

Human Resource Issues in Village Fund Policy for VOEs Development (Case in Yogyakarta, Indonesia)

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ABSTRACT

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Objectives: This study aims to (1) determining the management of village funds policies in developing VOEs, (2) determine the level of effectiveness of village fund management policies for the development of VOEs, and (3) determine supporting and inhibiting factors for the effectiveness of village fund management for VOEs development.

Method / Analysis: This research uses qualitative methods using a case study approach. Data were collected through observations, document studies, and interviews.

Findings: The results of the study showed that First, village fund management runs smoothly, reflecting transparent and accountable village financial management. Second, the selection of VOEs business units is not optimal because it does not take village needs into consideration. Pertashop is considered environmentally friendly, but its turnover is still below target. VOEs management is also weak, especially since profits are not enough to reinvest. Third, inhibiting factors include less effective communication, human resources are not yet professional, there is no commitment from the VOEs management to the village government, and work procedures are not adequate. Meanwhile, supporting factors include village government support. It is hoped that this study can provide contributions such as strengthening village fund management policies, especially in development of VOEs as an effort to increase the welfare of village communities in a sustainable manner.

Keywords: VOEs, effectiveness, village funds, supporters, obstacles.

INTRODUCTION

Since the enactment of Law Number 6 of 2014 concerning Villages, the Indonesian government has attempted to encourage independent village development through various programs, one of which is the Village Fund which is allocated annually. The policy changes initiated by Law Number 3 of 2024, which is a revision of the Village Law, further strengthen the government's commitment to supporting sustainable village development. The objectives of village development, as stated in Law Number 3 of 2024, Article 78, paragraph (1), are to achieve the welfare of village communities and improve the quality of human life by addressing socio-economic disparities through the fulfillment of basic needs, the development of village infrastructure, the enhancement of local economic potential, and the sustainable use of natural resources and the environment to improve the living standards and livelihoods of local communities.

To support village development goals, the Village Law requires that communities obtain funding sources from the State Budget (APBN) called Village Funds (VF) to encourage rural development. Village Funds (VF) were established in 2015 through Government Regulation Number 60 of 2014 regarding VF which originate from the State Budget (APBN). The main objective of the VF is to fund local programs and activities that focus on village development and community empowerment at local level.

Government Regulation No. 11 of 2021, Minister of Home Affairs Regulation No. 39 of 2010, and Minister of Villages, Development of Disadvantaged Regions, and Transmigration Regulation No. 4 of 2015, as implementing regulations for Law No. 3/2024 amending Law No. 6/2014 on Villages, permit village governments to allocate Village Funds as capital investment for Village-Owned Enterprises (VOEs) to enhance the village economy. Additionally, Permendesa PD TT No. 7/2023 specifies that the primary focus of Village Funds in 2024 is to support initiatives and activities aimed at community empowerment and village development across various sectors.

One of the instruments for village construction and empowerment is VOEs. VOEs functions as a driver of village economic independence, strengthening village capacity to manage local resources and creating jobs for village communities [13]. The establishment of VOEs, supported by village funds, plays a vital role in accelerating village construction, empowering rural communities, and increasing village original income (PADes) [5]. Apart from that, VOEs also plays a role as an important instrument in village economic development, enabling villages to utilize local potential to improve welfare and reduce poverty [6].

Village-Owned Enterprises (VOEs) play an important role as drivers of community-based local economic development. Allocation of Village Funds to VOEs is crucial for improving community welfare, reducing poverty and creating economic independence in rural areas. VOEs financed through village funds are able to optimize the local potential of villages so that they contribute significantly to increasing PAD. This is done through business diversification such as agribusiness, village tourism and professionally managed service businesses [6]. VOEs functions as a bridge to narrow the development gap between rural and urban areas. Through structured village fund allocation, VOEs helps rural communities have better access to markets, technology and entrepreneurship training [8]. Village funds allocated to VOEs also enable investment in digital transformation, such as *e-commerce* villages and information technology for marketing local products. This helps villages integrate with global markets without losing their local identity [6].

