

Legal Reconstruction of the Implementation of Village Funds in Realizing Economic Development of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia

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Abstract: Micro, Small, and Medium Enterprises (MSME) have significant potential to become the primary driver of economic transformation from the perspective of village economic development. To support this need, clear and measurable regulations are required to direct Village Funds so that their utilization is appropriately targeted. Although Village Funds have great potential as an instrument to promote village economic growth and MSME empowerment, their implementation still faces various obstacles, such as unintegrated regulations, low capacity of village officials, and weak supervision and accountability in budget utilization. The purpose of this research is to examine the conditions, weaknesses, and formulate legal reconstruction of Village Fund management regulations in supporting the economic development of Micro, Small, and Medium Enterprises (MSME) in Indonesia. This research employs a constructivism paradigm with descriptive-analytical research specifications and qualitative research design. The data types include primary data, secondary data, and tertiary data. Data collection methods encompass literature study, interviews, and observation, which are then analyzed using a qualitative analysis approach. Research findings indicate that the legal regulatory framework governing the management of village funds for the development of the MSME (Micro, Small, and Medium Enterprises) economy in Indonesia is currently based on Law Number 6 of 2014, as amended by Law Number 3 of 2024, along with its derivative regulations such as Ministerial Regulation of the Village, Development of Disadvantaged Regions, and Transmigration (Permendesa PDRT) Number 7 of 2023. In practice, however, a larger portion of the funds is allocated to physical infrastructure development, while productive sectors like UMKN receive less attention. Program planning often remains a mere formality. The weaknesses in the regulation of Village Fund management in supporting UMKN economic development in Indonesia include both technical and substantive aspects. The absence of specific regulations on systematic MSME development has led to uncoordinated program implementation. Legal reconstruction of Article 26 paragraph (3), Article 34A paragraph (4), Article 39, Article 72, Article 87A paragraph (3), and Article 118 of Village Law is expected to optimize efforts toward achieving MSME-based economic development.

Keywords: Village Funds, Pancasila Justice, MSME, Economic Development, Legal Reconstruction

1. Introduction

The welfare of the people is essentially the goal of a country's development, which is in line with the opening of the 1945 Constitution that the goal of the Indonesian Nation's National Development is to protect the entire nation and all the people and territory of the country, improve the welfare of the people, educate the life of the nation, and play a role in maintaining world order. One of the government's efforts to achieve the nation's development goals begins with increasing economic growth at the smallest level, namely villages. Equitable national economic growth is influenced by economic equality between regions, particularly between urban and rural areas. [1]

Ministerial Regulation Number 7 of 2023 concerning Priority Use of Village Funds, as one of the regulations governing the use of Village Funds for MSME empowerment activities, still has various weaknesses in its operationalization, particularly in establishing program success indicators and effective oversight mechanisms. In a legal context, the principles of justice, transparency, accountability, and participation must be applied in the

reconstruction of village fund implementation. These principles will serve as the foundation for formulating a regulatory framework capable of addressing the challenges of managing village funds for UMKN empowerment. Furthermore, a participatory approach to village fund management will also ensure that the implementation of government programs truly aligns with local needs and potential.

Village development must be directed at strengthening local economic structures through community empowerment. Development focuses on improving infrastructure, developing human resources, and strengthening village institutions. This process requires the active involvement of all elements of the village community to ensure sustainable development and alleviate poverty and inequality. [2]

Village funds play a crucial role in driving successful development in rural areas. The central government allocates a substantial budget as a commitment to equitable development. In 2024, the allocated village funds reached a staggering 71 trillion rupiah. This allocation demonstrates the government's commitment to accelerating village development in line with the broader national development vision. The government hopes that these funds will enable villages to implement priority programs such as food security, poverty reduction, and the development of basic facilities and infrastructure.

Inclusive, people-centered economic growth is the goal to be achieved through village development. A people-centered economy emphasizes strengthening local economic factors such as farmers, fishermen, and micro, small, and medium enterprises (MSME). Village funds are used to support productive economic activities that can increase village incomes. This effort is expected to create new jobs, reduce unemployment, and improve overall community welfare. Empowering the local economy is a strategic step in strengthening the foundation of national development from the village level.

