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### Determinants of Village Fund Management in Improving Village Development and Economy

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**Abstract:** Village development as a priority of government programs of regional and national development. In 2018, the percentage of poverty in Jember Regency occupies the 2nd position in East Java. The purpose of the study was to examine and analyze the influence of the competency of village companion, the organizational commitment of village apparatus, and the community's response to the management of village funds, and the influence of village fund management on improvement of village development and economy. The research method uses linear regression. The results show that the competency of village companion has no effect on village fund management; the organizational commitment of village apparatus and community response has a positive effect on village fund management; and village fund management has a positive effect on improvement of village development and economy.

**Keywords:** competency of village companion; organizational commitment of village apparatus; community response; village fund management; village development and economy

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### Introduction

Village development is a priority for the current government program because it is a major part of regional development and national development. The village is a base of social, political and economic power that needs to be given special attention in order to achieve the goal of increasing national development. The village has the right to regulate and manage the interests of the local community and the welfare of the community in its role in realizing the ideals of independence. The central government is rolling out village funds to improve the development and economy of the people in the village. The village has autonomous rights to manage village development, governance, and social affairs through village funds. Village growth based on diversity, participation, democratization, and

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community empowerment. The role of the village government is enhanced in providing services and community welfare and accelerating the development and economic and regional growth (Tangkumahat, Panelewen, & Mirah, 2017).

So far, the percentage of poverty in Jember Regency ranks 2nd in East Java in 2018. This means, community income in Jember Regency is still much below the poverty line, where it is known that the community poverty line in Jember Regency is Rp324,174 per capita (Badan Pusat Statistik, 2019). This figure is lower than the national poverty line which is Rp425,250 per capita per month in March 2019 (Liputan6.com, 2019).

The Village Fund came into force in 2015 after the issuance of Act No. 6 of 2014 concerning Village and Government Regulation Number 60 of 2014 concerning Village Funds sourced from the APBN. The village funds managed by the village government in Jember Regency are mainly aimed at increasing the development and economy of the community, so that they are able to encourage the people of Jember Regency to obtain a more decent income. Village fund management through support to the development of MSMEs in the village can be pursued as a way to increase community income, so that income per capita of the community can also be increased above the poverty line. One of them is the village funds received by the villages in the Tempurejo Sub-district, Jember Regency, which will be the place of research in this study.

Increased development and economic of the village can be achieved with the effective management of village funds in accordance with the target. Programs that are run using financing sourced from village funds must be in accordance with the objectives of village development. The problems to be analyzing in this study are what factors influence the management of village funds in improving village development and economy. Based on the formulation of the problem, this study aims to examine and analyze the influence of the competency of village companion, the organizational commitment of village apparatus, and the community's response to the village funds management. As well as, examining and analyzing the effect of village fund management on improving village development and economy.

## **Literature Review**

### *Theories of Economic Development*

Theories of economic development support the improvement of village development and economy. The concept of development that focuses on clear growth and systematic as well as economic improvement in the community of development economics is known as development theory. Theory of economic development proposed by Thomas Robert Malthus states that the most important thing in the development of a country is the development of welfare, namely economic development that can be achieved by increasing the welfare of the people in a country. The welfare of a country depends on the amount of products produced by productive labor, and also depends on the value of these products (Jhingan, 2008).

The increase in community economic development can be seen from the increase in per capita income of the local village community and employment. The availability of decent jobs at the rural level can reduce unemployment rates of the productive age community, so that the community can utilize their workforce to generate income in their environment.

Through the village fund program provided by the government, it is expected to be able to be managed effectively so that the welfare of the village community can be achieved.

### ***Village Fund Management***

Village Fund Management is a social interactions between various interested parties such as the central and district governments, village apparatus, and the community (Rustiarini, 2016). The definition of village fund management is stated in Regulation of the Minister of Home Affairs Number 113 of 2014 namely village financial management as a whole activity that includes planning, implementing, administering, reporting, and village financial accountability. Village funds according to Law No. 6 of 2014 is funds sourced from the State Budget which is transferred through the Regency / Regional Government Budget. The funds are used to finance governance, development, community development and community empowerment. Regulation of the Minister of Villages, Development of Disadvantaged Areas, and Transmigration Number 3 of 2015 concerning Determination of Village Fund Priorities in 2015 states that prioritized village funds are used to finance development spending and empower village communities.