Based on the latest data from the Ministry of Villages, Development of Disadvantaged Regions and Transmigration receveing Village Fund allocatios are projected to experience an average income increase of 25% in 2024 compared to the previous year [7]. However, even though this increase is positive, many Village-Owned Enterprises (VOEs) still face major challenges in their operations, such as limited human resources, weak management, and a lack of capacity to optimally utilize local economic potential [11].

Previous studies emphasize the critical role of Village Funds in fostering sustainable village development and empowering local communities. These funds have also played a significant role in facilitating the establishment of Village-Owned Enterprises (VOEs). However, there seems to be no clear correlation between the increasing number of VOEs and the growth of Village Original Income (PADes) [12]. Village Funds offer a substantial opportunity to expand the number of VOEs, with similar trends seen in both Java and non-Java regions. Nevertheless, the sharp increase in VOEs has not resulted in a proportional growth in those with substantial impact [1]. Allocating village funds to support VOEs holds the potential to improve the income of rural communities [3]. While the village fund policy has been successful in creating business opportunities through VOEs, there is still a lack of comprehensive research on the effectiveness of fund allocations in managing VOEs, particularly in addressing challenges related to business sustainability and improving community welfare.

The findings of this study will contribute to the existing body of knowledge and provide valuable scientific insights into the effectiveness of village fund management and the development of Village-Owned Enterprises (VOEs). The main objectives are to: (1) analyze the policies related to village fund management in the context of developing Village-Owned Enterprises; (2) evaluate the effectiveness of village fund management policies in promoting the growth of Village-Owned Enterprises; and (3) identify the supporting and hindering factors that influence the effectiveness of village fund utilization for the development of Village-Owned Enterprises.

LITERATURE REVIEW

(a) Policy Effectiveness

Policy effectiveness is related to hypotheses *Ambiguity-Conflict Matrix* proposed by Richard Matland in 1995. This is a criterion for assessing the effectiveness of policy implementation. Administrative implementation relates to implementation carried out in routine government bureaucratic operations. In this situation, policies demonstrate low levels of ambiguity and conflict. Political implementation is carried out through political means due to the high

level of conflict, although the ambiguity is limited. An experimental approach is used for policies that have some uncertainty but minimal disagreement. Symbolic implementation is used for policies characterized by significant uncertainty and disagreement. During policy implementation, policies are usually converted into programs. Programs basically originate from policies [9].

According to Matland (1995), in his theory of policy implementation, there are four key criteria that are crucial for ensuring the success of policy execution, namely:

(1) Appropriate Policy (Is the Policy Appropriate)

The correctness of a policy is determined by evaluating the extent to which the policy succeeds in overcoming the difficulties it aims to solve. This question relates to policy quality. The second component of policy is whether it has been developed according to the specific features of the issue it seeks to solve. The third aspect is whether the policy is made by an institution whose authority and mission are in line with the nature of the policy. The third aspect concerns whether the policy is developed by an institution whose authority and mission align with the nature of the policy.

(2) Precise Implementation

Policy implementation involves actors beyond the government. Three entities can serve as implementers: the government itself, a partnership between the government and the private sector or community sector, or the execution of privatized policies (through privatization or contracting out). The government is best suited to implement monopoly policies such as citizen identity cards and policies with a high political-security level such as defense and security. Government involvement with the community is most effective in implementing policies that empower the community, such as poverty alleviation. Community-oriented policies related to business management or growth of non-strategic medium and small scale industries are most effectively handled by the community when the government is inefficient in managing them.

(3) Right on target

Accuracy is connected to three key elements. First, it involves assessing whether the intended intervention aligns with the set goals, avoids duplication with other interventions, and does not conflict with other policy actions. Second, it looks at whether the target is prepared and ready for the intervention. Readiness is related to innate tendencies and the harmony or dissimilarity of desired conditions, as well as whether these conditions support or hinder. Third, determine whether the policy implementation intervention is a new initiative or a repetition of past policy implementation. Excessive policies may seem new but are essentially repeating existing policies with results that are not as effective as those that have occurred previously.