One of the government's efforts to realize national development goals begins by enhancing economic growth at the smallest level, namely, the village. In order to achieve self-reliant villages, it is essential to improve the economy of Micro, Small, and Medium Enterprises (UMKN), as well as to develop competent and competitive human resources (HR). One of the government's strategies to realize this is through the Village Fund (Dana Desa), which is allocated by the Ministry of Finance in the form of intergovernmental fiscal transfers to village administrations. Government Regulation No. 60 of 2014 concerning Village Funds sourced from the State Budget (APBN) states that these funds are to be utilized to finance village governance, infrastructure development, community guidance, and empowerment programs. [3]

These funds are distributed to each village based on mechanisms stipulated in existing laws and regulations. Transparency and accountability in the management of Village Funds are imperative to prevent misuse and to ensure that development programs are well-targeted. Ministerial Regulation of Villages, Disadvantaged Regions, and Transmigration (Permendesa PDTT) No. 7 of 2023 stipulates that the priority of Village Fund usage must be directed towards village development and community empowerment. This regulation identifies four main priorities: (1) Meeting basic needs, (2) Developing village infrastructure, (3) Enhancing local economic potential, and (4) Sustainable use of natural and environmental resources.

Inclusive and community-based economic growth is a core objective of village development. The people's economy emphasizes the empowerment of local economic factors such as farmers, fishermen, and UMKN. Village Funds are thus utilized to support productive economic activities that can increase villagers' incomes. These initiatives are expected to generate new employment opportunities, reduce unemployment rates, and improve overall community welfare. Empowering local economies is a strategic step in strengthening the foundation of national development from the village level. [4]

In the context of UMKN development, the Village Fund holds great potential to be utilized as start-up capital, training funding, and a foundation for creating a business ecosystem that supports UMKN growth. However, to date, the implementation of Village Funds in supporting UMKN still faces various challenges, including the absence of specific regulations, unclear implementation mechanisms, and the limited capacity of village officials to manage empowerment-based economic programs.

From the perspective of village economic development, UMKN have significant potential to serve as key drivers of economic transformation. However, this potential cannot be realized without adequate policy intervention. UMKN development requires support in various aspects, such as entrepreneurship training, market access, supply chain strengthening, and technological innovation for marketing. The Village Fund can be directed toward meeting these needs, but clear and measurable regulations are also required to ensure effective and targeted use. Additionally, community involvement in the planning and implementation of Village Fund-based programs is crucial to ensure the success of this policy.

UMKN, development at the village level has a direct impact on increasing community income, reducing unemployment, and alleviating poverty. Therefore, the effectiveness and efficiency of Village Fund management are prerequisites for creating a conducive ecosystem for UMKN growth. However, in practice, Village Fund implementation still tends to focus on physical infrastructure development such as bridges, roads, and public facilities, while economic empowerment aspects are often neglected. This reflects an urgent need to adjust Village Fund usage priorities to be more oriented toward economic development. [5]

This background and consideration have motivated the author to conduct a study and analyze these issues in a scientific dissertation titled: "*Legal Reconstruction of the Implementation of Village Funds in Realizing Economic Development of Micro, Small, and Medium Enterprises (UMKN) in Indonesia.*"

2. Research Methodology

This research is based on a constructivist paradigm, which emphasizes that human beings actively shape, adapt, and develop various concepts, models, and realities they encounter. [6] This includes aspects of knowledge and legal truth, which are not viewed as static entities but rather as outcomes of ongoing social and intellectual construction processes that evolve in line with shifts in human thought and life dynamics. [7] The research approach employed in this study is sociological (*socio-legal research*), focusing on understanding and analyzing the relationship between law and society. It falls under the category of descriptive research, where the main objective is to provide a clear and accurate depiction of the social phenomena taking place, specifically the implementation of village funds to support the development of the micro, small, and medium enterprise (UMKN) sector in Indonesia.

3. Result and Discussion

3.1. Legal Conditions of Village Fund Regulations in Realizing UMKN Economic Development in Indonesia

Village Funds have undergone various regulatory evolutions aimed at increasing their effectiveness, including in the development of the rural UMKN sector. Village Fund management regulations play a role in infrastructure development to improve the overall quality of life for rural communities, including in relation to the economic development of UMKN in Indonesia.

