

# Strengthening the Capacity of Village Government, and Its Influence on Village Fund Management

<sup>1</sup>Hariato <sup>2</sup>Mudji Rahardjo <sup>3</sup>Nunik Hariyani <sup>4</sup>Zulin Nurcahyanti  
<sup>123</sup>Faculty of Social and Political Sciences, Universitas Merdeka Madiun, Indonesia

## Abstract

Problems in the management of village funds are related to the low capability and capacity of village officials, as a result the village fund program is still far from the expected target, namely the welfare of the community. The management of village funds must comply with the principles of transparency, accountability and participation. Then the planning process becomes a crucial stage in the management of village finances because the village budget is set for the next year and the composition and size of the budget directly reflects the direction and objectives of the utilization of village funds. Strengthening the institutional capacity of village government is the key word for achieving good village fund management, because village funds must be able to be spent according to needs and must be accountable to the public. Strengthening the capacity of village government regarding the ability of village officials as individuals who have the function and task of managing village funds. Therefore, the ability in the field of budgeting and accountability in the use of village funds must be carried out in a transparent and accountable manner. Transparency and accountability of village fund management must be developed so that the community can know the use of village funds in financing village development programs, and at the same time become social control to avoid corruption. With transparency and accountability, it can foster public trust in the implementation of village governance.

**Keywords:** Capacity, Village Government, Management, Village Fund.

**DOI:** 10.7176/RHSS/11-18-03

**Publication date:** September 30<sup>th</sup> 2021

## Background.

Village development has a strategic function that is inseparable from national development, because village development has a meaning as part of an effort to promote equality with social justice, and at the same time accelerating the prosperity of the community. Village development as the spearhead of development and community welfare, the village is given the authority to manage the potential of its resources so that the goals of village development are closer to the interests of the community. Village funds that have been issued by the government since 2015 and until now are expected to accelerate village development and achieve people's welfare. With village funds, it means that the village has the opportunity to manage village development independently in formulating development programs in accordance with the economic development capacity of the village community, so that village development can encourage and foster the mobility of the economic activities of the villagers. Therefore, there are two targets to be achieved, namely the target of community capacity and the target of welfare.

The Village Fund Program is a sustainable development fund, where development activities are carried out in an organized manner and carried out step by step starting from the planning, implementation, sustainability and evaluation stages. According to Sri Mulyani Indrawati (2015), the key to success for the welfare of people's lives in building a village is the strong touch of initiation, innovation, creation and cooperation between village officials and the community in realizing what is their common goal. The Village Fund Program must be able to produce village development programs that truly take sides with the needs of the village community, community involvement must be given the widest possible access in the process of problem identification and development of development programs, as well as its implementation and sustainability. Community participation in the village development process is intended as an effort to bring the village development program closer to the needs of the community. The failure in village development so far is due to the lack of involvement of the community members who are the target of the program in the formulation of village development programs. As a result, the resulting village development program is not in accordance with the needs of the community so that the implementation of the development program does not receive positive response and support from the community members. For this reason, the village government must have a strong commitment to providing space for the involvement of community members in the village development process, through village deliberation forums that can be a very valuable input and can be taken into consideration in formulating various policies, programs and activities of the village government. With the involvement of villagers, development programs that are right on target can be produced because those who understand better, know are the villagers themselves, so that village development can be a solution to the problems faced by villagers. For this reason, the management of village funds must be carried out in a transparent, accountable and participatory manner, so that village funds can be maximally utilized to support village development. Village development program budgeting is a crucial stage in

village financial management because the village budget for the next year is compiled and determined in this stage. The composition and amount of the budget directly reflect the direction and objectives of public services, so the budgeting system must be carried out carefully (Mardiasmo, 2004: 75). The use of village funds must really be considered carefully so that village funds can improve the quality of life of rural communities as indicated by a reduction in the poverty rate. The important thing in the management of the Village Fund is that it can be self-managed, namely utilizing the potential of existing resources such as using labor from within the village, and utilizing local raw materials in the village. With a self-management pattern, it means that village funds for the implementation of village development can be enjoyed as much as possible for the benefit of the villagers themselves. The use of labor from within the village will be able to provide income opportunities for villagers so that it can increase the income of the village community. Likewise, with the use of raw materials from within the village, there will be a village financial circulation within the village itself, and will encourage the economic growth of the villagers.