The use of the Village Fund for village development aims to improve the welfare of the community, improve the quality of life, and reduce poverty. The successful management of village funds can be maximally achieved if supported by competent human resources in terms of management. The competence of village companion as one of the parties tasked with assisting villages has an influence on the success of village fund management (Parwati, Purnamawati, & Prayudi, 2017). Other human resources inherent in the management of village funds, namely the village government apparatus. Organizational commitment of village apparatus has an influence on effective village fund management (Mada, Kalangi, & Hendrik, 2017; Parwati, Purnamawati, & Prayudi, 2017; Putri, 2018; Medianti, Taufik, & Anggraini, 2018). In addition, the management of village funds also requires community responses that are manifested in community attitudes and participation. Community responses have an influence on village fund management so that it can be implemented more effectively (Mada et al., 2017; Arifiani & Sjaf, 2018; Putri, 2018; Medianti et al., 2018). Village fund management in terms of accountability and transparency (Arifiani & Sjaf, 2018).

### ***Competency of Village Companion***

Competence is the work ability of every individual that includes aspects of knowledge, skills and work attitudes that are in accordance with established standards. Robbins & Judge (2008) defines competence as the ability or capacity of a person to perform various tasks in a job, where the ability includes knowledge and technical expertise and interpersonal individuals. Competence according to Spencer & Signe (1993) states that competence is an insider and forever exists in a person's personality and can predict behavior and performance widely in all situations and tasks in a job.

Regulation of the Minister of Villages, Development of Disadvantaged Areas, and Transmigration Number 3 of 2015 concerning Village Accompaniment defines village accompaniment is an activity to carry out community empowerment actions through assistance, organization, direction and facilitation of the village. Village companion also have a role in escorting and overseeing village fund management as part of the task of carrying out village development. Therefore we need a village companion who is

competent in carrying out village fund management. Competency of village companion in terms of knowledge, skills and attitude (Mada et al. (2017); Putri (2018)).

### ***Organizational Commitment of Village Apparatus***

Commitment according to the definition of Robbins & Judge (2009) explained that commitment is a condition where an employee sides with a particular organization and its goals, and desires to maintain membership in the organization. Another opinion was conveyed by Mada et al. (2017) which states that organizational commitment is a psychological tool in carrying out its organization to achieve the expected goals. Accountable village financial management requires strong organizational commitment from the village apparatus as executors in direct management. Organizational commitment of village apparatus in terms of affective, sustainability and normative dimensions (Mada et al., 2017; Putri, 2018).

### ***Community Response***

Response is the response given by someone to the stimulus or stimulus they face. Responses occur after someone notices, understands, and accepts the stimulus that approaches them (Arifiani & Sjaf, 2018). The response of the community which is assessed from the attitude and participation of the community in managing village funds makes it a reciprocal of the use of village funds which is felt directly by the community.

Attitude is a reaction to the stimulation of a particular object followed by a tendency to act, either in the form of an attitude of support or refusal. Several factors related to community attitudes towards the program include: 1) Characteristics of the social environment; 2) Program management; and 3) Personal characteristics (Arifiani & Sjaf, 2018). Village community participation is community participation, both individually and in groups related to their potential in the form of funds, labor, and idea in development. Uphof & Goldsmith (1979) suggested that there were four stages of participation, namely: 1) The stage of decision making; 2) Implementation phase; 3) The stage of enjoying the results, and 4) The evaluation stage.

### ***Development of Hypotheses***

#### **Competency of Village Companion in Village Fund Management**

Village companion who have duties and authority in village assistance have a key role in managing village funds. Village development through effective management of village funds is expected to be realized by providing optimal assistance by village companion.

The relationship of influence between the competencies of village companion with village fund management is evidenced in the research of Parwati et al. (2017) which states that the competency of village companion has a positive effect on village fund management, so the research hypotheses proposed are:

H1: Competency of village companion has a positive effect on village fund management.

#### **Organizational Commitment of Village Apparatus in Village Fund Management**

Organizational commitment is closely related to a person's willingness to try to achieve organizational goals by exerting all their capabilities. Village officials in creating accountability and transparency in village funds must have a high commitment. The

relationship between the influence of organizational commitment of village apparatus with the village funds management is shown in the research of Mada et al. (2017), Putri (2018) and Medianti et al. (2018) which states that organizational commitment of village apparatus has a positive effect on village funds management, so the research hypotheses proposed are:

H2: The organizational commitment of village apparatus has a positive effect on village funds management.

