



Improvement of Village Productive Economy Through Village Funds Financing

Imran Rosman Hambali¹, Idris Yanto Niode²

Faculty of Economics, Universitas Negeri Gorontalo, Indonesia^{1,2}

Correspondence Email: imranrh2012@yahoo.co.id

idrisniode@gmail.com

ABSTRACT

This study aims at finding out the actual condition of community empowerment activity and improvement of productive economic activities through village funds financing and gaining information on Village Funds management to increase productive economy in the village level. This is a descriptive study with a qualitative approach using Milles and Huberman as its method of analysis.

This study finds that village funds financing is able to improve people's welfare. This is evident from various achievement of the government of Bone Bolango regency. The success of this village funds in improving people's welfare has made the central government to increase the village allocation funds for this regency annually. This village allocation fund is distributed through two channels: 1) direct disbursement for productive economic activities (grant), (2) fund disbursement for productive economic activity through Village Owned Enterprise (Hereinafter will be referred as BUMDes). To optimize this village funds management, several strategic steps such as: 1) increasing the capacity of village institution; 2). Establishment of Business Units as a joint working group needs to be done.

Keywords: Village Fund Management Model, Productive Economy

1. INTRODUCTION

One of the aspects of regional autonomy implementation is Regional Financial Management, as it is one of the regional programs in finance to achieve certain objectives through various programs and activities. Government Regulation No. 72 of 2005 on Village where Implementation of Village Government Business as Village Authority is funded from Village Budget and Village Government Assistance as stipulated by the letter of The Ministry of Domestic Affair of the Republic of Indonesia Number: 140/640SJ dated 22nd March 2005 on Guideline of Village Fund Allocation (hereinafter referred to as ADD) from Local Government, and Regulation of the Minister of Domestic Affair No. 37 of 2007 on Guideline for Village Fund (hereinafter referred to as DD) Management [1]. A village has authority to obtain share from Local Tax and Local Retribution and share from the Financial Balance between Central and Local Government received by the Regency as regulated by the Government Regulation No. 72 of 2005 Article 68. The village fund as sharing from the Regency is distributed to the village treasury in accordance with Article 2A of Law No. 34 of 2000 on the amendment of Law No. 28 of 2009 on Tax and Local Retribution.

On the one hand, according to Law No. 6 of 2014 on Village, a village is authorized to manage its own government and carry out its development independently to increase its people's welfare. In addition, the village government is also expected to independently manage village government and all village resources, including financial management and village wealth. This critical role of the village comes hand in hand with huge responsibility. Therefore, the village government should be able to implement the accountability principle in its government, where the community can held its government accountable for all the activities that they carried out.

In planning, budgeting, and implementation, the village government should involve all village community which represented in the decision-making process facilitated by Village Council (hereinafter referred to as BPD). Involvement of all stakeholders is expected to create a work plan and activities that can inclusively accommodate all the interests and needs of the village community as well as in accordance with the village capacity.

Village-based development with emphasize on sectors funded by Village Fund (Dana Desa/DD) has strategic roles in the improvement of the national economy and regional economy. In accordance of local regulation on Village Fund Allocation (ADD), the proportional fund usage is 30% for operation costs, incentive, village government official travel cost, and 70% should be allocated for Community Economic Empowerment and Capacity Improvement of the village apparatus. The detail allocation of that village fund (DD) should be properly managed by the village government, and its implementation should be in line with the objectives of the fund disbursement.

The government of the Gorontalo province has always tried to improve and facilitate economic empowerment activities through various funding sources, including from central government through Village Fund Allocation (ADD) to Regency and Municipality level. This is expected to accelerate the development and improvement of a productive economy in the village level, which in turn will support the regional development. Therefore, a study to investigate Village Fund Allocation management such as the focus of this study in Bone Bolango regency is needed.

