

REALIZATION OF VILLAGE FUNDS IN REGIONAL ECONOMIC GROWTH AT ENREKANG REGENCY

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Abstract

Purpose: This research aims to determine the benefits of village funds in economic growth in Enrekang Regency.

Theoretical framework: Through the Regulation of the Minister of Villages, Development of Disadvantaged Regions and Transmigration of the Republic of Indonesia No. 7 of 2021 concerning priorities for the use of village funds are funds sourced from the state revenue and expenditure budget. The allocation for villages is transferred through the district regional income and expenditure budget and is used to finance government administration, implementation of development, community development, and community empowerment.

Design/methodology/approach: This type of research is descriptive quantitative and qualitative, namely research by collecting data, presenting and explaining data through figures about village funds in economic growth in Enrekang Regency.

Findings: The distribution of village funds in Enrekang Regency starting in 2022 will reach IDR 325.86 billion or 36.72% of the ceiling of IDR 887.48 billion. The priority use of village funds is directed towards programs or activities to accelerate village SDGs through national economic recovery by village authorities. **Research, Practical & Social implications:** National priority programs according to village authority, such as mitigating and handling natural and non-natural disasters. Village SDGs are integrated village development efforts to accelerate the achievement of sustainable development goals. **Originality/value:** The use of village funds for national economic recovery is by village authority, one of which is realized through the formation, development, and increasing capacity of BUMDes management for regional economic growth.

Keywords: Realization; Village Fund; Economic Growth; Enrekang Regency.

JEL: A10; A14; E60; F43

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) have an important role in the Indonesian region. The Indonesian region is a large country rich in resources originating from nature and humans. Looking at the sources of wealth it has, Indonesia can become a strong country, strong in terms of its sovereignty and economic resilience (Hasniati et al, 2023). Maintaining economic sovereignty requires the readiness and ability of the district government to develop and manage its natural resources. Invitation–Law No. 23 of 2014 concerning village government, to realize regional independence which relies on empowering local potential. Implementation of regional autonomy contained in Law No. 23 of 2014 concerning village government which emphasizes autonomy lies in the independence of the lowest level, namely the village.

Village government is the most basic element that plays an active role in implementing the principle of regional autonomy provided by the central government in terms of autonomous

regions (Sobirin et al, 2023). Village government is a basic element that interacts directly with society and policies.

Based on the authority granted and the characteristics of a region, it is responsible for advancing and improving the region (Salim et al, 2024). Law of the Republic of Indonesia No. 6 of 2014 concerning villages states that villages have original rights and traditional rights in organizing and managing the interests of local communities and play a role in realizing the ideals of independence based on the 1945 Constitution of the Republic of Indonesia.

Villages or other names are very diverse in Indonesia. Initially, it was a local community organization that had territorial boundaries, was inhabited by several residents, and had customs for managing itself, which was called a self-governing community.

National and regional development is aimed at and ends in the village. Villages play an important and inseparable role in national and regional development (Vutsova et al, 2024). This can be seen in the various development programs designed by the government for village development. Development is a term that is familiar to people in a country. The development aims to improve community welfare.

Development is carried out continuously to achieve an increasingly improving state of society (Karim et al, 2023). To realize development in each village, the central government allocates funds from the state revenue and expenditure budget to finance development and activities that are the state's current priorities (Karim et al, 2023).

The budget is in the form of village funds sourced from and allocated village funds which are balancing funds received by the region in the regional income and expenditure budget. The three village fund budgets are then used by the village government to finance development and community empowerment which is aimed at improving the welfare of village communities, improving the quality of human life, and alleviating poverty (Daga et al, 2024).

Village development is one of the priorities of the village government. The village fund budget is determined by the government in the state revenue and expenditure budget at 10% of funds outside regional transfer funds in stages.

Village funds received are based on a count of the number of villages and are allocated taking into account population size, poverty rate, area size, and level of geographic difficulty (Abduh et al, 2024).

