

Effectiveness of the Use of Village Funds and Their Impacts on the Accumulation of Capital in Bondowoso Regency

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ABSTRACT

Village Funds are one of the government's policy programs aimed at realizing equitable development in Indonesia. Since 2015 the use of Village Funds has continued to increase starting from 20.76 trillion in 2015 to 46.98 trillion in 2016. This study aims to determine the effectiveness of distribution and use of Village Funds and their impact on increasing capital accumulation in Bondowoso Regency. This research is a quantitative research with a confirmatory approach because researchers confirm the relationship between research variables and test the hypotheses formulated earlier. The analysis tool used is *Structural Equation Modeling* with the help of Lisrel 8.8 software. Respondents in this study amounted to 60 villages in Bondowoso Regency which were selected based on purposive sampling (to select sub-districts) and simple random sampling (to choose villages/respondents). Research results state that the effectiveness of using village funds has a significant effect on increasing capital accumulation for rural communities in Bondowoso Regency.

Keywords : Village Funds, Capital Accumulation, Community Empowerment..

INTRODUCTION

Economic development of an area is an activity that must be carried out jointly and continuously both from the government, the community and the private sector to realize a just and equitable public welfare. Economic development is carried out as a step to achieve a better distribution of development and economic growth in a region. Economic growth is one indicator that is often used in measuring the level of development of an area. The existence of economic growth in a region can be reflected through changes in economic conditions and structures that lead to an increase in public income in general.

Based on Law Number 32 of 2004. An area is given the widest possible autonomy to take care of all government operations beyond the authority of the central government to make regional policies related to improving service and community empowerment, as well as real

and responsible autonomy. This centralization is not only limited to the district / city level but also the village as a legal community unit that has regional boundaries that are authorized to regulate and take care of the interests of the local community, based on the origin and local customs that are recognized and respected in the NKRI government system (PP Number 72 of 2005).

As a consequence of granting an autonomous authority to the village in regulating and managing the interests of the local community, it is necessary to also regulate the sources of financing to support these activities, both sources of financing originating from the District / City Government; Provincial government; The Central Government and funding sources derived from Village Original Revenue. To support the above, programs are now emerging from the central government and regional governments which aim to encourage the ability of rural communities to increase the values of local wisdom and social capital in the form of community empowerment, one of which is the Village Fund Program which is a manifestation of fulfillment Village autonomy rights. From year to year the use of Village Funds continues to increase, in 2015 the amount of village funds amounted to 20.76 trillion and increased in 2016 by 46.98 trillion. It is planned that this village fund program will continue to be improved to support development at the village level. In order for the implementation of the Village Fund Program to run effectively, budget management is participatory, transparent, accountable and sustainable.

Bondowoso Regency is one of the Regencies in Indonesia that has obtained and distributed Village Funds. Since the existence of the Village Fund Program in 2015, the Bondowoso District Government continues to support the program launched by the central government in realizing more equitable development to the village level. Considering the large amount of budget issued by the government in this Village Fund distribution program, the Bondowoso Regency Government needs to conduct periodic evaluations of ²the effectiveness of distribution, management systems and the use of Village Funds to be more targeted. In addition, it is also necessary to examine more deeply whether the Village Fund can increase capital accumulation in the Village, as well as whether the Village Fund is also able to improve community empowerment which can be seen from the level of employment, business opportunities, increased community participation and improvements to public facilities and infrastructure owned by the Village. Based on the theoretical studies and phenomena above, the researchers are interested in conducting research on the effectiveness of Village Fund distribution to increase the accumulation of capital and community

empowerment in Bondowoso Regency. ² This study aims to determine the factors that influence the effectiveness of Village Fund distribution and its impact on capital accumulation in Bondowoso Regency.

LITERATURE REVIEW

³. Research Accomplished

Research conducted by Juniardi et al (2015) shows that participatory, transparent, accountable and sustainable variables have a significant influence on the effectiveness of Village Fund distribution variables. And sustainable variables have the most dominant impact on the effectiveness of channeling village fund allocations. To manage the Village Fund, the village must prepare an institution consisting of an implementation team, a supervisory team and a special evaluation team. These teams are needed so that the Village Fund can be managed properly and in accordance with the interests of the community. Juniardi et al (2015).

