









# “How village funds influence economic development in South Papua, Indonesia”

<b>AUTHORS</b>	Inez Phoek 
	 Amiya Bhaumik 
	 Osama Isaac 
	 Alexander Tjilen 
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Inez Phoek, M.M., Doctoral Student,  
Faculty of Business and Accountancy,  
Lincoln University College, Malaysia.  
(Corresponding author)

Amiya Bhaumik, Dr., Professor, Faculty  
of Business and Accountancy, Lincoln  
University College, Malaysia.

Osama Isaac, Dr., Associate Professor,  
Faculty of Business and Accountancy,  
Lincoln University College, Malaysia.

Alexander Tjilen, Dr., Associate  
Professor, Faculty of Social and  
Political Science, Musamus University,  
Indonesia.



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Inez Phoek (Malaysia), Amiya Bhaumik (Malaysia), Osama Isaac (Malaysia),  
Alexander Tjilen (Indonesia)

# HOW VILLAGE FUNDS INFLUENCE ECONOMIC DEVELOPMENT IN SOUTH PAPUA, INDONESIA

## Abstract

This quantitative study aims to determine the elements that influence the efficiency of village funds in terms of social and economic empowerment. Individualized solutions based on the demographics of the village, including financial support, business partners and markets, human resources, sociocultural ecology, and natural resources, are required for economic development. By collecting data from 179 village heads in South Papua province, Indonesia, this study determines that several elements substantially impact the economic empowerment of communities. However, these factors have not been fully optimized to attain economic independence of villages. With the assistance of regular support from the district government, most village heads are graduates who can effectively plan and implement programs. The distinctive qualities of a community are considered in sociocultural development programs. The development of natural resources and tourism are continuing processes that require market access and infrastructure improvement. Human resources are promising, and sociocultural initiatives align with community requirements. Therefore, addressing the problems associated with market access and resource development is vital. Village funds should promote the use of resources in a sustainable manner; however, there are still obstacles to engaging corporate land users, which calls for further investigation.

## Keywords

development, government, policy, economy,  
management, community, human resource, natural  
resource

## JEL Classification

H53, O38

## INTRODUCTION

Although villages are the smallest units in the state structure, they have great potential to play a role in a country's progress and increase the welfare of its residents (P. Dewi & A. Dewi, 2021; Li et al., 2022). Therefore, empowering rural communities is the key to sustainable village development (Handayani et al., 2023). Village development programs and activities must accommodate community needs and aspirations to achieve this goal. In this context, it is essential to optimize development implementation by considering the level of community involvement in the implementation and maintenance of development results (Murliasari, 2021). One important factor that encourages village development on a large scale and is structured locally (at the village level) is sufficient financial resources (Sampean et al., 2019).

Severe problems in managing village funds must be addressed immediately. Several factors negatively affect sustainable economic benefits. Traditional villages have experienced various difficulties in recent years, including developing, reconstructing, and structuring their territories. A village fund, which should be an instrument for village community development, is often misused, includ-

ing channeling funds for personal interests, budget deviations, fictitious projects, and unreasonable cost increases. Second, fund misuse and village communities' low awareness of their rights contribute to this problem.

It should be noted that this problem worsens as village budgets continue to increase annually (Nislandi & Munari, 2023). Serious efforts are needed to increase transparency, accountability, and supervision by the authorities to overcome the misuse of village funds. The large allocation of village funds distributed by the central government to every village throughout Indonesia has raised concern for many parties, considering that some village government officials may not have adequate capabilities to manage these village funds (Purba et al., 2022; Watts et al., 2019). Therefore, to improve the quality of village fund management, it is vital to evaluate and identify potential factors that could contribute to accelerating economic empowerment. In this way, implementing village fund management can be more effective and positively contribute to overall village development.

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## 1. LITERATURE REVIEW

Village funds reflect the state's concrete recognition of village rights and authority on a local scale. Village funds increase competitiveness in development and empowerment efforts, leading to strong, advanced, and independent villages (Chalil, 2020; Suryana et al., 2020). Through village funds, villages can implement various village development programs and activities to realize community welfare (Menkhoff & Rungruxsirivorn, 2011; Syafingi et al., 2020). Village funds are also used to support development projects and pay salaries to officials (Kriyantono et al., 2020; Nursiani et al., 2019). The source of these funds comes from the state budget. It forms the basis for organizing the village government, implementing village development, developing village communities, and empowering village communities, in line with the principles of Pancasila, the 1945 Constitution of the Republic of Indonesia, and the spirit of *Bhinneka Tunggal Ika* (Faoziyah & Salim, 2020; Ismawati, 2020; Imawan & Purwanto, 2020). The village government plays an important role in managing village funds in the village development process, with an approach based on rights of origin and local permits at the village level (Murliasari, 2021).

