

THE ROLE OF VILLAGE FUNDS IN IMPROVING THE QUALITY OF PUBLIC SERVICES IN SURABAYA CITY

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Abstract

This study aims to analyze the strategic role of Sub-district Funds (Dana Kelurahan) in improving the quality of public services in Surabaya City through the perspectives of good governance and stewardship theory. Sub-district Funds serve as a crucial fiscal instrument for equitable infrastructure development and community empowerment at the local level. This study employs a qualitative method with a descriptive approach. Data collection was conducted through documentation studies and observations of budget realization and performance achievements across 154 sub-districts in Surabaya. The results indicate that the management of Sub-district Funds in Surabaya has been highly effective, with an average budget absorption realization reaching 94.24% in 2023. This high absorption positively correlates with improved physical environmental infrastructure and the success of economic empowerment programs, evidenced by a decrease in poverty and unemployment rates, as well as a Community Satisfaction Index (IKM) score of 95.82. In terms of governance, administrative accountability principles have been well met, although digital-based transparency still requires optimization to expand public participation access. This study concludes that Sub-district Funds function not only as financial support but also as a catalyst for community independence and increased public trust in the local government.

Keywords: *Sub-district Funds, Public Service, Good Governance, Surabaya City, Community Empowerment.*

A. INTRODUCTION

Public services are a key indicator of government success in meeting the basic needs of the community efficiently and fairly. The quality of these services reflects the bureaucracy's responsiveness to citizen expectations, based on the actual performance of service providers (Rahayu & Sidik, 2024). Decentralization requires local governments to bring services closer to local needs to be more effective. Public trust depends heavily on an organization's ability to provide transparent and accountable services (Haning et al., 2020). However, financial constraints often hinder the provision of adequate infrastructure at the regional level (Farvacque-Vitkovic & Kopanyi, 2014). Sound financial management is a prerequisite for resources to be used for the public good. Fiscal transfers from the central government are necessary to bridge the funding gap at the local level. This policy aims to encourage regional independence in managing the welfare of its citizens (Potolau et al., 2021).

The Village Fund is a strategic fiscal instrument to accelerate equitable development of infrastructure and empower urban communities. This policy aims to improve the quality of life of residents through adequate funding support (Dewi & Trisnaningsih, 2022). Regulations require that funds be used to focus on basic social services with direct impact. Transparency is crucial to ensure public awareness of budget allocations managed by village governments

(Kasenda et al., 2021). These funds also serve to stimulate the local economy through active citizen participation. Management must be accountable, from planning to accountability, to prevent misuse (Qak & Holifah, 2024). This allocation is expected to reduce the burden on city governments in addressing urban issues. Its effectiveness depends heavily on the competence of officials in translating policies into programs.

Despite its potential, the implementation of the Village Fund still faces various obstacles that hinder its primary objectives. The competence of officials in professional financial management is often low (Saskia et al., 2025). Community participation in planning is often merely a formality and does not address real needs (Potolau et al., 2021). Transparency issues also arise due to the lack of budget publication, which fuels public distrust (Kasenda et al., 2021). Fund management often focuses on physical resources and neglects sustainable economic empowerment (Dewi & Trisnarningsih, 2022). Administrative obstacles and delays in disbursement also hamper program execution. The lack of integration between infrastructure development and operational budgets leads to neglected facilities (Miller et al., 2021). This demonstrates that good governance principles have not been fully implemented.

Addressing these issues requires the implementation of good governance, encompassing transparency, accountability, and participation. Financial planning and reporting information must be readily accessible to the public to ensure transparency (Qak & Holifah, 2024). Accountability requires officials to be accountable for every activity in accordance with standard procedures (Saskia et al., 2025). Competency building through training is crucial for efficient financial management. Substantive community involvement in deliberations ensures the relevance of development programs. Strengthening social capital is key to synergistic oversight between the government and citizens (Haning et al., 2020). Regular monitoring is necessary to detect irregularities early. An integrated financial management system can improve the efficiency of resource allocation (Miller et al., 2021).