Village funds obtained by Enrekang Regency will be distributed to every village in Enrekang Regency which has 12 sub-districts and 112 villages. The following are details of the distribution of village funds in all sub-districts in Enrekang Regency.

Table 1: Distribution of village funds in Enrekang Regency in 2022

Sub-district	Total villages	Budget ceiling (IDR)	Total distribution to village cash account (IDR)	Percentage total distribution	Covid-19 allocation (IDR)	Direct village cash assistance (IDR)
Maiwa	21	17,472,674,000	17,472,674,000	100.05%	632,825,000	6,980,400,000
Enrekang	12	11,171,953,000	11,171,953,000	100.00%	0	4,597,200,000
Baraka	12	9,625,657,000	9,625,657,000	102.59%	367,838,800	3,607,200,000
Anggeraja	12	10,168,507,000	10,168,507,000	100.00%	0	4,122,000,000
Alla	5	4,368,818,000	4,368,818,000	100.00%	0	1,872,000,000
Bungin	6	5,512,629,000	5,512,629,000	107.25%	376,999,200	1,832,400,000
Cendana	7	5,199,649,000	5,656,399,200	108.78%	0	2,476,800,000
Curio	11	10,553,727,000	10,553,727,000	100.47%	139,200,400	4,172,400,000
Malua	7	5,130,831,000	5,130,831,000	100.71%	165,109,200	2,016,000,000
Buntu Batu	8	8,327,045,000	8,231,184,400	98.85%	0	3,535,200,000
Masalle	6	6,529,700,000	6,529,700,000	100.64%	51,982,400	2,570,400,000
Baroko	5	4,779,261,000	4,779,261,000	100.00%	0	2,070,000,000
Summary	Total 112	Total 98,840,451,000	Total 99,201,340,600	Average 24.39%	Total 1,733,955,200	Total 39,852,000,000

Source: Village information system, 2023.

Development in Enrekang Regency still needs improvement in the form of physical and non-physical development. Management of village income sources originating from the state income and expenditure budget as well as regional income and expenditure budgets (Ruslan et al, 2023). Each village has the authority to regulate and manage its household by its original and granted authority. For village financial management, the government issued Regulation of the Minister of Home Affairs of the Republic of Indonesia No. 20 of 2018 concerning village financial management as a reference for village governments for financial management. Law No. 16 of 2014 concerning villages states that village finances are all village rights and obligations that can be valued in money as well as everything in the form of money and goods that are related to the implementation of village rights and obligations (Kadir, 2023). Financial accountability for each village is needed as a form of accountability to all existing parties. Financial accountability in village government involves the village government being accountable for activities carried out related to village development (Zamzami & Effendi, 2023). Village funds are provided by the central government and obtained from the state revenue and expenditure budget balancing funds received by the district in the regional revenue and expenditure budget after deducting special allocation funds of 10%. These funds are then used to finance government administration, development implementation, community development, and community empowerment.

LITERATURE REVIEW

1. Regional Economic Growth

Economic growth is a continuous process of changing the economic conditions of a country towards a better condition over a certain period. Economic growth means the development of activities in the economy, which causes the goods and services produced in society to increase

and the prosperity of society to increase (Duile, 2021). So, according to this theory, economic growth can also be interpreted as the process of increasing the production capacity of an economy, which is realized in the form of an increase in the production capacity of an economy which is realized in the form of an increase in national income (Asmirah et al, 2023). Regional economic growth is a long-term increase and the ability of a country to provide an increasing number of types of economic goods to its population, this ability grows through technological progress and the necessary ideological institutional adjustments (Agustarini et al, 2023). Enrekang Regency in 2023 will rank 16th out of 24 regencies/cities in South Sulawesi Province in terms of per capita expenditure.

