VILLAGE FUND AS POVERTY COUNTERMEASURES IN INDONESIA: CASE STUDY OF VILLAGE EXPENDITURE IN CENTRAL JAVA

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Article History: Received on 06th November 2019, Revised on 14th March 2020, Published on 10th May 2020

INTRODUCTION

Purpose of the study: The objective of this study is to analyze the legal framework regarding village funds in Indonesia and analyze the budgeting of some villages in Central Java along with the relation of village funds to their development and poverty. Lastly, this paper will hand over recommendations to solve these problems.

Methodology: The research method employed in this legal research is normative-empirical research, whereas the research material used includes primary and secondary data. The primary data is obtained based on field research by conducting interviews with the related respondents, while the secondary data obtained through literature studies of various sources.

Main Findings: The authors found out that although with the existence of the village fund, there is still some village that is underdeveloped and there are many poor people.

Applications of this study: The findings can be useful as a source to improve the effectiveness of Village Funds, whether for the Central Government or the Village Government.

Novelty/Originality of this study: The new findings in this study would advance the existing knowledge in Village Funds, especially its implementation through village expenditure.

Keywords: Village Fund, Poverty, Countermeasures, Indonesia, Central Java, Case Study.

Village in Indonesian term “Desa” etymologically originated from the word “Swadesi”, a Sanskrit word which means a place or an independent and autonomous part (Zoetmulder in Syafrudin, & Na’a, 2010). Village government exercises governmental affairs and local community interests in the Indonesia Governmental system (decentralization). The nature of the village government is to fulfill its community’s basic needs or as a government element that serves its community. Therefore, the village government has specific affairs that become governmental duties, such as governance affairs, village community empowerment affairs, welfare affairs, and environmental affairs (Zainudin, 2016). With decentralization being implemented in Indonesia, rural institutions can play a lot of roles in organizing community and implementing development programs (Sutiyo & Nurdin, 2015).

Government affairs under the authority of the Regency / Municipality submitted to the village setting is the government affairs that can directly improve service and community empowerment. In carrying out the implementation of Government affairs, Village Government, in its implementation, requires authority, be it the authority that is both the origin and authority of the attributive. The powers to encourage the initiative, movement, and the participation of the village community to the development potential and assets for the common welfare village in order to realize the objectives of regional autonomy (Pakaya, 2016).

Village development will be more promising in the future with our current regional economic conditions that are transparent and democratic political life. Moreover, our national development is essentially aimed at improving the welfare of all Indonesians to a society of equal prosperity (Nasution, Erlina, & Rujiman, 2017). However, the village until today hasn’t moved from its old profile, which is underdeveloped and poor. (Sofivanto, Mardani, & Salim, 2017) Village underdevelopment is considered a major contributor to Indonesia’s high levels of inequality. Law No.6 / 2014 (‘Village Law’) on villages’ governance and finance is regarded as the most progressive policy in the history of local governance in Indonesia and has a great potential for rural development (Salim et al., 2017).

Moreover, this Village Law is supported by Government Regulation No. 60/2014 (‘Village Fund Law’), which, lastly, amended by Government Regulation No. 8/2016. The principles of Village fund are to boost the welfare of the village community and to balance the development inequality in villages. Therefore, with the increase of public services, a developed village economy reduced the development gap between villages and strengthened the village community ought to bring about village not only as of the object of development but as a subject (Meutia & Liliana, 2017).

Nowadays, Indonesia’s development is currently centered in Western Indonesia. Previous National Development Agency Head, Bambang P.S. Brojonegoro, in 2018, said that from the status quo inequality perspective, around 80% of national economic contribution originated from Western Indonesia, especially Java and Sumatra Island (Nurcahya, 2018). However, based on data from National Statistics Agency, there are 12.72 million poor people in Java, which 6.32 million or 12.25% of the total Java population are from poor people in the village community (Badan Pusat Statistik, 2019). Based on World Bank data in September 2019, out of a population of around 264 million, about 25.9 million
Indonesians still live below the poverty line. Based on March 2018 data, approximately 20.19% of the entire population remains vulnerable to falling into poverty, as their income hovers marginally above the national poverty line (World Bank, 2019). Indeed, poverty is a complex problem (Hulu, Harahap, & Nasution, 2018).

After visiting some villages in Central Java in 2019, the authors found out that although with the existence of village funds, there are still some villages that are underdeveloped and there are many poor people. Therefore, this study will analyze the causes of the ineffectiveness of village funds from its income and expenditure aspects. First, this paper will show the legal framework regarding village funds in Indonesia. Second, this paper will analyze the budgeting of some villages in Central Java and the relation to their development and poverty. Third, this paper will hand over recommendations to solve these problems.