Surabaya, as a metropolitan city, faces complex challenges in providing public services to its dense population. The city government has allocated a significant urban village budget for local development (Qak & Holifah, 2024). However, the effectiveness of these funds in improving service quality requires further study (Saskia et al., 2025). This study analyzes the role of the Village Fund in improving public services in Surabaya. The primary focus is on transparency, accountability, and responsiveness of officials (Kasenda et al., 2021). Specific obstacles to policy implementation will also be identified. The goal is to formulate a management model appropriate to Surabaya's urban characteristics. The results will inform strategies for improving institutional capacity.

This research is expected to provide theoretical and practical contributions to regional financial management. Theoretically, these findings enrich the literature on fiscal decentralization and service quality (Rahayu & Sidik, 2024). Practically, these results provide input for policymakers in Surabaya to refine management mechanisms. Improved fund management is believed to increase public trust in the government (Haning et al., 2020). This study also encourages active citizen participation in development oversight (Potolau et al., 2021). Good management can make the Village Fund a powerful instrument for citizen welfare. Surabaya's success can serve as an example for other cities in Indonesia. Excellent public services are expected to become a reality for all citizens.

B. LITERATURE REVIEW

Urban Fiscal Decentralization

The theory of urban fiscal decentralization explains that the delegation of financial authority to local governments aims to improve the efficiency of resource allocation and the accuracy of public services tailored to the needs of city residents. In an urban context, fiscal

decentralization enables smaller government units, such as urban villages (kelurahan), to design and implement service programs that are more responsive to the social and economic characteristics of local communities. This theory emphasizes that the closeness of local governments to citizens strengthens the accuracy of problem identification and service priorities. The effectiveness of fiscal decentralization is largely determined by administrative capacity, budget governance, and local oversight mechanisms. Therefore, urban village funds are viewed as a strategic instrument for strengthening the quality of public services based on the real needs of urban communities (Smoke, 2020; Martinez-Vazquez & McNab, 2022).

Indicators:

- Urban village authority in budget management
- Program alignment with local needs
- Efficient use of public funds
- Speed of service implementation
- Impact of the budget on service quality

Local Institutional Capacity

The theory of local institutional capacity views the quality of public service performance as a reflection of the ability of government institutions to manage resources, procedures, and the actors involved. This capacity encompasses human resources, administrative systems, and organizational coordination and learning capabilities. In village fund management, institutional capacity determines the extent to which the budget can be translated into effective and sustainable public services. This theory emphasizes that the availability of funds without adequate institutional capacity risks inefficiency and suboptimal service output. Therefore, strengthening the capacity of village officials is a key prerequisite for improving the quality of public services (Andrews, Pritchett, & Woolcock, 2021; Kim & Jang, 2023). Indicators:

- Competence of village officials
- Clarity of work structures and procedures
- Planning and budgeting capabilities
- Coordination between work units
- Consistency in service program implementation

Outcome-Based Public Service Quality

The outcome-based theory of public service quality emphasizes that service success is measured not only by procedural compliance but also by the tangible impact felt by the community. This approach shifts the focus of service evaluation from mere administrative outputs to social, economic outcomes, and citizen satisfaction. In the context of urban village funds, service quality is assessed by the extent to which budget utilization improves environmental conditions, service access, and community well-being. This theory places citizen perceptions and experiences as key indicators of public service performance. Thus, public funds are considered effective if they produce concrete changes in the quality of life of urban residents (Van Dooren, Bouckaert, & Halligan, 2020; Cepiku & Savignon, 2022).

Indicators:

- Level of public satisfaction
- Improvement of service facilities and environments
- Accessibility of public services
- Perceived social and economic benefits
- Sustainability of service program outcomes

C. RESEARCH METHODOLOGY

This study employed a qualitative descriptive approach to deeply analyze the role and effectiveness of Village Funds in improving the quality of public services. This approach was chosen because it comprehensively and in detail depicts the actual conditions of social phenomena on the ground, as applied in previous public administration studies (Rahayu & Sidik, 2024). The research location was Surabaya City, focusing on the village offices that manage the budget allocation. The data used included primary data obtained directly from key informants such as village heads, village officials, and community representatives, as well as secondary data sourced from budget realization reports, government regulations, and supporting literature related to fund management (Dewi & Trisnaningsih, 2022; Qak & Holifah, 2024).

