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THE DILEMMA OF STATE BUDGET POLICY: WHEN CENTRAL EFFICIENCY SACRIFICES VILLAGE FUNDS (PHENOMENOLOGICAL STUDY IN RAINAWE VILLAGE, KOBALIMA DISTRICT, MALAKA REGENCY,EAST NUSA TENGGARA PROVINCE)

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Abstract

This study examines the dilemma of national budget policy affecting Village Funds in Malaka Regency, specifically in Rainawe Village, Kobalima District. Budget efficiency policies implemented by the central government through Presidential Instructions and related regulations have created tension between national fiscal interests and rural development needs. Using a phenomenological approach with in-depth interviews, observation, and budget document analysis, this study finds that: (1) village fiscal dependency reaches 99.2% of central transfers; (2) budget realization faces systemic barriers due to cuts and delayed transfers; (3) village officials experience alienation in top-down budgeting processes; and (4) village communities bear the direct impact of delayed development programs. This research concludes that efficiency policies that do not consider the context of remote villages will exacerbate development inequality between the center and regions.

Keywords: Village Fund, Budget Efficiency, Phenomenology, Malaka Regency, Fiscal Policy

INTRODUCTION

The Village Fund is one of the most important fiscal decentralization policy instruments, born from the spirit of Law Number 6 of 2014 concerning Villages. The Village Fund is expected to transform village governance from mere administrative units into independent and empowered development actors. However, behind this empowerment narrative lies a growing paradox: the greater the efficiency policies implemented by the central government, the greater the fiscal vulnerability of villages, which rely almost entirely on central transfers. Malaka Regency, one of the relatively new districts in East Nusa Tenggara Province, faces a more complex situation. Its remote geographic location, limited human resource capacity of village officials, and the absence of Village Original Income (PAD) make Village Funds and Village Fund Allocations the primary source of livelihood for all 127 villages in the regency. The 2023 budget data shows that 99.2% of total village revenue comes from central and regional government transfers, while PAD is recorded at zero rupiah.

Rainawe Village in Kobalima District is the most representative example of this dilemma. Based on researchers' observations, this village has significant potential for agricultural and livestock development, but budget constraints resulting from central government efficiency policies have caused strategic programs to be continually delayed. This phenomenon reflects what Wildavsky (1988:7-8) calls " budgetary politics, " a clash of interests between levels of government that impacts resource distribution. This study aims to: (1) analyze the impact of central budget efficiency policies on fiscal capacity in Rainawe Village; (2) reveal the phenomenological experiences of village officials in facing budget constraints; (3) describe the socio-economic implications of Village Fund cuts for the people of Rainawe Village; and (4) formulate more equitable policy recommendations in the context of remote villages in the border region between the Republic of Indonesia and the Republic Democratic of Timor Leste.

Fiscal Decentralization Theory

Fiscal decentralization, from Oates' perspective (1972:35), is understood as the delegation of financial management authority from the central government to subnational governments to improve the efficiency of public resource allocation. In the Indonesian context, village fiscal decentralization is regulated by Law No. 6 of 2014, which mandates independent management of Village Funds by village governments. However, Bird and Vaillancourt (2006:29) caution that decentralization without adequate institutional capacity can actually exacerbate inter-regional inequality.

Village Funds and Efficiency Policy

The Village Fund policy in Indonesia has undergone various regulatory changes since its implementation. Kurniawan (2015:82) noted that the distribution of Village Funds often faces lengthy bureaucratic obstacles. Furthermore, Bappenas (2019 :17) found that the impact of Village Funds on reducing rural poverty is quite significant, but highly dependent on the consistency of distribution. When efficiency policies are implemented without considering the conditions of villages that are still heavily dependent on central transfers, what Mariana (2021:114) calls a " fiscal squeeze " occurs , forcing village governments to choose between primary needs and development programs.