The economy plays a central role in sustainable economic development at the national level. It is an integral social aspect closely related to the environment within the welfare framework (Vani et al., 2020). Therefore, improving and strengthening the economy must encourage a country's progress. Economic empowerment is a crucial strategy in this effort, which includes various aspects, such

as control of ownership, production factors, distribution, and marketing control, as well as increasing community access to information, knowledge, and skills. This approach must be carried out holistically, considering the internal factors in society and the policies implemented (Mulya, 2020). Economic empowerment also requires individuals' active and creative participation (Suspitasari et al., 2018). The main goal is economically empowering people to improve their welfare (Ismawati, 2020). It is important to remember that economic empowerment efforts are not only limited to urban areas but also include rural areas. This is because rural development plays a key role in poverty reduction and regional reduction and contributes to overall regional development (Fithriyana, 2020). Therefore, the current development focus has shifted from urban centers to rural areas to achieve more inclusive and sustainable development goals (Islam et al., 2017).

The Village Community Financial Assistance is a government initiative to provide financial support to village communities for diverse needs. The program was designed with various forms and objectives adapted to local government policies and priorities. Some of the general objectives pursued in Village Community Financial Assistance are to empower the economies of village communities by providing financial assistance for the development of micro and agricultural businesses and improving village infrastructure such as roads, bridges, and other public facilities. Financial assistance can also provide social assistance to needy families, support human resource development through skill training and education, and carry

out environmental conservation projects, such as reforestation and water resource management (Tjilen & Moento, 2023).

However, Village Community Financial Assistance often faces various obstacles that must be overcome. Challenges that often arise include a lack of competent human resources for managing village finances, which can disrupt the management of village funds. In addition, budget changes in the middle of the year, slow implementation of accountability reports, and changes to regional regulations can also become obstacles to managing village finances. Another problem is the inability of village officials to manage finances, especially in mastering computer technology and planning. Therefore, village governments play an essential role in designing mature strategies as tools to achieve agency goals with a strong, long-term vision in resource management. To achieve this, simultaneous joint efforts are required from various parties that play a role in village development. The government and various related parties must work together to overcome these obstacles so that Village Community Financial Assistance can operate effectively and benefit village communities (Eryana, 2018). Thus, this program can significantly improve the quality of life in village communities, reduce poverty, and support the development and empowerment of village communities. In this context, good cooperation and coordination are critical to successfully implementing the program.

Village-owned enterprises (VOE) can improve rural community welfare. A VOE is a business entity founded by a village, with capital mainly derived from the village's wealth (Arifin et al., 2020; Aritenang, 2021; Jahja et al., 2020). Through VOE, village natural resource management can be structured to provide a maximum benefit of 70% for village communities. VOE acts as a village institution that aims to realize the welfare of village communities by utilizing village assets and potential and is supported by local investment. VOE is an integral pillar of village development in several aspects, such as economics, strategy, and budget. In February 2019, 64% of the villages in Indonesia established 45,549 VOE units. VOEs desire to run various types of businesses according to the potential of their villages so that they function as busi-

ness entities that support economic activities at the village level. Collaboration with state-owned enterprises is an important factor in supporting VOE. It is hoped that this will assist in the form of capital, professional organizational management, and market access, especially for products produced by VOE. This partnership is necessary because it connects government programs involving village funds with the VOE.

South Papua has encountered challenges in fully optimizing economic activity and regional development. These challenges are often associated with human resource factors such as an imbalance in the availability and quality of natural resources and the limited quantity and quality of human resources. Unfavorable distributions, population numbers, and concentrations contribute to these challenges (Tjilen, 2019). The significance of human resources cannot be overstated because the presence of high-quality individuals who possess physical, intellectual, and psychological capabilities has a profound impact on the functioning of an organization. Many challenges exist within the domain of human resources management at the district level. The absence of intellectual capacity, specifically intelligence, hinders the progress and advancement of the village's development, and the absence of educational prerequisites at an advanced level impedes the village's progress in meeting its community's aspirations. One of the challenges faced in the context of industrialization is insufficient knowledge and skills in science and technology.

