

## VILLAGE FUND OPTIMIZATION STRATEGY FOR RURAL COMMUNITY WELFARE IN INDONESIA

Habib Muhsin Syafingi<sup>1\*</sup>, Dyah Adriantini Sintha Dewi<sup>2</sup>, Suharso<sup>3</sup>, Heniyatun<sup>4</sup>, Puji Sulistyaningsih<sup>5</sup>  
Umi Rahmawati<sup>6</sup>

<sup>12345</sup>Faculty of Law, Universitas Muhammadiyah Magelang, Magelang, Indonesia

<sup>6</sup>Faculty of Economic and Business, Universitas Muhammadiyah Magelang, Magelang, Indonesia

Email: [habibmuchsini@ummgl.ac.id](mailto:habibmuchsini@ummgl.ac.id)

Received: 11.02.2020

Revised: 18.03.2020

Accepted: 27.04.2020

### Abstract

The term village funds and village-owned enterprises appear intensively in Law No. 6/2014 concerning Villages. One of the Village Law implications is related to the Village Fund policy which is the fund from the State Budget and Expenditure (APBN). The purpose of the Village Fund is basically to promoting inclusive economy with more income distribution. Another implication is the authority to regulate, manage and organize village resources for the community's economic development through the establishment of Village Owned Enterprises (BUMDes). The limited utilization of village funds for development and empowerment has made it inflexible to fulfill community needs. Village fund allocation for capital participation in the Village Owned Enterprise could be an offered solution without breaking existing regulations.

**Keywords:** Village Fund, BUMDes, Optimalization Strategy

© 2020 by Advance Scientific Research. This is an open-access article under the CC BY license (<http://creativecommons.org/licenses/by/4.0/>)  
DOI: <http://dx.doi.org/10.31838/jcr.07.07.103>

### INTRODUCTION

Village funds and BUMdes are terminologies that arise along with village reform through Law No. 6/2014 concerning Villages. This is inseparable from the principles of recognition and subsidiarity which have given complete authority to the villages to manage themselves. Besides that, the villages can also utilize all of their potentials to achieve community welfare.

One implication of the Village Law affects the Village Fund policy, the fund from the State Budget and Expenditure (APBN). This type of funds is allocated to villages through the District/City Regional Budget (APBD) and used to finance government administration, implementation of infrastructure development, community development, and community empowerment (Government Regulation No. 60/2014). The purpose of the Village Fund is basically to realize inclusive economic growth by distributing income evenly. Through Village Funds it is possible for villages to carry out various village development programs and activities to realize community welfare (Khuswatun Hasanah, 2017).

Various related laws and regulations governing villages with their dynamics also evolve along with changes in Indonesia's political system. During the Old Order, the village was regulated in Law No. 22/1948 concerning the Principles of Regional Government, Law No. 1/1957 concerning the Principles of Regional Government, Law No. 18/1965 concerning the

Principles of Regional Government, and Law No. 19/1965 concerning Praja Village as a Transitional Form to Accelerate the Realization of Third Level Regions in the entire territory of Indonesia. During the New Order era, the village was regulated in Law No. 5/ 1975 concerning the Principles of Government in the Regions and Law No. 5/1979 concerning Village Governance. While in the reformation era it was regulated in Law No.22/1999 concerning Regional Government, Law No. 32/ 2004 concerning Regional Government, and Law No.6/2014 concerning Villages and Law No. 23/2014 concerning Regional Government. The village regulation reached its peak through Law No. 6/2014 which has given recognition for village autonomy and also gives authority to the villages to utilize their potentials in order to improve the community welfare.

Karangrejo Village located in Borobudur District, Magelang Regency, Central Java Province has an area of 159 ha with a population of around 2,904 people. Karangrejo receives village funds which numbers increase annually. These funds are allocated for development and empowerment activities. In July 2016 the village authority has established Village Owned Business Agency (BUMDes) "Bumi Mulia" with one of its business fields, namely managing tourism objects. To support the BUMDes, the village government has provided equity participation starting from 2017.