From the above discussion and the result of the initial year study (study carried out in 2017), this present study will further address the following issues:

1. How is the description of community empowerment and improvement of productive economic activities financed through Village Fund Allocation (ADD) and Village Fund (DD)?
2. What are strategic efforts in developing a model for Village Fund Allocation (ADD) and Village Fund (DD) model in improving the local economy and village community empowerment?

2. LITERATURE REVIEW

2.1. The Concept of Village Government

Village, as defined in Law No. 22 of 1999 is a unit of law community which constructed based on the original special rights as mentioned in the commentary of Article 18 of 1945 Constitution (henceforth, UUD 1945) [2]. The foundational thought in village government management is diversity, participation, original autonomy, democracy, and community empowerment.

Further, according to Government Regulation Number 60 of 2014, it is stated that a village or traditional village or any other name addressed to it, will be further called as Village. The term is a legal entity of a community who have administrative boundaries and authorized to regulate its own government, the interest of its community based on the community initiatives, original rights, and/or traditional rights which are acknowledged and respected within the state government of the Republic of Indonesia.

2.2. Village Fund (DD) and Village Allocation Fund (ADD) Concept

According to reference [3], village fund/ Dana Desa (DD) is fund which source is from the National Budget (hereinafter referred to as APBN) for villages and annually transferred through the local state budget of city/regency (hereinafter will be referred to as APBD), to finance implementation of village authority based on the original rights, and local village-scale authority.

Village fund itself is annually disbursed from the central government, and its distribution is through city/regency government. Village fund is the mandate of UU No. 6 of 2014 on Village, which allocated in the form of Fund transfer, not in the form of a project. This fund will be continuously disbursed as long as the Village Law is still applicable.

2.3. Village Funds Nature and Roles

Village funds are the main income. It can be used to finance priority programs as well as activities agreed and settled in annual village development plan deliberation (hereinafter will be referred to as Musrebang Desa) on Village Government Work plan (henceforth will be called as RKP Desa). The funds are independently managed by the village to absorb as many workers as possible from the village, especially those poor community members in that particular village. The funds also function to provide basic facilities and infrastructure in the village level such as access roads and roads to the center of agricultural production, bridges, and irrigation channels.

Based on reference [4], Village Funds are provided from the national budget distributed to villages through the local state budget in municipality/regency level and used to finance implementation of governance, development, assistance for the community, and community empowerment.

Meanwhile, the objective of ADD in the Regulation of Minister of Domestic Affairs No. 37 of 2007 on Guideline of Village Financial Management are [1]:

1. Reduce poverty and welfare gap;
2. Increase planning and budgeting of development in village level and community empowerment;
3. Increase infrastructure development in the village level;
4. Increase the practices of religious, social, and cultural values for social betterment;
5. Increase peace and order within the community;
6. Increase service for the village community in social and economic development activities;
7. Encourage improvement of community autonomy and cooperation;
8. Increase village and village community income through Village Owned Enterprise (BUMDes).

2.4 Management of Village Funds Allocation

The financial management of ADD is an integrated part of Village Financial Management in Village Budget. Therefore, its management should be in accordance with the Principle of Village Funds Allocation Management as follow:

- a. All activities funded through ADD is planned, implemented, and evaluated openly using the principle of it as something from the community, implemented by the community, and for the benefit of the community.
- b. All activities should be administratively, technically, and legally accountable.
- c. ADD is implemented using the principle of economic, well directed, and well-controlled.
- d. Types of activities which will be funded through ADD have large potentials to increase service for the community such as fulfillment of community's basic needs, strengthening of the village institution and other activities needed by the village community which has been agreed and decided through village deliberation.
- e. ADD should be recorded in Village Budget (APBDes), and its budgeting should be in line with the observed mechanism.

2.5. Community Empowerment

Reference [5] defines the word "empowerment" as the effort carried out by elements outside a structure toward that particular structure, in order for that structure to be able to develop independently. In other words, empowerment is an improvement effort of interconnectivity within a structure or improvement of components within that structure in order for that structure to independently progress.

