

Budget Policy That Encourages Economic Growth and Village Empowerment

Zakariya^a, ^aFaculty of Social and Political Sciences, Universitas 17 Agustus 1945 Surabaya, Email: zakaria@untag-sby.ac.id

Based on Permendesa No. 5 of 2015 there are four elements of village expenditure. These are: field administration by the village government; the field of implementation of village development; the field of society and; community empowerment. Village budget policy is the budget allocation in an area; whose impact can be calculated both economically and non-economically. In 2018 budget planning of Pomahan Village in Ponorogo Regency was Rp 1,856,364,154.00 while the realisation of the budget was Rp 2,094,794,272.00. This meant that there was a budget surplus of Rp 238,430,118. The research objective is to analyse whether Pomahan village budget policies encourage economic growth and community empowerment and to know the impact of development due to the existence of village budget policies. This research is qualitative research. Qualitative research is intended provide an understanding of facts and phenomena. The results showed that the field of budget execution received a portion of 55%, the field of village administration held a portion of 27%, the field of community empowerment 12% and the field of community development 5%. The results showed that the Pomahan village budget policy had driven economic growth and empowered village communities. The impact this budget policy has can increase income and welfare of the community.

Keywords: *Village Budget Policy, Economic Growth, Empowerment.*

Introduction

One of the ideals in Joko Widodo's administration was to build from the periphery. This development paradigm gives the spirit that development must start from the village. There are several advantages if development starts in the village. First, the majority of the population distribution is in the village area, this means that if development is emphasised in the village, macro welfare can be improved. Second, directly with the development starting from the

village, then the poverty rate in the village can also be reduced. Third, with the development starting from the village it can be encouraged to explore the potential of local resources that have been neglected. Fourth, development centred on villages will produce products oriented to local wisdom. Fifth, if the products produced are based on local wisdom there is still a market potential that is specific to being oriented.

The success of village development cannot be separated from the governance concept that starts from the level of planning, implementation and evaluation of development implementation. The elements in good governance include: the rule of law; being consensus oriented; participatory; responsive; equitable and inclusive; effective and efficient, and; accountable and transparent. Village government management based on the rule of law means that the management of village government and development must be based on regulation. These regulations form the basis of village government management, for example regulations in laws, ministerial regulations, regional regulations and even village legal products. In being consensus oriented and participatory it is expected that the activities and policies of village development are the result of consensus of the relevant stakeholders, so that the Village Empowerment Agency (BPD) should be an institution that accommodates community aspirations to participate.

Responsiveness, development policy and planning must respond to the real problems of society. The higher the ability to portray the real problems of the village, the better the quality of policy and planning. Otherwise if the policy is less able to respond to real problems, the quality of the policy is not good. Equitable and inclusive means planning and development policies made by the village government must be fair and reach the public interest. Budget planning must be encouraged to empower the economy of rural communities so that income inequality can be reduced. All development activities must be planned effectively and efficiently. Effective means that when budgeting, programs must be chosen that have broad social and economic impacts, while efficiency is pursued according to budgeting and program implementation. The budgeted costs are pursued to get maximum results.

All that is budgeted by the village government must be accounted for in both the accounting and physical forms. Therefore, the village government is demanded to make financial reports on good governance budget. The village financial reporting process must be informed to all stakeholders. Stake holders can access budget information from the village budget implementation in all programs.

In village development budgeting, there are four areas of development planned. The four fields cover the field of village governance, the field of development implementation, the field of community development and the field of community empowerment. The planned budget for the Pomahan village government in 2018 was Rp 1,856,364,157 and the realisation of the

budget was Rp 2,094,794,272. This means that there was an increase in the budget of Rp 204,952,956 or 11% of the planned budget. The spirit of village autonomy encourages village government budget policies that lead to improving the welfare of village communities. From the illustration of the phenomenon above, the formulation of the research problem is whether the Pomahan village budget policy encourages economic growth and community empowerment and what is the impact of the village budget policy on the social and economic community? The purpose of this research is to analyse deeply whether the Pomahan village budget policy encourages economic growth and community empowerment. In addition, this study aims to analyse in depth what the impact of village budget policies is on the social and economic community.