(4) Appropriate Environment

The second most important setting is the policy environment, which includes interactions between institutions involving policy formulators, policy implementers, and other important institutions. Donald J. Calista explains this as an endogenous institution, including the authority structure regarding the source of policy authority, the composition of the network of organizations involved in policy from government and society, as well as implementation arrangements involving bargaining positions between policy authorities and networks for policy implementation. The external policy environment is the second policy environment, called an exogenous variable by Calista. This includes public opinion, public perceptions of policy and its implementation, interpretive institutions such as mass media, advocacy groups, and interest groups that interpret policy, as well as individuals who can influence policy interpretation and implementation.

(b) Implementation of Edward III's Policy

According to policy implementation theory [4], policy implementation is a critical process because, regardless of how effective a policy is, if its implementation is not properly prepared and planned, the objectives of the public policy will not be implemented. Similarly, even with excellent preparation and planning for policy implementation, if the policy is not well-formulated, its goals cannot be realized. Therefore, to meet policy objectives, both policy formulation and implementation need to be thoroughly prepared and planned. Edward III identified four key factors or variables essential for successful policy implementation: bureaucratic structure, communication,

dispositions, and resource. These four factors cooperate together and interact with each other. The description of these variables can be explained as follows:

(1) Communication

Communication serves as a tool to distribute information both from higher levels to lower levels and vice versa. To prevent misinterpretation of information conveyed from superiors to subordinates, it is important to establish a regular communication schedule, ensure that the information is clear, and maintain accuracy and consistency in conveying messages. Edward III identified several dimensions of policy communication, including the dimensions of transmission, consistency, and clarity.

(2) Resource

Resources are the second factor that influences the successful implementation of policies. Even if implementation directives are issued in a clear, detailed, and consistent manner, the lack of necessary resources for implementers can result in failure. According to Edward III, key resources include staff, authority, information, and facilities.

(3) Disposition

Disposition is the third factor that influences the successful implementation of public policy. Disposition, or the “attitude of policy implementers,” plays a critical role in effective policy implementation. For a policy to be implemented successfully, implementers must not only understand what needs to be done but also have the ability to carry it out, ensuring there is no bias in practice. Edward III highlights key aspects to consider in the disposition variable, including the impact of disposition, bureaucratic arrangements, and incentives.

(4) Bureaucratic Structure

Bureaucratic structure is the fourth factor that impacts the success of public policy implementation. Even if resources are available, policy implementers understand their responsibilities, and are motivated to carry out the policy, implementation can still fail due to weaknesses in the bureaucratic structure. Complex policies often require cooperation between multiple stakeholders, and if the bureaucratic structure does not facilitate such collaboration, it can result in inefficient resource use and low motivation, hindering effective implementation. The bureaucracy, as the policy implementer, must effectively support the politically decided policies through strong coordination.

METHODOLOGY

(a) Research Design

This study adopts a qualitative case study approach. According to Creswell (2013), Case study research is a qualitative approach in which researchers investigate a bounded system (case) in a contemporary real-world context, or multiple bounded systems (cases) over time, through detailed and in-depth data collection involving multiple sources of information (such as observation, interviews, audiovisual material, as well as documents and reports), and by reporting case descriptions and case themes. The unit of analysis in a case study can involve multiple cases (multisite study) or a single case (on-site study). In this study, an instrumental case study was used, with VOEs Wono chosen as the case that exemplifies the implementation of village funding policies in the context of VOE development. This study seeks not only to gain a deeper understanding of the internal dynamics of VOEs Wono but also to identify significant internal and external factors that offer valuable insights into the effectiveness of village funding policies. Therefore, the case of VOEs Wono serves as an instrument to examine the phenomenon of policy effectiveness in general, with the goal of contributing to the development of public policy theory or practical guidelines for other VOEs in similar contexts.

(b) Data Collection

In data collection techniques, the author uses several methods, namely:

- (1) Interviews are a data collection method that involves direct conversations between researchers and participants to obtain detailed information about their experiences, views and perceptions regarding the topic under study. This technique provides an opportunity for researchers to explore more in-depth and complex information, which may not be obtainable through other methods such as surveys or observations [2]. In this study, researchers conducted in-depth interviews using an unstructured interview format. The goal is for questions to

be asked freely but still adhere to interview guidelines that outline the main questions to be studied. This approach allows for more flexible and open discussions, so that information obtained from participants in Wonokerto Village can be more accurate and detailed.