### **Community Responses in Village Fund Management**

Positive response from the community has the potential to be able to realize the management of village funds in accordance with the mandate of the government contained in Article 2 of Government Regulation No. 60 of 2014. The relationship of the influence of community responses with village fund management is shown in Arifiani & Sjaif (2018) research which states that community responses in terms of community attitudes and participation affect the level of transparency and accountability of village fund management. Research Mada et al. (2017), Putri (2018), and Medianti et al. (2018) which states that community participation has a positive effect on village fund management, so the research hypotheses proposed are:

H3: Community response has a positive effect on village fund management.

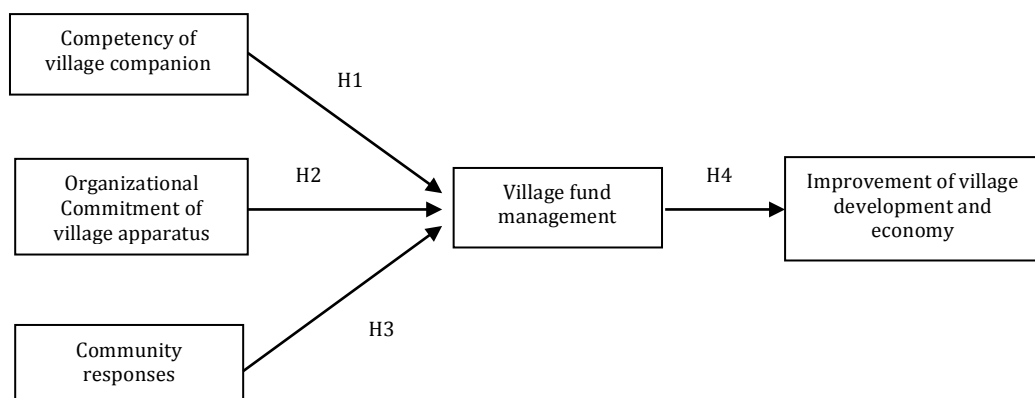
### **Management of Village Funds in Improving Village Development and Economy**

Effective management of village funds through the stages of planning, implementation, evaluation, and accountability of village fund programs can improve village development and economy (Tangkumahat et al., 2017). The relationship between the influence of village fund management with the village development and economy is shown in the research of Tangkumahat et al. (2017) which states that the policy of the village funding program in Pineleng Sub-district, Minahasa Regency is going well, and also the economy of the community in the village increases with the existence of a village funding program due to better village infrastructure development. Based on these results, the research hypothesis proposed is:

H4: Village fund management has a positive effect on improving village development and economy.

The conceptual framework in this study is as follows:

**Figure 1. Conceptual Framework**



## **Methods**

### *Population and sample*

The population in this study were all villages in TempurejoSub-district, Jember Regency. The population is 8 villages. The sampling used in this study is based on probability sampling techniques, namely simple random sampling. This is done because members of the population are considered homogeneous (Riduwan & Kuncoro, 2014).Determination of the sample using the lottery method to get a sample of 3 villages, that’s are Wonoasri Village, Sidodadi Village, and Curahtakir Village. The researcher also considers the character of the human resources in the villages. The three villages, each consisting of a majority of people from different ethnic group. Wonoasri village consist of Javanese and Madurese, Sidodadi villageis dominated by Javanese, and Curahtakir village is dominated by Madurese. The number of samples in this study were 42 respondents.

### *Data collection techniques*

Data collection techniques with survey methods. Primary data obtained through interviews and questionnaires. The measurement scale of the data obtained is using likert scale.

### **Definition of Operational Variables**

The operational definitions of each *variable* are as follows:

**Table 1. The operational definitions of each dependent variable**

<b>Variable</b>	<b>Dimension</b>	<b>Reference</b>
Improvement of village development and economy	- Per capita income - Employment	- Jhingan (2008)
Village fund management	- Accountability - Transparency	- Arifiani& Sjaf (2018)
Competency of village companion	- Knowledge - Ability - Attitude	- Mada et al. (2017) - Putri (2018)
Organizational commitment of village apparatus	- Affective - Continuity - Normative	- Mada et al. (2017) - Putri (2018)
Community responses	- Attitude - Society Participation	- Arifiani& Sjaf (2018)

### *Data Analysis Methods*

The data obtained is firstly tested by using validity and reliability tests. After testing the instrument, then performed the classic assumption test are multicollinearitytest, heteroscedasticity test and normality test. Hypothesis testing of the regression model 1 uses multiple linear regression analysis to test the three hypotheses previously stated (H1, H2, and H3), and the regression model 2 uses simple regression analysis to test the fourth hypothesis (H4).