Culture is an essential element in the process of the development or sustainability of a nation. It is necessary for community economic empowerment because it plays a strategic role in developing the culture and civilization of society. Development is human intervention in the natural environment, both the physical natural environment and the sociocultural environment. Culture is typically formed and developed within a community; it is an idea or view that originates from a place where a community's wise qualities or good values are embedded, believed, and adhered to from generation to generation (Putri et al., 2021). It is an action considered good by the local community. It can be the main capital for developing a society without destroying or changing the social order of the sur-

rounding natural environment. Local wisdom is the superior culture of the local community because the values adhered to are still closely related to geographical conditions and the surrounding natural environment.

Natural resources are one of the most important economic assets in developing countries such as Indonesia, employing more than three-quarters of the workforce and significantly contributing to Indonesia's gross domestic product. Villages participating in the village fund initiative must address four priority areas: sourcing better products; producing superior products with various advantages, such as superior quality, which is not available in many other places; developing expertise in these areas; and processing marine materials. A superior product has a high production capacity and competes well in the market.

Based on the basic concepts of the theory and previous studies, the following hypotheses are developed:

- $H_1$ : *Finance assisted by village fund positively affects economic development.*
- $H_2$ : *Business partners and market managed by village fund positively affect economic development.*
- $H_3$ : *Human resources within village fund positively affect economic development.*
- $H_4$ : *Sociocultural environment positively affects economic development.*
- $H_5$ : *Natural resources positively affect economic development.*

## 2. METHOD

This study was conducted as an ex post facto study, meaning data collection was conducted after the event was studied. Both independent and dependent variables were included (Figure 1). The ex post facto approach was used for two main reasons: (1) to test the relationship between variables that exist in the research subjects and (2) to investigate whether conditions that have occurred

previously can cause differences in the behavior of the research subjects. This paper uses a quantitative approach with a causal correlational design.

Village heads were chosen as research subjects because they are representatives of both the government and the community, and they must understand the needs and aspirations of the village community to ensure that the use of the village fund aligns with local priorities and requirements. They must communicate government policies to the community and gather input from the community to be conveyed to the government. This ensures that the management of funds reflects actual needs and empowers local communities. Village heads are in a unique position to align the interests of the government and the local community to achieve sustainable development goals at the village level. This study aims to understand the impact of the policies and actions they take on these villages' economic, social, and infrastructure development. A unique geographic and social context was also considered because these factors can influence how village heads perform their duties. By understanding the role and influence of village heads, this study can provide valuable insights for improving policies and practices at the village and district levels and help ensure sustainable village development.

28 statements were used to convey various aspects related to village funds. A five-point Likert scale was used to measure the degree to which the respondents agreed or disagreed with the statements, creating ordinal data that could be statistically analyzed. Selecting a representative sample size is a critical step in the research design. Determining an adequate sample size usually depends on several factors, including the desired level of confidence, acceptable margin of error, and expected variation in the data. Referring to the instrumental analysis methods mentioned above, the sample size was required to achieve the desired confidence level and an acceptable margin of error. The use of a representative sample is compulsory so that the research results can generally be applied to a larger population. Therefore, the sampling process and questionnaires must be evenly distributed among all respondents.

To test data quality, this study used the product moment correlation formula as follows:



$$R = \frac{n(\sum XY) - (\sum X)(\sum Y)}{\sqrt{n\sum X^2 - (n\sum Y^2) - (n\sum Y^2)}}, \quad (1)$$

where  $R$  is the coefficient of validity,  $X$  is the score of the subject item  $n$ ,  $Y$  is the total score of the subjects,  $XY$  is the score of the subject item  $n$  multiplied by the total score, and  $N$  is the number of variables. To test the reliability of the instrument, Cronbach's alpha formula was used,

$$r = \left[ \frac{k}{k-1} \left( 1 - \frac{\sum ab^2}{at^2} \right) \right], \quad (2)$$

where  $r$  is the instrument reliability,  $k$  is the number of error items,  $at^2$  is the total number of variants, and  $\sum ab^2$  is the total item variance.

Multiple linear models were used in this study. There is one dependent variable and five independent variables in this model.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mu, \quad (3)$$

where  $Y$  is economic development;  $X_1$  is financial assistance;  $X_2$  is business partners and market;  $X_3$  is human resources;  $X_4$  is cultural environment;  $X_5$  is natural resources;  $\mu$  is an error term;  $\beta_0$  is the intercept point; and  $\beta_1, \beta_2,$  and  $\beta_3$  are partial coefficients of  $X_1, X_2,$  and  $X_3$ , respectively.