3. RESEARCH METHOD

As in accordance with the previously mentioned objectives of this study, a descriptive qualitative approach is selected as its method. Data for this study were collected through an interview and Focus Group Discussion (FGD)

The object in this study is 160 villages and 5 hamlets in Bone Bolango regency. The selected objects are villages to see the differences and the management model of

ADD from several villages within a sub-district in the empowerment of productive economic activities within the village community.

4. FINDINGS AND DISCUSSION

4.1 The Actual Condition of Community Empowerment Activities and Improvement of People's Economy/Productive Economy through ADD and DD Financing.

Through observation, interview, and FGD it is revealed that there are two models of how ADD is disbursed in increasing the productive economic activities in village level:

4.1.1 Direct Disbursement Model for Productive Economic Activities Grant

This model of grant disbursement is aimed for business group or village community group to encourage, motivate and develop the community's productive economic activities. The disbursement of this capital can be directly carried out by the village government, by taking into consideration the requirements of the grant acceptors' candidates. This disbursement of business capital is either directly executed by the village government or by BUMDes. Recipients have no obligation to pay it back.

Below are several grants distributed directly by Village Government without having to go through BUMDes:

1. Procurement of Beef Cattle

Assistance in animal husbandry is beef cattle. Each poor household is entitled to two cows, which on the second year these cows will be sold and the previous owner should buy another two calving cows to be given to the next poor family as the new recipient. In addition to this beef cattle, there are also chicken seedlings grant.

2. Karang Taruna (Youth Group) Business

Grant for Karang Taruna is grants in the form of workshops' equipment, etc.

3. Farming Grant

This type of farming grant is usually the provision of corn and rice seeds as well as the provision of fertilizers.

4. Fisheries Grant

The type of assistance or grant in fisheries is usually procurement of fishing boat and its fish capture equipment. Meanwhile specific for freshwater fish, tilapia fish seeds, catfish, and shrimp seeds are provided.

5. Grant for small industry

These industrial grants are usually in the form of a working machine and equipment

6. Assistance or grant for women business groups

For women groups, grants or assistance given are usually ginger seeds, chili seeds, and provision of goods for small vendors or kiosks.

4.1.2 Distribution of productive economic assistance through BUMDes

In addition to direct disbursement of working capital through village government, the establishment of village-owned enterprise (BUMDes) in some villages made provision of working capital for productive economic activities and other grants are distributed through BUMDes. However, the recipients of grants and working capital from BUMDes are required to be able to pay back the loaned working capital through credits to BUMDes.

Focus Group Discussion was carried out together with several chiefs of villages and BUMDes management in Bone Bolango regency on the 3rd of September 2018 at The Marissa Meeting and Lounge Resto. The discussion revealed that the role of BUMDes in Bone Bolango regency in financing and facilitating the type of business within the community can be categorized into two following categories:

1. Provision of support for economically productive community activities which consists of:

- a. Co-existed Business/Main Business Unit. The type of business units operated in this type of co-existed business is: organizing the businesses operated by the community in tourist destination area from parking lot management, gazebo rental, and other tourism facilities.
 - b. Production Unit/Goods Trading. Types of business in this production unit are cow fattening, palm sugar production, and provision of agricultural production facilities.
 - c. Micro Financial Business (Article 23). Provision of credits/loan for the community by financing the business unit of coconut oil production, kiosks, yellow rice and cake vendors, chicken farming, and provision of loan to farmer groups to develop freshwater fish farming.
2. Provision/ improvement of general service for the village community with the following type of business:
- a. Service Business/ provision of village market to sell products produced by the community where most roles are played by the BUMDes management by marketing the products produced in the village such as agricultural products (corn), and industry products (palm sugar, coconut oil), and plantation product (coffee), etc.
- In addition to the businesses above, BUMDes also play a role in improving the productive economic activities in the village through seeking opportunities for other businesses, which can increase both BUMDes income and village income. Several types of businesses, which implemented by BUMDes are:

1. Simple social business

This type of social business is the provision of general service toward the community where BUMDes gains some financial profit. The example of this type of business is cable TV business in Lamahu village operated by BUMDes for the community in the village and in surrounding villages.