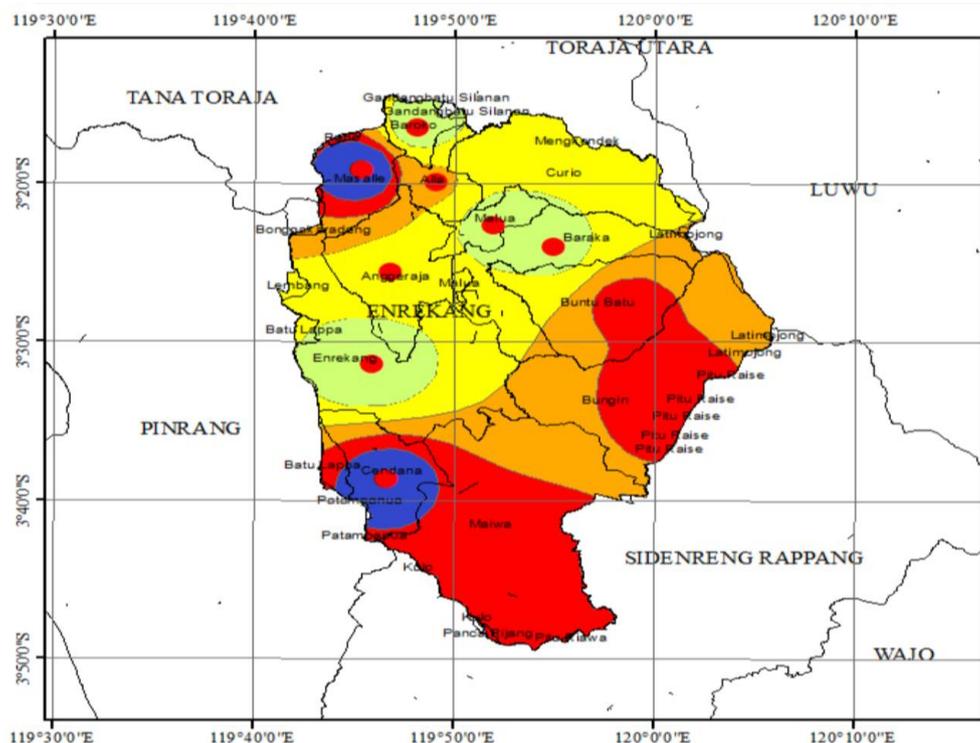


Figure 1: Geographical Map of Enrekang Regency, 2023

Economic growth is one of the development trilogy that must be fulfilled as the basis for development (Karim et al, 2023).

Talking about growth, of course, what we understand is an increase in national production or what we usually know as gross national product and gross domestic product, which shows the number of goods or services produced in a region (Mardjuni et al, 2022).

Regional economic growth, which is measured by increasing production of goods and services, is very necessary because there are two very determining factors, namely the increase in population from year to year. Increasing social welfare is a result of development itself, where society requires more and more goods and services, both private and public goods (Nirwana et al, 2023).

2. Village Funds

Regulation of the Minister of Villages, Development of Disadvantaged Regions and Transmigration of the Republic of Indonesia No. 7 of 2021 concerning priorities for the use of village funds in 2022. Village funds sourced from the state revenue and expenditure budget intended for villages are transferred through the district regional income and expenditure budget and used to finance government administration, implementation of development, development, community development, and community empowerment (Hendaris & Romli, 2021). Village funds aim to improve public services in villages, alleviate poverty, advance the village economy, overcome development gaps between villages, and strengthen village communities as subjects of development (Sulaiman et al, 2024). The village funds are budgeted by the government every year in the state revenue and expenditure budget by 10% in stages.

Village funds are funds sourced from the state revenue and expenditure budget intended for villages which are transferred through the district regional revenue and expenditure budget and are used to finance government administration, development implementation, community development, and community empowerment (Bahtiar et al, 2021). As explained in Law No. 6 of 2014 concerning villages. Each village is allowed to manage its governance. Villages have a very important role and authority in managing village finances. Considering the increasingly strong position, authority, and finances of villages, the implementation of village government in 5 is expected to be more accountable, supported by a supervisory system (Iskandar et al, 2023).