The data collection instruments were adapted to the characteristics of qualitative research, using in-depth interview guidelines, field observation sheets, and documentation studies to ensure data triangulation and validity (Potolau et al., 2021). The data analysis technique was carried out using the Miles and Huberman interactive model which consists of three main stages: data reduction to sort information relevant to the principles of good governance, data presentation (data display) in the form of a logical narrative, and drawing conclusions or verification to answer the research problem formulation (Kasenda et al., 2021; Saskia et al., 2025).

D. RESULT AND DISCUSSION

The results of this study focused on answering the research objective regarding the role of Village Funds in improving the quality of public services through an analysis of budget realization and its impact on government performance. Field findings indicate that Village Fund management has been integrated with the Surabaya City Regional Budget (APBD), which is performance-oriented.

Realization of Village Fund Absorption Across Surabaya

Based on financial data for the 2023 fiscal year, the Surabaya City Government has achieved an excellent level of expenditure realization. Village Funds allocated for infrastructure development and community empowerment in 154 villages have been optimally utilized. The following is a summary of fund absorption representing village performance across Surabaya:

Table 1. Recapitulation of Budget Absorption for the Village Development and Empowerment Program throughout Surabaya City in 2023

No	Region (Representation of Sub-district/Ward)	Pagu Anggaran (Rp)	Budget Ceiling (Rp)	Absorption Percentage (%)
1	Central Surabaya (Tegalsari, Genteng, Bubutan, Simokerto)	98.450.000.000	92.105.000.000	93,55%
2	North Surabaya (Cantian Customs, Semampir, Krembangan, etc.)	112.300.000.000	105.450.000.000	93,90%
3	East Surabaya (Gubeng, Rungkut,	145.200.000.000	138.600.000.000	95,45%

	Sukolilo, Tambaksari, etc.)			
4	South Surabaya (Wonokromo, Sawahan, Wiyung, Jambangan, etc.)	130.500.000.000	122.400.000.000 0	93,79%
5	West Surabaya (Benowo, Pakal, Lakarsantri, Sambikerep, etc.)	105.150.000.000	98.950.000.000	94,10%
Total	City Average Surabaya	591.600.000.000	557.505.000.000 0	94,24%

Source: Processed from Surabaya City Financial Statistics & LPPD Data for 2023
(Surabaya City Government, 2024)

