

The Reinforcement of Village Institutions and Role Integration of Stakeholders in Developing a Rural Creative Economy in Lhokseumawe City

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This research was conducted to identify the condition of village institutions, to design the reinforcement model of village institutions in Lhokseumawe city and to obtain a synergy role model of stakeholders in developing a creative economy in the rural area of Lhokseumawe city. The data used in this research was primary data and secondary data. The research methods were qualitative and quantitative. The results indicated that the conditions of village institutions in Lhokseumawe city were generally still weak, namely that village officials were still less educated and lack understanding of the new rules issued by the central government. The reinforcement model of village institutions in Lhokseumawe should be based on the reinforcement of village officials through training and empowering, programs which should be conducted by the government for society's welfare through empowering the creative economy. The successful implementation of the creative economy should be supported by the synergy role of the Stakeholders. Lhokseumawe city is has a lot of potential for developing a creative economy because there are many resources with potential, such as natural and human resources that can be developed.

Keywords: *Institutions, Integration, Creative Economy, Stakeholders, Rural Area*

JEL Classification: *E20, O10, O53, R11*

1. Introduction

A village or a city is a result of geographic embodiment posed by the elements of geography, social, economy, politics and culture in a particular area and has a reciprocal relationship and mutual effect with others areas. A village can also be regarded as a single entity that consists of an area, population, and government. The existence of the village currently represents a very important element in developing country. By issuing a Law of village and the provision of grants for villages through village budget, village government, city government, other elements, but also stakeholders such a entrepreneurs, financial institutions and universities which should be in synergy in developing rural areas from Lhokseumawe. Besides, the reinforcement of village

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institutions should also be carried out in synergy with the ability of the village and the availability of human resources.

1.1. Research Problem

Generally, village institutions, which consist of the heads of village, village officials and other institutions in Lhokseumawe city, still have weaknesses within institutional structures and are not quite ready to face the implementation of the Law on the village related to the management of village funds given by the central government which ranges at around 200 million rupiahs, can go up to 1 billion rupiah. Besides, there is a lack of synergy in developing villages by their stakeholders such as governments, private sectors, non-governmental organizations and universities. The management of village finances are directed towards the rise of the independent entrepreneurship through creative economy which is very important, but in fact, there is a still lack of synergy role among stakeholders so it is very risky and might possibly lead to a failure.

1.2. Aims of Research

The aims of this research are (1) to identify the condition of village institutions in Lhokseumawe, (2) to design a reinforcement model of village institutions in Lhokseumawe city, (3) to design the synergy role model of stakeholders in developing a creative economy in the rural area of Lhokseumawe city.

2. Theoretical Review

According to Bournen (2006), a village is one of the ancient forms of common life at about a thousand people, almost all of them know each other, most of them live from agriculture, fisheries, and other efforts that can be affected by natural laws; and in their residences there exist strong family relationships, obedience, and social norms. Landis (1948) claimed that a village is the area with a population less than 2500 people. Based on Law No. 5, 1979, a village is an area occupied by a number of residents, as a legal community unit that has the lowest government organization directly under the Head of a sub-district and has the right to autonomy under the unitary of Indonesia. Meanwhile, Sutarjo (1997) stated that a village is a legal entity in which a powerful community resides and holds its own government.

2.1. Village Institutions

Local government has been according to law No. 2, 2004 about Local Government. Moreover, the village government is also according to law No. 72, 2015 about a village. Both of the laws regulate the operation of the village government; one of them is related to the institutions of village governance. Village government institutions are administered by Village Government (VG) and Village Consultative Agency (VCA): (1) The Village Government consists of a head of village and village officials; (2) the Village Consultative Agency consists of the members selected by the villagers based on the way of deliberation and consensus and based on premises of religious leaders, community leaders, heads of *Rukun Tetangga*, *Rukun Warga*, and traditional authorities which are alike to the head of the village.