The central government has a strong commitment so that the management of Village Funds is carried out effectively, efficiently and accountably, so that the Government's objective through the allocation of Village Funds can accelerate justice and social prosperity. For this reason, it is necessary to strengthen institutional capacity and human resources, both village government officials and the community, as well as improving transparency, accountability, and supervision in the management of Village Funds and village finances. However, this hope is still far from reality, the results of research from Fitrawan Mondale, et al. (2017) show that there are problems that occur in the management of village funds, namely competence (quality of human resources), community participation and supervision. Not far from the results of Fossati's research, (2016) found several things that were influential in the success of implementing the village fund program to empower rural communities, including human resource (HR) factors, socialization in the allocation of funds, and coordination not in accordance with expectations and desires. so that in its implementation the village funds did not run optimally. Likewise, several researchers (Aziz, 2016; Mariyanti & Mahfudz, 2016; Mariyono & Sumarno, 2015) found that there were various obstacles in the distribution and use of village funds, such as low capability and capacity of Village Government human resources and activeness in village community participation. which is very minimal. From the results of the study above, it shows that the big problem in managing village funds lies in the capacity of the village government, so it is very susceptible to deviations both from the aspects of the process and aspects of financial management.

### **Literature review**

Village financial management is one of the consequences of the decentralization of authority to village governments in order to build good government. Permendagri Number. 20/2018, clearly identifies the processes and stages that village officials must take in managing village finances, starting from the planning, implementation, reporting and accountability processes. Village financial management must comply with the principles of transparency, accountability and participation. Thus, the planning process becomes a crucial stage in village financial management because the village budget for the next year is compiled and determined in this stage. The composition and amount of the budget directly reflect the direction and objectives of public services, so the budgeting system must be carried out carefully (Mardiasmo, 2004: 75). Therefore, the village budget reflects the needs and services that will be provided to the community, so this process should involve the community as a party affected by the budget. Community involvement in village financial management, as well as the will of democracy through the decentralization process, requires bottom-up planning by involving the community in the planning and community development process. The importance of participation is also stated by Conyers (1991: 154-155) as follows: (1) Community participation is a tool to obtain information about the conditions, needs and attitudes of local communities, without the presence of development programs and projects that will fail. (2) That the community will have more confidence in the development project or program if they feel involved in the preparation or planning process, because they will know more about the project and will have a sense of belonging to the project. (3) Whereas it is a democratic right if the community is involved in the development of their own society. Participation can be divided into 2 (two) based on the way of involvement, namely: direct participation and indirect participation. Direct participation, namely participation that occurs when individuals perform certain activities in the participation process. This participation occurs when everyone can put forward views, discuss the subject matter, raise objections against other people's wishes or against what they say. Meanwhile, indirect participation occurs when individuals delegate their participation rights.

Growing community participation is a sign of a change in public awareness of the importance of being involved in the development process. This is the more solid social network (social network) which is "new" which forms a social network for the realization of an activity to achieve a certain desired goal. Therefore, participation as a process will create new social networks, each of which seeks to carry out stages of activities in order to achieve the final goal desired by the community concerned. According to Verhangen (1979), participation is a special form of interaction and communication related to the distribution of authority,

responsibility, and benefits. The growth of this interaction and communication is based on the awareness possessed by the person concerned about unsatisfactory conditions, these conditions can be improved through human activities or the community itself, his ability to participate in activities that can be carried out, and the presence of confidence that he can provide useful donations for the activities concerned (repository.uin-suska.ac.id >...). Society is not only an object of development but also as a subject who has the right to determine development programs in accordance with the aspirations and needs of the community. The purpose of community participation is to bring together all the same and different interests in a process of formulating and determining policies (decisions) in a professional manner for all parties involved and affected by the policies that will be established in it. According to Syahyuti in Miftha (2000: 145), participation is a process of growing awareness of the relationship between different stakeholders in society, namely between social groups and communities with policy makers and other service institutions. Participation can also be defined as a process whereby all parties can form and be involved in all development initiatives.