The Village Fund program was first implemented in 2015 with an initial budget of IDR 20.76 trillion. Although fund absorption has not been optimal, the Village Fund budget allocation has continued to increase significantly from year to year. In 2016, the budget increased to IDR 46.9 trillion, then rose again to IDR 60 trillion in 2017. This figure remained at the same level in 2018, before increasing to IDR 70 trillion in 2019. In 2020, there was a 2.86 percent increase compared to the previous year, bringing the total budget to IDR 72 trillion. [8] In 2020 Rp 72 trillion was allocated to 74,953 villages across Indonesia and distributed through 169 State Treasury Service Offices (KPPN). The Village Fund distribution mechanism is a crucial aspect of the program's implementation, as regulated by Minister of Finance Regulation No. 50/PMK.07/2017 concerning the Management of Transfers to Regions and Village Funds, which was later revised through Minister of Finance Regulation No. 112/PMK.07/2017. The Village Fund Program has significantly contributed to infrastructure development in villages across Indonesia between 2015 and 2020. These funds have been used to build various infrastructure to support community economic activities. [9]

The revision through Law Number 3 of 2024 introduced critical improvements to the previous regulations, placing a new emphasis on optimizing the Village Fund, particularly for activities related to the economic empowerment of rural communities. This provision reflects a more progressive approach to fiscal policy at the village level, targeting the growth of the local economy. The primary focus is to promote sustainable productive economic activities rooted in the potential of the villages.

72 paragraph (4) of Law No. 3 of 2024, which mandates that a minimum of 10% of Village Fund allocations must be directed toward the development of productive economic initiatives. This formulation provides a strong legal foundation for reprioritizing the use of Village Funds. The rationalization of budget allocation is aimed not merely at financing infrastructure projects, but also at addressing the needs of the people's economy. Such allocation affirms that rural economic development is an urgent agenda. The central government is sending a strong signal that villages should truly become centers of microeconomic growth.

The policy mandating a minimum of 10% of Village Funds for productive economic activities provides legal certainty for the implementation of village-level programs. Article 72 paragraph (4) serves as a normative basis ensuring that village governments do not overlook the economic sector in their budget planning. Prioritizing MSMEs and Village-Owned Enterprises (BUMDes) is a long-term strategy to strengthen village competitiveness. Reforming the governance of Village Funds through this approach is expected to mark a significant milestone in realizing prosperous and equitable villages. BUMDes is also identified as a key stakeholder in the allocation of the Village Fund.

Article 72A provides legal guidance on the management of Village Funds, emphasizing that village revenues must be managed based on development priorities. These priorities include critical sectors such as education, community education, community development, and empowerment. One practical manifestation of this is through the development of Micro, Small, and Medium Enterprises (MSME). MSME are considered a strategic sector because of their ability to absorb local labor and optimize the potential of local resources within the village.

The ultimate goal of Village Fund management, as stated in Article 72A, is to create employment and boost the rural economy. MSME development is one of the most effective pathways to achieving this goal. MSME are capable of absorbing a significant portion of the local workforce, utilizing available resources, and producing value-added goods and services. As MSME grow optimally, the income of rural communities increases. Active community involvement in these efforts also strengthens the spirit of entrepreneurship, which serves as a key foundation for successful, independent, and equitable economic development at the village level.

MSME play a vital role in improving the welfare of rural communities because they can generate new employment opportunities suited to local conditions. The job opportunities created through MSME are not confined to a single sector but span various fields depending on the village's potential. MSME also create new sources of household income, and aggregate increases in household income can drive the overall growth of the village economy. Community welfare improves when income becomes stable and sustainable MSME have the potential to establish a healthy local economic cycle, where village products are consumed and marketed within the local environment. [10]

MSME are instrumental in reducing social and economic disparities in rural areas. In many cases, inequality arises when access to economic opportunities is limited to a select group, leaving vulnerable populations marginalized MSME offer a solution that is broadly accessible to individuals from various social and economic backgrounds. Given their low capital requirements and reliance on basic skills MSME can facilitate the economic participation of groups that have traditionally been overlooked.

MSME in villages are closely connected to natural resources, as most of their activities directly depend on the wealth of the surrounding environment. In addition, Article 95 of Law Number 6 of 2023 concerning Job Creation contains highly strategic and crucial provisions aimed at supporting the growth and strengthening of the Micro and Small Enterprise (MSE) sector in Indonesia. Specifically, this article governs the mechanism for allocating Special Allocation Funds (DAK) by the central government to support regional governments in carrying out MSE empowerment and development activities, particularly in terms of capital or financing.

