

# Reinforcement The Capacity Of Village Fund Management Iqbal Miftakhul Mujtahid, *by* Cek Plagiasi UT

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# Reinforcement The Capacity Of Village Fund Management To Improve The Economy Of Local Communities (Indonesia Example)

Iqbal Miftakhul Mujtahid, Titi Darmi

**Abstract:** This article explains the extent of the capacity to manage village fund to improve the economy of rural communities. The study was conducted in 30 villages, 15 villages were in the developing category and 15 villages were categorized as underdeveloped villages. These villages are not far from the center of the city like other villages if compared geographically. This article says the importance of capacity dimensions in managing village fund so that village fund can be beneficial according to the mandate of the Village Law. Research data came from secondary and primary data. Primary data is obtained through questionnaires to 30 people who are considered to know the process of managing village fund. The questionnaire was analyzed using the SWOT matrix. The results of the study inform that the capacity of village fund management in improving the economy of rural communities has a weight and rate also a fairly good score on the internal environment. Although, the position of strength has a good weight and rating, but the external environment is in a position to face threats. The position of the SWOT diagram on reinforcement the management capacity of village fund is in the position of Quadrant II (two). That is, it needs a strategy and capacity building to deal with these threats by means of diversification strategies through strategies to increase creativity and innovation. This research offers a solution that is the main dimension of capacity that takes precedence is to increase the capacity of the human resources of village officials.

**Keyword:** Policy, Village Fund, alleviate poverty, new autonomous region

## 1. INTRODUCTION

The village fund (hereafter called VF) policy is an interesting thing to study because the existence of the Village Law becomes a change in the perspective of village development. Villages that have been the object of development, now villages are given the authority to regulate and manage their own government, villages are given full authority to explore the potential of the village in order to realize the welfare of the village community, based on consensus and deliberation. Village authority is proven by being given the authority to carry out village development, village community development and empowerment of village communities. The purpose of the authority given is to improve public services, decrease poverty, reduce development disparities between cities and villages and improve the economy of village communities. Means in achieving these objectives, the Central Government provides a VF budget which is stated in the State Budget (hereafter called SB) each year. The last three years from 2015 to 2017, the VF contained in the SB from year to year has always increased, in 2015 VF was allocated and realized at 20.76 trillion and in 2016 the central government allocated village fund amounting to 46.98 trillion and in 2017 increased to 60 trillion, intended for approximately 74,093 villages (total villages throughout Indonesia), if divided equally per village, the village would get a budget of approximately 600 million rupiah to 1 billion rupiah per village (Ministry of Finance, 2016).

The amount of the budget refers to Clause 72 paragraph (2) of the Village Law. Determining the amount of the budget given to the village has indicators: 1) how many population in the village; 2) how high is the poor population in the village; 3) how wide is the area of the village; 4) how difficult the geographical level of the village is. The success of policy implementation can be seen from the extent of the outcomes generated from the policy implementation (Nugroho Riant, 2009). In the context of VF policy, what needs to be concentrated is the extent to which VF can improve the economy of village communities. Based on the Ministry of Finance's evaluation, the outcome of VF can be seen from the ratio of rural gini and decreasing village poverty levels. The timeframe from 2014 to 2017 outcome VF shows encouraging results that can improve the quality of life of rural communities. This is indicated by a decrease in the poverty rate of rural communities and an increase in the ratio of village gini describes in table 1.

**Table 1.**

Conditions for Improving The Quality of Life of Rural Communities Over a Period of Time 2014 – 2017

No	Indicator of outcome of VF	Achievements
1	Gini village ratio	0,34 – 0,32
2	Total amount of poor communities	17,7 juta – 17,1 juta
3	Percentage of poor communities	14,09% - 13,93%
4	Poverty line	Rp. 286,1 ribu – Rp. 361,5 ribu

Source: Ministry of Finance, 2017

The existing data has differences in each indicator, in the gini achievement indicator the village ratio shows a difference of 0.02, the achievement indicator for the number of poor people decreases by 0.6 million, the presentation of the poor population decreases by 0.16%, while poverty line, proving the ability of the community to meet basic needs increases up to Rp. 75.4 thousand. That is, the village gini ratio shows perfect equality, while other indicators show

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there is sufficient progress. Although, the condition has not reached the desired target. Can be viewed from the distribution and realization of VF in 2016, the evaluation results of the Ministry of Finance's Directorate General of Fiscal Balance (DGFB) found that the use of the VF was mostly used for physical development, village infrastructure was 83.9%. While the remaining 16.1% of VFs are used for community economic empowerment, government activities, community social activities and others, the results of the DJPK's evaluation of VF management describes in table 2.