According to UNAPDI in Poerwoko and Soebiato, there are four kinds of activities that show community participation in development activities, namely: First, Participation in Decision Making (planning). In general, every community development program is always determined by the central government, which in many ways reflects the nature of the needs of the small elite groups in power and does not reflect the wants and needs of the community at large. Therefore, community participation in development needs to be fostered through the opening of forums that allow the public to participate directly in the decision-making process about development programs in the local area or at the local level. Second, participation in the implementation of activities. Community participation in development is often interpreted as the participation of the general public (who are generally poorer) to voluntarily contribute their energy in development activities. On the other hand, the layers above it (which generally consist of rich people) in many ways benefit more from the results of development, are not required to contribute proportionally. Therefore, community participation in the implementation of development must be interpreted as equal distribution of community contributions in forms of labor, cash, and/or various other forms of sacrifice commensurate with the benefits that will be received by each member of the community concerned. In addition, what is often forgotten in the implementation of development is community participation in the maintenance of community development projects, which has been successfully completed. Therefore, it is necessary to have special activities to organize community members in order to maintain the results of development so that the benefits can continue to be enjoyed (without decreasing quality) in the long term. Third, Participation in Development Monitoring and Evaluation. Monitoring and evaluation activities for development programs and projects are indispensable. Not only so that the goal can be achieved as expected, but it is also necessary to obtain feedback on problems and obstacles that arise in the implementation of the development concerned. In this case, community participation in gathering information related to the development of activities and behavior of development officials is very important. required. Fourth, Participation in the Utilization of Development Results. Participation in the utilization of development results is the most important element that is often overlooked. Because, the aim of development is to improve the quality of life of many people so that equitable distribution of development results is the main goal (repository.uin-suska.ac.id >...). In addition, the utilization of development results will encourage the desire and volunteerism of the community to always participate in every future development program.

Law Number 6 of 2014 concerning Villages also explains that: Villages are given autonomy to manage and manage existing resources in accordance with the aspirations and needs of the community. This shows that the management of village development must be based on the aspirations of the community so that village funds can be used as much as possible in the interests of the villagers. For this reason, in the process of implementing village development, readiness is needed from the resources of the village apparatus as executors of village governance. Readiness in terms of the readiness of the capacity of village government officials in the framework of managing village development and finance, starting from the planning, implementation and supervision of village finances, so that development programs can respond to the various interests and needs of village residents, and the results of village development can be directly felt by villagers. According to Slameto (2003: 113), readiness is the overall condition of a person or individual that makes him ready to provide a response or answer to a situation and condition to be faced. The dynamics and demands of the village community are increasing in line with changes in the social environment, so village government officials must have the ability and sensitivity in responding to all the needs and problems of village residents, which can be actualized through development programs.

Specific capacity building for villages needs to be elaborated specifically and further. According to Suntoro Eko (2017), there are at least four major relevances for why village government capacity building is needed. First, the capacity of the village government is still limited in carrying out regulatory, service and empowerment functions or government, development and community functions. Village officials not only demand welfare, but they also always suggest to the local government that intensive capacity building, or "coaching", to the village be carried out, more than just socializing regulations within one day. Second, the development of village

government capacity has not received serious attention from / by the government. For a long time, the government had policies and capacity building tools, for example through education and training schemes, for both central and regional civil servants. Now in the era of regional autonomy, the central government through the Ministry of Home Affairs and Bappenas, in collaboration with a number of international donor agencies, has issued a national framework and concrete steps in developing the capacity of local governments to support the implementation of decentralization. But the same scheme does not enter the village. Likewise, the district government, which is responsible for regulating and managing the village, until now has not had an adequate policy and framework to develop the capacity of village government. District government facilitation has always been limited to socializing policies and providing short, ad hoc training. In fact, the development of the capacity of the village government is often carried out by third parties (universities and NGOs), of course with very limited energy and reach. Third, capacity is an essence and basis of village autonomy (independence). Lennart Lundquist (1987: 38-39), for example, argues that capacity is one of the internal dimensions in the concept of autonomy, namely the capacity to realize and achieve decided goals. This dimension states the real condition of the government and local communities, the social and political economic resources they have to act. On the other hand, many people often argue that ability is the basis for independence. Even the capacity of government and local communities is an inherent part of the decentralization process. The current international trend toward decentralization has sparked vigorous debate about the capacity of local governments and communities to plan, finance and manage their responsibilities (Jennie Litvack and Jessica Seddon, 2001). The assessment, improvement and accommodation of different levels of local capacity are increasingly important as decentralization policies devolve greater powers, responsibilities and budgets from national government to local, village and local communities.