- (2) Observation is a method of data collection in qualitative research where the researcher observes participants directly in their original environment to understand the phenomenon being studied. This method allows researchers to record the behavior, interactions, and context that occur without relying on verbal information from participants [2].
- (3) Documentation in qualitative research is a data collection method that utilizes various types of documents as sources of information. These documents can be in the form of writing (such as letters, reports, or notes), images (such as photos or videos), or digital documents (such as emails or blogs). This method is used to add to and strengthen data that has been collected through other methods such as interviews and observations [2].

The author selected eleven informants for this study, including the village head (Lurah), village secretary (Carik), village treasurer (Danarta), head of village-owned enterprises, three village deliberative body administrators, two community members, one academic, one entrepreneur, and one representative from the information media. A purposive sampling approach was used to identify participants who could provide relevant and in-depth information for this study. Researchers chose informants as sources of interview data for this research, taking into account their familiarity and relationship with the research subjects.

(c) Data Analysis Techniques

The data analysis techniques used in this study follow the concept of the interactive model [10], which classifies data analysis into three steps:

- (1) Data Condensation. This step involves sorting, focusing, simplifying, abstracting, and transforming the raw data emerging from field notes. The goal is to summarize the data while retaining its essential meaning.
- (2) Data Display. In this step, the data is organized in such a way that it is possible to draw conclusions and take action. Typically, in qualitative research, this is presented in the form of narrative text.
- (3) Drawing and Verifying Conclusion. In this phase, the meaning of the collected data is revealed. Initial conclusions may be tentative, vague, or uncertain, and therefore, must be verified. Verification is done by reviewing the data reduction and data presentation processes to ensure that the conclusions drawn are valid and accurate.

RESULT AND DISCUSSION

The objectives of this study are to: (1) Determine the Village Fund management policy in the development of Village-Owned Enterprises (VOEs) in Wonokerto Village; (2) Assess the level of effectiveness of the Village Fund (VF) management policy for the development of VOEs in Wonokerto Village; and (3) Identify inhibiting and supporting factors that influence the effectiveness of Village Funds (VF) for the development of VOEs in Wonokerto Village. The research results show that, first, the management of village funds for VOEs is in accordance with the provisions and is prioritized in the RKPDes (Village Medium-Term Development Plan) and RPJMDes (Village Long-Term Development Plan). The implementation, reporting and accountability processes run smoothly, reflecting transparent and accountable village financial management to support village economic development. Second, the selection of VOEs business units is not optimal because it has not considered the potential and needs of the village. This misalignment can hamper the effectiveness of Village-Owned Enterprises (VOEs) and limit their contribution to village economic development. Pertashop is considered environmentally friendly, but its turnover is still below target. VOEs management is also weak, especially in recruiting managers who are not yet professional, so that business selection is based more on village government proposals rather than community aspirations. As a result, public satisfaction is low, and profits are not enough to reinvest. Third, inhibiting factors include communication that is less effective, human resources are inadequate or not yet professional, there is no communication regarding the commitment of the VOEs management with the village government, and work procedures are inadequate. Meanwhile, the contributing factor is strong support from the village government and the society. This support plays a crucial role in facilitating the development and implementation of VOEs activities, ensuring that the initiative is aligned with local needs and priorities.

The results of the research were as follows:

(a) Village Fund Policy

The initial contribution of the village government to VOEs, especially regarding the initial capital participation, has been routinely discussed in the Hamlet Meeting. This contribution is also included as a priority in the Village Government Work Plan (RKPDesa) and the Village Government Medium-Term Plan (RPJMDes) to align with village development goals. Village Funds are included in the priority scale for VOEs because villages are invited to be independent or invited to generate their own income to reduce dependence on central and regional government assistance.