**Table 2.**  
Village Fund Use Activities

No	The use of Village Fund (VF)	percentage of use of village fund (VF)
1	Infrastructure development activities (physical)	83,9%
2	Economic empowerment activities of village communities	6,5%
3	Governance activities and financing of government administration	5,7%
4	Community social activities	3,8%
5	Others	0,1%

Source: Directorate General of Fiscal Balance of the Ministry of Finance, 2015.

The table above provides information that the use of the Village Fund is dominated by infrastructure development activities, physical development of 83.9%. Physical development is directly not related to the development of economic empowerment of village communities. The data above explains that the budget allocation for VF for village community empowerment activities is only 6.5%. This means that the VF is not yet focused on increasing the capacity of village communities and improving the economic sectors of village communities. The VF Policy contributes to the development of villages in Bengkulu Province. Bengkulu Province has 1,341 villages consisting of 9 (nine) regencys. In 2016 the Bengkulu Province received a VF allocation from the National Fund of approximately 813,896 billion which was distributed in all villages in Bengkulu province describes in table 3.

**Table 3.**  
VF Budget Allocation From the 2016 State Budget

Regency	Number of villages	Average/ villages	Total
South Bengkuu	142	565.640	87.029.059
North Bengkulu	215	565.640	130.594.550
Rejang Lebong	122	565.640	74.796.332
Kaur	192	565.640	114.705.102
Seluma	182	565.640	109.690.905
Mukomuko	148	565.640	90.529.932
Lebong	93	565.640	56.982.592
Kepahyang	105	565.640	64.305.935
Middle	142	565.640	85.262.139

Regency	Number of villages	Average/ villages	Total
Bengkulu	1.341		813.896.546

Source: Ministry of Finance, 2017. In rupiah

The table above shows the amount of the VF budget for Bengkulu Province per Regency for 1,341 villages. The large VF Budget is an opportunity as well as a capital for the Bengkulu Provincial government so that the management of the VF can be optimally carried out to encourage economic improvement in the village community. The VF disbursement will not be a capital for the village if it is not managed properly, for example the management of the VF does not absorb the aspirations of the community will have implications for village development planning not in accordance with the needs of the village community. The Head of Bengkulu Province Community and Village Empowerment Service in the interview said the problems faced in the management of the VF in Bengkulu Province were almost the same as those experienced by other regions, including: 1) The low capacity of Human Resources of VF Managers; 2) lack of community participation in village development planning; 3) the making of the Village Revenue and Development Budget is not in accordance with the needs of the local community; 4) Accountability and transparency in managing the VF are still Low; 5) there has been no collaboration between villages in exploring the potential of their own villages or the borders of village areas. Concept of Reinforcement Institutional Capacity in VF Management The description in the introductory section illustrates that the management of VFs has not touched the level of economic improvement in the village community. Confirmed from the lack of realization of the use of the budget in the field of community empowerment. That is, the management of VFs has not been in line with the objectives of the Village Law, namely to improve the welfare of village communities, both economically and the quality of their communities. To overcome the above problems, the experts agreed to manage important organizations in capacity building (Brown, Lafond, & Macintyre, 2001; Devaux et al., 2009; Grindle, 2010; Horton, 2003; Matachi, 2006; Santoso, 2015; Warzynski, 2005). Furthermore, Grindel and Horton recommend that optimal governance in organizations is absolutely necessary to strengthen institutional capacity which includes the capacity of individuals, organizations and systems (Grindle, 2010; Horton, 2003). Reinforcement the capacity of the three elements has implications for the success of the program objectives. Individual elements are human resources that have relations with institutions, in terms of management of VF, human resources that have relevance are village communities, village apparatus (managers of VF) or stakeholders. Organizational elements are interpreted as being related to organizational structure, coordination, culture in managing institutions in order to support stakeholders involved as individuals human resources in order to be able to do the tasks assigned. The system element in reinforcement institutional capacity is the process of human resources carried out both as individuals and as members of organizational units, village communities that can produce networks and social relations