Capacity is a very technocratic concept, and has long been recognized in government management. It contains the essence of expertise, skills, professionalism, effectiveness, efficiency, performance and so on. Capacity is often understood as the ability of a person or individual, an organization or a system to carry out their functions or authority to achieve goals effectively and efficiently (GTZ and USAID, 2001). Not much different, Anneli Milèn (2001) defines capacity as the ability of individuals, organizations and systems to carry out and realize their functions effectively, efficiently and sustainably. Capacity must also be seen as the ability to achieve performance, to produce outputs and outcomes. Capacity cannot be seen as something static, but must be placed in a dynamic context with the conditions of the framework and the changing times.

Starting from the definition above, capacity contains three things, namely: First, the individual level, namely the level of knowledge, insight, skills and individual qualifications in the form of job descriptions, motivation and work attitudes. Second, the institutional or organizational level, namely the capacity level of an agency / institution with a certain organizational structure, decision-making mechanisms, work processes, internal rules of the game, work culture and others. Third, the system level which defines the enabling and constraining conditions of the government, and where the various components of the system interact with one another. The capacity of this system includes the ability of the government to prepare and implement policies effectively in the midst of society. Therefore, the capacity of this system cannot be separated from the influence of the political and community context (Suntoro Eko, 2017). This capacity concerns managerial issues, there are four general areas of expertise: identifying and analyzing local problems to plan appropriate responses, mobilizing and managing resources, communicating and coordinating policy implementation, and resolving local conflicts (Norman Uphoff, 1997 in Suntoro Eko, 2017). A similar view is also expressed by Anelli Milèn (2001), that the core capabilities of an organization consist of: analyzing the environment, determining key issues, formulating strategies, implementing actions, monitoring performance, ensuring performance, adjusting ways of acting to achieve goals and gaining experience and new skills to deal with new challenges that are developing.

Village capacity is meant not only limited to individual capabilities (HR), village capacity is something systemic and managerial, which includes a process of interaction between the village government, BPD, community institutions and residents. Village strategic plans, development plans, Village Regulations, and APBDes are the four bases and instruments of village capacity. The four villages are not monopolized by the village government and the BPD, although both have great authority and responsibility, they must also involve elements of the community, so that all actors in the village have the opportunity to learn to develop capacity together. Thus, village capacity cannot be seen only in terms of the work of the village government to carry out supradesa regulations and orders, but also from the side of village development planning or strategic plans. UU no. 25/2004 and Law no. 32/2004 does not recognize village planning, but PP no. 72/2005 has given the mandate and direction for villages to prepare medium-term village plans and annual development plans. Village strategic plans can be examined through the vision, mission, goals, objectives, policies, programs and strategies to achieve them. The strategic plan is an answer to governance, development and community problems faced by the village, as a response to community needs, as well as a basis for developing local potential and initiatives to support the improvement of community welfare. Ideally, the Strategic Plan should be developed in a participatory manner, involving various components of government and village communities. The village strategic plan is not a village

master plan document, but the result of a social contract process in the village. Without the participation of the village community, the village strategic plan only contains the preferences of the village elite, it is less responsive to community needs, so the village strategic plan is an inaccurate document. Therefore, the village strategic plan should be carried out based on deliberative democracy, namely through discussions, debates and deliberations involving various elements of village society, including women and the poor. The village strategic plan becomes the basis and reference for the preparation of development plans, village regulations and village budgets (APBDes).