Literature Review

Umar (2016) mentions that the pattern of management of Batumerah State Village Fund Allocation has been carried out in various stages. These stages include: planning, budgeting, budget implementation, administration, reporting, accountability and supervision of village finances. But at the stage of budget planning the Village Allocation Fund (ADD) has not fully used the management pattern as regulated by Minister of Domestic Affairs Regulation Number 113 of 2014 concerning Village Financial Management. Another example is in Ambon, where the regulation of village budgeting is based on Ambon Mayor Regulation Number 61 of 2014 concerning Technical Guidelines for the Implementation of Village Fund Allocation for Villages and Countries in Ambon. It does not accommodate the needs of the public optimally. As a result, efforts to encourage community participation and mutual cooperation in development have not been optimal. Nasrudin's research is parallel with the concept of good governance which emphasises the importance of village governments needing to be responsive to public desires which are then packaged in a plan. With the village government being responsive to the public, the level of community participation has also increased in development.

Research by Reflay Ade Sagita (2017) shows that the implementation of Wonosobo District Head Regulation Number 47 of 2015 concerning guidelines for implementing village transfer funds in Wonosobo Regency has been implemented. But not all of the use of the village budget has been effective and accountable. This can be seen from the existence of programs that are not in accordance with the purpose and function of village fund transfer funds. Therefore, it is necessary to reorient the village budget planning which is directed at managing poverty, increasing empowerment, increasing infrastructure development and so on.

The accountability in the management of the Village Fund Allocation (ADD) in villages at Rogojampi District, Banyuwangi Regency is going well. The implementation of management accountability includes planning accountability, implementation accountability, supervision

accountability and accountability reporting. Although accountability in the management of the Village Fund Allocation (ADD) in villages at Rogojampi District is quite effective, the completion of the accountability report is still slow (Siti et al., 2017). The accountability system in the Village Fund Allocation planning in 9 villages of Rogojampi sub-district in its management has been carried out satisfactorily, and in accordance with applicable laws and regulations. It has been implemented and the ADD planning has been carried out in the form of development planning meetings starting at the hamlet level followed at the village level, at the district level by involving the Village Representative Body (BPD), the Village Consultative Body (LPMD), and representatives from the community. The purpose of planning accountability is to accommodate the aspirations of all elements, both the community and village government so that village development is expected to be based on shared interests that are more systematic and emphasise the priority aspects.

Accountability system in the implementation of ADD in 9 villages of Rogojampi sub-district has been implemented effectively. Accountability for implementation has been carried out properly in accordance with established procedures. The use of ADD funds has been used in accordance with the ADD Funds Utilisation Plan with the proportion of the use of the budget of 70% allocated to the village community, and of 30% allocated to the administration of village government. Meanwhile the accountability system in supervision has been implemented effectively.

Oversight has been carried out by the inspectorate of Banyuwangi Regency, sub-districts, elements of the village, and participation of community oversight of planning, implementation, and accountability for the management of ADD. The accountability system in the reporting of ADD 9 villages in Rogojampi sub-district has been carried out according to the rules. This means that the accountability system in accountability has taken place without any delays at both the planning and implementation stages. However, in terms of the accountability report there is still a delay. This deficiency can be overcome by efforts to always improve the skills of village officials through training or workshops to improve the ability to prepare financial reports. Siti's research results show that the application of good governance in the use of ADD in its implementation can be accounted for so that the results of village development and the real benefits for the community can be felt.

The research findings of Siti et al., are in line with the results of Fransiskus Randa's (2015) research on the Development Accountability Model of Local Government Organisations: From Managerial Accountability to Public Accountability in Toraja. In principle, in order to create good governance, it must encourage public participation in budget planning so that there is community participation in the implementation of development and community participation in the implementation of development. If the implementation of ADD is carried out in accordance with the objectives of the regulation, then development achievements that are based

on and based on villages according to Nurcholis (2011) reduce the amount of poverty so as to reduce the level of inequality as long as it exists especially in rural areas; development budget planning at the village level needs to be improved so that it can encourage the empowerment of village communities; ADD is intended to encourage infrastructure development in rural areas so as to encourage economic growth in rural communities; encourage increased practice of religious values that have an impact on the progress of social and cultural development; ADD as a precondition to improve public peace and order; ADD as an instrument encourages services to rural communities in the context of developing social and economic activities of the community; ADD is intended as a stimulant fund so that it can encourage increased self-help and community cooperation, and; ADD is also an instrument to increase village community income through village-owned enterprises (BUMDes).

Research Method

This type of research is qualitative research. Qualitative research is intended to provide an understanding of facts and phenomena. Data collection is done by observation, interviews and also study of documentation. The key informants are: Village Head and Village Apparatus, BPD members, Chairperson and LPMD, informal leaders and part of the community. Furthermore, the data and reality of the phenomenon are analysed in depth so that its characteristics, characters, traits, models and trends can be seen. Data sources used are primary data and secondary data. Primary data was obtained through interviews with key informants. While secondary data was obtained from budget planning documents and realisation of the 2018 Pomahan village budget.