so as to produce a value. Increasing institutional capacity of the leadership role is very dominant (Darmi, Suwitri, Yuwanto, & Sundarso, 2016), it means, The leadership is the main factor so that the management capacity of VF can contribute to improving the economy of the village community. Horton explained that one element of institutional capacity can be seen from financial capacity. Financial capacity and ability to manage are parameters of the success of governance (Darmi, 2018). For optimal institutional management, a strategy / facility is needed, by reinforcement the capacity of the human resources of the apparatus (Darmi & Suwitri, 2017). In the context of VF management, the main capacity building element to be carried out is the VF management element, the Village Apparatus. Reinforcement the capacity of the VF management can be interpreted as an effort to build village apparatus, village communities, organizations (village governments), systems, partnerships, people and processes properly to carry out certain agendas or plans in accordance with desired goals. The results, will be beneficial, and have a positive impact. In terms of, reinforcement the institutional capacity of the VF is directed to: 1) develop individual skills and competencies as financial managers of the VF so that each individual is able to carry out their duties and responsibilities; 2) institutional reform as an effort, processes into the authority of organizational units in order to achieve the goals of their respective organizational units; 3) maximize and strengthen external factors such as establishing cooperation with other parties (development and reinforcement of external links) in order to grow partnerships intensively, extensively and solidly. The Concept of Public Financial Management (VF). The new paradigm of regional financial management through the policy of regional autonomy and central and regional financial balancing, began with the issuance of Law Number 22 Year 1999 concerning Regional Governments and Law Number 25 of 1999 concerning Financial Balance between Central and Regional Governments. The issuance of the Law is a new round of very fundamental changes leading to institutional reform and public sector management reform in the management of state finances. The new paradigm is in the form of demands to manage regional finances which are oriented towards the public interest. Includes demands on the Regional Government to make financial reports and transparency of budget information to the public. In addition to the above law there is Law Number 6 of 2014 concerning Villages (hereafter called Law Villages), explaining the financial allocation for rural development which is directly managed by the village government based on community participation. More details are confirmed in the Minister of Home Affairs Regulation Number 37 of 2007 Chapter II Clause 2 concerning the Principle of Village Financial Management. Village finance is managed based on transparent, accountable, participatory principles and carried out in an orderly and budgetary discipline in accordance with the principles of good governance. The implementation of good governance is a proposal from the World Bank for concerns regarding the condition of governance in developing countries. In supporting the realization of good governance, the role of the community as actors and stakeholders is very important to encourage the implementation of the principles of good governance.

Indicators of good governance include transparency, participation, responsiveness, accountability, law enforcement, equality, future insight, public supervision, effectiveness, efficiency and professionalism. The several indicators that are the principles of good governance in the context of VF management which can be a foothold in the management of VF are participation, transparency and accountability. The indicator of participation is open involvement (inclusion) and community participation. Engagement means giving space for anyone to be involved in the development process, especially minority groups, poors, smalls and anyone who is involved in the development process. The involvement of the community in the process of rural development will have an impact on peace and minimize conflict (checks and balances system). The values contained in participation will make the management of VF have governance, bound by the rules agreed upon by the community and there are arrangements to enforce the rules. In evaluating the independent program, village community participation is one factor to get to an independent village (Zuchainah & Apriliani, 2010). While indicators of transparency are openness of government in making policies, so that they can be known and monitored by the BPD and the public. While accountability relates to the obligations of the VF manager and the officials working in it to make policies and take actions that are in accordance with the applicable values and based on with the needs of the community. `Accountability Indicator is the capacity of VF management providers to be able to account for all activities carried out in the form of policies and actions, VF activities. In the context of managing VF, it should refer to the principles of good governance, because the management of the VF requires the involvement of many actors, networks and institutions outside the government to manage problems of public needs. The process of making a decision and planning process for distributing VF requires community involvement, so that the determination of work programs is carried out in accordance with the needs of the community. Law Number 6 of 2014 concerning Villages mandates that autonomy in the administration of village government can regulate itself in accordance with its authority by involving the community. Development in the village is a participatory development model, namely a system of development management together, which is planned, implemented and evaluated by deliberation, consensus, and mutual cooperation, which is a way of life of the people who have long-rooted Indonesian culture. As stated in article 5 of Minister of Home Affairs Regulation Number 66 of 2007. The characteristics of participatory development include planning with empowerment and participation. Empowerment, which is an effort to realize the ability and independence of the community in community, national and state life while being participatory, namely the active participation and involvement of the community in the development process (I Wayan Saputra, 2016). To overcome these problems the experts agreed to manage the organization of the importance of capacity building. Study conducted by (Darmi, 2016; Hariany Idris, 2014; I Wayan Saputra, 2016; Suwandi, 2015), regarding the effectiveness of the management of VF allocation financed by the SB, it is explained that the management of VF has not been carried out optimally. The most highlighted factor