Strengthening capacity or often called capacity building or "development" according to the language of the bureaucracy, not just education, training, upgrading, counseling, socialization and others. If it is based on the national framework, the development of government capacity refers to the need for: adjustment of policies and regulations, institutional reform, modification of working procedures and coordination mechanisms, upgrading of skills and qualifications of human resources, changes in value systems and attitudes or such behavior, so that the demands and needs of autonomy can be met, as a new approach towards governance, administration and the development of appropriate participatory mechanisms to meet more democratic demands. According to Anelli Milèn (2001) in Suntoro Eko (2012), states that capacity development is a continuous process, in which individuals, groups, organizations and communities increase their ability to: (1) carry out basic functions, solve problems and achieve goals; and (2) understand and relate their development needs in a wider context in a sustainable manner. To find out the ability of a person or group when carrying out their duties in organizations, especially the government, according to Thomas P. . In this aspect, there is more emphasis on what is done how to do this. In this aspect, if someone can know, formulate, remember and mention; (b) affective aspects (attitudes). This concerns the desire or ability to put into practice what has been learned. This aspect emphasizes if someone can explain, and discuss and report; (c) Psychomotor aspects (skills). This aspect concerns the ability to apply the knowledge that has been acquired through the training process to a particular job. In this aspect, if he can use, do, calculate, give examples of making experiments, make graphs, diagrams, and schedules and practice them. These aspects will be useful as a tool in determining the benchmarks of a person's ability to carry out his duties in an organization, especially government. According to Notoatmodjo, there are 6 levels of knowledge that are covered in the cognitive domain, namely: (1) Knowing can be interpreted as remembering all previously learned material including this level of knowledge, namely recalling something specific from the whole material studied or in the form of stimuli already received. Therefore, the type of knowing is the lowest base of knowledge; (2) Understanding (comprehension) is defined as the ability to correctly explain a known object and can interpret the material correctly. People who understand the object or material must be able to explain, mention examples, conclude, predict, and so on objects. that has been studied; (3) Application is defined as the ability to use the material that has been studied in actual situations or conditions. Application here can be interpreted as the application or use of laws, formulas, methods, principles, etc. in other contexts or situations; (4) Analysis is the ability to describe material or an object into components, but it is still within an organizational structure, and is still related to one another. This analytical ability can be seen from the use of verbs, such as being able to describe making charts, differentiating, separating, grouping, and so on. (5) Synthesis refers to an ability to put or connect parts in a new whole form. In other words, synthesis is the ability to compose new formulations from existing formulations. For example, can arrange, can plan, can summarize, can adapt, and so on to an existing theory or formulation. (6) This evaluation is related to the ability to justify or evaluate a material or object. These assessments are based on a criterion that is determined by themselves, or using existing criteria.

The ability in the aspect of skills can be assessed based on several types as proposed by Robert L. Katz, quoted by Ulber Silalahi, identifies the basic types of skills, namely: (1) Technical skills are specific competencies to carry out tasks or the ability to use techniques, tools, tools, procedures and knowledge of the specialized fields correctly and appropriately in carrying out their duties. (2) Administrative skills are the ability to manage, organize, and record information about the implementation and results achieved as well as the various obstacles experienced and the ability to follow policies and procedures. (3) Human relations skills are the ability to understand and motivate others, as individuals or in groups this ability is related to the ability to select employees, create and foster good relationships, understand others, provide motivation and guidance, and influence workers. either individually or in groups. (4) Conceptual skills are the ability to coordinate and integrate all the interests and activities of the organization or mental abilities, analyze and interpret information received from various sources. This includes the ability to see the organization as a whole, understand how the relationship between units or parts as a whole, understand how parts depend on others, and anticipate how a change in each part will affect the overall ability to see the organizational picture. (5) Diagnostic skills relate to the ability to determine through analysis and testing the nature and circumstances of a particular condition. In short, diagnostic skills can be interpreted as the ability to quickly get the correct cause of a particular situation through a confusing data, observation and facts. Whereas in the view of Suntoro Eko (2012), based on a systemic approach in the political and governmental process, there are several forms of village capacity (capacity) that