Financial accountability of village funds is a form of responsibility for what the government has done. Accountability is intended in the use of village fund budgets in implementing development as reporting to the community so that irregularities do not occur (Prabowo & Kalsum, 2021). However, the community pays little attention to the implementation of development in the village. Village development, community development, and community empowerment have a direct impact on the community so they require attention and awareness of development (Juharni et al, 2024).

The existence of a village fund program from the central government is expected to help equalize development starting from a small scale such as villages, but don't let the village fund program become a breeding ground for corruption as happened in one of the villages in Enrekang Regency (Syahrudin, 2020). The use of village funds for national economic recovery by village authority is realized through the formation, development, and increase in the management capacity of Badan Usaha Milik Desa (BUMDes) for equitable village economic growth (Karim et al, 2021).

One of the objectives of managing village funds is development for the welfare of the community. The management or use of the budget has a large potential for deviant actions to occur, so accountability is needed in managing village funds to avoid deviant actions that could occur. The distribution consists of profit-sharing funds with a realization of IDR 7.00 billion or 50.31% of the ceiling of IDR 13.92 billion, general allocation funds have been realized amounting to Rp. 234.58 billion or 47.25% of the ceiling of IDR 496.42 billion, special non-

physical allocation funds have been realized amounting to IDR 40.08 billion or 34.44% of the ceiling of IDR 116.38 billion. There has been no realization of the special allocation funds and regional incentive funds of the respective ceilings of IDR 136.44 billion and IDR 8.37 billion. Village funds have been disbursed amounting to IDR 44.19 billion or 38.11% of the ceiling of IDR 115.95 billion.

METHOD

The research method used in this research is descriptive quantitative and qualitative, namely research by collecting data, presenting and explaining the data through numbers. Quantitative descriptive research is data obtained from a sample of the research population analyzed according to the statistical methods used (Azhari et al, 2023). The descriptive research in this study is intended to obtain an overview and information regarding the distribution of village funds in Enrekang Regency to encourage economic growth in 2022. The qualitative research method is a method for investigating objects that cannot be measured with numbers or other exact measures (Jaya, 2020). Qualitative research can also be interpreted as research that is descriptive and tends to use analysis with an inductive approach. The data used in this research are primary data and secondary data. The primary data in this research is the percentage data on the total distribution of village funds from the 2022 budget ceiling, which has been set in 112 villages from 12 sub-districts in Enrekang District. Secondary data is data obtained indirectly through intermediary media. The data and information collected are time series data for 2022. Secondary data sources in this research are reports on the receipt and realization of village funds in 2022, as well as literature related to this research (Ghozali, 2018). In this research, the data collection method used is interviews, and library research, namely by reading and collecting secondary data in the reference center in the village information system and also other literature related to this research.