is the management of VF not yet in accordance with community needs. Determination of programs contained in the SB, has not optimized community participation. It means, the management of VF has not been in line with the objectives of the Village Law. There is still a lot that must be of concern to all parties so that VF can be maximally benefited for the welfare of the village community. VF policy is an interesting thing to study, at least researchers have 2 (two) reasons. The first reason is the existence of VF, the village being the prima donna of various circles, so many people use it both for personal and group interests. The second reason is the size of VF, so that the VF is expected to have benefits to improve the welfare of rural communities, both economically and the quality of their communities. This second reason is an important point for a more in-depth study. This thing, which is the basis and purpose of writing this article, wants to know how far the capacity of VF management can contribute to improving the economy of rural communities.

### Research Methods

This research is to determine the extent to which the capacity of managing VF can contribute to improving the economy of village communities. To achieve these objectives, the author uses a direct observation approach, observations to 30 villages. Then, The researcher conducted in-depth interviews with stakeholders, namely VF managers (village apparatus) and people who received VF benefits. This research was conducted by exploring and formulating the right strategy in managing VF, analyzing the conditions of the estate both internally and externally. The instruments of this study were researchers, assisted by interview guidelines, questionnaires, record instruments, print media and online as well as written and unwritten documents. Interviews were conducted with informants. The technique of determining the informant was purposive sampling. The informants of this study were VF managers (village head, village secretary, village treasurer, and lurah-lurah). Questionnaires are intended for respondents. Respondents in this research were people who benefited from VF. The technique of determining the respondent is situational whoever the community is at the time the research was carried out then becomes the respondent in this study. To analyze data using qualitative descriptive analysis and SWOT analysis. Data obtained by examining internal and external factors in VF management capacity. Next, to formulate a strategy to strengthen the capacity of managing VF to contribute to improving the economy of the village community based on data in the field and this analysis is based on rational arguments by optimizing strengths and opportunities, but simultaneously can minimize weaknesses and threats.. Retrieving villages as the object of research because the 30 villages are geographically close to the Provincial Capital City. It is assumed that in the next 30 villages it will be easier to develop institutional capacity to lead to competitive village development. Then the 30 villages have sufficient infrastructure connections describes in table 4.

**Table 4.**  
Research Sites

Seluma	North Bengkulu	Middle Bengkulu	Information
Sidoluhur	Pasar Kerkap	Tabah Pasmah	Developing
Sido sari	Air Petai	Kembang Seri	Developing
Lubuk saung	Selubuk	Nakau	Developing
Talang Alai	Pasar Palik	Taba lagan	Developing
Air Periukan	Talang Curup	Padang Ulak Tanding	Developing
Air Petai	Air Napal	Air sebakul	Backward
Kuti Agung	Aur Gading	Lagan Nungin	Backward
Air Kemuning	Perbo	Tengah padang	Backward
Taba Lubuk Puding	Talang Jambu	Jaya Karta	Backward
Talang Giring	Banyumas Lama	Pulau Panggung	Backward

Source: Community and Village Empowerment in Bengkulu Province, 2017.

The regency's that were observed in this research were Seluma, Bengkulu Tengah and North Bengkulu. The number of villages in the 3 regency's consists of 538 villages. The village which became the research site consisted of 30 villages, each regency represented by 10 villages (category 5 developing villages and 5 villages with underdeveloped village status). Table 5 explains that Bengkulu Province has a builder index level, namely independent villages consisting of 0.3%, developed villages consisting of 4.7%, developing villages consisting of 46%, underdeveloped villages as much as 46.1% and villages lagging behind as much as 3%. The condition of the village reflects the social conditions of the village community, the economic conditions of the village community and how the conditions of the village environment are. The management of these three aspects is a reflection of how high the capacity of the village is in building the village. Government policy in budgeting the VF in SB as an effort to improve the Village Build Index. VF as a means to increase the capacity of rural communities, especially the economy of rural communities. The VF if managed effectively and efficiently will contribute to the economic growth of the village community. As described in the introduction section, to achieve organizational goals it is important to strengthen institutional capacity. One of the appropriate institutional elements to be managed effectively and efficiently is the existence of financial resources. Village financial resources are reflected in the budget allocation in the SB that is given every year. Budget allocation and realization of the use of VF in 2015 - 2017 in Seluma, North Bengkulu and Bengkulu Tengah regency's as in table 6.

