

Village Fund Management: Identifying Challenges and Strategic Solutions

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ABSTRACT

Village fund management become material conversation a number of year lately this. Village fund management cause various problems and challenges. Research this aiming for identify problem or challenge in village fund management and formulating effective solution so that created welfare for public village. This article based on the approach qualitative with analysis studies literature. Focus his research is identify challenge village fund management from various reference related. This article has succeed identify challenge in village fund management and proposals the right solution for effective and efficient management of village funds to realize welfare public village. This article recommend for each other synergy with all related parties for economy prosperous village.

INTRODUCTION

Regulation of the Minister of Finance of the Republic of Indonesia Number 145 of 2023 concerning Village Fund Management states that the definition of a village is a village and a customary village or what is called by another name is a legal community unit that has territorial boundaries that is authorized to regulate and manage government affairs, the interests of the local community based on community initiatives, origin rights, and / or traditional rights recognized and respected in the government system. The village government is led by the village head or what is called by another name and assisted by village officials as elements of the village government organizers. According to data from the Central Statistics Agency (BPS) in 2024, there were 83,971 villages in Indonesia. This shows that the potential of the village is very large, so it needs support in building and developing the village.

The main focus in village development is to reduce the gap between urban and rural areas. As in the 2021 World Social Report, differences in the quality of living standards are the cause of the gap. However, over time, the rapid development of technology (digitalization) provides innovation for village development (Hilmawan, et al 2023). Rural development is one of the priorities in Indonesia's development agenda listed in the 2020-2024 National Medium-Term Development Plan (RPJMN). The lack of financial resources is an obstacle to village progress. Therefore, the central government seeks to develop and empower villages with the issuance of Law No. 6/2014 on Villages. The Village Law has had a significant impact on village budgets, revenues, and expenditures. One of the stipulated revenues is the allocation of village funds sourced from the State Budget (APBN) which is transferred through the Regional Budget (APBD) of the regency/city. Prior to the Village Law, village governments relied on grants, extension programs, and local governments (Watts, et al 2019).

The objectives of the village fund program based on the policy are to overcome poverty, encourage village development, and improve the quality of life of rural communities, infrastructure development, and increase village income and village communities by stimulating the local economy. There are two main priorities for the use of village funds, namely infrastructure development and community empowerment. Infrastructure development is more about additional infrastructure needed by village communities. Meanwhile, community empowerment includes improving the quality of the community with financial support and developing productive economic businesses such as BUMDes (Village-Owned Enterprises). Article 3 of the Regulation of the Minister of Finance of the Republic of Indonesia Number 146 of 2023 concerning the Allocation of Village Funds for Each Village, Disbursement, and Use of Village Funds for Fiscal Year 2024 states that village funds for fiscal year 2024 are set at Rp71,000,000,000,000.00 (seventy-one trillion rupiah), consisting of Rp69,000,000,000,000.00 (sixty-nine trillion rupiah), the allocation of which is calculated in the fiscal year before the current fiscal year based on the formula; and Rp2,000,000,000,000.00 (two trillion rupiah) as additional village funds allocated in the current fiscal year and/or implementing government policies. The statement shows that the amount of budget issued by the government as

village funds is intended for village development throughout Indonesia. Therefore, village funds must be used and managed carefully so that they are right on target.

Management of village funds that are not on target can be caused by abuse of authority for those responsible for the village funds. Based on the reality that occurs in the field, there are cases of abuse of authority in the use of village funds that occur in several regions. As research conducted (Gustiansyah, 2023) the former Kelbung village head with the initials (S) led the period from 2017 to 2021, committing corruption amounting to IDR 2 billion. Intel Section Head of the Seluma Prosecutor's Office, Andi Setiawan, revealed that based on the results of calculations that have been carried out, the 1.7-kilometer village road project with a budget of more than Rp. 400 million has cost the state Rp. 107 million. The four suspects will be charged with Article 2 juncto Article 18 with 15 years in prison (Anita and Iqbal, 2024). The rise of village fund corruption cases should be of great concern to the central government, local governments, village officials, and all Indonesian people. The existing cases are clear evidence of the potential for misuse of village finances and wealth, which is quite large and even includes corruption. Village funds originating from the state budget given to village governments provide a breath of fresh air for the village community, but also create the potential for misuse that adversely affects the welfare of the village community. This condition is certainly a problem for the village government.

LITERATUR REVIEW

The village is a representation of the smallest legal community unit that has existed and grown along with the history of Indonesian society and is an integral part of the life of the Indonesian nation. The Village Law has placed villages at the forefront of development and community welfare improvement. Villages are given adequate authority and financial resources in order to manage their potential to improve the economy and welfare of village communities (Wardhana, et al 2018). To increase the participation of village communities, the Government of Indonesia has provided village funds to villages throughout Indonesia since 2015, which was marked by the issuance of Law Number 6 of 2014 concerning Villages and Government Regulation Number 60 of 2014 concerning Village Funds derived from the State Budget.