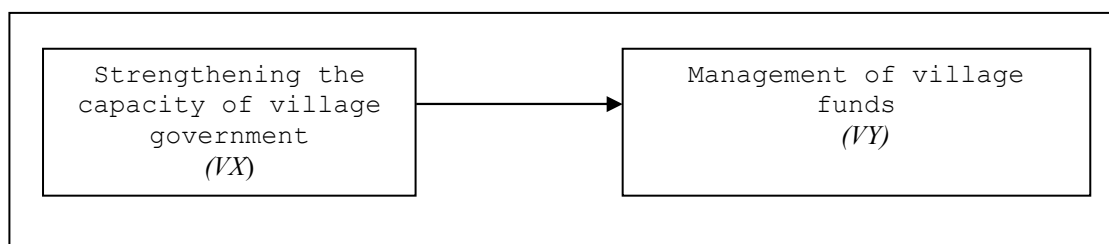
need to be developed in order to build village autonomy, namely: First, regulatory capacity (regulating). Regulatory capacity is the ability of the village government to regulate village life and its contents (area, wealth, and population) with village regulations, based on the needs and aspirations of the local community. Arrangements are not solely aimed at taking something (doing levies), but there are so many arrangements that are oriented towards limiting arbitrariness, protection, conservation, sharing of resources (village positions, village wealth, public services), developing village potential, resolving disputes, etc. In principle, various kinds of village regulations are intended to create order, security, balance, justice, sustainability and others. Second, the extraction capacity. Extraction capacity is the ability to collect, deploy and optimize village assets to support the needs (interests) of the government and villagers. There are at least six assets owned by the village: (a) Physical assets (village office, hamlet hall, village roads, irrigation facilities, etc.); (b) Natural assets (land, rice fields, forests, plantations, fields, ponds, etc.); (c) Human assets (population, human resources); (d) Social assets (community harmony, social institutions, mutual cooperation, village barns, arisan, etc.); (e) Financial assets (village treasury land, assistance from districts, KUD, BUMDes and (f) Political assets (village institutions, leadership, citizen forums, BPD, village strategic plans, village regulations, etc.) with an analysis of village potential (including village spatial mapping) which is then formulated into a village strategic plan. The strategic plan includes a village vision, which is then translated into a series of policies, programs and activities. actors, both BPD, village institutions, community leaders and community members, to be able to build understanding, openness, partnerships, togetherness, complementing each other to guard the long-term village vision and mission Third, distributive capacity Distributive capacity is the ability of the village government to share village resources in a balanced and equitable manner according to the priority needs of the village community this is the ability of the village government to design the APBDES, especially in terms of expenditure (allocations). In general, village governments have very weak distributive capacity, because most of the village financial allocations are used for routine village apparatus expenditures, while development funds are still very minimal. It is already minimal, even more so is allocated for physical development, while the allocation for productive economy is very limited. Fourth, responsive capacity. Responsive capacity is the ability to be sensitive or responsive to the aspirations or needs of community members to serve as the basis for planning village development policies. This ability must be continually developed, because so far the village development planning agenda tends to depart from the interests of the village elite. Fifth, network capacity and cooperation. Network capacity is the ability of the government and villagers to develop collaborative networks with outside parties in order to support extractive capacity. The village head association or the BPD forum, for example, can be used as a forum for building inter-village cooperation. Likewise, cooperation with universities and NGOs. If these five capacities are elaborated, it is likely that there will be a long list of capacities that must be developed at the village level. The series of abilities is certainly systemic, both individually and institutionally.

According to Suntoro Eko (2012), to achieve strengthening village capacity there are a number of basic principles, namely: First, capacity building certainly does not only cover the learning process at the local level, but also requires policies and programs from the supradesa government, which until now is often referred to as coaching. . Coaching, although it contains the wrong substance and method, according to the government, both are synonymous with village capacity building. As a policy / program, of course, village capacity building cannot be done ad hoc, for example only in the form of training alone, but also requires a framework of objectives, substance and process. With this framework, village capacity development does not only include human resource development, but also includes the institutional realm (procedures, procedures and decision-making mechanisms at the village level) and the system realm (planning, policies and village regulations). Village capacity development should be directed at the point of managing authority / affairs, village planning and finances, then supported by other components such as village officials, division of labor, the relationship between village government and other elements, and the capacity to foster village democracy. Second, it is still related to the first, capacity development requires a priority scale. Capacity building and development are multidimensional activities that require a medium-term orientation. Apart from short-term priority activities, it needs to be balanced with medium-term and long-term activities that are planned in an integrated manner. Considering that the need for capacity building is very large when compared to the available financial and human resources, prioritizing and phasing capacity building activities is very important. The initial priority is to clarify the policy and regulatory framework related to decentralization, so that the available capacity at all levels of government and society can move in the direction it is aimed at. each sector and each field. Third, the village capacity building program includes all stakeholders with an interest in the village. Capacity building in relation to villages should address different levels of government: district / city, sub-district and village itself. This activity should also be aimed at many actors or other related parties (stakeholders), not only the public sector but also the DPRD, political parties, supporting institutions, local community groups and civil society organizations. The development of village capacity requires institutional reforms at various levels of government, modification of the working systems and mechanisms of public sector agencies and adjustment of management styles and instruments. Therefore substantial efforts are required in the development of knowledge and skills, training and