2. Rental Business

In addition to the business above, BUMDes also operated other business such as meeting venue rental (and its supporting facilities), tent and chairs, musical instruments, etc.

3. Trades

Several BUMDes such as those in Bube and Panggulo villages operated in trading. They open several daily shops, cellular kiosks, gasoline and gas depot a BUMDes kiosk. This daily need kiosk is operated in order to sell products produced from the community such as handicrafts, food and cakes.

4.1.3 Strategic Effort in Developing the Model for ADD and DD Management in Increasing the Productive People's Economy and Village Community Empowerment

To optimize the strategic efforts related to the management of village funds and village allocation funds, several strategic steps need to be taken to support these programs. The village government has several policies related to the recipients of this funds either in the form of grant or loan through BUMDes, those are:

a) Improvement of The Institutional Capacity of the Village Community

This institutional capacity development of the village community as recipients of these grants and loans who have economic is carried out through business management training.

In the training, topic such as (1) participatory planning, (2) establishment of the participatory working group, (3) developing activity proposal, (4) participatory monitoring and evaluation, and (5) activity accountability report are trained.

Higher education institutions are involved through community outreach programs, either independent community outreach carried by lecturers or community service activities from Higher Education Institutions in Gorontalo province. In addition, intervention and involvement of local government and state and private enterprises also play a role in the implementation of these training programs.

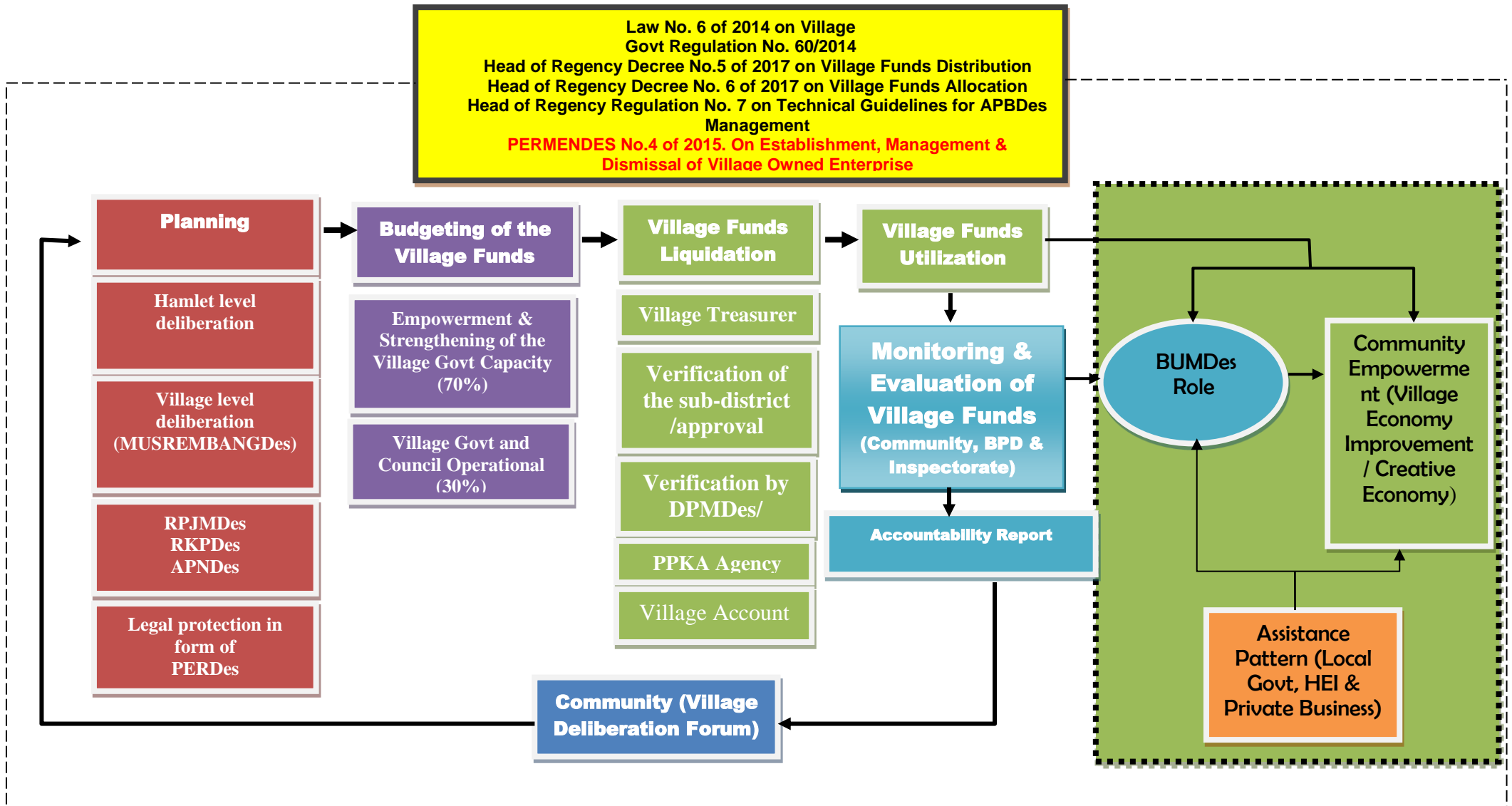
b) Establishment of Business Group as Co-working Group

