo potential.
<i>Hifz An-Nafs (Care Of The Soul)</i>	Health and Well-Being (SDG 3)	Sustainable improvement of sanitation and clean water facilities, provision of occupational safety protection programs for farmers and BUMDes managers.
<i>Hifz Al-Aql (Maintenance Of The Mind)</i>	Quality Education (SDG 4)	Village/BUMDes financial management training (transition from manual to digital/Excel), provision of digital training facilities and M&E for village officials.
<i>Hifz Ad-Din (Maintenance Of Religion)</i>	Dynamic Village Institutions (SDG 16)	Implementation of an honest and thorough reporting system, strengthening the integrity of the apparatus through the principles of trust and digital transparency.

CONCLUSION

The Village Fund has massive transformative potential to support the sustainable development of Jaranguda Village, provided its allocation is strategically shifted from a predominance of physical development to investments in income-generating human and institutional capital. Optimization of the 2026 Village Fund in Jaranguda Village must focus on strengthening the local economy through capitalization of the Red and White Cooperative Village-Owned Enterprise (BUMDes) and addressing key governance weaknesses, particularly the manual accounting system that significantly hinders

transparency and accountability. The success of this plan depends heavily on improving the human resource capacity of village officials, who must receive intensive training in modern financial management and digital reporting systems to ensure that funds are allocated efficiently, productively, and in line with the long-term needs of the community. Only through this strategic shift can the Village Fund create a significant multiplier effect and avoid consumptive allocations.

The integration of Islamic economic principles, particularly the Maqashid Sharia framework, provides a solid ethical foundation for optimizing Village Funds, demanding that all expenditure be directed toward achieving public welfare through the preservation of wealth (Hifz al-Mal) and the enhancement of reason (Hifz al-Aql). Accountability deficits resulting from manual systems (e.g., in the Jaranguda Village-Owned Enterprise) constitute a violation of the principle of trust and must be addressed immediately through the adoption of the Maqashid-Based Digital Governance Model (MBDGM), which recommends mandatory digitalization and transparency. This way, sustainable development goals can be achieved in a balanced manner – not only encompassing economic and social aspects – but also ensuring the integrity and continuity of honest and accountable village institutions for future generations, in accordance with the Brundtland Report's vision.

BIBLIOGRAPHY

- Adam, F., Murni, T., & Sitorus, B. (2024). Enhancing Village Governance for Effective Village Fund Management. *Journal of Public Administration and Policy*, 12(2), 45–60.
- Agustino, L. (2014). *Fundamentals of Public Policy*. Alfabeta.
- Bawono, I., & Styadi, E. (2019). *Guide to the Use and Management of Village Funds*. PT Raja Grafindo.
- Bihambing, H. (2019). *Village Participatory Development Planning*. CV Budi Utama.
- Ghassani, SA, & others. (2019). *Analysis of regional development through the village fund program in Bogor Regency: an institutional theory approach*. *Indonesian Geography Magazine*, 33(2), 112–126.
- Hanum, N. (2019). Village Financial Accountability (Case Study of Ngentrong Village). *Journal of Accounting*, 8(3), 201–215.
- Irfan, J., Majid, M., & Umar, R. (2021). Accountability of Village Fund Management from the Perspective of Al-Muraqabah. *Journal of Islamic Economics and Business*, 6(2), 112–128.
- Jalaluddin, & Musdalifa. (2024). Management of Village Fund Allocation (ADD) based on Maqashid Syariah in Padakkalawa: A Study of Hifz al-Mal and Hifz al-Aql. *Al-Qalam Journal*, 20(1), 101–120.
- Kadafi, N., & Sudrahman, S. (2020). The Impact of Village Fund Use on the Local Economy. *Journal of Regional Development*, 4(1), 1–10.
- Margareta, E., & Siahaan, AL (2022). *Development of a Microsoft Excel-Based Financial Reporting System at the Village-Owned Enterprise (BUMDes) in Jaranguda Village, Karo Regency*. *Journal of Education and Counseling (JPDK)*, 4(6), 8307–8316. <https://doi.org/10.31004/jpdk.v4i6.9671>
- Mondini, G. (2020). The Village SDGs: Operationalizing Sustainable

- Development Goals at Local Level. *Journal of Development Studies*, 23(15), 42–58.
- Government of the Republic of Indonesia. (2014). *Law of the Republic of Indonesia Number 6 of 2014 concerning Villages*.
- Septriani, A., Susanti, A., & Fitriani, R. (2024). Optimizing Village Funds for the Development of Village-Owned Enterprises Based on Local Potential. *Journal of General Finance and Applied Accounting*, 7(1), 1–15.
- Setyono, J. (2015). Good governance from an Islamic perspective (Usul Fiqh approach). *Journal of Islamic Law*, 13(1), 1–18.
- Ubaid, A. (2004). *Al-Amwal (State Treasury)*. Echo of Humanity.
- United Nations World Commission on Environment and Development. (1987). *Our Common Future: Report of the World Commission on Environment and Development*. Oxford University Press.
- Wahab, SA (2012). *Policy Analysis from Formulation to Implementation of State Policy*. Bumi Aksara.