political education. Fourth, village capacity building requires good interaction patterns. The development of village capacity is also a change in the patterns of interaction between government agencies and between government agencies and the community. In the village context, capacity building must support a democratic institutional development process through community participation in government and development processes from the early stages of planning, and ensure a balanced process of control (checks and balances). Transparency and accountability and responsiveness of village government need to be initiated through a community participation process. The development of a culture of good provision and service from any administrative process in village government is one of the goals that must be achieved in the village capacity building program. Fifth, capacity building must also be based on the needs and capacities of the village. In particular, training and technical assistance to village governments should be based on demand (demand-driven), not programs that have been determined unilaterally by the supradesa government (supply-driven). Development and capacity building initiatives for villages should take into account the specific conditions and needs of the village, and avoid using a standardized and uniform approach as far as possible. Development of exchange of innovations, experiences gained, and learning approaches between villages (horizontal networking) are key elements in a capacity building strategy. Experience, results, approaches and instruments are proportionally documented and coordinated by the district so that they are easily available to villages or even other areas to accelerate the dissemination process of good and tested practices.

Thus, strengthening the capacity of village government has a strategic function for the success of village fund management, especially the accountability for the use of village funds in village development. For this reason, the analysis formula can be constructed for the relationship between variables as a hypothesis, namely:

1.  $H_0$  = There is no effect of strengthening the capacity of village government on the management of village funds
2.  $H_a$  = There is an effect of strengthening the capacity of village government on the management of village funds.



## RESEARCH METHODS

This study uses a quantitative approach to determine the respondent's assessment of strengthening the capacity of village government in managing village funds. Data were collected through distributing questionnaires to 120 randomly selected respondents in 6 villages, Magetan Regency. Each village was assigned 20 respondents by random sampling, consisting of: 8 village officials, 4 BPD, 3 LPMD, 3 PKK, 2 Karang Taruna. The respondent's assessment was measured using a Likert scale with a gradation from very positive to very negative, in the form of words including: a) Strongly agree with a score of 5, b) agree with a score of 4, c) Doubt with a score of 3, d) No agree with a score of 2, and e) Strongly disagree with a score of 1. While the data analysis method uses a regression analysis model with processing through SPSS.

## RESULTS AND DISCUSSION.

### Correlation Test

To test the hypothesis, a correlation test was carried out between the variable of strengthening the capacity of village government as the independent variable on the management of village funds as the dependent variable. The results of the correlation test are as follows:

Table. 1  
 The relationship between strengthening the capacity of village government  
 towards the management of village funds

**Correlations**

	Strengthening the capacity of village government	Management of village funds
Strengthening the capacity of village government	Pearson Correlation Sig. (2-tailed) N 1	.820(**) .000 120
Management of village funds	Pearson Correlation Sig. (2-tailed) N .820(**) .000 120	1 120

\*\* Correlation is significant at the 0.01 level (2-tailed).

From the table above, the correlation value between the variable strengthening the capacity of village government and the variable of village fund management is 0.820 (\*\*) with a p-value = 0.000. When compared with the value  $\alpha = 0.05$ , it is known that the p-value = (0.000) <  $\alpha$  (0.05). Thus, the hypothesis  $H_a$  is accepted, namely that there is a correlation between strengthening the capacity of village government and the management of village funds.