Village revenues are not only sourced from village funds, but also from other revenues such as the Village Fund Allocation. In PMK Number 130 of 2023, the Village Fund Allocation (ADD) is village revenue sourced from revenue sharing funds and general allocation funds received by the regency/city in the regency/city APBD. The General Allocation Fund (DAU) is a fund derived from the APBN distributed with the intention of providing extraterritorial resources to fund expenditure needs related to decentralization activities (Rosmayanti, Haliah, and Kusumawati, 2023). According to Law of the Republic of Indonesia Number 3 of 2024 concerning Villages, Article 72 paragraph (1) village revenue comes from:

1. Original village income consists of business results, asset results, self-help and participation, gotong-royong, and other original village income;
2. State revenue and expenditure budget allocations;
3. Part of the proceeds of regional taxes and levies of the regency/city;
4. Allocation of village funds which is part of the balancing funds received by the regency/municipality;
5. Financial assistance from the provincial revenue and expenditure budget and the kabupaten/municipal revenue and expenditure budget;
6. Grants and non-binding donations from third parties; and
7. Other legitimate village revenues.

Village financial management is regulated in the Village Law, which is further elaborated in various government regulations and ministerial decrees. Based on the Minister of Home Affairs decree, the Village Head is responsible for the management and use of funds to the Regent. The use of funds must be approved in the village planning process and in accordance with national, provincial, and district priorities. The Village Law provides provisions to increase village authority in land and natural resource management, village authority in development planning and spatial planning. The government allocates village funds by considering population, poverty rate, area, and level of geographical difficulty. The criteria for determining the level of geographical difficulty is based on the availability of basic services, infrastructure conditions, transportation, and communication. However, considerations of population, poverty, area and village location only accounted for 10% of the distribution of Village Fund Allocation during 2015-2017. The relatively large proportion of Basic Allocation (AD) compared to Formula Allocation (AF) (90% : 10%) causes differences in the allocation of Village Fund per capita based on population density, or area (Wardhana, et al 2018).

Article 10 of PMK Number 146 of 2023 states that village funds are allocated to 75,259 (seventy-five thousand two hundred fifty-nine) villages in 434 (four hundred thirty-four) districts/cities. There is a difference of six villages from the total villages in Indonesia that do not receive village funds due to several reasons. First, they did not meet the village criteria based on the BPK (Supreme Audit Agency) audit report. Second, they are not willing to receive village funds. The village criteria in question are the existence of the village area no longer exists, the village is uninhabited, there are no village government activities, and there is no distribution of village funds for at least three consecutive years. The Indonesian government intensely monitors rural development by creating an index that integrates social, economic, and ecological or environmental dimensions. The score achieved by each village will be categorized into "Independent", "Advanced", "Developing", "Underdeveloped", and "Very Underdeveloped" villages. This classification is used as the basis for budget allocation by the Ministry of Finance for subsequent fund transfers. Allocations in the developing and underdeveloped categories are largely dominated by villages outside Java. As a result, villages on Java Island benefit more from having better infrastructure that supports rural economic and community development programs (Hilmawan, et al. 2023).

The distribution of village funds is carried out by the government through the Regency / City Government which is then distributed to villages under the authority of the Regency / City. The allocation of village funds is carried out in three stages, namely 40% in April, 40% in August, and 20% in November based on PP No. 60/2014. The village government can utilize the village funds to finance the administration, development, community empowerment, and community (Wardhana, et al 2018). The mechanism for monitoring and evaluating the use and management of the Village Fund is based on hierarchical reporting twice a year for villages and once a year for districts and municipalities. Village governments are required to report to the district or municipality, and the district or municipality reports to the Ministry of Finance. If there are irregularities or missing items in the reports, or delays in submission, continued payments to villages or districts and municipalities may be halted until the issues are resolved (Watts, et al 2019).