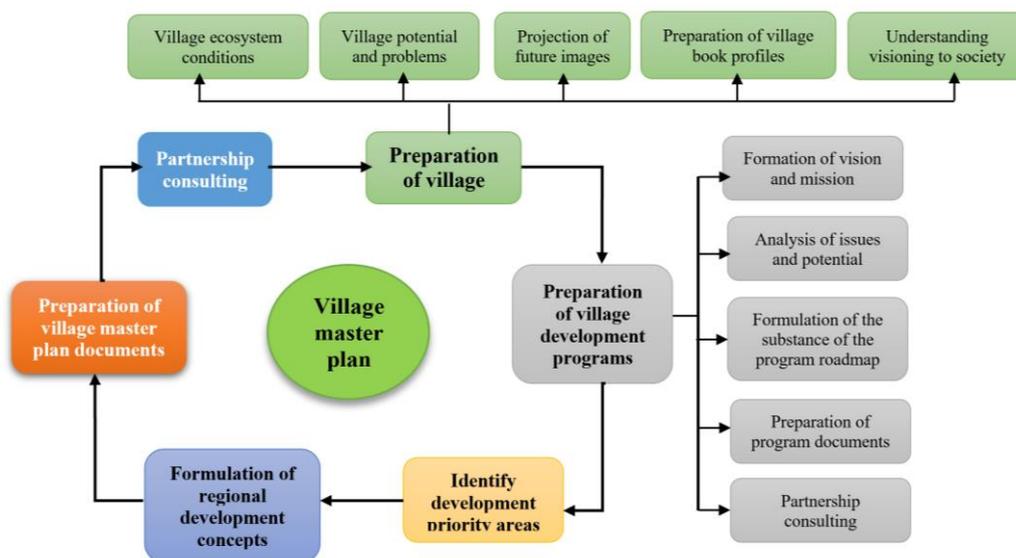


Figure 2: Village Fund Management Flow

RESULT AND DISCUSSION

The existence of community empowerment institutions and village government cannot be separated from the workload policy aspect of the district government in empowering village community development as the implementation of development in the region. Development dynamics always bring new aspirations and demands from society to create a better quality of life. The aspirations of society's demands are based on the desire to play a more active role in realizing an advanced, independent, prosperous, and just society.

The target of the development program is regional economic growth with assistance from the central government through the village fund program, which since 2015 has been rolled out to all villages in Indonesia. Village funds are a strategic program to increase the village's original income. The strategic value of this program is:

- 1) The creation of productive collective assets that are managed and utilized jointly by the community, and
- 2) Cumulatively the regional economy can develop, where each region has a specific and unique rural economic base.

The following is the percentage of poverty data in Enrekang Regency for the 2020-2022 period.

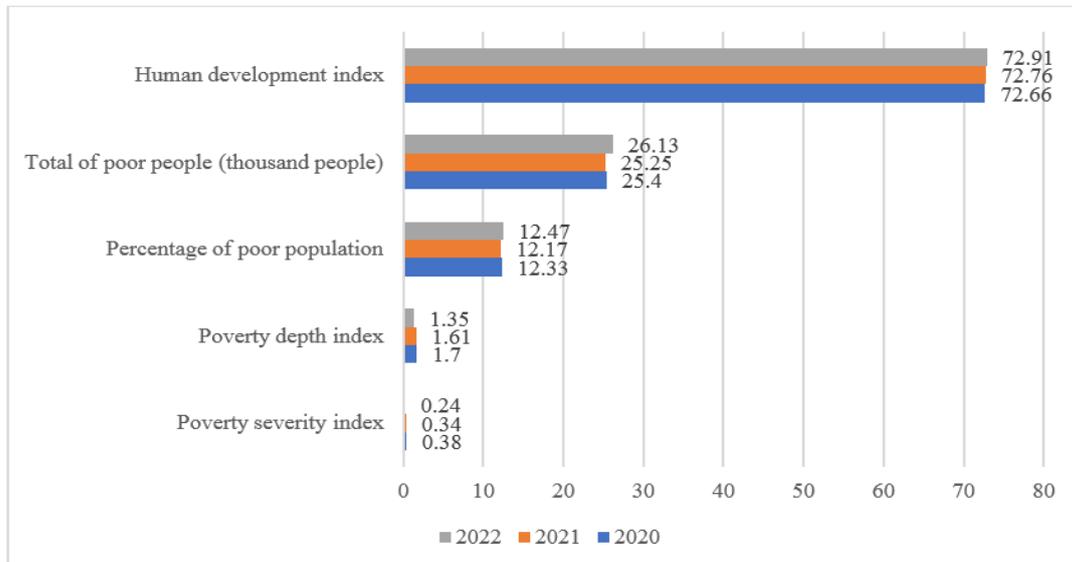


Figure 3: Percentage of Poverty in Enrekang Regency

Source: Authors finding, 2023.

The Enrekang Regency Government is more focused on efforts to increase economic growth in all villages in Massenrempulu. Enrekang Regency has 12 sub-districts with 112 villages in them, each village has its potential in various sectors, especially in the agricultural sector because it contributes 49.82 percent to economic growth in Enrekang Regency. This is what makes the local government focus its attention on efforts to increase village economic growth.