Following the training of institutional capacity development of the community, the village government and BUMDes management create a co-working group. This group serves as a mean for the community to carry out activities related to utilization of village funds, either in the form of grants or loan distributed through BUMDes. This group also serves as social capital strengthening and is expected to become a productive business group. This institutionalization is important to train the community to solve their own problems independently, especially related to poverty. This group establishment is not necessarily a new group; it can also strengthen the entrepreneurship of the currently available group.

4.2. Discussion

Based on the observation/survey and interview, it reveals that the management of the village funds in increasing the productive economic activities in the village, the strategic effort in developing the model of ADD and DD management in increasing the people's productive economy and community empowerment can be described using the following figure:

Figure: 1
Village Funds (DD) & Village Funds Allocation (ADD) Management Model to Increase Productive Economic Activities in the Village Level



4.2.1 Community Empowerment (Village Economy Empowerment/Productive Economy)

This is a disbursement of grants/assistance for groups business or community group in the village to encourage, motivate as well as develop productive economic activities, which directly executed by village government by taking into consideration requirements set by the village government for the recipients of this business capital.

4.2.2 The Roles of BUMDes

Aside from direct disbursement by the village government, the establishment of BUMDes in several villages, mechanism of working capital disbursement and other grants are executed by BUMDes. However, the recipients are required to pay back the working capital by credits to BUMDes.

Among the efforts in optimizing the village income and improvement of people's economy in the village is to maximize the role of BUMDes. This is stipulated in the Regulation of Village Minister, Development of Underdeveloped Region, and Transmigration of the Republic of Indonesia No. 4 of 2015 on Establishment, management, and Dismissal of Village Owned Enterprises in Chapter II (Establishment of BUMDes) Article 2. The article stipulates that "Establishment of BUMDesa is intended as effort to accommodate some or all economic activities and/or cooperation between villages"

Further, Article 3, the Establishment of BUMDes is aimed at:

- a. Increase the village economy;
- b. Optimize village assets for the welfare of the village;
- c. Increase people's business in the management of village economic potentials;
- d. Develop a business cooperation plan among villages and/or with third parties;
- e. Create opportunities and market network to support its people's needs;
- f. Create jobs;
- g. Increase people's welfare through improvement of public service, economic growth and balance in the village; and
- h. Increase the village community's income and village income.

Based on the description above, it can be concluded that Village Owned Enterprise (BUMDes) can operate a business and or general service and in its activity is not only oriented toward supporting the improvement of village community's economy but also serve to provide services, trades, and other economic development activities. BUMDes can also gather local public funds.