Phenomenological Approach in Policy Studies

The phenomenological approach developed by Husserl (1970:67-72) and operationalized in the social sciences by Schutz (1967:16-17) provides a powerful framework for understanding the subjective experiences of policy actors. In the context of public policy studies, phenomenology is used to uncover the meanings actors attach to a policy. Creswell (2014:42) asserts that this approach is highly appropriate for capturing the lived experiences of village officials who are directly exposed to the impacts of central efficiency policies.

RESEARCH METHODS

This study uses a qualitative approach with a transcendental phenomenological design as developed by Moustakas (1994:22). The research location is Rainawe Village, Kobalima District, Malaka Regency, East Nusa Tenggara Province, selected purposively because it represents a border village with high fiscal dependence on central transfers. The research informants consisted of 12 people selected using purposive sampling technique, consisting of: Village Head (1 person), Village Secretary (1 person), Head of Finance (1 person), Village Treasurer (1 person), BPD members (3 people), community leaders (2 people) and village program beneficiaries (3 people). Data collection was carried out through: (1) semi-structured in-depth interviews; (2) participatory observation for 45 days; and (3) analysis of the 2023 Village Revenue and Expenditure Budget (APBDes) documents of Malaka Regency. Data analysis used the Epoche technique and phenomenological reduction by Moustakas (1994:120-122) which includes: horizonalization , cluster of meaning , textural description , structural description and synthesis of textural-structural description . Data validity was guaranteed through source triangulation, member checking and audit trail . This research has received ethical approval from the Institute for Research and Community Service (LPPM) STISIP Fajar Timur Atambua Number 021/STP/LPPM/STISIP.FTA/V/2026.

RESEARCH RESULTS AND DISCUSSION

1. Village Fiscal Structure in Malaka Regency: Macro Overview

An analysis of the 2023 Village Government Revenue and Expenditure data for Malaka Regency reveals a fiscal structure characterized by extreme dependence on central government transfers. Total budgeted revenue reached IDR 174,877,783,000 (over one hundred and seventy-four billion rupiah), yet Village Original Income amounted to zero rupiah. This fact clearly demonstrates that villages in Malaka Regency lack any fiscal independence.

Table 1 below presents the composition of village income sources in Malaka Regency in 2023:

Table 1. Composition of Village Income Sources in Malaka Regency in 2023

Source of funds	Budget (Rp)	Percentage	Chart
Village Funds (DD)	120,446,632	68.9%	
Village Fund Allocation (ADD)	52,977,328	30.3%	
Tax Revenue Sharing	1,453,823	0.8%	

Source: Malaka Regency PMD Service, 2023 (processed by researchers).

Table 1 shows that Village Funds (DD) dominate the revenue sources, accounting for 68.9%, or Rp120,446,632,000, followed by Village Fund Allocations (ADD) at 30.3%, or Rp52,977,328,000. Tax and Retribution Revenue Sharing only contributes 0.8%. This situation places the 127 villages in Malaka Regency in a highly vulnerable position to any changes in central government budget policy.

2. Village Expenditure Structure: Priorities Amidst Limitations

The total budgeted village expenditure reached Rp. 173,073,238,000, with a distribution that shows a strong infrastructure development orientation but also a significant mandatory expenditure burden.

Table 2. Distribution of Village Government Expenditure in Malaka Regency in 2023

No	Shopping Field	Budget (Rp)	Percentage	Chart
1	Implementation of Village Development	76,965,700	44.5%	
2	Disaster & Emergency Management	25,436,534	14.7%	
3	Implementation of Village Government	44,548,707	25.7%	
4	Community empowerment	21,422,335	12.4%	
5	Community Development	4,699,963	2.7%	
	TOTAL SHOPPING	**173,073,239**	**100%**	

Source: Malaka Regency PMD Service, 2023 (processed by researchers)

Table 2 shows that the Village Development Implementation Sector absorbs the largest portion (44.5%) of total spending. However, this is not solely a reflection of local priorities but also a result of centrally determined regulations on Village Fund use. Interestingly, the Disaster, Emergency, and Urgent Response budget reached Rp 25,436,534,000 (14.7%), a high figure that reflects the vulnerability of villages in this border region to natural disasters such as floods and droughts. The most crucial finding is the blank realization column for all revenue and expenditure components in 2023. This absence of realization data is not merely a reporting administration issue, but rather reflects structural obstacles in the disbursement of Village Funds, which directly impact the implementation of village programs.

