

## The Model and Strategy Improved of Empowering Economic Community Based on Village Fund Allocation: Empirical Study in Kuala Sub district, Nagan Raya District)

Ar Royyan Ramly,<sup>a\*</sup> Wahyuddin,<sup>a</sup> Julli Mursyida,<sup>b</sup> Mawardati<sup>c</sup>

<sup>a</sup>Department of Islamic Banking and Economic Universitas Serambi Mekkah, Aceh, Indonesia.

<sup>b</sup>Department of Management, Universitas Mallikulsaleh, Aceh, Indonesia.

<sup>c</sup>Department of Agricultural Economy, Universitas Malikulsaleh, Aceh, Indonesia.

The Efforts to empower the economy of villagers have been pursued through a government-run program through Law No. 6 of 2014 on villages that optimize the implementation of village government. This study aims to analyze strategies and models of village community empowerment based on Village Fund Allocation (ADD). Whether through the ADD strategy can lead to the empowerment of villagers and reduce the impact of poverty on the economic welfare of the community. The method used is descriptive quantitative with a sample of seven villages in Kuala sub district of Nagan Raya district. The primary data source was obtained by going directly to the research object, while the secondary source was obtained from the Central Statistical Agency (BPS), the District Government Empowerment Agency (BPM), and the sub district, by accessing documents from the official website. Then analysis of poverty effect used panel data analysis with Random Effect Model. Dependent variable used is poverty ratio, while independent variable of village funds (DD) and ADD. The results showed that the utilization of village fund allocation to community empowerment has not been maximal. Only one village from seven villages maximized the role of BUMDes to manage village potentials and assets. While the result of the analysis of village funding behaviour on poverty has positive and significant effect with p-value 0,000, with sig-tailed assumption of  $\alpha = 0.05$ . This means that the increased use of village funds can reduce the gap of poverty that occurs in rural communities. The government is expected to improve the community economic empowerment program proposed by the village government in the management of ADD. Similarly, it is suggested to the village government to maximize economic improvement program through Village owned-enterprised (BUMDes) by utilizing village potentials, Purpose and principle of utilization of ADD.

**Keywords:** Village Fund Allocation (ADD), Model and Strategy, Empowerment

### 1. INTRODUCTION

Economic development is prioritized to the real sector by improving the welfare of the community through the improvement of the availability of goods / services, the price stability of goods / services in the market, as well as the increase of domestic investment. Another effort that can directly affect households is to improve governance of government programs related to regulation and government policy in tackling poverty and achieving equity in the community. among others through the Village Fund Allocation (ADD).

The poverty index last year has seen the ratio of poverty in Indonesia by 10.86% the national average in the first quarter,

and last year's unemployment rate fluctuated starting from 5.50% in February 2016 increased by 5.61% in August 2016, and In the year 2017 in the first quarter decreased by 0.17%. Therefore, It is very appropriate that the government targets

\*arroyanramly@serambimekkah.ac.id.

improvements and economic growth in the village through the proclaimed programs. One of them is a village fund program, aimed at improving the welfare and equity of the economy in rural communities, and improving the existing public services in the villages.<sup>1</sup>

The villagers' economic development substance starts from the bottom-up or top-down combination, which empowers the village to manage its own household according to their

respective rural areas.<sup>2</sup> Referring to research of Azwardi and Sukanto<sup>2</sup> model of community empowerment can be pursued through fund allocation program of village, so that society assisted from economic aspect.

In addition, the allocations of village funds can be directed to the rural sector and manage physical and non-physical potential such as tourist attractions, plantations and mines.<sup>3</sup> The objective of improving the management of village potency is to improve the living standard of villagers, where the majority of villagers have low level of feasibility, therefore the management of the village potency in order to establish the resilience and independence of the village. In addition to the potential increase of villages in the utilization of natural resources is directed so that there are community revenue stakes and managed directly by the village government as the holder of power at the village level.

So that, the potential of natural resources can be processed to superior product in the village. Then Based on the concept of allocation of village funds that utilize the potential of the village then other programs that can support is through maximizing the operational function of BUMDes as a more empowered village community development. The purpose of this BUMDes is to strengthen the economic joints of the people and be formed according to the needs and potential of the village.<sup>4</sup> Thus, through village-owned enterprises and the allocation of village funds, the two approaches are assumed to be a model that supports one of the improvements in the economies of the poor in the village.

The rationalization of this research is divided into two kinds, first, whether through the ADD strategy is able to trigger the empowerment of villagers and reduce the influence of village poverty?, Second, whether the combination of the village fund allocation model can increase the village potency into a product, thus becoming the economic value for the community?