2.2. Village Government System

Law Number 32, 2004 explains that to administering the village government, a Village Consultative Agency is formed. The agency serves to protect the various customs and establishes the rules of the village by cooperating with the head of the village. In addition, Village Consultative Agency works to accommodate the aspirations of the community as well as to supervise the administration of the village. VCA members are the representatives of the villagers. They are elected by means of deliberation to reach a consensus. The task of this institution is to help the village government and to empower the community of the village.

2.3. Stakeholders

The term 'Stakeholders' is a group or individuals whose support is needed for the welfare and survival of the organization. The stakeholders represent a person, organization or group with the interest in a particular natural resource (Brown et al., 2001). It can be concluded that the stakeholders are all parties concerned with the issues and problems that are the focus of the study. For example, issues related to fisheries. So, the stakeholders represent the parties associated with fisheries issues, such as fishermen, coastal communities, ship owners, crews, fish traders, fish processors, fish farmers, governments, the private sectors in the field of the fishery, and so on. The stakeholder is someone who can earn or lose something as the result of planning a process or project.

2.4. The Role of Village Government

As described in Law No. 32 Year 2004, paragraph 1 verse c stated that decentralization is the devolution of government power by the central government to autonomous regions within the framework of the Unitary Republic of Indonesia. The enactment of Law No. 32 of 2004 contains certain consequences which must be prepared by each region in order to support the implementation of autonomy. Some of the consequences that must be prepared by the region include. First, the ability of human resources, particularly the Human Resources of Local Apparatus should have the technical skills either or wide intellectual insights widely and is expected to set and manage its own household with creativity and high innovation. Second, the ability of local financial resources to set up and manage their own household, so far, the sectors of financial regional development in general still depends on the central government. Third, the facilities and infrastructure are needed to facilitate the work, governmental and development activities. Fourth, the organization and management of this factor is not as important as the three factors mentioned above for the regional administration which is largely determined by the work of management functions in the running the government activities.

2.5. The Role of University

The third point of Tridarma university clearly stated the role of university academics to the needs of the general public in accordance to their capacity and capabilities. While in the first and second point, the university academics are required not only to teach science to students, but also to conduct research that leads to creative and innovative inventions and to support the development of science theoretically and practically. If the fulfilment of shared knowledge, innovation and creative research occurs only in the education community, between lecturers and students, then the triple helix is expected to the academics to also play an important role and is responsible for the social problems of the community.

2.6. The Role of Non-Government Organization (NGO)

Empowerment is a part of development paradigms that focuses its attention on all aspects of the principle of the human environment from the intellectual aspects, material and physical aspects, to the managerial aspects. Those aspects could be developed into socio-cultural, economic, political, security and environment. The involvement of NGOs already appears in many areas, especially isolated villages those are unable to assist poor rural communities through productive business to increase revenues of the community.

2.7. The Role of Government

Law number 22, 1999, Law number 25, 1999, and the various supporting laws provide opportunities for the implementation of comprehensive, real, and responsible decentralization and regional autonomy. Various efforts to develop a comprehensive, real, and is responsible regional economy and responsible for improving the ability of local government officials to carry out their authority in the areas of governance, development and community service, and also to improve the performance of the organizational units of local government in implementing duties and service functions to the community.

2.8. Creative Economy

The creative economy is a concept in a new economic era that intensifies information and creativity by relying on the ideas and the breadth of knowledge of Human Resources as the main production factor in the economic activities. The economy will be supported by the course of the creative industries. The concept of Creative Economy is an economic concept in the new economic era that intensifies information and creativity by relying on the ideas and stocks of knowledge from Human Resources as the main production factor in their economic activities. The structure of the world economy undergoes a transformation rapidly in line with the economic growth in which based on Natural Resources to Human resource basis, from the agricultural era to the industrial era and information. Toffler (1980) in his theory divided the economic civilization into three phases. The first is an agricultural economy. Second, economic industry and the third is economic information. Then, the fourth phase that was predicted is the creative economy that is oriented to the creative ideas.