VILLAGE FUNDS LEGAL FRAMEWORK

Villages as the subject of development are given the authority to regulate and manage their finances, in this case, the Village Government Budget, in order to improve the welfare of their communities. However, this does not mean that the authority granted by the Central Government does not have any guidelines as a guide in setting priorities for the use of the Village Government Budget. To accommodate this matter, the Government issued Government Regulation Number 43 of 2014 regarding Implementation of Law Number 6 of 2014 concerning Villages and their amendments. Through this regulation on the Implementation of the Village Law, the government has provided clear guidelines regarding Village Government Budget.

Law Number 23/2014 (‘Regional Government Law’) is the first law mentioned concerning Village Fund. However, Village Fund in Regional Government Law is not written literally as Village Fund, but as ‘funds that are originating from the state budget intended for villages that are transferred through the district/city budget’. This definition is the same as the definition for Village Fund, as stipulated in the current Village Fund Law. Village Funds itself is regulated in Government Regulation No. 60/2014, which lastly amended by Government Regulation No. 8/2016.

Village Funds are budgeted annually in the state budget by the Central Government, which are allocated for each Village based on certain criteria, such as total village population, poverty rate, village area, and level of geographical difficulty. According to Village Funds Law, Village Fund is used to finance the implementation of village governance, infrastructure development, community development, and community empowerment. However, the priority of Village fund usage is regulated specifically on Regulation of the Minister of Villages, Development of Disadvantaged Areas, and Transmigration of the Republic of Indonesia Number 16 the Year 2018 Regarding Priority for the Use of Village Funds in 2019.

According to Article 4 Regulation Number 16 the Year 2018 Regarding Priority for the Use of Village Funds in 2019, Village Funds are prioritized to finance programs and activities in infrastructure development and community empowerment. The purpose of this priority is to provide benefits to the village community in the form of quality life improvement, welfare improvement, poverty countermeasures, and public services improvement in the village level. Village Funds is one of the sources of village income. Village revenues itself is regulated in Article 72 of the Village Law, which can be seen as follows:

![Figure 1: Village revenues according to Village Law. Source: The authors.](chart)
In the other hand, village expenditure is regulated in Article 100 Government Regulations No. 42/2014 which lastly amended by Government Regulations 11/2019, which regulated as follows:

- Village government administration including Village Government operational expenditure and incentives for neighborhood associations and hamlets;
- Village infrastructure development;
- Village community development; and
- Village community empowerment.

Figure 2: Village revenues according to Article 100 Government Regulations No. 42/2014 which lastly amended by Government Regulations 11/2019.

Source: The authors.

Arief Sofianto found that the village community and government felt quite helped because the Village Fund makes a significant contribution to village development, either in terms of economy, social and political. In the economic sector, it increased accessibility and efficiency. In the social sector, it strengthens social capital in the way of bringing back the spirit unity/togetherness and mutual cooperation in developing their village. In the political aspect, it gives an enormous chance to community participation in village development. Village Funds indirectly co-created democracy in the lower class community, boosting the community involvement and also a conducive political atmosphere (Sofianto, 2017). On the other hand, the Village Fund is one of the biggest sectors with corruption in Indonesia (others are government, education, transportation, and health sector). Data provided by the Indonesian Corruption Watch explained that at least 181 corruption cases relating to Village Fund with 184 suspect, the estimated value of state losses is around 40,6 Billion Rupiah (Marjono, 2019).

METHODOLOGY

The research method employed in this article is normative-empirical research with a statute approach, case approach, and conceptual approach. Peter Mahmud Marzuki explained that normative research is a process to find law principle, as well as law doctrine in order to answer a certain legal problem, normative law research is done to achieve arguments, theory, or new concept as a remedy in solving a problem (Marzuki, 2006). On the other hand, empirical law research is a law method that attempts to identify law in action or examines how the law works in society (Efendi & Ibrahim, 2016). The statute approach is done by assessing the existing regulation related to Village Funds (Marzuki, 2013). The case approach is aimed to study the implementation of village expenditure (Ibrahim, 2007; Shalahuddin, 2009). On the other hand, the conceptual approach is done by understanding and analyzing the Village expenditure ratio in Central Java.