Therefore, the purpose of this research is to analyze the strategy and good model used by the village government in improving the potential empowerment of the existing village in Kuala sub district and also affect the reduction of the poverty gap so that the community will feel the prosperity of the implementation of the village fund allocation.

## 2. RESEARCH METHODS

The type of research used is quantitative descriptive, which is used to variable allocation of village funds.<sup>5</sup> The location of this research is located in Kuala sub district District of Nagan Raya district, with the population of villages totaling 17 villages in Kuala sub district. The samples were 7 villages, consisting of Blang Baro village, Simpang Peut, Ujong Patihah, Teungoh Blang, Alue Ie Mameh, Purworejo, and Blang Muko. The Primary data obtained by directly encounter the object under study, while secondary data obtained through other sources from the internet, documentation, journal and access data from Central Statistical Agency (BPS) related research investigated.

Technique of data collecting using observation, interview, and questionnaire. Observations were made on the villages that were sampled by seeing and observing the object directly related to the implementation of the village fund allocation and the potential empowerment of the village conducted by the village. Then the interviews were conducted directly with the

village apparatus being sampled, consisting of the village head, the village secretary, the village treasurer, the sub-district head, the sub-district secretary of Kuala Sub district. Then the researchers also conducted interviews with the Community Empowerment Board (BPM) of Nagan Raya District and villagers by distributing questionnaires. This study used descriptive analysis that explains the phenomenon and the results of observation through graphs, tables and results of field data. Then, to see the behavior and influence of village fund allocation to poverty used the method of panel data (pooled panel data) with Random Effect Models. The data using consisted of cross section and time series data with varying number of individuals and only taken within 3 years. Just as previous research, Dura,<sup>6</sup> Azwardi & Sukanto<sup>2</sup> using multiple regressions. However, this study looks at the best model of village fund allocation behavior. The operational variables used are independent variables are DD (village fund), and allocation of village funds (ADG). While the dependent variable using the poverty ratio in Kuala sub district, Nagan Raya district.

## 3. RESULTS AND DISCUSSION

Potential villages play an important role in realizing an independent village, and prosperous. In addition, the potential of this village is a benchmark for allocation of village funds that exist throughout Indonesia besides the population, poverty rate, village area, and village geographic difficulties used currently in the village fund formula (DD).

The results of village potential (Podes) were measured by the Central Statistical Agency. Village potential data is a broad-based thematic data source capable of describing the potential of each region in Indonesia. Potential village data is conducted once every four years which has been implemented in 2014 and re-implemented in 2018.<sup>7</sup>

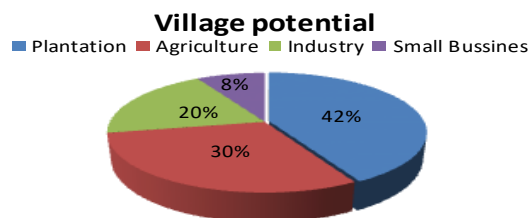
Therefore, the role and function of village in managing potency of village both physically and non-physically is needed. The village through its system of government has a big role in exploiting the potential in the village or jurisdiction of each potency of village and organizing and managing the interests of the community based on community initiatives, origin rights and / or customs in accordance with village law. Then in measuring and seeing the potential of the village, certainly there are several ways such as by looking at the natural resources owned or economic activities undertaken by local communities.

In Indonesia through law No. 6 of 2014 on villages which granted autonomous village authority even though only as a complement of the normative regional autonomy.<sup>8</sup> Then supported by the government regulation number 72 of 2005, which states that to increase village income, village government may establish village-owned enterprises as an alternative management of economic resources for the community to explore the potential of the village.<sup>9</sup> Therefore there is a need for a business entity for the potential of the village. As the results of the research in Kuala Sub district showed only the Simpang Peut that maximized the BUMG function of the seven samples studied, Simpang Peut village manages large assets such as traditional markets, shopping malls and tents, which have been running for 3 years. The source of BUMG Simpang Peut village fund initially sourced from the government through the PNPM-BKPG program. But since the next two years to develop the business, there are

capital constraints that should be in the gutters of the village funds. Therefore the village funds can also support the addition of BUMG capital in each village. Whereas, other villages, BUMG has not been so maximized in asset management and village potential, due to low human resources and minimal level of business innovation.