3. Village Fund Ceiling Dynamics and Budget Efficiency Impacts for 2025–2026

To strengthen the analysis of the village's fiscal vulnerability to central government policies, this study also examines the Rainawe Village Fund Usage Plan (RPD) document for the 2025 and 2026 Fiscal Years. The document analysis shows that the problems experienced by the village are not only visible in the macro data of Malaka Regency, but are also reflected concretely in changes in the fiscal capacity of Rainawe Village. Based on the RPD Earmark Phase II document for 40% of Village Funds (DD) for the 2025 Fiscal Year, the total Village Fund ceiling for Rainawe Village reached Rp1,173,992,000. Of this amount, the Earmark ceiling was recorded at Rp727,020,000. The large proportion of funds whose use has been determined indicates that the village's fiscal space to finance development needs derived from the results of the Village Musrenbang is becoming increasingly limited. Meanwhile, the Phase II 40% Village Fund RPD document for Fiscal Year 2026 shows a total Village Fund ceiling of Rp245,141,000. Although the two documents are at different disbursement stages and cannot be directly compared as total annual revenues, the data still illustrates the fiscal pressure felt by village governments in maintaining development continuity.

3. Phenomenological Experience of Rainawe Village Apparatus

In-depth interviews with Rainawe Village officials revealed subjective dimensions of the budget policy dilemma that aren't captured in the statistics. The following are narratives of experiences identified by the researchers:

Rainawe Village Head (Informant KD-01), Interview June 18, 2026:
" We are like hands willing to work but without tools. Funds have been budgeted, programs have been planned with the community, but central funding is limited. "

The Village Head's narrative above reflects what Schutz (1967:74) calls a " stock of knowledge ," the accumulated experiences that shape actors' perspectives on their socio-political realities. The Village Head feels alienated by the disconnect between the formal authority granted by the Village Law and his actual capacity to act.

This quote reveals a new dimension of the village officials' experiences that was previously invisible in budget documents. The issues faced were not simply development delays due to limited funding, but rather the emergence of fiscal uncertainty that impacted completed projects.

Rainawe Village Head (Informant KD-01), Interview June 18, 2026:
" We had planned to build farm roads in two hamlets, but it was ultimately canceled due to budget constraints. Some projects were even 100% complete with the first phase of disbursement. When the second phase of disbursement, planned to pay contractors, was supposed to begin, the central government's budget efficiency policy came into effect. Ultimately, we had to borrow funds from other sources to cover these obligations . "

From a phenomenological perspective, this experience forms a collective awareness among village officials that the development process is not entirely determined by local planning, but is heavily influenced by fiscal decisions that are beyond their authority.

Member of the Rainawe Village BPD (BPD-02 Informant), Interview June 22, 2026:
" During the Village Development Planning Meeting (Musrenbangdes), the community was quite enthusiastic about submitting various development proposals, such as repairing the hamlet road, which was in poor condition. These proposals were accommodated in the Village Budget (APBDes). However, by the end of the year, some programs had not been realized as planned due to budget constraints and policy adjustments that affected the availability of village funds. This situation often raises questions from the community to the village government, through the hamlet head, as not all residents understand the factors that influence the implementation of development programs. "

The experiences of these BPD members indicate a trust deficit between the community and the village government, triggered by policies originating outside the village's control. From a phenomenological perspective, this constitutes a " disruption of the taken-for-granted world, " a disruption to the order considered normal by the villagers.

4. Impact of Field Observation: The Face of Delayed Development

During 45 days of observation in Rainawe Village, researchers found a number of concrete indications of the impact of budget constraints:

First, the approximately 1.2 km long village road connecting Webua and Raimetan hamlets is in critical condition, riddled with potholes and mud when it rains. Residents use this route daily to access markets, schools, and health facilities. Repairs to this road had been included in the Village Budget (APBDes) the previous year but had been continually delayed. Farmers called the project a " half-fulfilled dream ."