As a result of normative-empirical research, thus the research material used includes primary and secondary data. The primary data is obtained based on field research. The field research was done by collecting primary data in the form of related documents and information from interviews with the interviewees and respondents. The interviewees in this research are Village Head of Gandrungmangu, Gedangan, Karanggedang, Wangkelang, Sumbersari, Tegiri, Sidodadi, and Malebo Village. The interviews were done by following interview guidelines, which later structured systemically in accordance with scientific rules. The tools that the author used in collecting primary data is a list of questions. The secondary data is obtained through literature studies of various sources in the form of laws, books, and journals relating to the agreement. The above-mentioned data is analyzed by employing a qualitative method and presented in a descriptive form.

This research was done with 3 stages, which consist of the preparation stage, research stage, and finalization stage. The preparation stage was done by doing a pre-observation towards the problem in this research and formulating the legal problems. The research stage was done with 2 phases, first is library research which was done by collecting information through some legal document, either primary legal material or secondary legal material about the problem regarding Village Funds in Central Java Province. Second, field research was done by doing an interview in some villages in Central Java Province. Lastly, in the finalization stage, the authors map the data acquired from field research by separating the relevant and irrelevant data relating to this research, then the data were processed structurally to analyze and answer the problem in this research.
RESULTS AND DISCUSSION (Case Study: Villages expenditure in Central Java Province)

1. Gedangan Village

Gedangan Village is located in Wirosari District, Grobogan Regency, Central Java Province. Gedangan comes from Javanese word gedang, which means banana because this area was full of a banana tree. This village has an area of 1396.740ha consisting of the residential area, agricultural area, and plantation area. Gedangan Village has four hamlets, which are Ngaronan, Beku, Krajan, and Sono Hamlet. One thousand thirteen people in Gedangan Village are uneducated, 528 finished elementary school, 1217 finished junior high school, 1178 finished high school, and 98 have a university degree. Details of expenditure in Gedangan Village in 2016-2018 are as follows:

![Expenditure in Gedangan Village](image)

**Figure 3:** Expenditure in Gedangan Village  
*Source: The Authors*

Gedangan Village in 2016 up to 2018 prioritized its budget for infrastructure development, with percentages of 61.21%, 72.53%, and 65.77% respectively. In 2017, expenditure for infrastructure development increased by around 10%, while government administration fell around the same number in the same year. Government administration expenditure comes in second with the lowest percentage of 25.54%. However, either community and community empowerment come in last every year with the highest number of community empowerment in 2019 (3.76%), while others were always below 2% of total expenditure.

2. Karanggedang Village

Karanggedang Village is located in Bruno District, Purworejo Regency, Central Java Province. Karanggedang Village has a distance of 12 km to the west from the center of Bruno District and 47km from the center of Purworejo Regency. This village is located around 800-1.100m above sea level. This village and Cepedak Village are known for their natural tourist attraction to hiking Mount Bengkuk (1067m) and also exploring Mount Bengkuk with Jeep and trail motorcycles. Details of expenditure in Karanggedang Village in 2016-2018 are as follows:

![Expenditure in Karanggedang Village](image)

**Figure 4:** Expenditure in Karanggedang Village  
*Source: The Authors*
3. Gandrungmangu Village

Gandrungmangu is a Village located in Gandrungmangu District, Cilacap Regency, Central Java Province. Gandrungmangu village has environmental characteristics in the form of lowlands with wet and dry environments. The environmental character of this region influences the types of food crop farming. Eight hundred sixty-four people of Gandrungmangu Village are uneducated, 1569 finished elementary school, 1672 finished junior high school, 1984 finished high school, and 13 have a university degree. Details of expenditure in Gandrungmangu Village in 2016-2018 are as follows:

![Figure 5: Expenditure in Gandrungmangu Village](source)

Source: The Authors

Gandrungmangu Village has slightly different trends with other villages. This can be seen because government administration expenditure in Gandrungmangu Villages either prioritized as first or second. In 2016, Government administration took 49.9% of total village expenditure, which the highest number of expenditure that year. However, it declined to 46.08% in 2017 but rose up again to 47.35% in 2018, and government administration was prioritized second in these two years. On the other hand, infrastructure development expenditure escalated stably from 42.41% in 2016 to 48.63% in 2018. The noticeable expenditure in Gandrungmangu Village is its community development expenditure, which allocated 5.94%, 5.54%, and 4.73% in 2016 up to 2018, respectively. This is in contrast with Gedangan Village, which only allocated around 0.65%-1.52% and Karanggedang Village, which always allocated under 3%. The infrastructure development focused by Gandrungmangu Village is setting up asphalt road and road wall retainer.