4.2.3 Assistance Pattern (Local Government, Higher Education Institutions and Privates)

The role of higher education institutions, local government institutions and state or private owned enterprises is critical for village government and BUMDes to support and assist in optimizing the management of village funds for improvement of village economy.

In order to optimize village funds management, especially on activities related to community empowerment, the role of local government, higher education institutions, and state/private owned enterprises can intervene through the following programs:

1. Business training in agriculture, fisheries, and trades;
2. Training for appropriate technology;
3. Education, training, and extensions for chief of villages and BUMDes management, and for village apparatus, and village councils;
4. Capacity improvement for the village community.

The existence and role of higher education, local government and privates in village development is expected to produce innovations from each village. These

innovations will, in turn, become village characteristics. This will also support “the one village one product” program from each village.

This is in line with the Triple Helix concept introduced by Etzkowitz and Leydesdorff in 1995 in which they argue that to support the creative economy, actors who are responsible for creating innovation in the industry are needed. Actors who responsible to create knowledge, and innovation based on knowledge and technology are universities. The interaction with the third actor, i.e., the government is also needed. The role of the government is to provide easiness in license and provision of facilities needed by the small and medium enterprises (SMEs). These three need to work together through a top-down approach to create innovation to increase the economy of a nation.

5. CONCLUSION

Based on the result of this study related to Village Funds (DD) and Village Allocation Funds (ADD) in supporting the village economy and testing the proposed model, several conclusions as follow are reached:

First, the management carried out by the Village Government related to the utilization of both ADD and DD in increasing village’s productive economy in principle have been carried out by most Village Governments in Bone Bolango Regency. This is in observance with the UU No. 6 of 2014 on Village, PP No. 60/2014, Head of Regency Regulation No. 5 of 2017 on Allocation of Village Funds, Head of Regency Regulation No. 6 of 2017 on Village Allocation Funds and Head of Regency Regulation No. 7 on Technical Guideline of Village Allocation Funds Management.

Second, there are two models of disbursement of ADD and DD to support productive economic activities in the village, namely: 1) direct disbursement for productive economic activities (grants); 2) disbursement of working capital for productive economic activities through BUMDes.

Third, the model proposed in this study has been tried out and proven to be effective in managing the ADD and DD funds especially in increasing the productive economy in the village level. This is due to the existence of strong commitment among stakeholders, the Local Government, Higher Education Institution, and Private Sectors, to increase and support economic activities in the village.

REFERENCES

- [1]. ----- *Peraturan Menteri Dalam Negeri Nomor 37 Tahun 2007 Tentang Pedoman Pengelolaan Keuangan Desa, Pasal 18/Regulation of the Minister of Domestic Affairs of the Republic of Inodnesia No. 37 of 2007 on Guideline for Village Finance Management, Article 18, 2007.*
- [2]. Bratakusumah, D. S., and S. Dadang, *Otonomi Penyelenggaraan Pemerintah Daerah [Implementation of Local Government Autonomy]*, 2003. Jakarta: PT. Gramedia Pustaka Utama.
- [3]. Sutoro, E., Anom, S. P., Maizir, A., Suhirman., Prayitno H., Suryana, N., and M. Zaini, *Dana Desa Untuk Desa Membangun Indonesia (Tanya Jawab Seputar Dana Desa)/Village Funds for Developing Indonesia from the Village*, 2016. Jakarta: Kementerian Desa, Pembangunan Daerah Tertinggal, dan Transmigrasi Republik Indonesia/Ministry of Village, Development of Underdeveloped Regions, and Transmigration of the Republic of Indonesia.
- [4]. Republik Indonesia. 2014. Undang-Undang Nomor 6 Tahun 2014 Tentang Desa/Law No. 6 of 2014 on Village, Article 72 (1 d), and (4), *op.cit.* p. 41
- [5]. Wahjudin, S., *Perencanaan Desa Terpadu/Integrated Village Development*, 2011. Banda Aceh: Reinforcement Action and Development.