Analysis and Discussion

Budget planning for the Pomahan Village in 2018 amounted to Rp 1,889,841,315.00. However, the realisation of budget revenues amounted to Rp. 2,130,597,934.00. This means that there is a difference in the budget realisation of Rp. 240,756,619.00 or an additional budget realisation of 12.73%. For more details, the components and magnitude of budget planning and budget realisation are shown in Figure 1

Figure 1. Budget Planning and Realisation of Pomahan Village in 2018

Description	Budget	Realization	Surplus/Deficiency
Village Original Income	Rp. 43,500,000.00	Rp. 37,357,042.32	Rp. 10,542,034.00
Village Business Results	Rp. 33,500,000.00	Rp. 33,500,000.00	Rp. 0
Other Legitimate Village Original Income	Rp. 15,000,000.00	Rp. 4,057,063.32	Rp. 10,942,838.00
Transfer Income	Rp. 1,774,111,315.00	Rp. 2,025,840,880.00	Rp. 251,729,543.00
Village Fund	Rp. 853,131,000.00	Rp. 852,131,000.00	Rp. 0
Tax and Levies Sharing	Rp. 28,362,315.00	Rp. 30,091,880.00	Rp. 1,729,565.00
Village Fund Allocation	Rp. 524,343,000.00	Rp. 524,343,000.00	Rp. 0
Provincial Financial Assistance	Rp. 91,375,000.00	Rp. 91,375,000.00	Rp. 0
District/City Financial Assistance	Rp. 277,900,000.00	Rp. 527,900,000.00	Rp. 250,000,000.00
Other Legitimate Village Income	Rp. 67,200,000.00	Rp. 67,200,000.00	Rp. 0
Income From Third Party Donations	Rp. 67,200,000.00	Rp. 67,200,000.00	Rp. 0
	Rp. 1,889,841,315.00	Rp. 2,094,794,274.00	Rp. 240,756,619.00

Sources: Budget Realisation Pomahan Village in 2018

Figure 1 shows that the budget performance formulated by Pomahan village government increased by 12.73%. Increased means that the realisation of the budget can increasingly meet public needs. Budget performance can be understood as increasing the accountability of Pomahan village government so that there is trust from the central government and regional governments to provide additional budget funds. Accountability means the village government can be responsible for budget planning and budget use. In other words, there are no violations in the implementation of the village government budget policy. The increase in the performance of the village budget is also due to the success of the village government in mobilising community self-funding. The community is willing to participate in the funding of village government development because it believes that village government administrators have an accountability commitment. This fact also shows that there is an effort by the village government to encourage development both related to physical development and non-physical development. This study attempts to answer whether the Pomahan village government budget policy encourages village economic growth and village community empowerment. It turns out that almost 32% of budget policy is directed towards areas outside the village administration. This is seen in Figure 2

Figure 2. Sectoral Budget Plans and Realisation of Sectoral Budgets Pomahan Village in 2018

Sectors				
Sectors	Plans (Rp)	Realization (Rp)	Surplus/Deficiency (Rp)	Surplus/Deficiency In Percentage (%)
Village Development Sector	577,163,000.00	572,254,000.00	-4,909,000.00	-0.85
Village Development Implementation Sector	893,766,157.00	1,145,592,816.00	251,826,559.00	28.18
Community Development Sector	127,660,000.00	119,160,000.00	-8,500,000.00	-6.66
Community Empowerment Sector	257,775,000.00	257,785,458.00	10,458.00	0.004
Total	1,856,364,157.00	2,094,794,272.00		

Sources: Budget Plans and Realisation of Sectoral Budgets Pomahan Village in 2018

Pomahan village government budget policy in 2018 has been in accordance with the mandate of the law because the budget allocation in the field of village governance is under 30% or precisely only 27.31%. From this budget allocation policy it can be understood that the Pomahan village government also encouraged activities outside the village administration to increase both infrastructure provision, economic activities and community empowerment.

In the field of village development implementation, the budget was as much as Rp. 893,766,157.00, but in the realisation of the budget it reached Rp. 1,145,592,816.00. The budget policy shows the seriousness of the Pomahan village government orientation towards infrastructure development because this sector accounts for 54.6% of the total development budget. Even the field of village development has increased by 28% compared to what was planned in 2018.

The budget in the field of Pomahan village development is aimed at building the foundation of village infrastructure including road construction and maintenance. Village road construction and improvement of protection are infrastructure development programs that significantly drive village economic growth. The existence of such development means village farmers can access water that was previously an obstacle in agricultural activities because of the lack of smooth fulfillment of water needs. The economic activities of 70% of Pomahan villagers are in the field of rice farming. The existence of construction of protection means irrigation can run effectively in the agricultural area of rural communities. Even with the availability of water that is easily accessible to farmers, most farmers can harvest rice for 3 times a year, whereas previously they could only harvest 2 times a year.