4. Wangkelang Village

Wangkelang is a Village in Moga District, Pemalang Regency, Central Java Province. This village has 321 illiterate people, 42 dropouts, 360 people finished elementary school, and others don’t attend school. Details of expenditure in Wangkelang Village in 2016-2018 are as follows:

![Figure 6: Expenditure in Wangkelang Village](source)

Source: The Authors
Like any other villages, Wangkelang Village prioritized its budget for infrastructure development. Starting at 75.58% of total expenditure in 2016 and falls to 66.58 in 2017. However, it increased slightly in 2018 to 67.59%. Government administration expenditure never exceeds 30% of total expenditure, with the lowest point of 16.84% in 2016. Community development and empowerment comes in last, with a total of both never surpass 11% every year. In 2017, Wangkelang Village established a health station, village maternity station, kindergarten, village meeting hall, and village road. In 2018, the expenditure was focused on building village roads, bridges, and village lighting. However, in 2019, the expenditure was focused as capital in the village-owned enterprise.

5. Sumbersari Village

Sumbersari Village located in Kayen District, Pati Regency, Central Java Province. One thousand thirteen people of Sumbersari Village don't attend school, 528 finished elementary school, 1217 finished junior high school, 1178 finished high school, and 98 finished higher education. Details of expenditure in Sumbersari Village in 2016-2018 are as follows:

![Figure 7: Expenditure in Sumbersari Village](source: The Authors)

Sumbersari Village in 2016 until 2018 prioritized the majority (more than 50%) of their budget for Infrastructure with the highest percentage of 78.86% in 2016 and 59.56 as the lowest in 2018. This enormous number of infrastructure development expenditure could be because the roads in Sumbersari Village haven't been asphalted in 30 years (Yusuf, 2016). The government administration expenditure ratio in Sumbersari Village is placed second just like any other village. However, the expenditure ratio between infrastructure development and government administration is quite high, for example in 2016 the difference between those expenditures is almost 60% of total Sumbersari Village expenditure. In contrast to the high number of infrastructure development expenditures, Sumbersari Village tends to spend 0% on community empowerment. The highest expenditure spent on community development is in 2018 with the percentage of 0.39% from the total expenditure.

6. Tegiri Village

Tegiri Village is one of the villages in Batuwarno District, Wonogiri Regency, Central Java Province. This village has an area of 1109.95 ha. Six hundred thirty-five people weren't eligible for school, 851 never attended school, 17 elementary school dropouts, 1691 finished elementary school, 672 finished junior high school, 337 finished high school, and 42 finished higher education. Details of expenditure in Tegiri Village in 2016-2018 are as follows:

![Figure 8: Expenditure in Tegiri Village](source: The Authors)
Infrastructure development in Tegiri Village is prioritized each year between 2016 to 2018 based on the graph above. It usually takes the majority of the village budget ranging from 48.07% in 2018 up to 59.53% in 2017. The high number of infrastructure development in 2017 could be because there was a landslide there in April. Government administration expenditure has a rather steady number from 2016 to 2018, in which the percentage is around 35% of total village expenditure. Community development and empowerment were left behind with below 5% of total expenditure, however in 2018 Tegiri Village allocated 13.8% of their budget for community empowerment.

7. Sidodadi Village

Sidodadi Village is located in Patean District, Kendal Regency, Central Java Province, and was established in 1905. Two thousand nine hundred eighty-five people haven't and didn't attend school, 700 haven't finished elementary school, 1301 finished junior high school, 621 finished high school, and 60 villagers finished higher education. Details of expenditure in Sidodadi Village in 2016-2018 are as follows:

![Figure 9: Expenditure in Sidodadi Village](Image)

Source: The Authors

Sidodadi Village's budget allocation for infrastructure development from 2016 to 2018 is rather steady, which is around 60%, and infrastructure development is prioritized by Sidodadi Village, just like any other village in Central Java. Government administration in second place of Sidodadi Village priority also has a steady budget allocation from 2016 to 2017. In 2016, it took 33.57% of total expenditure and increased to 35.44% in 2017, however, in 2018 it dropped to 31.03%. On the other hand, community development and empowerment were prioritized last with a total of both expenditures were below 7% combined each year.