**Table 1. Fund Allocation at Karangrejo Village(In Thousands of Rupiah)**

Year	Village Fund	Development (IDR %)	Equity Capital BUMDes	Village Company Result
2015	271.498	245.875 /92%	20.423 /8%	204.035 /0,75%
2016	610.559	542.900 /89%	-	325.158 /0,53
2017	780.032	661.002 /85%	71.530 /12%	453.149 /0,58
2018	784.184	585.785	97.320	

	/75%	/12%	
--	------	------	--

Source: Village Development Report

The use of the village funds is regulated in a limited manner in the Ministry of Villages, Development of Disadvantaged Regions and Transmigration regulation as well as the regulations on regency level. Therefore, the process of the village development planning is not likely to be implemented if it is not in accordance with these regulations, despite its urgent program plan.

Village funds have been one of the main sources of village development, so a strategy for using village funds for development is needed in accordance with community planning without violating the rules. The funds were allocated to several key sectors, such as the construction of village hall buildings, the construction of mosques, borrowing capital for citizens, compensation for the poor, and assistance for people who are sick/dead.

Based on the village authority implementation report (Permendagri No. 46/2016) in 2015, 2016 and 2017, the village authority has reported on various community development and empowerment activities. The costs of the construction are indirectly sourced from village funds which are actually not allowed to finance these activities. This study will analyze how the utilization pattern of village funds and strategies to optimize them for development without violating the rules.

Based on the village authority implementation report (Permendagri No. 46/2016) in 2015, 2016 and 2017, the village authority has reported various community development and empowerment activities. The construction costs are from village funds which are actually not allowed to finance these activities. This study will analyze how the pattern of village fund allocation and its strategies to optimize village fund for development without breaking the rules.

**OBJECTIVES**

The objective of this article is investigating the usage pattern of village fund and find the village fund optimization strategy for rural community welfare in Indonesia.

**RESEARCH METHODOLOGY**

This study is aimed at getting an overview of how the pattern of village fund allocation and strategies to optimize the use of village funds for rural community welfare in Indonesia. To answer this problem, qualitative descriptive research methods

were used. This method aims to describe the existing phenomena, both natural and human engineering, which pay more attention to the characteristics, quality, and interrelationships between activities (Nana Syaodih Sukmadinata 2011: 73). The method in this study emphasizes its analysis of various phenomena within village fund allocation in Karangrejo Village. The data were obtained through interviews, field notes, photographs, planning documents, financial documents and will be processed by comparing, combining, abstracting and drawing conclusions related to the strategy of utilizing village funds for development. (Hadari Nawawi, 2001: 32).

**FINDINGS**

**Village Autonomy**

Village or rural autonomy can at least be reviewed from two aspects. First, it is not an implication of the authority transfer from the central government or regional government to the village authorities even though they belong to a subsystem of the national government. Second, village autonomy is carried out based on the origin rights of the local community's customs. Village autonomy is more meaningful as the autonomy of the local community could help regulating and managing the common interests in accordance with the local community's socio-cultural value system. Meanwhile, the village, in fact, needs to use modern administrative patterns (Zudan Arief, 2014: 74).

Village funds are regulated in Government Regulation No. 60/2004 concerning Village Funds based on the State Budget and Expenditure. Village Funds are funds sourced from the State Revenue and Expenditure Budget allocated to villages that are transferred through the district / city Regional Revenue and Expenditure Budget and are used to finance government administration, development implementation, community development, and community empowerment.

The implementation of village fund policy involves 3 (three) ministries, namely the Ministry of Home Affairs, the Ministry of Finance and the Ministry of Villages, Development of Disadvantaged Regions and Transmigration. While the local government is involved from the initial process up to distribution process of the village funds. The legal basis for allocating funds is illustrated in Figure 1.