## Findings

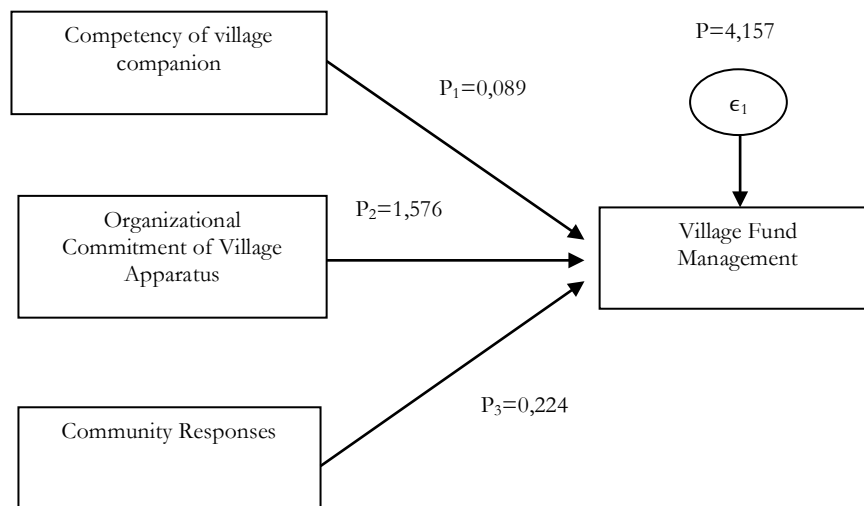
Hypothesis testing for model 1 uses multiple linear regression to test the influence of independent variables to dependent variables. The result of multiple linear regression test are presented in Table 3.

**Table 3. Hypothesis Test Results for Multiple Linear Regression Analysis**

Model	Coefficient Regression	t	Sig.	Conclusion
Model 1				
(Constant)	1,685	0,405	0,687	
CVC (X1)	0,089	0,671	0,507	Rejected
OCVA (X2)	1,576	8,214	0,000	Accepted
CR (X3)	0,224	3,671	0,001	Accepted
R Square	0,807			

Based on table 3 can be described diagram of multiple linear regression analysis as follows:

**Figure 2. Multiple Linear Regression Analysis Diagram**



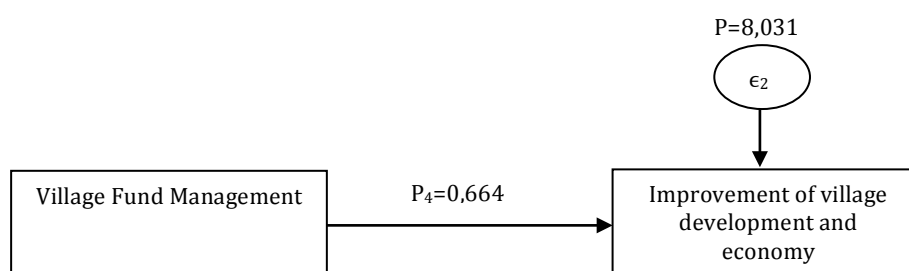
Simple linear regression analysis is used to examine the relationship of influence between the variable management of village funds as an independent variable on the variable improvement of village development and economy. Following are the results of data analysis in the simple linear regression analysis shown in table 4.

**Table 4. Hypothesis Test Results Simple Linear Regression Analysis**

<b>Model</b>	<b>Coefficient Regression</b>	<b>t</b>	<b>Sig.</b>	<b>Conclusion</b>
Model 2 (Constant)	-4,669	0,564	-0,581	
VFM	0,664	4,096	0,000	Accepted

Based on table 4 we can draw a simple linear regression analysis diagram as follows:

**Figure 3. Simple linear regression analysis diagram**



***Competency of Village Companion to Village Fund Management***

The results showed that the competency of village companion did not significantly influence village fund management. The competency of village companion in terms of three dimensions, namely the dimensions of knowledge, abilities, and attitudes, while the management of village funds in terms of accountability and transparency. The competency of village companion has not been able to contribute significantly to the success of village fund management in Tempurejo Sub-district. Village companion assigned to assist the management of village funds in the village government were on average less active in providing accompaniment. They provide more accompaniment during the preparation of the budget, then later when the main implementation of village meetings is rarely present to contribute opinions for the implementation of village fund management in accordance with the budgeted.

Every component assessed in the management of village funds should receive assistance from competent village assistants to achieve the objectives of the village fund, in accordance with the mandate of Village Ministerial Regulation No. 3 of 2015. The ministerial regulation defines village assistance as an act of community empowerment through assistance, organization, direction and facilitation of the village.