8. Malebo Village

Malebo Village is one of the 16 villages in the Kandangan District, Temanggung Regency, Central Java Province, which is located in the lowlands with a height of ± 700 m above sea level. 1827 villagers haven't or didn't attend school, 799 haven't finished elementary school, 818 finished elementary school, 533 finished junior high schools, 279 finished high schools, and 104 finished higher education. Details of expenditure in Malebo Village in 2016-2018 are as follows:

![Figure 10: Expenditure in Malebo Village](Image)

Source: The Authors
Infrastructure development in Malebo Village always takes the highest percentage of expenditure each year in 2016-2018. In 2016, the infrastructure development took 54.82% of the village expenditure, and it escalated to 68.07% in 2017, however in 2018 it decreased significantly to 36.04%. Government administration expenditure always took second place each year in 2016-2018. In 2016 it had a quite high percentage of 40.62%, yet it dropped to 26.87% in 2017 and increased to 33.12% in 2018. Community development and empowerment expenditure in Malebo Village in 2016-2018 usually are below 3% of total expenditure. Notwithstanding that low percentage, in 2018 community empowerment surged significantly to 29.9% of total expenditure. This immense number is the highest community empowerment expenditure yet that the author has seen in Central Java.

According to Article 4 Regulation of the Minister of Villages, Development of Disadvantaged Areas, and Transmigration of the Republic of Indonesia Number 19 Year 2017 Regarding Priority for the Use of Village Funds in 2018, Village Funds are prioritized to finance programs and activities in infrastructure development and community empowerment. However, based on the data of these 8 Central Java village expenditure in 2018, we can conclude that these villages prioritized their expenditure as follows:

![Figure 11: Overall Village Expenditure Priority in Central Java](source: The Authors)

Currently, villages in Central Java Province are too focused on developing their infrastructure. Almost all villages in 2018 mainly prioritized their expenditure for Infrastructure Development and Government Administration (both combined up to 80-90% of their total expenditure). The detriment is that their Community Empowerment and Community Development tends to get only below 10% of total expenditure. Based on Article 4 Regulation Number 19 Year 2017 Regarding Priority for the Use of Village Funds in 2018, villages should prioritized their budgeting to infrastructure development and community empowerment. Nonetheless, from the data above we can see that community empowerment is always left behind. The ratio of Infrastructure against Community Empowerment and Community Development in 2018 are as follows:

![Figure 12: Allocated Expenditure for Infrastructure and Community Ratio in 2018](source: The Authors)
Based on the data above, we can see that in 2018 all of these villages prioritized their budget mainly for infrastructure (the majority is always more than 50% of total budget) and government administration comes in second. On the other hand, community development and community empowerment always come in last. The lack of community development and community empowerment seems to be the cause of low education and high illiterate number in these villages. Notwithstanding the high number of expenditure allocated to villages infrastructure development in Central Java, data from National Statistic Agency in 2019 said that there are 12.72 millions of poor people in Java, which 6.32 million or 12.25% of total Java population are from poor people in village community (Badan Pusat Statistika, 2019). Village Community Empowerment Program is one of poverty countermeasures programs as an effort to resolve low welfare problems which is a government obligation. Village Community Empowerment Program is a learning media and capability development of development actors, it also becomes a media to realize community as an initiator in development programs. Community involvement in village development is an essential aspect to achieve a development program that leads to a better social life, economy, and community politics (Almasri & Deswimar, 2014).

All in all, it can be concluded that high infrastructure development is not the same as getting rid of poverty. Whereas community development and empowerment could reduce the number of illiterate and uneducated villagers, thus reducing the poverty number. Education is widely accepted as the main exit route from poverty. It is the backbone of the growth and development of individuals and the nation (Julius & Bawane, 2011). Janjua in his artic found out that secondary education emerged as the main contributor to poverty alleviation (Janjua & Kamal, 2011).

CONCLUSION
The principles of Village fund are to boost the welfare of the village community and to balance the development inequality in villages. Village funds are regulated in Government Regulation No. 60/2014 (Village Fund Law’), which lastly amended by Government Regulation No. 8/2016. However, the Villages Fund hasn’t been too effective in eradicating poverty in Indonesia. To eradicate poverty in Indonesia through Village Funds, village expenditure needs to be allocated according to their village needs. Villages can’t just allocate most of their budget for infrastructure development, but also to community development and empowerment.

LIMITATION AND STUDY FORWARD
The limitation of this study is that the sample used in this study is only 8 villages scattered in Central Java. The observation period used in this study is 14 days so that a more precise observation period is needed. Future studies are suggested using more samples of villages in Central Java and more observation periods in order to accurately portray the effectiveness of village funds as poverty countermeasures.

ACKNOWLEDGMENT
This study received financial support from Universitas Gadjah Mada.

AUTHORS CONTRIBUTION

REFERENCES