Article 95 paragraph (1) explicitly mandates that the central government is obligated to allocate Special Allocation Funds as a source of funding to assist regional governments in empowering MSME, especially those that fall within certain categories. Through this provision, local governments are granted the opportunity to design and implement programs that reflect the unique characteristics and needs of MSME in their respective regions. The regulations outlined in Article 95 of the Job Creation Law have broad implications for local economic development. With more accessible and affordable funding, regional MSME can grow faster, create new job opportunities, and enhance the well-being of communities. Improved capacity and competitiveness of MSME also have the potential to increase the sector's contribution to regional and national economic growth. Local governments can design various empowerment programs based on the real needs of MSME actors, ranging from business capital provision, skills training, product marketing, to the utilization of digital technology in business. [11]

In practice, the management of Village Funds in several areas, such as Buduk Village (Bali), Ponggok Village, Trangsan Village, and Sendang Village (Central Java), has not yet been optimized. Although the regulations technically allow Village Funds to be allocated to productive sectors, in reality, such allocations remain very limited and are still heavily focused on physical infrastructure and operational needs of village administration. This suggests that the development approach taken thus far remains conventional and has not yet fully supported people-centered economic empowerment.

The lack of technical regulations, the weak capacity of village apparatus, and the limited synergy between BUMDes and local MSMEs are the main obstacles to implementing empowerment-based economic programs. Yet with proper planning, cross-sector collaboration, and active community participation, Village Funds have enormous potential to drive the establishment of a sustainable MSME ecosystem.

3.2 Regulatory Weaknesses in Village Fund Management for Realizing MSME Economic Development in Indonesia

The Village Law stipulates that the majority of village funds are used for central programs, leaving villages with little funds available for local community needs, particularly MSME. This can limit villages' flexibility in planning and implementing development according to community needs. Some of the challenges faced include the need for stable leadership, sustainable natural resource management, and more inclusive and participatory village community empowerment.

Although the village fund has been running for more than seven years since 2015, its implementation has not been able to fully address fundamental problems at the village level, particularly in improving community welfare. Law No. 3 of 2024 was introduced as a response to these challenges. Village Law No. 3 of 2024, which is the second revision of Law No. 6 of 2014 concerning Villages, has several weaknesses that need to be addressed. One controversial point is the extension of the village head's term of office to 8 years, which has the potential to trigger an increase in cases of village fund corruption. In addition, the unclear regulation of legal consequences for village heads who are negligent in managing village finances is also a problem.

One of the main obstacles is the existence of technical regulations that do not provide adequate autonomy for village governments in managing village funds. Implementation guidelines are often formulated uniformly, without considering the specific needs of each village. As a result, many activities that are not actually village priorities must still be implemented because they are instructed by the central or regional government, potentially reducing the effectiveness of development at the local level. [12]

Furthermore, the distribution of village funds is also not proportional. Each village receives almost uniform treatment, without considering differences in their characteristics and fiscal capacity, such as differences in Village Original Income (PAD). Villages without PAD ultimately rely solely on transfer funds, while those with PAD receive no additional incentives. This has the potential to widen the gap between villages and hinder the achievement of equitable prosperity. Another problem is the low level of education among village heads compared to village officials, which impacts their ability to plan, manage, and report on budget use. This creates a structural barrier to building commitment to village progress. [13]

In general, the substantive weakness of village fund regulations lies in the mismatch between the spirit of fiscal decentralization and the recognition of village independence in the law, and the technical implementation, which remains highly centralized and bureaucratic. Therefore, revising these centralized technical regulations is urgently needed to realize genuine village autonomy and improve community welfare.

The amendments to the Village Law have attracted public attention because they bring significant changes to village governance. These changes illustrate the dynamics between bureaucratic interests, budget efficiency, and the need for community representation at the village level.

Legal reconstruction of the implementation of Village Funds can be utilized more optimally in realizing the economic development of MSMEs in various regions in Indonesia which have their own different characteristics. Therefore, legal reconstruction of the implementation of Village Funds needs to be directed to be more optimal in realizing the economic development of MSMEs in various regions of Indonesia which have different characteristics. This reconstruction includes the formation of derivative regulations that specifically regulate the strategy for utilizing Village Funds for the MSME sector, starting from local potential-based planning, mentoring mechanisms, to performance indicator-based evaluation systems. Regulations must guarantee transparency, accountability, and active participation of the community as development actors. Increasing the capacity of village officials through entrepreneurship training, financial management, and digitalization is also a priority. Legal reconstruction of the implementation of Village Funds in Article 26 paragraph (3), Article 34A paragraph (4) Article 39, Article 72, Article 87A paragraph (3); and Article 118 of the Village Law is expected to be more optimal in realizing the economic development of MSMEs in various regions of Indonesia which have different characteristics in order to encourage Village Funds to be used not only for physical development, but also directed towards programs that focus on MSME development. A legal approach based on the principles of recognition and subsidiarity must be implemented to encourage fair and sustainable village economic transformation.