The test results show that there is no positive influence between the competence of village companion on village fund management as seen from the t value of 0,671 with a significance of 0,507. This means that the competency of village companion does not have a positive effect on the management of village funds in Tempurejo Sub-district. These results undermine the research conducted by Parwati et al. (2017) which states that the competency of village companion has a positive effect on village fund management. The



implementation of village fund management in villages in Tempurejo Sub-district can still be carried out quite well even with minimal assistance from village companion, but it will be better if the village companion can carry out his role in the village fund management process.

### ***Organizational Commitments of Village Apparatus to Village Fund Management***

The results showed that the organizational commitment of village apparatus had a positive effect on village funds management. Organizational commitment of village apparatus with in terms of affective, continuity and normative dimensions have a significant influence in achieving accountability and transparency in managing village funds.

The test results show that there is a positive influence between the organizational commitment of village apparatus to the management of village funds which is known from the t value of 8,214 with a significance of 0,000. This means that the organizational commitment of village apparatus has a positive effect on the village funds management in Tempurejo Sub-district. These results reinforce research conducted by Mada et al. (2017), Putri (2018), and Medianti et al. (2018) which states that the organizational commitment of village apparatus positively influences the management of village funds.

### ***Community Response to Village Fund Management***

The results showed that the community response had a positive effect on village fund management. Community responses in terms of attitudes and community participation affect the accountability and transparency of village funds managed by the village government. The cooperative attitude shown by community figures and groups at various levels of age and education towards village government programs is able to provide impetus for the implementation of accountable and transparency village fund management. Likewise, community participation in each stage of the implementation of village fund management is able to exert influence on the achievement of village fund management in accordance with the principle of benefits for the community.

The test results show that there is a positive influence between community responses to village fund management as seen from the t value of 3,671 with a significance of 0.001. This means that the community response has a positive effect on the village funds management in Tempurejo Sub-district. These results reinforce research conducted by Arifiani & Sjaf (2018) which states that community responses in terms of attitudes and community participation affect the level of transparency and accountability in village fund management. Research Mada et al. (2017), Putri (2018), and Medianti et al. (2018) which states that community participation has a positive effect on village fund management.

### ***Village Funds Management to Improvement of Village Development and Economy***

The results showed that management and the village had a positive effect on improving the village development and economy. Improvement of village development and economy was felt by the community in the Tempurejo sub-district. This improvement can be achieved with an accountable and transparency village fund management. The community feels a significant benefit from the existence of development programs carried out in the village,

including infrastructure development programs and river normalization for flood prevention and also irrigation facilities on plantation area. Infrastructure development can increase the effectiveness of the community in running the economy, so that the economy in the village can also be improved.

The test results show that there is a positive influence between the management of village funds on improving village development and economy as seen from the t value of 4,096 with a significance of 0,000. This means that the management of village funds has a positive effect on improving the village development and economy in Tempurejo Sub-district. Tangkumahat et al. (2017) stated that the policy of the village funding program in Pineleng Sub-district, Minahasa Regency went well, and also the economy of the community in the village improved with the existence of a village funding program due to better village infrastructure development.

## **Conclusion**

Based on the results of data analysis and discussion the conclusions are: (1) The competency of village companion has no positive effect on village fund management. The competency of village companion has not been able to provide the right influence in achieving accountable and transparency village fund management. (2) The organizational commitment of the village apparatus has a positive effect on village funds management. When the village apparatus has a commitment to carry out their duties and obligations properly as a government employee, then effective village fund management will be fulfilled. (3) Community response has a positive effect on village fund management. The attitude and participation of the community who are proactive in each stage to support the running of government programs funded by village funds will have a positive impact in delivering village funds management that can be carried out properly so that it meets the needs for accountability and transparency in its management. (4) Village fund management has a positive effect on improving village development and economy. Village fund management which is carried out with accountability and transparency can encourage the village development and economy through programs that are carried out effectively.

The research limitation are this research was carried out only in one sub-district, namely Tempurejo Sub-district so that it was less able to represent the information needed nationally and the variables studied to analyze the factors that influence the increase in village development and economy are only one variable, namely the village fund management variable. Some suggestions that can be given are future studies can conduct research for a wider area so that the research results obtained can be generalized to information that is needed nationally. The researcher can then consider other variables that can influence the improvement of village development and economy, such as the MSME productivity variable, and further research can conduct more complex hypothesis testing to test the direct and indirect effects between the independent variables competency of village companion (X1), the organizational commitment of village apparatus (X2), and the community response (X3) to the dependent variable improvement of the village development and economy (Y2) and village fund management (Y1) using path analysis.

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