Second, the Village Office building suffered roof damage (ceiling), which caused leaks and required renovation. However, the available budget allocation for this repair was only Rp. 20,000,000.

Third, the Village-Owned Enterprise (BUMDes) has been unable to operate optimally because the budget originally allocated to support village business activities was diverted to cover funding shortfalls in Phase II of road infrastructure development in a hamlet. As a result, several planned business programs have not been implemented on schedule, hampering efforts to increase village revenue and empower the community's economy.

Community Leader (Informant TM-01), Interview March 22, 2023:
" We understand that the current Village Fund budget is limited, so not all development needs can be met at once. However, we hope that the village government will continue to demonstrate initiative and creativity in finding solutions and prioritizing programs that are truly needed by the community. Despite these limitations, we remain hopeful that village development can continue to improve the well-being of residents. "

5. Analysis: Three Layers of Policy Dilemma

Based on the quantitative and qualitative data findings above, researchers identified three interrelated layers of policy dilemmas:

The First Dilemma: Dependence vs. Independence. Data shows that all village revenue (99.2%) comes from central government transfers, while the Village Fund policy rhetorically aims to build village independence. There is a fundamental contradiction between the policy's objectives and its implementation design. As long as village PAD remains zero and transfer mechanisms remain top-down , independence is merely a narrative without substance.

The Second Dilemma: National Efficiency vs. Local Needs. Budget efficiency policies developed based on national macroeconomic calculations fail to take into account the heterogeneous conditions in villages. Meaningful efficiency at the national level can mean the destruction of vital programs at the village level. This is a manifestation of what Pressman and Wildavsky (1984 :143) call the " implementation gap ," the gap between policy design and the reality of implementation.

The Third Dilemma: Accountability vs. Capacity. Demands for accountability in Village Fund management continue to increase (more reports, more complexity), while the capacity of village officials has not developed commensurately. This imbalance causes village officials to spend most of their energy on administrative matters rather than on substantive services to the community.

In addition to impacting development delays, this study found that budget inefficiency can also create new fiscal risks for village governments. The case of the farm road construction in Rainawe Village illustrates how a completed project encountered payment constraints due to changes in fiscal policy at the central level. This situation forced the village government to make internal budget adjustments to meet its obligations to the contractor. This phenomenon reinforces the implementation gap concept proposed by Pressman and Wildavsky (1984:143).

CONCLUSION AND RECOMMENDATIONS

Conclusion

This research reveals that the central government's budget efficiency policy has created a serious dilemma for the sustainable development of Rainawe Village and other villages in Malaka Regency. Structurally, the village's fiscal dependence on central transfers, reaching 99.2%, places it in a highly vulnerable position. Phenomenologically, village officials experience alienation, administrative fatigue, and erosion of public trust as a result of policies that are unresponsive to the local context. This study also found that the impact of budget efficiency policies not only causes delays in new development programs but also affects completed projects. The case of the construction of a farm road in Rainawe Village demonstrates that changes in Village Fund disbursement policies can force village governments to reallocate funds to meet payment obligations to contractors. Thus, the consequences of budget efficiency not only affect physical development but also impact village financial governance, the effectiveness of public services, and the level of public trust in the village government.

Recommendation

Based on the research findings, several policy recommendations are formulated as follows:

First, the central government needs to develop a differential budget efficiency formula, namely providing protection (ring-fencing) for Village Funds, especially for villages in underdeveloped, frontier and outermost (3T) areas from the impact of budget cut policies.

Second, it is necessary to simplify the technical regulations for the use of Village Funds, accompanied by strengthening the capacity of village officials through intensive mentoring programs based on local needs, not just generic administrative training.

Third, the Musrenbangdes mechanism needs to be strengthened to become a truly binding instrument in the national planning process, not just a participation formality whose results can easily be eliminated by efficiency decisions from above.

Fourth, it is necessary to build a real-time and transparent village fiscal information system so that the public can understand the condition of the village budget accurately, thereby reducing the potential for misunderstanding and erosion of public trust.

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