3.3 Legal Reconstruction of Village Fund Implementation in Realizing MSME Economic Development in Indonesia

Village Funds need to be reconstructed with a distribution formula based on village potential and needs, not solely on national percentages. For example, Sendang Village, which has significant MSME potential but limited infrastructure and finances, should receive additional allocations and technical assistance. This reflects corrective justice, a state policy aimed at strengthening weak villages so they can achieve equal economic freedom.

To realize the development of local MSMEs, it is proposed that a minimum of 30% of Village Funds be allocated for MSME development. This support can be directed towards developing village potential. Regulations must also guarantee the right of participation of all residents in the planning and oversight process of Village Funds for MSMEs, as Pancasila Justice demands a productive economy based on the people, not elite monopolies or short-term projects. For example, in Ponggok Village, the development of tilapia MSMEs must actively involve all neighborhood units (RW), including women's groups, youth, and people with disabilities. This reflects the principle of equality in economic opportunity, in line with the spirit of "equal liberty" without social discrimination. Therefore, the village government is obliged to establish an inclusive village MSME forum, which is involved in the planning and oversight of fund use. This is a form of economic democratization, an integral part of Pancasila's social justice.

The central and regional governments are also required to provide technical assistance, human resource training, and digital and physical infrastructure to support MSMEs. Villages like Sendang, which still lack human resources for managing village-owned enterprises (BUMDes) and MSMEs, require active and programmatic assistance. This is an effort to ensure equitable distribution of capabilities, not just equitable funding. This is a concrete form of active structural justice by the state. 14]

Structurally, the main weakness in Village Fund implementation is the uneven distribution of institutional capacity and implementing personnel at the village level. In many areas, including Sendang Village, the management of Village-Owned Enterprises (BUMDes) still faces managerial challenges and a lack of human resources capable of developing business plans based on local potential. Without the establishment of a strong technical support institution, the allocation of Village Funds to the MSME sector risks ineffectiveness. Therefore, regulatory reform

should mandate the establishment of Village Fund and MSME support units at the district level, as well as strengthening the function of the Village Consultative Body (BPD) and village deliberations in monitoring and evaluating fund management. This will ensure that the policy implementation structure is capable of realizing a development direction that favors the people's economy.

In terms of legal substance, current regulations still regulate Village Funds in a global and uniform format, for example, by setting a minimum of 10% of the Regional Transfer Fund without taking into account the diversity of village conditions. This creates inequality, as villages like Trangsan, with significant rattan potential, require different support than villages like Ponggok, which relies on fisheries and water tourism.

The substance of the regulations needs to be reconstructed to encourage the affirmative use of Village Funds for MSME development. There must be provisions explicitly stipulating that a portion of the Village Fund allocation be used for community economic empowerment, for example, at least 30% of empowerment funds must be directed to local MSMEs. Furthermore, regulations should require the preparation of a Village MSME Business Plan as part of the village development planning document (RKPDes). This will create a strong and measurable legal basis for the use of Village Funds for productive sectors.

Reconstructing Village Fund regulations is not enough to stop at improving regulations, but also includes strengthening implementing institutions (structure), drafting rules based on local contexts (substance), and developing a democratic and participatory legal culture (culture). Experiences from Ponggok, Sendang, and Trangsan villages demonstrate that the effectiveness of the Village Fund in developing MSMEs depends heavily on the extent to which these three components operate synergistically. If all three are successfully consolidated through fair regulations and proper implementation, the Village Fund will not only be a development tool but will also become a new structural force for realizing economically and socially independent villages, with MSMEs as the primary driving force. [15]