In practice, village financial management should involve community participation to prevent community suspicion of village financial management. The village community understands that accounting is an instrument of accountability and transparency in village financial management. Ayu Komang et al (2014).

Research conducted by Mahfud, 2012 stated that most of the use of Village Funds was directed more at physical activities (the construction of facilities and infrastructure) followed later for the welfare of village officials. While the percentage of Village Fund usage for community institutions is not in accordance with the existing rules. Other research states that Village Fund Allocation has a positive and significant effect on employment, improving public infrastructure, increasing community knowledge and increasing community participation in village development (Riska, 2012).

b. Theoretical

Village

Government Village Government according to Prof. Drs. HAW. Widjaja in his book "Village Autonomy" Village Government is defined as: "The implementation of the Village Government is a Subsystem of the Government's implementation system, so that the Village has the authority to regulate and take care of the interests of its people. The Village Head is responsible to the Village Consultative Body and submits the implementation report to the

Regent ". (Widjaja, 2003: 3).

Village and Financial Funds of the Village

Based on the explanation of article 72 letter b of Law No 6/2014 Village Funds are funds sourced from the APBN, which are transferred through the Regency / City APBD that is used to fund village development, empowerment, village government and community activities. Although the Village has the right to manage its authority, however, the village remains a part of the Regency / City and is not an autonomous region in its own right. Village funds are prioritized to finance the development and empowerment of communities whose implementation is prioritized in self-management by using local resources / raw materials, and strived to absorb more workers from local village communities. (Article 25 PMK 247)

Capital Accumulation

According to Marx, the first condition of capital accumulation is in the capitalist plan to sell the commodity and change the bulk of the money it receives to become capital. Marx's description of the process of capital accumulation, according to Turner (1981), stems from the nature of more value, namely: First, simple reproduction that focuses on the way of sustainability of capitalist social relations that is recreated by wage laborers. Second, the conversion of more value into capital, which focuses on the way in which more value is used to accumulate capital.

Community Empowerment Community

empowerment according to Sumaryadi (2005, p. 25) the purpose of community empowerment is basically to help the authentic and integral human development of a weak, poor, marginal and small community and empower these socio-economic groups so that they can more independent and able to meet the basic needs of their lives, but able to participate in community development. Indicators of community empowerment are employment opportunities, business opportunities, increased community participation, and improvement of public facilities and infrastructure.

Variable Operational Definition

Village Funds are funds sourced from the APBN, which are transferred through the Regency / City APBD that is used to fund village development activities, empowerment,

village and community governance. The effectiveness of Village Fund distribution is measured by participatory, transparent, accountable and sustainable aspects.

Capital Accumulation is the use of more value as capital or the conversion of more value into capital. The indicator of capital accumulation is investment, production, income, and savings.

METHODS

² This research is an explanatory research with a quantitative approach. The research location was in Bondowoso with the population being all village government in Bondowoso Regency. The sampling method uses Double Sampling (*Purposive Sampling* and *Simple Random Sampling*). the sample in this study amounted to 60 respondents. The number of samples obtained from all variable indicators used in this study is 12 sub indicators multiplied by 5. (Malhotra, 2005).

Data analysis in this study uses *Structural Equation Modeling* (SEM). using *software* Lisrel 8.8. According to Maruyama (1998) in Wijaya (2009) states that SEM is a statistical model that provides calculation estimates of the strength of hypothetical relationships between variables in a theoretical model, either directly or through variables *intervening* or *moderating*. Analysis of the data in this study in detail is shown in the following table:

Table 3.1 Data Analysis

No	Research Substance	Analysis Tool
1	Analyze the effectiveness of the use and management of Village Funds towards Community Empowerment	<i>Path Analysis</i> using <i>software</i> SPSS20
2	Analyze the effectiveness of Village Fund use and management to increase capital accumulation	