A unique thing that the government has done in supporting the village fund program is the incentive program for the establishment of Village-Owned Enterprises. The establishment of BUMDes is expected to be able to develop the potential of the village and provide employment opportunities to the village community so as to realize a more resilient economy for the village community. Businesses that can be run by BUMDes are running social businesses and public services. Challenges in developing BUMDes can reduce the benefits of establishing BUMDes itself. Therefore, synergy between the village government and the community is needed to optimize the role of BUMDes. Improving economic infrastructure in villages or sub-districts such as BUMDes and Village Economic Agencies can have an impact on improving the economy of village communities if utilized by the surrounding community. Infrastructure management, human resources, and the breadth of information distribution are some of the factors that can contribute to the benefits of this infrastructure. The purpose of establishing a Village-Owned Enterprise is to improve the welfare of village communities, especially for the underprivileged. The increasing number of underprivileged households who know about the existence of local business entities indicates the dissemination of information about the benefits of more targeted local business entities for the economic development of the poor (Wardhana, 2018). The success and failure of village development can be seen from several indicators including infrastructure development such as transportation, village management facilities and strategies, and digital adaptation by village officials. The adoption of technological innovation by village stakeholders such as the establishment of smart BUMDes or other innovations in the agricultural sector to improve farmer welfare has been carried out. Ideas and knowledge from the local community and creative methods in community empowerment are also needed (Hilmawan, et al. 2023).

It is undeniable that in the implementation of the village fund program, many obstacles are encountered starting from the planning, implementation, and reporting stages. These obstacles include mechanisms or procedures that are not implemented properly, the use of village funds that are not on target, the quality of management that is still questionable. Obstacles also do not only come from the village, but can also come from the central/regional government, especially in terms of late distribution of village funds. These obstacles are a challenge for the authorities to be more serious in carrying out their authority. With these various obstacles, it is a challenge in itself in managing village funds in Ria Bao Village, Nagawutung District, Lembata Regency (Simbolon, et al. 2020) in terms of managing and controlling the use of all natural resources with the principle that activities funded by village funds are planned, implemented and evaluated openly on the basis of, by and for the community, all activities must be able to be accounted for administratively, technically and legally and can contain principles of economy, direction and control and activities funded by village funds must improve community service needs.

On the other hand, forming a mindset of village communities to want to progress and develop, there is often miscommunication with the community regarding planned changes that are not accepted by the village community, and their concern for the development and progress of the village. In addition, the accuracy of community data that is not yet optimal according to the actual conditions of the community, the educational background of village officials, regulations or certain policies that are not appropriate and late after the musrembang is held, and the disconnection between the village government and the regional government and the data received by village officials from the RT / RW is not all accurate so that the distribution of aid has not been fully targeted (Simbolon, et al. 2020).

METHODOLOGY

This writing will use a qualitative approach with a literature review method using secondary data from previous studies. The literature review used is able to analyze, synthesize and evaluate critically to provide a clear picture on a particular topic. Cahyono, et al. (2019) stated that there are five stages in compiling a literature review, including:

1. Finding literature that is relevant to the research topic such as library catalogs, Google Scholar, and EBSCO.
2. Evaluating the sources of the literature review obtained.
3. Identifying themes and gaps between theory and actual conditions.
4. Compiling the structure or framework of the article.
5. Compiling an article review.

The preparation of this research includes several stages, namely:

1. Searching for, collecting articles or other relevant information through websites, Google Scholar, and other sources.
2. Obtaining as many as 14 articles and 6 regulations such as relevant UU (Law), PP (Government Regulation) and PMK (Minister of Finance Regulation).

RESEARCH RESULT AND DISCUSSION

Challenges Faced in Managing Village Funds

Village fund programs in the Asian region have had varying success in improving community welfare. In Thailand, village funds increase access to finance and increase income and expenditure, especially for poor households and agriculture (Hilmawan, et al. 2023). However, research conducted by Syafingi, et al. (2020) shows that village funds in Indonesia are underutilized and inflexible in meeting community needs. Several studies also show no significant impact of village fund programs on improving community welfare. Village funds are managed by the Village Financial Management Technical Implementer (PTPKD) which is a village apparatus tasked with assisting the village head in managing village finances consisting of the village secretary, section head, and treasurer. This paper identifies the challenges faced by PTPKD in managing village funds based on case studies that have occurred in various regions in Indonesia. The first challenge is the delay in the disbursement of village funds. This results in the delay in the execution of the planned work program. Funds are needed to immediately execute development plans. This challenge needs to be investigated for the causes of the delay, such as the submission of funds not in accordance with procedures or from the central and regional governments which are constrained. As happened in Aeng Accen village, the first disbursement was targeted for June 2022 but the funds were disbursed in August 2022. This resulted in the physical development of the village not being on schedule (Faisol, et al. 2023).