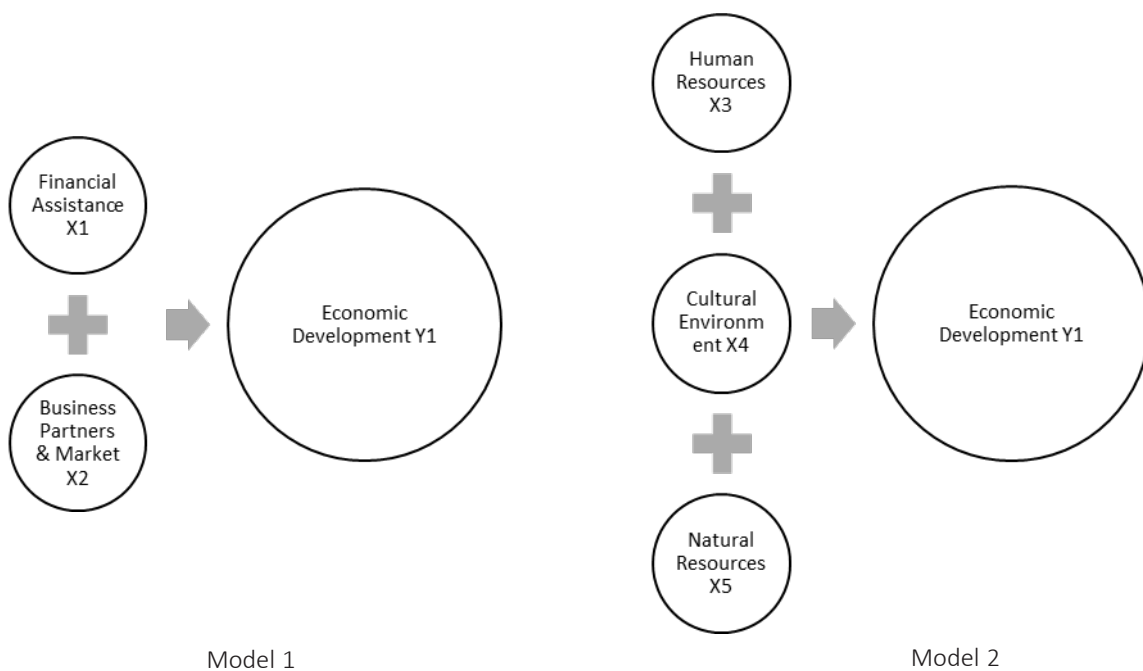
Based on the above explanation, questionnaires were distributed, all of which were returned and analyzed using SEM. This indicates that the sample size exceeded the recommended minimum for SEM analysis.

### 3. RESULTS

The study was conducted on 179 village heads in office based on the number of villages in South Papua Province. The demographic results (Table 1) show that 64% (114) have high school diplomas, 30% (53) completed undergraduate school, and only 7% (12) are graduate holders; the percentage showed approximately in accordance with the percentage of the national survey of village heads throughout Indonesia (Jayani, 2021).

**Table 1.** Respondent demographic

Demographic	Profile	Frequency	Percentage
Age	25–35	14	8%
	35–45	116	65%
	45–50	49	27%
Gender	Male	179	100%
	Female	0	0%
Terms in Office	1 term (6 years)	17	9.5%
	2 terms (12 years)	131	73.2%
	3 terms (18 years)	31	17.3%
Educational Background	High school diploma	53	29.6%
	Undergraduate	114	63.7%
	Graduate	12	6.7%



**Figure 1.** Research model

**Table 2.** Statistic summary

Dataset Characteristics	Economic Development (Y)	Financial Assistance (X1)	Business Partners and Market (X2)	Human Resource (X3)	Cultural Environment (X4)	Natural Resources (X5)
N Valid	179	179	179	179	179	179
N Missing	0	0	0	0	0	0
Mean	15.22	14.64	14.72	12.26	12.79	11.94
Median	15.00	15.00	15.00	12.00	13.00	12.00
Mode	15	17	16	12	13	12 <sup>a</sup>
Std. Deviation	4.967	5.104	4.990	3.853	3.497	3.616
Variance	24.669	26.051	24.902	14.846	12.232	13.076
Range	20	20	20	15	16	16
Minimum	5	5	5	5	4	4
Maximum	25	25	25	20	20	20
Sum	2725	2621	2634	2195	2290	2138