The existence of village economic institutions, namely BUMDes, is needed because several villages are advanced and the village's original income is quite good because of the role of BUMDes in managing all the potential in the village. There are not many villages in Indonesia that have developed and prosperous communities because the villages are developed and the village's original income is high because of the existence of BUMDes.

Table 2: Population distribution by Sub-district in Enrekang Regency

Sub-district	Population Distribution (%)		
	2020	2021	2022
Maiwa	12.38	12.38	12.40
Bungin	2.45	2.45	2.46
Enrekang	16.40	16.47	16.51
Cendana	4.47	4.41	4.40
Baraka	10.43	10.45	10.39
Buntu Batu	6.79	6.77	6.78
Anggeraja	12.57	12.64	12.65
Malua	4.07	4.07	4.07
Alla	10.77	10.71	10.70
Curio	7.87	7.91	7.92
Masalle	6.54	6.49	6.49
Baroko	5.26	5.25	5.23
Enrekang Regency	100.00	100.00	100.00

Source: Authors finding, 2023.

Administratively, the Enrekang Regency area has a total area of 1,820.67 KM². The Enrekang Regency area borders Tana Toraja Regency in the north, Luwu Regency in the East, Sidenreng Rappang Regency in the South, and Pinrang Regency in the West. The economy of Enrekang Regency is still dominated by small industries; the industrial sector has increased in the last five years in line with the economic growth gradually.

Enrekang Regency has great natural potential as an economically strong area if its management maximizes the use of all its potential. Currently, there is a global crisis, namely COVID-19, at this time the government and society are showing the public that Enrekang Regency can survive in the food security sector from an agricultural aspect. During the COVID-19 pandemic that hit the world, especially in Indonesia, farmers in Enrekang Regency remained productive in their activities in the gardens.

This means that this is where the role of farmers in Enrekang Regency is to maintain stability and food availability, both in the local and national sectors. In 2019, Enrekang Regency had a ginger harvest area of 156,128 square meters spread across 12 Sub-districts. The largest harvest area is Masalle Sub-district, namely 75,000 square meters followed by Baraka and Maiwa Sub-districts with areas of 40,000 and 26,500 square meters respectively.

Table 3: The Economic Structure of Enrekang Regency in 2022

Category	Percentage of gross regional domestic product
Agriculture, forestry, and fisheries	40.25 %
Mining and excavation	33.64 %
Processing industry	13.15 %
Supply of electricity and gas	0.10 %
Water supply, waste treatment, sewage, and recycling	0.08 %
Construction	12.65 %
Wholesale and retail trade; car and motorcycle repair	7.90 %
Transportation and warehousing	1.29 %
Provision of accommodation and meals	0.73 %
Information and communication	3.37 %
Financial and insurance services	2.79 %
Real estate	2.89 %
Company services	0.03 %
Administration of government, defense, and mandatory social security	6.71 %
Education services	1.74 %
Health services and social activities	2.14 %
Other services	0.53 %

Source: Authors finding, 2023.

The existence of villages as a potential base for economic activity must become a new paradigm in Indonesia's overall economic development program. The changes in internal and external conditions that occur require appropriate and precise policies from policymakers to develop the potential of rural areas (Widjajanti & Sugiyanto, 2024). It is time to make villages the centers of development and make this area the main engine driving the economy.

Transfers to Regions and Village Funds

The central government's efforts to encourage fiscal decentralization are considered inconsistent with the slow growth in the value of transfers to regions and village funds. The decline in the transfer value of regional expenditure funds will not be a problem if the revenue structure problems that cause low regional fiscal independence can be resolved.

The central government's spending budget for next year will reach IDR 1,938.3 trillion. Meanwhile, the allocation for transfers to regions and village funds reached IDR 770.4 trillion or 39.75 percent of the total central government budget. This can be seen in the following table regarding the posture of transfers to regions and village funds.