RESULTS AND DISCUSSION

a. Validity and reliability variables Effectivity of Village Funds

Effectiveness of Village Funds

Indicator	<i>Standardized Solution / Factor Loading</i>	<i>Error Variance</i>	<i>T-Value</i>	<i>Mean Score</i>
X1.1	0,75	0,22	7,27	1,96
X1.2	0,90	0,08	4,51	1,96

X1.3	0.82	0.15	6.51	1.96
X1.4	0.42	0.57	8.14	1.96

Source: Appendix 4

The above table shows that all indicators have t- value > 1.96 (95% confidence level). In addition all indicators forming constructs Village Fund Effectiveness Loading factor has a value greater than 0.50 except X1.4 which is equal to 0.42 < 0.50. Therefore, the indicator can be removed and not included in subsequent model testing. It can be concluded that all indicators in addition to X1.4 are significantly associated with the effectiveness of the Village Fund construct or indicator can be declared invalid.

Construct Village Fund Effectiveness reliability of 1.03 is above the recommended value of 0.60. Thus all indicators forming constructs Village Fund Effectiveness is reliable.

b. Construct Validity and Reliability Accumulated Capital

Capital Accumulated

Indicator	Standardized Solution / Loading Factor	Error Variance	T-Value	Mean Score
Y1.1	0.50	0.39	5.07	3.92
Y1.2	0.59	0.45	5.29	3,92
Y1.3	0.58	0.31	5.11	3.71
Y1.4	0.73	0.22	5.47	3.78

Source: Appendix 4 The

table above shows that all indicators have a t-value > 1.96 (95% confidence level). In addition, all capital accumulation construct forming indicators have a value Loading Factor greater than 0.50. So it can be concluded that all indicators are significantly related to the capital accumulation construct or all indicators can be declared valid.

Construct reliability of capital accumulation of 1.00 is above the recommended value of 0.60.

Thus, all constructing indicators of capital accumulation are reliable.

c. Hypothesis Testing

Based on Multiple Linear Regression Models With Latent Variables, then summarized the results of hypothesis testing on the structural model can be seen in the table below.

Hypothesis Testing

Hypothesis	Standardized solution	Q-value	Table	T-Specification
H1	0,62	1,98	1,96	Accepted

DISCUSSION

³ The relationship between the effectiveness of village funds towards capital accumulation otherwise has significant influence. This means that the level of use of village funds managed transparently, accountably, participatively and responsibly can increase the creation of capital accumulation in the village. Capital accumulation is the use of surplus value as capital or the conversion of more value into capital. Capital accumulation in question includes investment, production, income, and savings.

³ The results of this study are in line with the research conducted by Juniardi et al (2015) which states that participatory, transparent, accountable and sustainable variables have a significant influence on the variable effectiveness of Village Fund distribution. This result is also in line with research conducted by Mahfud, 2012 stating that the majority of Village Fund use is directed more at physical activities (the construction of facilities and infrastructure) followed later for the welfare of village officials. While the percentage of Village Fund usage for community institutions is not in accordance with the existing rules. In addition, these results also support research results (Riska, 2012). That states that Village Fund Allocation has a positive impact and a significant effect on employment, improving public infrastructure, increasing public knowledge and increasing community participation in village development. According to the results of the above research it can be said that the use of village funds appropriately can increase capital accumulation, namely an increase in investment, production, income and savings. According to Marx, the first condition of capital accumulation is in the capitalist plan to sell the commodity and change the bulk of the money it receives to become capital. In supporting economic growth in Indonesia in general and in the regions in particular, there is a need for equitable development and prosperity among regions. To reduce the disparity between regions, it requires an increase in economic growth that is able to create 'capital accumulation' in society ³ that can be obtained from the cycle of investment, production, income, consumption, savings, soaring re-investment. In addition, the practice of village financial management should involve community participation to prevent community suspicion of village financial management. The village community understands that accounting is an instrument of accountability and transparency in village financial management.

¹ CONCLUSION

From the test results and statistical analysis in this study, it can be concluded that the effectiveness of village funds on capital accumulation has a significant effect on capital

accumulation. This means that the level of use of village funds managed transparently, accountably, participatively and responsibly can increase capital accumulation which includes investment, production, income and savings for rural communities in Bondowoso Regency.

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