Whereas, Kuala district potential is very large. It is appropriate that the village empowerment model begins with the development of community enterprises in small businesses,

farm cooperatives, or other services in boosts through village enterprises (BUMG), whose source of capital comes from the allocation of village funds, so that villages can also increase incomes and prosperity for the community. Here's a potential village diagram.



Source: Processed by authors from villages potentials data district Kuala

**Table 1.** Regression Result of Random Effect Model of Village Fund Allocation Behavior toward Poverty

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	10.40316	0.380928	27.31002	0.0000
LOG(DD?)	-0.504171	0.028650	-17.59761	0.0000
LOG(ADG?)	0.141933	0.010865	13.06295	0.0000

Source: Processed by authors from EvIEWS 8.0

The plantation potential is 42 percent and agriculture is 30 percent in Kuala sub-district, then there is also the biggest brick industry in nagan raya district, this industry is the effort of the community of ujong patihah village which has wide distribution value to other districts. In addition, the production of tofu and tempe in Purworejo village that has been known for a long time become a home industry business community that can be developed through BUMG.

The utilization of village fund allocation has not been able to touch and boost the group or cooperative effort managed by BUMG. During the last 3 years the utilization of village funds allocated to the development of infrastructure and renovation of houses of worship. Then from the analysis of the behavior of village fund allocation towards poverty we can see from panel regression analysis below

The result shows that the variables of village fund allocation and has significant relation with p-value of 0.0000, with sig-tailed assumption of  $\alpha = 0.05$ , which is smaller so that it can be said that the variable of village fund allocation has positive and significant to the behavior of poverty. Variable data selection starting from 2015 until 2017, without entering dummy variable, after hausman test with p-value equal to 0.000 while the value of chi squares with df of 2 at  $\alpha = 5\%$  then the random effect model is more suitable than other model, because Degree of freedom is more minimal.

#### 4. CONCLUSION

According to implementation of the ADD Management practice, the results of the research are highly contributed to the reference for village and local government in making policies related to the management of ADD based on rural economy such as improving community development, skill training, empowerment of village-owned enterprises (BUMG) With the hope that the public gets economic education so that the realization of economic improvement program can be implemented maximally.

**Acknowledgments:** The researcher would like to thank for the Ministry of Research, technology and higher education of the republic of Indonesia (MenRistekdikti), Institute for Research and Community Service (LPPM) University of Serambi Mekkah Aceh, the Partner Research Team from University of Malikussaleh,

#### Reference

1. Ministry of Village, Development of Underdeveloped Regions and Transmigration. *Acceleration of Village Development*, Jakarta: Village Minister for the Development of Disadvantaged Areas and Transmigration (2016).
2. Azwardi & Sukanto, Effectiveness of Village Fund Allocation (ADD) and Poverty in South Sumatera Province, *Journal of Economic & Development* 12(1), 29-41.
3. Suprayitno. Analysis of Village Potentials in Running New Government Governance System after the enactment of Law no. 6 Year 2014 About Villages (Village Study Lung Anai District Loa Kuludan Village Bukit Pariaman District Tenggara Seberang, Kutai Kertanegara Regency). *E-jurnal Ilmu Pemerintahan* 3(4), hlm 1652-1655 (2015).
4. PKSDP (Dynamics Center for System Development). *Guidance Book of Establishment and Management of Village Owned Enterprise (BUMDes)*. Malang: Fakultas Ekonomi Universitas Brawijaya (2007).
5. Muslimin, Mappamiring & Nurmaeta, St. Accountability of Village Fund Allocation Management in Punagaya Village, Bangkalan District, Jeneponto Regency. *Otoritas Jurnal Ilmu Pemerintahan* 2(1), 79-85 (2012).

6. J. Dura, The Effect of Accountability on Financial Management of Village Fund Allocation, Village Policy, and Village Institution to Community Welfare (Case Study in Gubugklakah Village, Poncokusumo Sub-district, Malang Regency). *Jurnal JIBEKA*, 10(1), 26-32 **(2016)**.
7. Team KOMPAK. *Policy Analysis Village Fund and Poverty Alleviation*. Jakarta: Australian-Indonesian Government Patnership. Page (1-8) **(2017)**.
8. N. L. L. Aziz, The village Autonomy An The Effectiveness Of Village Fund. *Jurnal Penelitian Politik* 13(2), 193-211 **(2016)**.
9. R. Hardijono, et.al. Economic Independence Of The Village Through Institutional Village Enterprise (BUMDes). *IOSR Journal of economic and finance (IOSR-JEF)*, 3(2), 211-30 **(2014)**.

Author Copy