The need to reconstruct regulations regarding Village Funds has the benefit of not only being administrative and uniform, but also truly transforming Village Funds into productive capital investment instruments. Each village should be directed to use a significant portion of its funds, for example, at least 30%, for the development of the local MSME sector. [16] This investment could take the form of production equipment assistance, managerial training, access to capital, and marketing support. The implementation of this approach can be seen in the three study villages: Ponggok, Sendang, and Trangsan. In Ponggok Village, for example, the tilapia processing sector has high economic potential, but not all neighborhood units (RW) are involved due to limited initial capital support. Therefore, the Village Fund should be reconstructed as a form of investment to expand this sector through the development of joint production units or fishermen's cooperatives. In Sendang Village, the managerial weaknesses of the Village-Owned Enterprise (BUMDes) and the low efficiency of fund use in the tourism sector indicate the need for investment in entrepreneurship training and strengthening governance systems. Meanwhile, Trangsan Village, as a national rattan center, has significant export potential, but still lacks promotional and distribution infrastructure. Here, the Village Fund should be utilized as collective investment capital to establish a promotional center and strengthen rattan production cooperatives. [17]

Legal reconstruction of the implementation of Village Funds can be utilized more optimally in realizing the economic development of MSMEs in various regions in Indonesia which have their own different characteristics. Therefore, legal reconstruction of the implementation of Village Funds needs to be directed to be more optimal in realizing the economic development of MSMEs in various regions of Indonesia which have different characteristics. This reconstruction includes the formation of derivative regulations that specifically regulate the strategy for utilizing Village Funds for the MSME sector, starting from local potential-based planning, mentoring mechanisms, to performance indicator-based evaluation systems. Regulations must guarantee transparency, accountability, and active participation of the community as development actors. Increasing the capacity of village officials through entrepreneurship training, financial management, and digitalization is also a priority. [18] Legal reconstruction of the implementation of Village Funds in Article 26 paragraph (3), Article 34A paragraph (4) Article 39, Article 72, Article 87A paragraph (3); and Article 118 of the Village Law is expected to be more optimal in realizing the economic development of MSMEs in various regions of Indonesia which have different characteristics in order to encourage Village Funds to be used not only for physical development, but also directed towards programs that focus on MSME development. A legal approach based on the principles of recognition and

subsidiarity must be implemented to encourage fair and sustainable village economic transformation.

4. Conclusion

The management of Village Funds in realizing the economic development of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia currently has a solid legal foundation through Law Number 6 of 2014 on Villages, as amended by Law Number 3 of 2024, along with its implementing regulation such as Ministerial Regulation of the Minister of Villages PD/TT Number 7 of 2023. These regulations grant authority to villages to independently manage Village Funds to support governance and development, including the promotion of MSMEs. However, in practice, the majority of Village Fund allocations are still focused on physical infrastructure development, while productive sectors like MSMEs receive disproportionately less attention. Moreover, community participation in program planning remains largely procedural and lacks meaningful substance.

This situation reflects weaknesses in both the technical and substantive aspects of Village Fund regulation. The absence of specific guidelines for comprehensive MSME development has resulted in unfocused economic empowerment programs. The low capacity of village human resources in planning, implementation, and monitoring has hindered program effectiveness. Weak internal and external oversight systems increase the risk of fund misuse. In addition, the lack of synergy between village governments, local governments, and the private sector presents a significant barrier to the formation of a supportive entrepreneurial ecosystem. Economic development approaches at the village level have also yet to fully adapt to local characteristics and potentials, often resulting in mismatched programs that fail to meet the actual needs of rural communities.

Therefore, a legal reconstruction of Village Fund implementation is urgently needed to optimize the realization of MSME-based economic development across various regions of Indonesia, each with its unique characteristics. This reconstruction should involve the formulation of derivative regulations that specifically govern the strategic use of Village Funds for the MSME sector—from planning based on local potential, technical assistance mechanisms, to performance indicator-based evaluation systems. The regulations must ensure transparency, accountability, and active community participation as key actors in rural economic development.

Capacity building for village officials must be prioritized through training in entrepreneurship, financial management, and business digitalization. The legal approach to Village Fund management should also be grounded in the principles of recognition and subsidiarity, to ensure support for local autonomy and equitable development among villages. In this context, reconstruction of key provisions in the Village Law, including Article 26 paragraph (3), Article 34A paragraph (4), Article 39, Article 72, Article 87A paragraph (3), and Article 118, is essential to strengthen the legal foundation of Village Fund governance that prioritizes productive economic development. Thus, the Village Fund should not merely serve as an instrument for physical development, but should also function as a strategic tool for promoting MSME growth, expanding employment opportunities, increasing household income, and fostering a rural economic transformation that is just, inclusive, and sustainable.

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