Table 4: Posture of transfers to regions and village funds in 2022

Account	Budget/ceiling (Billion in IDR)	Realization (Billion in IDR)	Percentage (%)
Transfer to area	811,507.02	748,326.05	92.21
Profit sharing funds	215,156.91	168,414.11	78.28
General allocation funds	378,000.00	378,000.00	100.00
Physical special allocation funds	60,874.00	54,783.95	90.00
Regional incentive funds	7,000.00	6,993.67	99.91
Special autonomy fund	20,436.26	20,436.26	100.00
Yogyakarta Special Region special fund	1,320.00	1,320.00	100.00
Non-physical special allocation funds	128,719.84	118,378.05	91.97
Village funds	68,906.14	67,906.14	99.86
Total	879,507.02	816,232.19	92.81

Source: Authors finding, 2023.

From the posture of transfers to regions and village funds mentioned above in 2022, Enrekang Regency will receive transfers to regions and village funds with the following details:

Table 5: Transfers to regions and village funds in Enrekang Regency in 2022

Profit-sharing funds (In thousands of IDR)	General allocation funds (In thousands of IDR)	Regional incentive funds (In thousands of IDR)	Village funds (In thousands of IDR)	Total (In thousands of IDR)
15,190,500	496,696,804	5,722,448,000	98,840,451	616,450,203

Source: Authors finding, 2023.

Enrekang Regency has a population in 2022 of 230.6 thousand people. The growth rate is 0.85% which is calculated by comparing the last year with the previous year. This amount occupies 1,784.93 square kilometers of Enrekang Regency land. The poverty rate tends to decrease from year to year. It is significantly noted in the graph presented that the poverty rate decreased from 2013 to 2022. However, despite the decline, the poverty rate is still relatively high compared to other regions, namely 12.39%. The rate of economic growth in Enrekang Regency is the real level of development of aggregate income for each year compared to the previous year (percent). Increase in revenue of 3.71% compared to the previous year.

According to the Regent of Enrekang Regency, transfers to regions and village funds for Enrekang Regency are the largest receipts from the central government. Where some uses have been regulated and some have not yet been regulated. The average proportion of transfers to regions to the total realized regional income of Enrekang Regency from 2020-2022 is 84%. Development of transfers to regions and village funds in Enrekang Regency which contains the realization amount from 2020 to 2022. Utilization of transfers to regions and village funds in various fields including education, health, public works, and other fields.

Benefits of Village Funds

During the 2019 coronavirus disease (COVID-19) pandemic where there was a weakening in all sectors, to move the economy, government spending is the basis for encouraging the

economy to move, so the existence of village funds is expected to encourage economic growth in the village so that the existence of village funds is very important. The village community felt the benefits. The percentage of village fund allocation in Indonesia is shown in the following table:

Table 6: Percentage Formula for Allocating Village Funds in Indonesia

Description	Year	
	2021	2022
The basic allocation is given based on the number of population clusters in the village.	65 %	65 %
The formula allocation is divided based on the number of villagers (10%), the village poverty rate (40%), the area of the village (10%), and the level of geographical difficulty of the village (40%).	31 %	30 %
Affirmation allocations are given to underdeveloped villages and very underdeveloped villages which have the highest number of poor people who are in the village group.	1 %	1 %
Performance allocation is given to the village with the best performance. The number of villages receiving performance allocations is determined proportionally based on the number of villages in each regency.	3 %	4 %

Source: Authors finding, 2023.

The village fund ceiling through the draft state revenue and expenditure budget for 2022 is IDR 68 trillion and allocated to 74,961 villages in 434 districts throughout Indonesia.

Table 7: Ceiling per Portion of Village Fund Allocation

Variable	Proportion	Size (IDR)	Allocated (IDR)
Basic allocation	65%	44,200,000,000	44,199,999,618
Allocation formula	30%	20,400,000,000	20,400,011,462
Allocation of affirmations	1%	680,000,000	679,997,856
Performance allocation	4%	2,720,000,000	2,719,991,064
Total	100%	68,000,000,000	68,000,000,000

Source: Authors finding, 2023.