## RESULTS AND DISCUSSION

Reinforcement the village economy and village development is carried out with several policies by the Government, including reinforcement social, economic and ecological aspects. These aspects are the main fundamentals in empowering rural communities. To find out the achievements of economic reinforcement and rural development the Government has determined indicators of the success rate of village development by determining the classification and status of villages and measured through the Village Development Index (VDI). VDI divides village

status into 5 classifications namely; 1) independent village; 2) advanced village; 3) developing village; 4) underdeveloped village; dan 5) very underdeveloped village. Bengkulu Province has 1,341 villages and has a village status or classification of villages which has an independent village of 8 villages, developed villages consisting of 63 villages, developing villages consisting of 619 villages, underdeveloped villages as many as 615 villages and very underdeveloped village status consisting of 40 villages describes in table 5.

**Table 5.**  
Characteristics of Villages in Bengkulu Province Based on Village Build Index (VDI). Year 2017

No	Regency	Number of Village	Independent	Advanced	Developing	Underdeveloping	V-Underdeveloping
1	South Bengkulu	142	-	3	120	19	-
2	Rejang Lebong	122	1	7	45	64	5
3	North Bengkulu	214	1	13	119	80	1
4	Kaur	191	-	7	65	113	6
5	Seluma	180	-	5	66	93	16
6	Muko	147	2	15	81	49	-
7	Lebong	93	-	1	34	53	5
8	Kepahiang	108	-	6	64	33	5
9	Middle Bengkulu	144	-	6	25	111	2
Total		1.341	4	63	619	615	40

Source: Community and Village Empowerment Service of Bengkulu Province, 2017.

**Table 6.**  
Allocation and realization of the Use of VF on the 2015 Research Site – 2017

No	Regency	Year 2015		Year 2016		Year 2017	
		VF Allocation	Realization	VF Allocation	Realization	VF Allocation	Realization
1	North Bengkulu	58.318.639.000	58.087.287.083	130.594.550.000	129.183.414.523	166.310.259.000	161.342.710.061,1
2	Seluma	48.899.525.000	43.394.824.603	109.690.905.000	109.027.365.518	139.486.234.000	136.459.701.246,5
3	Middle Bengkulu	38.008.074.688	38.005.180.032	85.262.139.000	81.153.971.882	108.405.061.000	100.937.095.788,99

Source: Community and Village Empowerment Service of Bengkulu Province, 2018.

The amount of budget allocation for VF and the realization of budget use from 2015 - 2017. For example, the budget allocation for VF in North Bengkulu and Seluma, in 2016, increased in the range of 44 to 45% from 2015. That means, the increase in the budget allocation for VF must be addressed wisely by the parties concerned. This wise attitude is reflected in the maximum use of VF to strengthen the capacity of village communities, so that village communities can improve their standard of living. Although, the budget allocation for VF in Middle Bengkulu Regency has increased, but the increase is not greater than the other two regencies, the budget allocation has increased by around 65% over the past 2 years. When viewed the percentage realization of the use of VF, the VF is absorbed on average above 80%, describes in table 7.

**Table 7.**  
Percentage of Realization of The Use of VFs in 2015 – 2017

No	Regency	Year 2015	Year 2016	Year 2017
1	North Bengkulu	99.6%	99%	97%
2	Seluma	89%	99.9%	98%
3	Middle Bengkulu	99.8%	94%	93%

Source: Community and Village Empowerment Service of Bengkulu Province, processed by researchers, 2018.

However, the absorption or realization of the use of the VF, should not be seen from the percentage of realization only, but should be seen from the achievement of program objectives. If, seen from village development programs sourced from the VF budget. Have VF been plotted

according to direction and destination. Data in the field illustrates that the use of VF is still dominated by infrastructure development, such as roads, bridges between villages and irrigation describes in table 8. The budget for VF is still minimal, used to increase community capacity. That is, the budget reflected in the State Budget is still minimal, programmed to empower rural communities. VF should be oriented towards outcome, thus managing VF can have implications for village communities and rural communities having the ability to support and make family members independent. Table 8 provides information that the use of the VF in 2015, the majority of villages allocated VF in infrastructure development activities, especially the making of roads between villages and neighbourhood (hereafter called RT) / Hamlet (hereafter called RW). This is the best choice among other choices because villages need connections between villages, between RWs and between RTs. However, the choice of policy has not had implications for improving the economy of rural communities.