**Regression Test**

The results of the regression calculation between the variables of strengthening the capacity of village government on the management of village funds are:

Table. 1

The effect of strengthening the capacity of village government on the management of village funds

**Coefficients(a)**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
		B	Std. Error	Beta	Zero-order	Partial	Part	B	Std. Error
1	(Constant)	1.440	3.660		.393	.695			
	Strengthening the capacity of village government	.968	.062	.820	15.577	.000	.820	.820	.820

a Dependent Variable: Management of village funds

From the regression equation ( $Y = a + bX$ ), it can be identified: (1) The constant value is 1.440; shows that the management of village funds will be constant if the variable of strengthening the capacity of village government is zero (non-existent), assuming other factors remain or do not change in value. (2) The village fund management variable with a value of 0.821 (positive) indicates the effect of strengthening the capacity of village government on the management of village funds. If the strengthening of village government capacity increases by 1 unit, the management of village funds will also decrease by 0.821. Thus strengthening the capacity of village government has a positive effect on the management of village funds.

**Determination Test.**

The coefficient of determination ( $R^2$ ) is used to measure how far the model's ability to explain variations in the dependent variable (Ghozali, 2006). The results of the determination coefficient test are:

Table 3

Results of the Determination Test between the variables of strengthening the capacity of village government on the management of village funds

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.820(a)	.673	.670	5.185

a Predictors: (Constant), Strengthening the capacity of village government

The amount of Multiple Coefficient of Determination (R Square) is 0.670 or 67.0%, which means that village fund management can be explained by the variable of strengthening village government capacity, while



the remaining 33.0% is explained by other variables not explained in this study. The management of village funds must comply with the principles of transparency, accountability and participation. Then the planning process becomes a crucial stage in village financial management because the village budget for the next year is compiled and determined in this stage. The composition and size of the budget directly reflect the direction and goals of village development, so the budgeting system must be carried out carefully. Strengthening the institutional capacity of village government is the key word for achieving good village fund management, because village funds must be able to be spent according to needs and must be accountable to the public. Strengthening the capacity of village government regarding the ability of village officials as individuals who have the function and task of managing village funds. Therefore, capacity in the field of budgeting and accountability in the use of village funds must be based on the principles of transparency and accountability. Strengthening the capacity of village government in this case has a number of indicators, first, institutionally how far the village government is able to carry out its function in utilizing and managing finances that are effective, efficient, transparent and accountable, and second, in terms of community how the village government is able to carry out the function of community empowerment so that Village residents are involved in utilizing village funds, so that accommodative, aspirational, and participatory development programs can be produced.

### **CONCLUSION.**

The capacity of the village government in managing village funds is very much needed in order to achieve the target of the village fund program for the welfare of the community through village development that truly sides with the needs of the villagers. Management of village funds must be carried out in a transparent, accountable and participatory manner. Transparency of village financial management must be carried out so that villagers can know the use of village finances in development so that they can become a means of social control in managing village finances. Because every village financial expenditure must be accountable to the public. For this reason, strengthening the capacity of village government institutionally and in the community must be carried out in order to have the ability to utilize village finances efficiently and effectively.

### **CONFLICT OF INTEREST**

There is no conflict of interest.

### **ACKNOWLEDGMENTS**

This article was funded by the Kemenristik-Dikti Indonesia Research Grant Program.

### **REFERENCES**

- Sri Mulyani Indrawati, 2015, Buku Pintar Dana Desa (Dana Desa Untuk Kesejahteraan Rakyat, Kementerian Keuangan Republik Indonesia, <https://www.kemenkeu.go.id>media>b... diakses tanggal. 5 Agustus 2020>.
- TF Mondale, 2017, ANALISIS PROBLEMATIKA PENGELOLAAN ... – Jurnal Unsyiah, [jurnal.unsyiah.ac.id/JPED/article/download/8231/6685, diakses tanggal. 5 Agustus 2020](http://jurnal.unsyiah.ac.id/JPED/article/download/8231/6685, diakses tanggal. 5 Agustus 2020)
- Inten Meutia, 2017, PENGELOLAAN KEUANGAN DANA DESA | Meutia | Jurnal Akuntansi ...[jamal.ub.ac.id/index.php/jamal/article/view/645, diakses tanggal. 5 Agustus 2020](http://jamal.ub.ac.id/index.php/jamal/article/view/645, diakses tanggal. 5 Agustus 2020).