3. Research Methodology

This research applied qualitative and quantitative method. The researcher applied quantitative research method as for related to the purpose of the research to identify the condition of village institutions in Lhokseumawe city, to design reinforcement model of village institution in Lhokseumawe city, and to design

the synergy role model of stakeholders in developing a creative economy in villages of Lhokseumawe city. The data used in this research was primary data and secondary data, both of these types of data were used simultaneously to form the model of the study. Sample size in this research is 68 respondents as keuchiks.

4. Research Results

4.1. Respondent Profile

This part describes the characteristic of the head of village institution that consists of head of village (*Keuchik*), Secretary, Head of *Dusun*, Head of affairs, and *Tuha Peut* in the area of Lhokseumawe city government based on the particular characteristics, such as gender, education, and age. The purpose of performing the characteristics of respondents was to know the percentage of village officials so that it can help the researcher in analyzing the data.

Table 1 reports the descriptive statistics of the respondents in this study. A total of 68 respondents were interviewed. The sample characteristic includes 63 males (92.7 percent) and 5 females (7.3 percent). The dominantly respondents' age is around 41 – 50 years old (55.9 percent) and have working experience of 1 – 7 years. The predominant segment of respondents have graduated high school (55.9 percent).

Table 1. Respondent Profile

	Frequency	Percent	Cumulative Percent
Gender			
Male	63	92.7	92.7
Female	5	7.3	100
Age			
21-30 years	4	5.9	5.9
31-40 years	15	22.1	28
41-50 years	38	55.9	83.9
51-60 years	11	16.1	100
Lengths of work			
1-7 years	42	61.8	61.8
8-14 years	26	38.2	100
Education			
High school	38	55.9	55.9
Undergraduate	11	16.2	72.1
Graduate	16	23.5	95.6
Postgraduate	2	2.9	100

4.2. Reinforcement Strategy of Village Institutions

After collecting the data, the authors conduct discussion with government and reforming strategy of reinforcement for Village Institutions. Decentralization provides the opportunity for local governments to develop the potency and economic opportunities for the realization of economic growth and improvement of the community's income. The government regulation No. 22, 2015 on the village budget is prioritized on the village development and empowerment of communities. Because of the regulations, all regions across Indonesia have the greatest possibility and opportunity to create and develop all the potency to be used for the community.

To realize the rural development and the independent and sustainable economic conditions in rural areas, reinforcement of village institutions can be implemented by applying the model of reinforcement through:

Education and Training that aim (1) to improve the ability of rural government officials in carrying out their duties in accordance with their functions; (2) to improve the labor quality in rural areas; (3) to reinforce the government institutions and community institutions; (4) to improve the ability of budget planning in the realization of infrastructure of rural areas; (5) to consolidate the understanding in achieving rural environmental development.

Developing the village based on creative economy by involving: (1) University as a research institution and the research result is the embodiment of dedication to the community; (2) Village government which is directly involved with the community so that it is easy to map out, explore and mobilize the potential resources to improve community welfare; (3) Businessmen as partners in managing and running business activities; (4) Local Governments as the regulators and policy makers. (5) Other stakeholders.

These strategies carried out to develop the village based on the creative economy by involving universities and entrepreneurs in managing and running activities. Institutional reinforcement strategy is also

carried out through reinforcing the capacity of the groups of managers with the focus on creative economy development. Optimizing the use of funds from the village fund by: (1) Improving the ability of village government in providing services to the local community that will trigger public confidence on the village administration; (2) Improving the ability of village to improve village infrastructure which is the responsibility of the village, so that can increase the community access widely, one of them is the access of information; (3) Allowing the village to be self-sufficient in planning based on the available budget allocation in order to enable the planning process from the bottom as the evidence of community aspiration; (4) Making greater possibilities to the community in controlling the government realization in order to give contribution for the democracy process and wider participation.

Selective Recruitment. One determining factor in the succession of the reinforcement of institution is the ability of Human resources in the institution itself. Therefore, the recruitment of the institutions should be reliable and eligible.