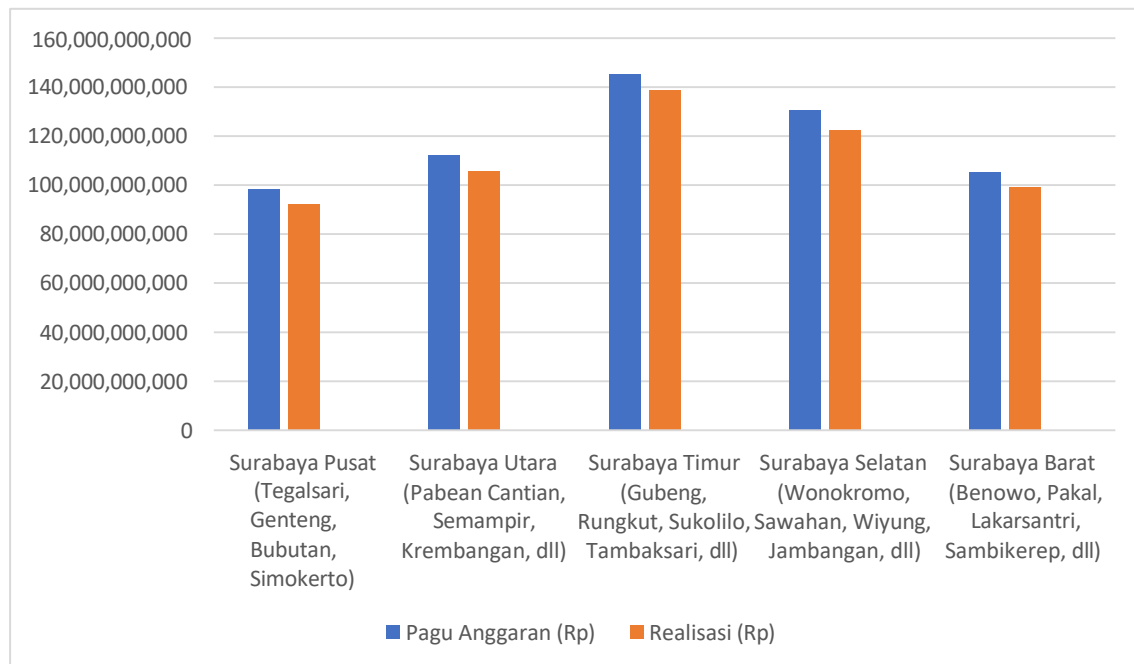


Figure 1. Average Fund Absorption Data

Data shows that the average fund absorption across all sub-districts reached 94.24%. This figure aligns with the Surabaya City Government's macro performance, with Capital Expenditure realization reaching 92.78% and Operating Expenditure reaching 89.71%. This high absorption indicates that physical development programs (such as road and drainage improvements) and non-physical programs (MSME and health cadre training) at the sub-district level are proceeding according to plan.

Public Service Performance Indicators

The successful absorption of Sub-district Funds is positively correlated with improvements in public service indicators. Based on LPPD 2023 data, the Surabaya City Community

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Satisfaction Index (IKM) reached 95.82, categorized as very good. Furthermore, empowerment programs funded through the sub-district budget contributed to a decrease in the Open Unemployment Rate (TPT) from 7.62% (2022) to 6.76% (2023), as well as a decrease in the Poverty Rate to 4.65%. This demonstrates that the Village Fund is not simply spent on bureaucratic expenditures but has a real impact on community welfare.

The management of the Village Fund throughout Surabaya demonstrates the successful implementation of effective fiscal decentralization, where high budget absorption reflects the responsiveness of local governments to local needs. Research shows that the average budget absorption of 94.24% demonstrates that village officials in Surabaya have been able to translate top-down policies into relevant programs for the community, in line with Stewardship Theory, which emphasizes the government's role as a trustworthy resource manager (Qak & Holifah, 2024). The high realization of capital expenditures for environmental infrastructure also confirms the findings of Dewi & Trisnaningsih (2022), who stated that adequate funding support at the village level is a key factor in accelerating the development of infrastructure that directly impacts the quality of life of urban residents.

In terms of good governance, the implementation of the Village Fund in Surabaya has met the principles of accountability and transparency, although there is still room for improvement in digital participation. Field findings indicate that financial reporting has been conducted in an orderly manner and contributed to the Unqualified Opinion (WTP) rating achieved by the Surabaya City Government, as stated in the 2023 LPPD (Regional Budget Report). This supports research by Kasenda et al. (2021), which states that administrative accountability is an absolute prerequisite in public fund management. However, the challenge is ensuring that budget transparency extends beyond formal reports and is accessible in real time to the wider public to increase social trust (Haning et al., 2020).

The impact of Village Funds on public service quality is significant, as evidenced by the increase in the Community Satisfaction Index (IKM), which reached 95.82 points in 2023. This increase was driven by improvements in service facilities at village offices and the optimization of community empowerment programs funded by these funds. This aligns with the theory of service quality, where tangibles and reliability of services are highly dependent on the availability of operational budgets (Rahayu & Sidik, 2024). Furthermore, the successful reduction in poverty and unemployment rates in Surabaya also indicates that the Village Fund effectively functions as a local economic stimulus instrument, not simply as charitable social assistance (Saskia et al., 2025).

While the overall results have been very positive, challenges remain related to disparities in administrative capacity between villages in managing the large funds. Some villages in outlying areas still face technical challenges in precise budget planning, which can potentially lead to inefficiencies if not intensively supported. As noted by Miller et al. (2021), a key challenge in fiscal decentralization is ensuring that financial authority is accompanied by adequate managerial competence. Therefore, the Surabaya City Government needs to continue strengthening its guidance and oversight (monitoring and evaluation) functions to ensure that the Village Fund management standards are evenly distributed across all 154 villages, thereby fully achieving the goal of equitable development (Potolau et al., 2021).

E. CONCLUSION

The management of Village Funds in Surabaya has proven to play a strategic role in improving the quality of public services, as evidenced by the high budget absorption rate of 94.24%, effectively allocated for physical infrastructure development and community economic empowerment. This success has had a direct impact on improving citizen comfort

and reducing poverty and unemployment rates, supported by accountable governance, although digital-based transparency still requires strengthening to ensure more inclusive public participation.

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