Improvements in village roads have also had a significant impact on the delivery of agricultural production. The significant impact can be observed from the aspect of effectiveness and efficiency. With effectiveness, farmers find it easy to send agricultural products to markets that have been hampered by unfavourable roads and thus required more time compared to now. In the aspect of efficiency, the existence of a good road causes the cost of transporting farmers' goods to the market cheaper compared to before. What causes the reduction in the cost of shipping goods is the delivery time of goods that are not as long because of a good village road. With a good road the transport vehicle spare parts are more durable when compared to passing damaged roads with overloaded agricultural produce.

The implementation of Pomahan village infrastructure development shows that infrastructure development can encourage increased production and also increase profit margins for businesses. The government policy paradigm emphasising development from the periphery, in this case the village has had a significant impact on development outcomes. Strengthening development that departed from the village has a high rationality because 70% of Indonesians live in rural areas. The next step is how agricultural products have higher value added so that farmers have better profit margins compared to now.

This discussion is parallel with Harrod-Domar's conceptualisation that to encourage economic growth is very much determined by investment. The current village budget policy that suppresses infrastructure development is very appropriate. It must be honestly acknowledged that the attention of the central government really encouraging the economic growth of the village has only been carried out for the last five years. Village autonomy is as broad as possible with a very adequate budget. This budget policy has driven almost all the development of village infrastructure for the better so that the potential to encourage each village to have superior products becomes more realistic.

Pomahan village government budget policy also encourages village empowerment. The argument is shown by the existence of a community empowerment budget of Rp. 257,775,458.00 or 12.3% of the total village budget in 2018. The economic empowerment of rural communities is done by providing business loans with relatively low interest rates managed by village-owned enterprises (BUMDes). The existence of capital loans to small economic actors in rural communities with low interest rates results in small business actors not being dependent on economic rent-rent institutions in villages that have been providing loans with high interest rates resulting in very small profit margins.

The problem of economic empowerment of rural communities generally so far is difficult access to capital. Access to capital in formal institutions such as banking requires small businesses to have collateral. In many ways, small businesses do not have productive assets that can be guaranteed, so often small businesses are caught in loans that lend at very high



interest rates. As a result, small business operators remain poor because their business activities do not significantly increase their income.

This study also wants to answer the impact of budget policies on the social and economic aspects of rural communities. The results of interviews with key informants showed that this budget policy had an impact on the social development of rural communities. Among this social development is funding assistance to early childhood education teachers (PAUD). The existence of PAUD teacher budget assistance means tuition fees for each student becomes cheaper. For the village community this effort is enough to help their children to be able to access education.

From the social aspect of the budget, various health counselling encourages the village community to care about the importance of family health. The socialisation that encourages the acculturation of healthy behaviour has influenced the decrease the amount of sickness, especially in children under five years. This means that budget policy has incurred social investment that has a future impact on improving human quality.

Interviews with key informants also showed that the village budget policy had an impact on increasing the economic efforts of the village community. In particular this helps increasing small business. There is an increase in agricultural productivity due to the construction of village roads and protection. The development of irrigation works has an impact on the smooth running of irrigation so that the harvest time for rice farming can be three times a year and this also improves the quality of production. Due to an increase in farmer income, there is an increase in the potential to finance children for school and meet basic needs. This phenomenon is becoming increasingly clear that village budget policies encourage more dignified human development. This is parallel with the concept of the Human Development Index (HDI), which emphasises three important aspects of development: economic development, health and education.

Development that encourages economic improvement has a multiplier effect on development of education and health. The purchasing power of rural communities has been relatively low because economic activity is also low but with the existence of village budget policies that encourage increased economic and social infrastructure there is a significant impact on rural communities accessing education and health services. Budget policy is indeed only as a stimulant but with the presence of stimulant funds encourages the independence of rural communities also increases.



Conclusion

Pomahan village budget policy has encouraged village economic growth and community empowerment. The economic growth of the village is encouraged after the construction of the infrastructures that bolster the village economic activity. Improvement of the road maintenance that connected the economic activity has made the cost of agricultural production and distribution of agricultural products of rural communities more efficient and effective. In the aspect of village community empowerment, this budget policy implementation can help public education service. This is because the village budget policy is encouraged to support PAUD teacher honorarium assistance. In addition, it can provide loan with lower loan interest rate for small business. The effort is slowly allowing the people in village to grow and be more empowered in social and economic sector.



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