For the Y variable, the average value was 15.22, and the standard deviation was 4.967; for the X1 variable, the range of respondents' answers approached the theoretical range with an average value of 14.64 and a standard deviation of 5.104 (Table 2). This figure shows that the respondents' answers were spread across five categories but tended to have relatively high values. This is indicated by the average value, which was close to the maximum value of the real range. For X2, the range of respondents' answers was close to the theoretical range, with an average value of 14.72 and a standard deviation of 4.990. The X3 variable showed an average value of 12.26 and a standard deviation of 3.853; the X4 variable had an average value of 12.79, a standard deviation of 3.497, and a tendency to have a relatively moderate value, which is indicated by the average value that lies between the true range. Lastly, the X5 variable shows a rather low value, with an average of 11.94 and a standard deviation of 3.616.

The correlation value for all items is greater than 0.361, and it can be concluded that all the variables' instrument items are valid, and instrument items less than 0.361 are removed from the equation. For the reliability test, Cronbach's alpha scores were 0.6, which indicated that the instrument items were reliable (Table 3). All indicators used in this study were proven valid or able to explain each research variable. Thus, the convergent validity of this study meets these requirements. This shows that all statements in the questionnaire are valid and appropriate for measuring each variable, and that respondents correctly understand and answer each statement.

**Table 3.** Confirmatory factor analysis results

Variable	Indicator	Loading Factor	Cronbach's Alpha	Conclusion
Y Economic Development	EE1	0.552	0.769	Valid and Reliable
	EE2	0.812		
	EE3	0.585		
	EE4	0.795		
	EE5	0.646		
X1 Financial Assistance	FA1	0.555	0.639	Valid and Reliable
	FA2	0.768		
	FA3	0.628		
	FA4	0.456		
	FA5	0.671		
X2 Business Partners and Market	BPM1	0.662	0.835	Valid and Reliable
	BPM2	0.623		
	BPM3	0.678		
	BPM4	0.779		
	BPM5	0.752		
X3 Human Resources	HR1	0.821	0.840	Valid and Reliable
	HR2	0.888		
	HR3	0.809		
	HR4	0.736		
	HR5	0.637		
X4 Cultural Environment	SCE1	0.762	0.678	Valid and Reliable
	SCE2	0.692		
	SCE3	0.757		
	SCE4	0.587		
X5 Natural Resources	NR1	0.697	0.619	Valid and Reliable
	NR2	0.709		
	NR3	0.600		
	NR4	0.461		

This test is used to determine whether the variables together significantly affect the dependent variable because the F counts > F table (8926.991 > 3.047) indicates that X1 and X2 together influence Y. The same applies to Model 2 because F counts > F table (80.866 > 3.047), meaning that X3, X4, and X5 together influence Y (Table 4).

**Table 4.** F-test of Model 1 and Model 2

Model 1	Sum of Squares	Df	Mean Square	F	Sig.
Regression	4348.198	2	2174.099	8926.991	.000 <sup>b</sup>
Residual	42.863	176	.244		
Total	4391.061	178			
Model 2	Sum of Squares	Df	Mean Square	F	Sig.
Regression	2550.925	3	850.308	80.866	.000 <sup>b</sup>
Residual	1840.137	175	10.515		
Total	4391.061	178			

**Table 5.** Normality test

Variable	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Y Economic Development	.050	179	.200 <sup>*</sup>	.982	179	.021
X1 Financial Assistance	.063	179	.076 <sup>*</sup>	.979	179	.007
X2 Business Partners and Market	.056	179	.200 <sup>*</sup>	.981	179	.014
X3 Human Resource	.059	179	.200 <sup>*</sup>	.976	179	.004
X4 Cultural Environment	.065	179	.059	.986	179	.074
X5 Natural Resources	0.62	179	0.93	.985	179	.047

Note: a represents the significance level (alpha) chosen for the hypothesis test; \* indicates statistical significance.

The Kolmogorov-Smirnov column and the significance values for Y are 0.200, X1 is 0.076, X3 is 0.200, X4 is 0.200, and X5 is 0.092; these values are greater than 0.05, meaning that the Y, X1, X2, X3, X4, and X5 data populations are normally distributed (Table 5).

The VIF values for X1 and X2 are both 1.102, X3 is 1.911, X4 is 1.023, and X5 is 1.880, which are less than 5, indicating that the regression model does not find any multicollinearity problems. Multicollinearity is a statistical concept in which several independent variables in a model are correlated (Table 6).