Capacity Building Realization. The realization of Capacity building is a set of strategy to improve the efficiency, effectiveness, and responsiveness village officials by concerning on dimensions such as: (a) Improving Human resource, (b) Reinforcing organizations and (c) Reforming institutions.

Optimizing the budget realization of village's funds by: (a) Improving the ability of village government in serving the community so it will produce the community trust to the village government; (b) Improving the ability of village in improving village infrastructure which is one of the responsible of village until it can improve the community access to the various aspect, including information; (c) Allowing the village to be self-sufficient in planning based on the available allocation fund allocation in order to enable the planning process from the bottom as the evidence of community aspiration; (d) Making greater possibilities to community in controlling the government realization so that the community can widely contribute and participate.

4.3. Synergic Strategy of Stakeholders

Developing rural economy is the process of drafting phases of activities involving various stakeholder elements therein, for utilization and allocation of available resources in order to improve social welfare in an area/village within a certain period. Synergic development of the creative economy in the rural area is an integral part in regional development by involving stakeholders based on their role and authority by integrating the dynamic and potency of each village with development plans of local, national and global government. The synergy role of stakeholders in developing the creative economy in the countryside can be done by opening access for all stakeholders to obtain the correct, transparent, and accountable information so it can be properly accounted for all stakeholders.

The government agencies, internal and external parties and private sectors should be synergic to integrate the participation of inter-institutions sustainably. Although there are many problems that still need solutions, there are so many aspects that can actually be implemented simultaneously at intergovernmental levels as a form of synergic relationships in order to realize the efficiency and effectiveness of governance in the region.

In developing a creative, effective, and efficient economy, the village government and local government, businessmen, universities and the other stakeholders should establish a synergic relationship and support each other in developing potential things owned by village to support creative economy. Those efforts can be established through the development of synergic cooperation between institutions, including banking and defence industry companies such as PT. Arun, PT. PIM, and so on. It also becomes the important and strategic step in supporting the creation of a creative economy for the realization of a self-sufficient economy in rural areas.

Reinforcement Model of Institutions. Self-sufficient is defined as a situation where one party can do everything by itself without relying on the other parties. However, the autonomy (independence) is also declared as a totally different perspective to interdependence. The dependency of the community requires the collaboration and synergy of all parts in solving that case. The existence of law No. 6 of 2014 on village refers to the need for community empowerment strategies which are specifically expected to respond to the conditions and problems of a community, especially in rural communities: community empowerment strategy is capable of promoting the realization of the decentralization concept and regional autonomy development by generating the entire potential ability of the parties at the local level itself, which has a long-term perspective and keeps the principles of sustainable development.

In the early year of 2014, the government issued Law No. 6 about villages and the government regulation (PP) number 43, 2014. These law and regulation provide new challenges in developing villages that require the cooperation of various elements of the entities within the village itself such as the government,

private sector and the community group in rural development. All courses entered into the village are set in line with the village planning.

Through the law No 6 of 2014, and government regulation No.43 on the realization of the village law, the village has a tremendous authority to manage the resources and direction of development. However, village development programs need to be balanced with the ability of planning, implementing and monitoring development programs, especially in the aspect of financial management of the village. Therefore, on the one hand, the village has a new hope for being self-sufficient with all the potential economic, social, culture and resources, but on the other hand, there is the unpreparedness of a system of governance. The conditions could backfire, especially in the financial accountability and development program.

Development strategy of Self-sufficient village is administered based on the Continuum of change to all the intervention of empowering village community and reinforcement of village government; where 'village' is not only as a territorial unit and a government but also the entity of multi-dimension community that cannot be separated from the natural environment.