Growing the economy in the village, namely by increasing and accelerating development in the village, in the form of building facilities and infrastructure, road infrastructure, bridges, and others so that connectivity between one region and another can be smooth, so that it will make it easier for village communities to distribute and market production results in villages, both from the agricultural, plantation, fishery, maritime, household industrial products and other sectors, growing and developing MSMEs, with the growth of the economy in the village it will have an impact on improving the welfare of village communities (Karim et al, 2022). Resisting the rate of urbanization, with village funds and programs carried out in a self-managed and labor-intensive manner will create many jobs for village communities, opportunities to create jobs from various sectors, increase the creative economy for example tourism management, grow home industry, trade, and other creativity so that it will increase people's income and increase the level of community welfare.

The following is a recapitulation of village funds in Enrekang Regency in 2022:

Table 8: Recap of National Village funds in Enrekang Regency

Total villages	Total village funds (IDR)	Total income (IDR)	Total spending (IDR)
112	98,844,201,000	157,751,812,858	174,150,739,057

Source: Authors finding, 2023.

The use and management of village funds which provide many benefits to the community both directly and indirectly require good management. Village funds must be managed professionally with good governance based on the principles of good governance, transparency, accountability, and involving the community. Both as perpetrators and supervisors in the use of village funds, so that no leaks or misuse in uses are not by their purpose and designation (Maulana et al, 2023).

The cash-intensive labor program is a productive empowerment activity for village communities, especially the poor and marginalized, by prioritizing the use of local resources, labor, and technology to provide additional wages/income, increase purchasing power, reduce poverty, and at the same time support reducing stunting rates. The following is data on the budget allocation for cash-intensive village funds in Enrekang Regency in 12 Sub-districts in 2022.

Table 9: Cash-intensive program through village funds

Sub-district	Budget allocation (IDR)	Total villages	Male	Female	Poor family	Unemployment	Chronic pain	Marginal groups
Maiwa	10,950,000	21	30	0	13	17	0	0
Enrekang	0	12	0	0	0	0	0	0
Baraka	0	12	0	0	0	0	0	0
Anggeraja	83,318,000	12	90	0	90	0	0	0
Alla	0	5	0	0	0	0	0	0
Bungin	2,150,623,770	6	255	21	68	209	0	0
Cendana	0	7	0	0	0	0	0	0
Curio	0	11	0	0	0	0	0	0
Malua	1,464,707,600	7	0	0	0	0	0	0
Buntu Batu	1,116,219,657	8	196	22	67	26	2	0
Masalle	13,675,000	6	67	18	23	55	7	2
Baroko	2,624,063,900	5	65	0	15	50	0	0

Source: Authors finding, 2023.

Good governance of village funds will also have a good impact so that village and community income levels will increase, people's purchasing power will increase, community welfare will increase, and economic growth in the village will also increase. Thus, the objectives of village development/Village SDGs as mandated in Law No. 6 of 2014 are realized, with the prosperity of the village community, the prosperity of all Indonesian people will also achieve the national development goals mandated in the fourth paragraph of the preamble to the 1945 Constitution.

CONCLUSION

Activities from village funds using a self-management and labor-intensive pattern are very beneficial for residents around the village, village communities can feel the results of village fund activities and they receive wages from implementing activity programs as workers so that they can increase people's purchasing power and grow the economy in the village even more. Especially during the Covid-19 pandemic, apart from that, direct village cash assistance from village funds was very helpful for poor families affected by the Covid-19 pandemic. With the existence of village funds, it is part of the village community to participate in national development, namely by developing their village, which is part of the Unitary State of the Republic of Indonesia so that a sense of belonging will grow.

Transfer of funds to regions or fiscal decentralization is a financial transfer mechanism for state revenue and expenditure budgets, which is related to state financial policies towards the economic activities of regional communities in rural areas. Equal distribution of financial capacity between regions must align with the authority for government affairs handed over to autonomous regions. Fund transfers to regions aim to increase regional potential, which becomes that region's characteristic. In developing regional potential, good regional finances greatly influence where transfers of funds from the government must be fulfilled and structured.

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