The correlation between X1 and the unstandardized residual results in a significance value

of 0.263, X2 value of 0.071, X3 value of 0.078, X4 value of 0.605, and X5 value of 0.838, indicating that the regression model does not find any heteroscedasticity problems (Table 7). This means the regression model does not measure equal or similar variance in the compared groups.

The sig value for X1 is 0.0000, X2 is 0.000, X3 is 0.000, X4 is 0.000, and X5 is 0.005, all of which are less than 0.05, indicating that all variables have a significant effect on Y; therefore, all the hypotheses are accepted (Table 8).

R square score of model 1 is 0.990, showing that variables X1 and X2 influence the dependent variable Y by 99%, while that of model 2 is 0.581,

**Table 6.** Multicollinearity test of Model 1 and Model 2

Model 1	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.656	.149		4.397	.000		
X1 Financial Assistance	.965	.007	.991	132.346	.000	.988	1.012
X2 Business Partners and Market	.030	.007	.030	4.020	.000	.988	1.012
Model 2	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-1.412	1.204		-1.173	.242		
X3 Human Resource	.678	.087	.526	7.775	.000	.523	1.911
X4 Cultural Environment	.405	.070	.285	5.765	.000	.978	1.023
X5 Natural Resources	.263	.092	.191	2.853	.005	.532	1.880



**Table 7.** Heteroscedasticity test of Model 1 and Model 2

Model 1			Unstandardized Residual	X1 Fund Assistance	X2 Business Partners and Market	
Spearman's rho	Unstandardized Residual	Correlation Coefficient	1.000	.084	.135	
		Sig. (2-tailed)	.	.263	.071	
		N	179	179	179	
	X1 Fund Assistance	Correlation Coefficient	.084	1.000	.206**	
		Sig. (2-tailed)	.263	.	.006	
		N	179	179	179	
X2 Business Partners and Market	Correlation Coefficient	.135	.206**	1.000		
	Sig. (2-tailed)	.071	.006	.		
	N	179	179	179		
Model 2			Unstandardized Residual	X3 Human Resource	X4 Cultural Environment	X5 Natural Resource
Spearman's rho	Unstandardized Residual	Correlation Coefficient	1.000	.132	-.039	.015
		Sig. (2-tailed)	.	.078	.605	.838
		N	179	179	179	179
		Correlation Coefficient	.132	1.000	.099	.658**
	X3 Human Resource	Sig. (2-tailed)	.078	.	.189	.000
		N	179	179	179	179
		Correlation Coefficient	-.039	.099	1.000	-.021
		Sig. (2-tailed)	.605	.189	.	.782
	X4 Sociocultural Environment	N	179	179	179	179
		Correlation Coefficient	.015	.658**	-.021	1.000
		Sig. (2-tailed)	.838	.000	.782	.
		N	179	179	179	179

Note: \*\* means statistically significant at the 0.01significance level; . use to denote the absence of a statistically significant result.

**Table 8.** Multiple correlation of Model 1 and Model 2

Model 1	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.656	.149		4.397	.000
X1 Financial Assistance	.965	.007	.991	132.346	.000
X2 Business Partners and Market	.030	.007	.030	4.020	.000
Model 2	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-1.412	1.204		-1.173	.242
X3 Human Resource	.678	.087	.526	7.775	.000
X4 Cultural Environment	.405	.070	.285	5.765	.000
X5 Natural Resources	.263	.092	.191	2.853	.005

**Table 9.** Output of determination of Model 1 and Model 2

Model 1	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.995 <sup>a</sup>	.990	.990	.493
Model 2	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.762 <sup>a</sup>	.581	.574	3.243

meaning that variables X3, X4, and X5 influence variable Y by 58.1%, while the remaining 1% and 41.9% are explained by other factors that are not included in this research (Table 9).

The results show that hypotheses in model 1 and model 2 are accepted. The path coefficient for the direct effect between village fund variables and economic development is associated with p-value of 0.000, less than the 0.05 threshold.

## 4. DISCUSSION

The findings indicate a positive correlation between financial assistance and economic development in villages throughout South Papua Province. The findings suggest that financial assistance provided by the facilitators has a statistically significant impact on village governments in managing the funds; therefore, the village funds are spent wisely in supporting activities and programs to achieve economic welfare. These facilitators help village governments carry out new responsibilities, such as planning medium-term village plans, compiling reports, and organizing various village initiatives. To support the implementation of this initiative, the central government issued regulations that guide how village governments can utilize the innovations of this law. Assistance is provided by various parties, including professionals or experts, village community empowerment cadres, and even third parties who have undergone education and training and have tools and human resources funded by the central government. They help village officials in various aspects, such as using technological devices, preparing reports relating to assets and net worth on a specific date, and providing short-term liabilities. Tjilen et al. (2023) suggest that financial assistance has successfully contributed to the community's economic development.