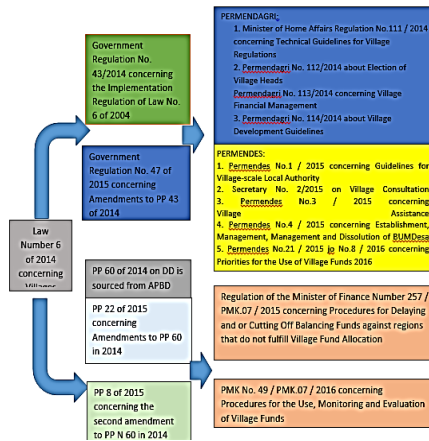


Figure 1. Legal Basis for Allocating Village Funds

Three ministries are regulated in a Joint Decree between the Minister of Home Affairs, the Minister of Finance and the Minister of Villages, Development of Disadvantaged Regions and

Transmigration.

Prioritized allocation of village funds is annually determined by

the Ministry of Village, Development of Disadvantaged Regions and Transmigration as a reference for technical ministries to develop general guidelines for activities funded by the village funds. In 2017, Magelang stipulated the Regent's Regulation No. 8/2017 concerning the Procedure for Distribution and Determination of the Village Fund Details of Each Village every year. The regulation entails allocation, distribution, use and report of the village funds.

The use of village funds is regulated on the principles in determining the priority of the use of village funds, the type of development activities and community empowerment, and the mechanism for setting priorities for village fund allocation. In determining the types of development activities and community empowerment, this regulation classifies villages into three categories, namely left behind and or very underdeveloped villages, developing villages, developed and or independent villages. Types of development and empowerment activities are adjusted based on the village category.

**Strategy for Optimizing the Use of Village Funds for Development in Karangrejo Village**

Village Development is essentially all forms of human activities (society and government) in the village in building themselves, families, communities and the environment. In the rural areas, defense, security, religion, government physical, economic, social, cultural, political situation, has a positive impact on the progress of the rural areas. (Hanif Nurcholis, 2011: 4).

Based on Table 1, the majority of village funds used for infrastructure development are compared to those for empowerment. This is based on the first consideration of more urgent development activities. Secondly, the results of development activities can be directly recognized by the community. Thirdly, development activities demand slight responsibilities. Lastly, there is a wrong paradigm for empowerment activities.

The use of limited village funds has created a gap between village development planning and the policy of utilizing village funds. The implication includes a halt of village development activities even though the activity is urgent and is needed by the village community. For example, the people of Karangrejo Village need the construction of a village hall office, a mosque, capital assistance, and compensation for the poor, sick or dead. It reveals what is needed by the community. These activities are even needed by the community and have been included into development planning documents. However, it cannot be implemented at the cost of village funds. Therefore, a strategy for utilizing village funds is needed to meet development needs without violating the legislation rules.

In July 2016 the village authorities at Karangrejo have established BUMDes "Bumi Mulia" and obtained capital participation from village funds in 2017. Village Owned Enterprises are business entities that all or most of their capital is owned by the village through direct investment. They manage assets, services, and other businesses to the maximum extent of the community welfare. The position of BUMDes is a pillar for villages' economic activity. It functions as a social institution which is in favor of the interests of the community through its contribution to the provision of social services and commercial institutions that aim for profit.

Equity participation in BUMDes has had a huge impact to Karangrejo. Various breakthroughs have been made such as socializing Punthuk Setumbu tourism objects and making various village tour packages. These activities have made BUMDes exist and have played a role as a social institution which helps providing community services and as a village economic institution.

The contribution of BUMDes to village can be described as follows.