**Table 8.**

Average Allocation of Use of VFs in Research Objects (in 30 villages) in 2015

No	Description of activities	Use
1	Infrastructure development (roads, village bridges, siring, irrigation etc.)	70%
2	Empowering rural communities (making BUMDes, cooperatives, clean water, entrepreneurship training etc.)	5%
3	Governance, Office Stationery etc.	20%
4	Social community	5%

Source: Results of field research, 2018.

In 2018, changes in the use of the VF were significant in villages. The village begins to accommodate community empowerment activities describes in table 9. Example of Air Periukan village, Suakaraja sub-district, Seluma District, one of the villages that became a research site. Table 9 describes the description of activities and the amount of the budget for implementing the use of the Air Periukan village budget in 2018. The village budget comes from VF Allocation Funds and VF. VF are sourced from the State Budget and the VF Allocation comes from the State Budget. The use of the budget for use allocated to items of governance is 90.7%. This means that the budget sourced

from the Regional Budget is almost all allocated to the administration of government activities used for personnel expenditure, namely for village head and village apparatus allowances (salaries), operation of the Village Consultative Body (VCB) and purchase of stationery and village office equipment. Meanwhile, the VF budget is intended for village community empowerment activities of approximately 31%, from the available budget, which is equal to 202,971,506 rupiah, in detail the use of the budget is only for capital participation activities in Village Owned Enterprise. Judging from the posture of the use of VF, it has not accommodated activities that support the development and capacity building of rural communities, increasing the capacity of village apparatus and extracting village potential. The conditions of Air Periukan village are almost the same as the 29 other research sites or 29 villages that were used as research sites. Every village has not made a community empowerment program or a village potential exploration program as a priority program. The village community empowerment program that has not yet become a village priority program has resulted in VF management, cannot be said to improve the economy of rural communities. Factors that are the cause of the allocation of VF budgeting have not been in favor of programs that can improve the economy of village communities, for example, there is no capacity building program for rural communities so that village communities can create economic centers in their villages. Generally, the research site found problems faced in managing VF: 1) there were events that had not happened in the village so far, for example, there were co-opted village elites, so they were impressed in the village elite who prioritized personal interests; 2) On the policy side, there are 3 ministries that handle VFs, namely the Ministry of Finance, the Ministry of Home Affairs and the Ministry of Village, so that there is an opportunity to abuse VF, judicially from upstream to downstream there is no responsibility; 3) the capacity of the village apparatus is not yet qualified to optimize VF; 2) community participation is still low in managing VF; 3) the capacity of the community participating in the Deliberation The Village Development Plan cannot accommodate needs that can increase people's income; 4) stakeholders cannot read opportunities and read village potential both from natural resources, human resources and cultural resources.

**Table 9.**

Percentage of Realization of The Use of VF in 2015 – 2017

No	Regency	Year 2015	Year 2016	Year 2017
1	North Bengkulu	99.6%	99%	97%
2	Seluma	89%	99.9%	98%
3	Middle Bengkulu	99.8%	94%	93%

Source: Community and Village Empowerment, processed by researchers, 2018.

**Table 10.**

Budget Used in Air Periukan Village, Sukaraja Regency in 2018

No	Description of Activities	Total of VF	Total of VFB	%
		653.334.506	268.840.501	
1	Governance	-	243.983.800	90.7%

No	Description of Activities	Total of VF	Total of VFB	%
2	Village development			
	Basic needs	131.883.000	-	20.2%
	Construction of facilities and infrastructure	318.480.000	-	48,9%
	Community development	24.840.000	-	3.8%
	community empowerment	202.971.506	-	31%
3	Unforeseen expenses	24.701	-	

Source: the implementation of the Air Periukan village budget report, 2018.

SWOT Analysis Identification of VF management capacity is carried out through SWOT analysis. According to experts, SWOT as a process of identifying various factors that contribute significantly to the development of organizational development and the results of such identification can determine the right formula. The identification results are then analyzed based on logic that can optimize strengths and opportunities, then and synergize to overcome the weaknesses and threats faced by the organization and determine the organization's strategy to achieve goals. Internal factors are factors of strengths and weaknesses originating from the Village Government environment which influences both directly and indirectly the implementation of village institutional governance. In the context of the VF management, which greatly contributes to the success of the VF management, the Village Apparatus (village head, village secretary, village treasurer and village leaders). The results of the research found that internal factors were strengths and weaknesses in the management of the VF, that is:

**Internal factors that become strengths consist of:**

1. Villages have high authority, village authority to manage and manage their villages is entirely left to the Village Apparatus;
2. Villages have adequate financial assistance. Since the disbursement of SB assistance in the form of VF, villages have sufficient finance to run the wheels of village governance;
3. Villages have potential, villages have wealth or natural resources that are able to provide adequate contributions if managed effectively and efficiently;
4. The contribution of the village community, the mutual cooperation attitude of the village community can foster togetherness in managing the potential resources of the village;
5. Village regulation and village development planning, the existence of village regulations and good village planning will affect the effectiveness of VF management; Internal factors which are weaknesses consist of:
  1. Low quality of village apparatus human resources, seen from the level of education, the majority of apparatus still have high school and junior high school education;
  2. Not able to cooperate with other parties (no network), the village is able to collaborate with other parties;
  3. The population of poverty rate is still high, the majority of the villagers do not have enough income to finance their lives;

4. The Village Revenue and Expenditure Budget does not match the needs of the community, making village development programs annually does not reflect the real needs of the village community;
5. Lack of adequate facilities and infrastructure, village facilities and infrastructure, for example, there is no internet network available, so that the use of information and technology has not been maximally used by village officials and village communities.

In addition, there are external factors in managing the VF both as opportunities and threats, whether the VF can improve the economy of the local community or not.

**External factors that can become opportunities include:**

1. Support from the central and district governments, building Indonesia starting from the periphery or from the village is one of the support of the central and district governments to empower villages;
2. The existence of rural industrialization has become a village opportunity to openly manage agribusiness and village agro-tourism;
3. Millennials are available, in villages almost 50% enter productive age;
4. The role of village facilitators, each village has a facilitator for managing VF;
5. A safe community environment, a conducive community environment can facilitate the development process in the village.

**Meanwhile, external factors can be a threat in managing VF, namely:**

1. Indications of corruption are still high;
2. Lack of coordination of village officials with farmer groups;
3. There are overlapping regulations and the latest regulations are less socialized;
4. The village apparatus in particular and the community in general do not have mutual or not competitive power in managing their village;
5. Village officials and village communities are not creative and innovative in managing village resources.

After finding internal factors (strengths and weaknesses) and external factors that become opportunities and threats in managing VF. Then the indicators are asked to respond to those who have a contribution in managing VF. The results of the SWOT analysis describes in table 11.

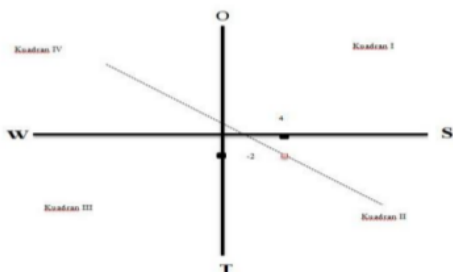


SWOT Analysis Strengthens VF Management Capacity **Table 11.**

Internal factors	Total	Rate	Weight	Score
<b>Strength</b>				
Villages have high authority	60	2	3	6
Adequate VF Assistance	95	3	3	9
Potential of the Village	93	3	2	6
Village communities contribution	116	4	2	8
Village Regulation and Village Planning	115	4	2	8
				37
<b>Weakness</b>				
Low quality HR management of VF	87	3	4	12
There is no collaboration with other parties	63	2	2	4
High poverty rate	79	3	1	3
The Village Revenue and Expenditure Budget does not meet the needs of the community	93	3	2	6
Lack of facilities and infrastructure	114	4	1	4
				29
<b>External Factors</b>				
<b>Opportunity</b>				
Government Support	73	2	2	4
The existence of rural industrialization	64	2	2	4
Millennial generation is available	83	3	2	6
Role of village assistance	104	4	2	8
Safe community environment	116	4	2	8
<b>Total</b>				28
<b>Threat</b>				
Indications of corruption are still high	120	4	2	8
Lack of coordination of village officials with farmer groups	93	3	2	6
Overlapping regulations	116	4	2	8
Has no competitiveness	72	2	2	4
There is no innovation	105	3	2	6
				32

Source: researcher's data, 2018

The SWOT analysis data above illustrates the value of IFAS and EFAS in reinforcement VF management capacity. For IFAS values, namely the strength score minus the weakness score or  $37 - 29 = 8$  then divided into 4. The EFAS value of the opportunity score minus the threat score or  $28 - 32$  gets the final score of  $-4$  then the score divided by two produces a score of  $-2$ . The score above is made in the diagram describes in picture 1.