The impact of business partners and markets on economic development in villages in South Papua Province is positively proven. Research findings suggest a statistically significant relationship between business partners and market and economic development. This means the more business partners and the larger the market, the higher the expected rise in economic development. Villages in Indonesia show abundant potential for developing various small industries into superior products. By creating markets and business partners who buy village resource products, village communities are motivated to optimize the potential of their resources. However, several important points must be considered. The government should incentivize village heads who focus on developing certain commodities.

Additionally, the government must control prices through import and export policies for the same product to support business continuity at the village level. The government must also recognize and

support the business potential of village communities and ensure that it can empower community welfare. The study shows that rural areas have higher rates of self-employment and employment in micro and small sectors. VOEs manage business partners and markets, which is key in advancing rural economies (Phillipson et al., 2019). At least three factors influence the success of this process: the village's natural resources, the availability of capital to support various operations, including participation capital, and, most importantly, human resources. This is because the potential possessed by the village can become a productive commodity depending on the ability of human resources to manage it. Human resources qualities such as organizational performance, especially in terms of physical, intellectual, and psychological operational aspects, greatly influence organizational performance (Setyawan et al., 2022). The impact of human resources on economic development suggests a favorable relationship; this means that higher quality and competent human resources greatly influence economic development. Therefore, efforts to improve the quality of human resources at the village level are significant for achieving progress in village development expected by the community.

This paper suggests a favorable relationship between local culture and economic development in South Papua Province villages, meaning the better the village fund program for local culture, the higher the chances of economic development. Cultural revitalization is an effort to revive dead areas that were previously lived in, controlled, and developed to rediscover the potential of a city in terms of the sociocultural, economic, physical, and social aspects of its natural environment (Kostis, 2021). Local wisdom also plays a role in anticipating external threats and obstacles that can change the value systems adopted by society. Economic development efforts prioritize the development process to improve community welfare, including developing the potential expertise of local communities to be of better quality and globally competitive. Other efforts needed include rebuilding institutional structures, building effective and efficient government systems, and improving the quality of life of every member of society, or mastering and developing to rediscover the potential of a city in terms of the cultural, economic, physical, and social aspects of its natural environment.

Natural resources positively affect the economic development of South Papua Province villages. The most important details in this paper are the direction of rural area development policies and strategies for managing villages' natural resources and sustainable living environments, as well as rural spatial planning. Natural resources are not evenly distributed spatially; one region's shares of natural resources with those of other regions are not the same. This causes one region to become interdependent with other regions through regional cooperation. A problem that arises in villages is the inability of the community to understand the various potentials in its own environment. Urbanization is the cause of people's ignorance of the potential of villages because the resources that support welfare movements are in the villages. Villages have various types of potential if they can be appropriately utilized, such as in a rural atmosphere (Tjilen et al., 2023). Village law directs the community and village officials to seek and empower resources to improve community welfare. However, the qualifications and quality of human resources in rural areas hinder village advancement. For example, people qualified in urban areas can better ensure their lives when they are in the city, and many facilities that can be used to support their skills are located in rural areas. This causes the village to lack staff who can discuss various problems and become experts in identifying the various potentials in the village. The government desires to change the perspective on this matter so that development is concentrated in villages, so these experts live in villages to empower their villages (Zubaidah et al., 2023). The ratification of village law provides opportunities for villages and village governments to manage village resources, which mandates that the village government be given full authority to manage village resources based on the needs and interests of the community. This opportunity is an essential channel for village governments to achieve breakthroughs and innovation. Village governments must be encouraged to manage village resources sustainably and optimally. Community-based natural resource management has a significant economic impact on village communities, and small-scale management (village-scale) positively contributes to environmental management and supports sustainable development. The national government's policy direction and medium-term plans strengthen village governments' abilities to manage village resources

sustainably and optimally. According to village law, natural resource management is an important aspect of village development to maximize rural economic development and create a more prosperous and independent society.