The next challenge is the difficulty in completing the report on the realization of the use of village funds. Permendagri Number 20 of 2018 regulates in detail the reporting process related to accountability for the use of village funds. The Permendagri regulates the account number, recording process, and format for reporting village funds. The obstacle is that the village head and village apparatus do not yet have an adequate understanding of the regulations and accounting for village funds. As happened in Marga Mulya Village, Tangerang Regency. This raises concerns about spending existing village funds (Kristanto, 2020). The next challenge is the low quality of Human Resources (HR) in terms of management. The process of implementing village fund management starts from planning, budgeting, administration, realization, supervision and evaluation. In carrying out this process, reliable HR is needed so that the management of village funds is right on target. In the initial stage of management, the documents that are the key to budget realization are prepared. The distribution process with many processes and requirements that must be passed until the village fund disbursement stage. This process is hampered if it is not supported by reliable human resources. As happened in Ria Bao Village. The challenges start from planning to evaluation depending on the readiness of supporting documents for the disbursement of village funds and their realization reports (Simbolon, et al. 2022).

The challenge related to the use of village funds is the pattern of village development. Research conducted in Batang Regency (Muhtada, et al. 2018) showed that almost all villages studied allocated most of the village funds for physical development such as infrastructure development in the form of roads, Pamsimas, drainage channels, and others. The village funds that are budgeted are actually not only allocated for physical development but also human development or community empowerment. The challenge for villages today is the establishment of Village-Owned Enterprises or BUMDes. Based on Law no. 6 of 2014, it mandates villages to establish BUMDes. The challenge in establishing BUMDes is preparing various instruments such as village deliberations, managers, and others. Before establishing a Village-Owned Enterprise, village officials must know the village's potential, BUMDes budget, and management rules. This is a challenge for village heads and village officials related to village funds.

The development of BUMDes still faces various obstacles such as limited human resource capacity, low initiative to develop local economic potential to improve the welfare of village communities, and less than optimal cooperation between stakeholders to realize an independent BUMDes (Sutoro in Wardhana, et al. 2018).

Effective and Efficient Village Fund Management Solutions for Improving Community Welfare

The village fund program enables the development of agro-tourism villages in Indonesia that bring about sustainable change, especially in the development of human resources and empowerment of BUMDes. Good governance and management are the keys to the success of village funds. Village administrators often lack the skills and abilities to assess community needs and manage funds properly. In essence, although village funds have the potential to improve the welfare of the Indonesian people, their impact depends on proper governance, management, and utilization. In addition, strategic implementation and supervision of village funds are also needed to realize community empowerment and reduce poverty, especially in developing countries (Hilmawan, et al. 2023).

The many challenges in managing village funds indicate that there is still a lack of attention from all components in utilizing village funds. These challenges require strategic solutions so that the use of village funds is right on target. The first solution related to this matter based on research in Batang Regency (Muhtada, et al. 2018) is that the local government conveys the aspirations of the village government regarding village funds that are disbursed late. Second, improving the quality of human resources of village officials, especially village heads and Village Financial Management Technical Implementers (PTPKD) as an effort to improve the performance of village officials. Third, involving the Village Consultative Body intensively in supervising the management and implementation of village funds. Fourth, improving the welfare of village officials and members of the Village Consultative Body. Fifth, intensive and focused village assistance by the central/regional government. Sixth, providing a one-stop service related to

village fund consultation by the local government. Another solution to overcome the problem of village fund management is the use of a computerized accounting system (Kristanto, 2020). Computerization can process accurate data with high accuracy, and save time in processing it, and the data can be used for a relatively long period of time. This can improve the management of village funds, especially in the realization report. This computerized accounting system has begun to be implemented in Marga Mulya Village.

Another method in dealing with village fund management problems is by conducting training and mentoring activities (Muhtar, et al. 2022). The training carried out is expected to improve the quality of the village fund management process. Monitoring and mentoring activities are carried out to resolve problems that cannot be resolved during training. One of the targets of mentoring is optimizing Bumdes management. This mentoring is expected to be able to boost the village economy by optimizing the role of BUMDes.

CONCLUSION AND RECOMENDATION

The village fund program is a government effort in village development and empowerment. This program is not free from challenges in its implementation. Various challenges experienced by village fund managers are late disbursement of funds, low quality of human resources, completion of reports on the realization of the use of village funds, and village development patterns, as well as the establishment of BUMDes. The solutions to overcome these challenges include paying attention to the aspirations of the village community, improving the quality of human resources and welfare, especially village officials, involving the BPD in terms of supervision, providing one-stop consultation services, and holding intensive training and mentoring from the central/regional government, and using a computerized accounting system. The challenges that arise in the management of village funds are still relatively numerous and must be resolved with the right solution. Cooperation is needed from various parties such as the central government, regional governments, village governments and other interested parties to work together to synergize to realize a prosperous village economy by using various instruments, one of which is village funds.

ADVANCED RESEARCH

This study has limitations including the lack of case studies used as references, the absence of concrete evidence from the research results obtained. Meanwhile, the proposal for further research is to further explore cases regarding village fund management and use more diverse and reliable references both nationally and internationally.

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