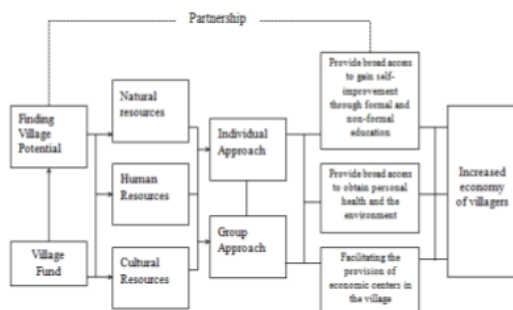


**Picture 1.** IFAS and EFAS diagrams SWOT analysis  
Source: researchers data, 2018.

The matrix diagram explains that the management of the VF is in position and strategy in the position of quadrant II. This means that the management of the VF has a great opportunity to improve the economy of the village community, if it can do capacity building from various resources it has. Internal factors for managing VF are greater when compared to the threat factors faced. The results of the SWOT analysis illustrate between internal

factors, namely the strength factor has a score of 37 while the weakness factor gets a score of 29. It means, the strength factor is greater than the weakness factor. In the context of VF management the right strategy so that the management of the VF can improve the economy of the village community, it is important to strengthen the capacity of the elements that are factors of weakness. The results of the external factor analysis also explain that the threat score (32) is higher than the opportunity score (28). This means that VF managers must anticipate how to manage the VF by maximizing the strength and opportunity factors that they have. The data analysis can be a guideline for VF managers to be able to utilize strengths and opportunities to determine future strategies. The first thing to do is to improve the quality of the human resources of the VF management apparatus. Things to do for example. HR management of the VF gets training that is applicative and innovative. Then, the HR manager of the VF can transfer knowledge from the training results to the community. This means that improving the quality of human resources in the village apparatus while simultaneously managing the VF is a fundamental thing to do. The impact of quality quality HR will be able to empower, guide and be able to monitor, evaluate growth and development, and manage the VF to suit the initial objectives and in line with the conditions and needs of the community. The strategy for developing Human Resources is one of the strategies for VF managers to be able to spread viruses of creativity and innovation and always be able to take advantage of opportunities and maximize strengths and minimize weaknesses and overcome threats. In accordance with the results of Fajar

Sidik's research, exploring local potential to create an independent village needs innovation (Sidik, 2015). Solution that OfferedBased on the analysis data in the field through SWOT, the author can describe the reinforcement of VF management capacity in order to contribute to improving the economy of rural communities, having to do various things namely by making breakthroughs and innovations so that strength becomes a strategy to take advantage of opportunities and how threats are used as opportunities. Challenges and threats faced in managing VF, are meant so that VF can be optimized so that they can improve the economy of rural communities, so it is necessary to anticipate threats and use opportunities by means of creativity and innovation. Creativity in managing VF is done by exploring the village's potential. Village potential can come from natural resources, human resources (community) and historical or cultural resources. Threats faced by villages in increasing village independence include villages and rural communities that have no foreign power, no village innovation, regulations still overlapping, coordination between village units, farmer groups and BPD has not been well done, indications of budgetary funds budgeting. still high. That can be overcome if the village community and VF managers have the capacity to plan village development programs. Thus all programs sourced from the VF must have a direct impact on economic growth and programs that have an impact on improving the basic quality of life of rural communities. You can also create clusters or community centers in the villages. The village government should be innovative in exploring village potential, for example villages have tourism, historical, cultural or agro tourism potential, this potential can be developed to attract people to visit the village. Based on the results of the study, the researchers provide a solution so that the management of VF can contribute to improving the economy of rural communities, as shown below.



**Picture 2:** Solutions offered in managing VF  
Source: research results by researchers, 2018.

## CONCLUSION

Based on the description and analysis, the results of the research that has been achieved, the writer can conclude the real condition that environment the capacity of VF management to improve the economy of rural communities in district village to improve the economy of the village community have a weight and rating and a fairly good score on the internal environment. Although, the position of strength has a good weight and rating, but the external environment is in a position to face threats. The position of the SWOT diagram on reinforcement the management

capacity of VF is in the position of Quadrant II (t<sub>1</sub>). This means that an institutional strategy is needed to deal with these threats by means of diversification strategies through strategies to increase creativity and innovation. Thank You This research can be done supported by Universitas Terbuka in scheme from The Research Institute and Community Service of Universitas Terbuka.

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