Some villages, particularly those with well-educated village heads, have demonstrated promising human resources, as shown by the sig value  $< 0.05$  and the t count  $> t$  table ( $7.775 > 1.974$ ). However, there is scope for improvement in terms of the program implementation and financial management. Village assistants should further optimize their functions by monitoring the allocation of village funds for the construction of village infrastructure, which is carried out routinely and periodically (Lobor et al., 2018). It is also important to note that the central government plays a significant role in village fund monitoring programs because Village Community Financial Assistance originates from the central government and is run by individuals who are more experienced and trained in various areas of the field. Thus, stricter supervision by the central government can help ensure the effectiveness of program implementation at the village level. Good cooperation between the central government, facilitators, and village governments is critical to achieving the objectives of Village Community Financial Assistance and ensuring that the benefits are felt maximally by village communities.

Cultural programs were aligned with local community characteristics, with a t-count score of 4.020. To boost economic development, a more focused strategy adapted to the uniqueness of each village is necessary. Furthermore, optimizing natural resource use and tourism development requires identifying suitable markets, enhancing infrastructure, and closely monitoring land use. Various problems prevent thousands of VOEs from growing according to expectations, such as the new discourse on the number of new villages, a government structure based on the instructions of the institutions above, and the lack of economic institutions in VOEs. There are at least 11 common problems that VOEs face, such as extensive bureaucratic intervention, poor machinery and equipment, inadequate capital, unproductive company assets, low employee skills, an ambiguous legal basis, a weak marketing system, competition from private companies, the inability to obtain larger business partners, and maintain-

ing loss-making. VOs must not ignore the potential of companies managed by village communities in making decisions regarding their business units and must also empower the welfare of the community at large. To overcome this problem, village assistants developed strategies to strengthen the economic capacity of village communities. This strategy involves strengthening the productive economic capacity of village communities. However, it does not provide the key to winning market competition for the use of local natural resources.

Problems faced in distributing village funds can be reduced through training related to the allocation scheme and by increasing the coordination between various related work units. Strengthening collaboration between work units can help the village government carry out its responsibilities to run

smoothly and not harm the village government or community. Village government organizational work units must be sustainable, meaning that a series of activities must be interconnected to emphasize the linkages between organizational units to achieve the allocation program. The development of village officials can be done in two ways: by increasing the level of education for village officials who have low education and have not completed high school and by providing college scholarships for those with high school education. Education and training can also be conducted to develop the skills and abilities of village officials, both soft and hard, according to their fields (Rodiyah et al., 2021). The educational teachings in question include materials about management, government, offices, public services, economics and finance, politics, culture, ethics, morals, and regional autonomy.

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## CONCLUSION

This study aims to determine what variables positively affect the rural community's economic empowerment in South Papua, Indonesia. Certain factors had varying positive impacts on economic empowerment in different villages, with financial assistance having the highest correlation, followed by human resources, cultural environment, natural resources, and business partners and markets. However, these factors could have been utilized to achieve economically independent villages, mainly because of incomplete government-led empowerment efforts. Consequently, a more tailored and effective strategy that considers the diverse demographics of each village is needed.

The study identified the factors hindering economic empowerment the most. They include the lack of resource utilization, technology, and business management; integrated and sustainable regional management strategies; traditional and subsistence business patterns; limited working capital capabilities; poverty and backwardness of coastal communities and fishermen; external factors, such as development policies implemented by the regional government; damage to ecosystems due to pollution, exploitation, and destruction of forests; inadequate legal and institutional systems; and low awareness of the importance and strategic value of integrated natural resource management for regional progress.

Future research is crucial for delving deeper into the potential obstacles to achieving economic independence of villages. Implementing these recommendations can improve village communities' quality of life and contribute to sustainable economic development.

## AUTHOR CONTRIBUTIONS

Conceptualization: Inez Phoek, Amiya Bhaumik, Osama Isaac.

Data curation: Inez Phoek.

Formal analysis: Inez Phoek, Osama Isaac.

Funding acquisition: Inez Phoek, Alexander Tjilen.

Investigation: Inez Phoek.

Methodology: Inez Phoek, Osama Isaac, Alexander Tjilen.

Project administration: Amiya Bhaumik, Alexander Tjilen.

Resources: Inez Phoek, Alexander Tjilen.

Software: Inez Phoek, Osama Isaac.

Supervision: Amiya Bhaumik, Osama Isaac, Alexander Tjilen.

Validation: Amiya Bhaumik, Osama Isaac, Alexander Tjilen.

Visualization: Inez Phoek.

Writing – original draft: Inez Phoek, Osama Isaac.

Writing – review & editing: Inez Phoek, Amiya Bhaumik, Alexander Tjilen.

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