**Table 2. Fund Allocation at Karangrejo(In IDR)**

Year	Village Fund	Development (IDR %)	Equity Capital BUMDes	Village Company Result
2015	271.498	245.875 /92%	20.423 /8%	204.035 /0,75%
2016	610.559	542.900 /89%	-	325.158 /0,53
2017	780.032	661.002 /85%	71.530 /12%	453.149 /0,58
2018	784.184	585.785 /75%	97.320 /12%	

Source: Village Development Report

Equity participation in BUMDes has had a huge impact at Karangrejo. The amount of village funds increases annually with 85% allocation for development and 10% allocation for community empowerment. In 2016 when the village authority established a village-owned Enterprises (BUMDes), it could provide an equal participation of Rp. 20,000,000 to manage various village potentials in 2017. After the establishment of BUMdes, the results of village businesses increased 9% from 62% in 2016 to 71% in 2017. In other words, with equity participation of IDR 20,000,000, it has resulted in an increase in the village/BUMdes' business output of IDR 127,991,000. This increased contribution has encouraged the village authority to improve equity participation to IDR 101,129,000 or increase by 500% in 2018.

The results of the BUMDes are then used for activities that cannot be funded by village funds, such as for building village halls, mosques and conducting social activities such as

compensation for the sick, dead, and for capital that cannot be funded by village funds. Allocation of village funds for BUMDes has become a strategy for using it in accordance with development planning without violating regulations

The allocation of village funds for BUMDes is an interesting phenomenon. Based on the data, it can be drawn some conclusions. First, the allocation of village funds for equity participation will encourage greater economic impact. This aims to rotate the capital and involve more various village resources. Second, village funds will not come out of the village. If there is allocated fund for bridge construction, for example, some money will be spent again for purchasing materials. Third, the results of capital participation will be more flexible to realize people's welfare through empowerment, training and other investment activities. Fourth, the responsibilities are relatively simple because they have become village revenues.

The strategy of utilizing village funds through BUMdes has proven effective to support the village development to serve the

welfare of rural communities. The village authority must begin to realize immediately by identifying various village potentials to be further developed through village institutions, namely village-owned enterprises.

#### **CONCLUSION**

Allocation of village funds must be adjusted to prioritize the activities that have been established by the Ministry of Ministry of Villages, Development of Disadvantaged Regions and Transmigration every year. These priorities are then used as guidelines for the preparation of general guidelines and the technical ones for the implementers. If village funds are to be used to finance activities that are not comprised in these various provisions, a strategy is needed to avoid legislation violation. Such strategy is included as business capital/ equity participation in the village-owned enterprises. The benefits of BUMDes will be used in accordance with the community's real needs without rigid arrangements from the government.

#### **ACKNOWLEDGEMENT**

The authors would like to thank the Ministry of Education for awarding the FRGS grant with S/O Code 14386 entitled 'Formulation of Business Judgement Rule Integrity Model of Government Link Investment Companies.'

#### **REFERENCES**

1. Chasanah, Khuswatun, dkk "IMPLEMENTASI KEBIJAKAN DANA DESA, artikel pada Jurnal The Indonesian Journal of Public Administration volume 3 Nomor 2 Desember 2017
2. Fakrulloh, Zudan Arif, Hukum Indonesia dalam berbagai prespektif, cetakan pertama, RajaGrafindo Persada, Jakarta, 2014,
3. Mustanir , Ahmad, Darmiah, "Implementasi Kebijakan Dana Desa Dan Partisipasi Masyarakat Dalam Pembangunan Di Desa Teteaji Kecamatan Tellu Limpoe Kabupaten Sidenreng Rappang" Artikel pada Jurnal Politik Profetik Volume 04, No. 2 Tahun 2016
4. Nawawi, Hadari, Metode Penelitian Bidang Social (Yogyakarta : Gajah Mada University Press,2001)
5. Nurcholis, Hanif, Pertumbuhan & Penyelenggaraan Pemerintah Desa, Penerbit Erlangga, Jakarta, 2011. =
6. Undang-undang Nomor 6 tahun 2014 tentang Desa
7. Undang-undang nomor 32 Tahun 2004 tentang Pemerintahan Daerah
8. Peraturan Pemerintah Nomor 60 Tahun 2014 Dana Desa yang bersumber dari APBN
9. Peraturan Bupati Magelang Nomor 8 tahun 2017 tentang Tata Cara Pembagian dan Penetapan Rincian Dana Desa Setiap Desa Kabupaten Magelang Tahun Anggaran 2017