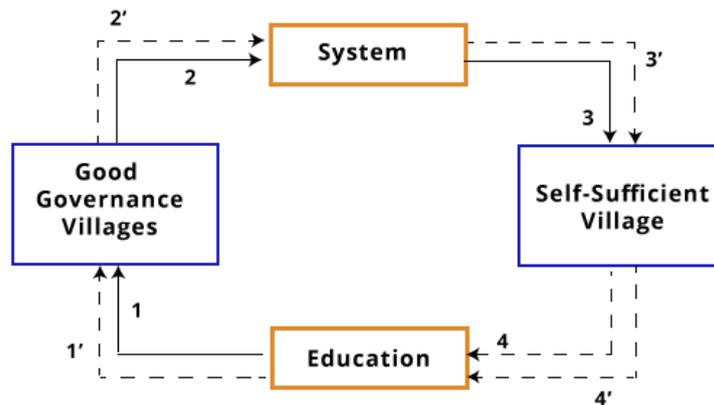


Figure 1. The role of education and system in the good governance and self-sufficiency of a village

The flowchart above (Figure 1) performs that the basic intervention is in form of education about a good governance and support for establishing deals about the self-sufficient management of the village which is the sustainable cycle of changes. The educational intervention here is interpreted as the attempt of learning together which is liberate, and transformative, and the agreement of government management system that will be the foundation of self-sufficient management which is in accordance with the identity of each region.

The model of village reinforcement (education and management system) encompasses human resource development, reinforcement policy and institution. This model was developed based on subsequent intervention described on the flowchart below (Figure 2):

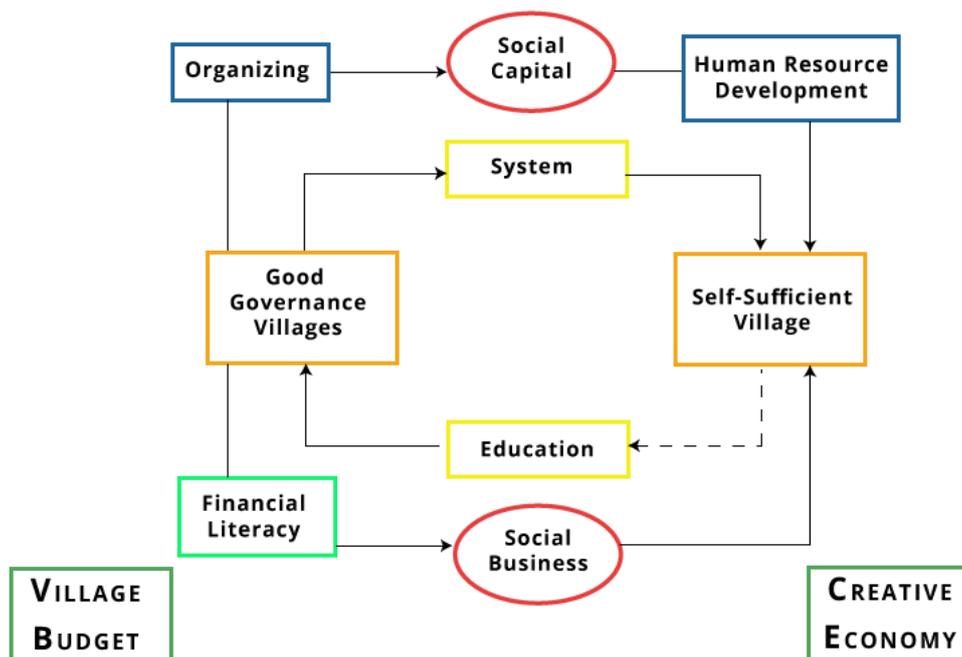


Figure 2. Economic development and the Creative Economy

Both of them are the organizing efforts for reinforcing social capital of rural communities and for increasing the level of financial understanding by communities for the development of social business in the village. Reinforcement of social capital will be a part of pillar of 'environmental and social development and human resources' at the village level. While the development of social business will be a major pillar of the 'Economic development and the Creative Economy' which will be based on the principles of social community.

5. Conclusion and Suggestion

This research concluded that the condition of village institutions in Lhokseumawe city was generally still weak in which at the village officials were still less educated and lack of understanding new rules from the central government. The model of reinforcement of rural institutions in Lhokseumawe city should be based on the reinforcement of village officials through training and empowering. Lhokseumawe city is an area with a lot of aptitude for developing a creative economy because there are many villages with potential in terms of natural and human resources.

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