In the financial reporting process, financial implementation follows the established provisions. Financial administration and accountability run smoothly, as evidenced by three main documents: (1) Village Government Implementation Accountability Report (LKPPD): Accountability report from the village government to the Bupati (Regent) through the Camat (Sub-district Head); (2) Village Government Performance Report (LKPD): This report is an accountability document from the village government to the Village Deliberative Body (BPD); and (3) Village Government Implementation Information (IPPD): Public accountability report from the village government to community, usually displayed on a banner in the village hall. These documents ensure transparency and accountability in the management of village funds and operations.

(b) Policy Effectiveness

(1) Exact Policy

The policy in selecting the VOEs business unit, namely Pertashop, is considered not optimal because it has not considered village needs, where the VOEs in Wonokerto Village had a vacuum during the Covid pandemic and tended to fluctuate. The Pertashop is not far from the sub-district gas station and only provides Pertamina fuel at a price of IDR 12,000/liter.

(2) Right Environment

The establishment of the Pertashop unit began with a Village Conference and was approved by the community. Conceptually, Pertashop does not become a predator for community businesses, in the sense that the Pertashop business does not become a competitor for businesses carried out by the local community, because if it becomes a predator, the Wonokerto Village Community will tend to reject the establishment of the Pertashop.

(3) Right on target

The turnover obtained by Pertashop tends to be far from the expected target. Where every year the village government continuously experiences losses because it has to cover the amount of achievements that are less than the target.

(4) Precise Implementation

In its implementation, the measurement is seen from input, process, output and feedback. The input: the VOEs managers selected are not yet professional because the selection process was only directly appointed by the Wonokerto Village Head without a screening process according to the required capabilities. Process: the selection of the VOEs business unit does not meet the needs of Wonokerto Village, in the sense that it is still an idea from the Village Government and not purely from the thoughts of the VOEs management or the aspirations of the community. Output: Community satisfaction with the establishment of Pertashop is very low. So the feedback is that profits cannot be reinvested as capital.

(c) Policy Implementation

(1) Inhibiting Factors

Communication: the use of communication space by VOEs managers has not been utilized properly, so far communication is still carried out by Dukuh through a program called "citizen's sambang" and is still carried out in a "Top Down" manner which of course is still not effective. Communication between VOEs managers, Village Heads, Village Apparatus and BPD is well established. *Resource:* Human resources for VOEs managers are inadequate because they still come from farmer backgrounds and are not professionals, and there is no announcement of the commitment of VOEs managers to the village government. *Bureaucratic Structure:* work procedures in managing

VOEs in utilizing Village Funds are inadequate. *Disposition*: the attitude of VOEs managers in utilizing Village Funds is quite good so far.

(2) Supporting Factors

Supporting factors for the effectiveness of Village Funds for VOEs development in Wonokerto Village include strong support from village government. Without such support and the involvement of the village government, VOEs will likely remain underdeveloped and ineffective. Village government support provides direction, resources, and strategic direction that are critical to the growth and sustainability of VOEs initiatives. VOEs managers are less creative in developing their VOEs.

CONCLUSION

This research found that the Village Fund policy for developing VOEs still faces various challenges. In terms of effectiveness, the main obstacle is that professional VOEs managers are not selected correctly and the business units chosen are not precise, resulting in the profits achieved being still far from the expected targets, which results in the funds not being able to be reinvested as capital participation. In its implementation, the main obstacles faced include work procedures that do not meet employee standards, lack of commitment between VOEs managers and the Village Government, and inadequate human resources. To overcome these obstacles, it is essential to enhance the capacity of human resources within the VOEs environment.

Research on Village Funds (VF) for development of Village-Owned Enterprises (VOEs) in the future can be focused on crucial aspects that contribute to increasing daily income. This includes identifying strategies to improve the financial sustainability and profitability of VOEs, so that it can generate more consistent and substantial income for the village.

Future research can dig deeper into the vacuum of VOEs.

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Author Contribution:

In this research, all authors have a role as contributors in the implementation of the research starting from planning the preparation of the proposal as well as implementation and evaluation.

Data Availability Statement:

The data presented in this paper, both secondary and primary data, were obtained through legal processes and legitimate requests. This process ensures that the data collected is credible, reliable, and complies with relevant regulations and procedures.

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