

The Role of Leadership and Local Capital on Village Fund Management



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ABSTRACT: The enactment of Law no. 6/2014 in Indonesia has raised complex issues regarding the management of Village Fund. On one hand, Village Fund (local term: *Dana Desa*) gives hope for a more meaningful development in the village, but on the other hand the unpreparedness of human resources to manage the Village Fund has caused some problem. Therefore, the role of leadership and local capacity are parts of the solution to village fund management. Several important findings in the management of Village Fund were obtained using quantitative method as the main method in this research. First, the role of leader has a strong influence on planning, implementation, and performance of the program. Second, local leaders are required to have strong characters which can be a role model, fulfill promises, and work hard, and actively encourage ideas as well as providing social solutions for the community. Third, social capital as part of local capacity in the form of mutual cooperation (local term: *gotong royong*), caring, and mutual trust is able to survive in the village as part of the solution for Village Fund management.

KEYWORDS: village fund, leadership, local capacity, planning, implementation, performance

INTRODUCTION

There have been abundant studies stating that village problems can only be solved by community involvement and local capacity considering that the community of the village best understand their needs and potentials rather than using external experts/resources (Bebbington et al., 2006). However, this is not an overemphasis and still relevant in Indonesia considering that the Village Law, Law 6/2014, which regulates legal status and certainty, governance and the interests of local communities, as well as the existence and allocation of village funds, has provided flexibility and opportunities for rural communities to be more develop and optimize their village potentials. In addition, there are some facts that Indonesian people are immensely multicultural as Indonesia has approximately 17,508 Islands with 370 ethnics and 125 faiths (Rahmawati, Yeni; Yi-Fong, Pai; Chen, 2014) of which each has different values and interests.

Village fund is intended to encourage economic movement and growth along with equitable economic development, as well as an effort to achieve good governance or government transformation (Asni et al., 2013). Village fund as economic capital can be seen conceptually by Foucault (2007 in Tellmann, 2011) as part of “episodes in the mutation of technologies of power”.

The village fund, which was promulgated in 2014 and has been enacted since 2015 until now has nationally accomplished a number of positive achievements, for instance a decreasing poverty rate in villages from 17.94% to 15.26% in 2020, increasing the status of independent villages from 173 to 831 villages in 2019. No less than IDR 323.32 trillion of Village Fund in total has been distributed and in 2021 an amount of IDR 72 trillion is planned to be distributed to 74,961 villages throughout Indonesia (Herman, 2021). The success of village fund management can be found in a number of areas in Indonesia such as Kertajaya Village, Bandung Regency (Isti et al., 2017), villages in Gorontalo regency (Mada et al., 2017), Sudaji village in Bali (Kurniawan Saputra et al., 2018), and Lerep village in Semarang regency (Kushandajani et al., 2020).

One of the main factors driving the success of village fund program is community participation (Hulu et al., 2018; Isti et al., 2017; Julianto & Dewi, 2019; Mada et al., 2017) which is immensely stimulated by leadership (Kushandajani et al., 2020; Naufan & Kushandajani, 2018). Leadership in local level, such as municipal agencies and local leaders, places community, nonprofit and community-based organizations, individuals, and businesses as partners and collaborates with them to address community problems and to improve the overall quality of life (Diamond et al., 2009). Moreover, there is also local capacity factor which is effective as a resolution of village problems, particularly in diverse regions as Indonesia (Bebbington et al., 2006).

Based on these facts, this study was conducted to explore how the influences of leadership and local capacity on the success of the village fund program and management in Lerep Village. This village was selected since it has remarkable successes related to the management of village fund, i.e. as Sustainable Tourism Village which received a national award from the Ministry of Tourism and Creative Economy in maintaining traditions and environmental sustainability (Kemenparekraf, 2021). In addition, Lerep Village is

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one of the special tourism villages due to its unique culture, similar to Penglipuran Village in Bali and Sade Village in NTB (West Nusa Tenggara) (Chairunnisa, 2021).

LITERATURE REVIEW

There are various violations in the use of village fund caused by criminal acts such as: bribery (Wibisono, 2017), as well as inadvertence or unawareness. The accidental factor usually occurs due to procedural mistakes by depositing the fund in personal bank accounts instead of village account (Pramayoga & Ramantha, 2018), program allocations that are not based on the regulations of which 100% of the village fund is used for physical development and ignores community empowerment purposes (Chasanah et al., 2017). There is a tendency that village fund is used by the community for programs that directly provide economic benefits in short term, of which include infrastructure development (Watts et al., 2019). Moreover, there are even many vertical and horizontal conflicts at the village level due to interest differences among community groups (Wibisono, 2017). These kinds of problems are mostly caused by the weakness of human resources and the lack of village community participation (Hulu et al., 2018).

There have been, on the contrary, a number of successes in village fund management. A study conducted in Buleleng Regency, Bali, shows that there is a significant influence among community participation, village financial system, the competence of village local assistants to manage the fund, and the local government's commitment to the success of village fund management (Julianto & Dewi, 2019). The same thing also happened in Kertajaya Village, Bandung Regency (Isti et al., 2017) and villages in Gorontalo Regency (Mada et al., 2017), where community participation is very significant in the success of village fund management, although it has not yet been felt to be able to improve the community welfare (Isti et al., 2017). The existence of village's state-owned enterprises which has sharply increased through the village fund program has proven that it cannot provide greater job opportunities for the community (Arifin et al., 2020).

In human resources' perspective, the competence of village fund management officers and the commitment of village government organizations have an essential effect on the accountability of village fund management. This officers' competence is closely related to the frequent occurrence of delays and discrepancies in reports and budgeting, unpublished administrative issues, and non-optimal budget absorption (Mada et al., 2017). These things indicate that there are problems in planning, implementation, as well as in the achievement of the village fund programs (Chasanah et al., 2017). The role of the leader is crucial to ensure that the use of village funds is accordant with the regulations and to assure that the program is conforming to the needs of the community (Naufan & Kushandajani, 2018). Leadership factors include inspirational characteristics and abilities so that they can be a catalyst for program implementation and village fund management. This is highly considerable since the relationships which have been built and grown, engagement, and responsibility of the parties involved have a principal influence on the planning, implementation, and controlling of the village fund (Yusuf et al., 2019). Consequently, it needs adequate policies/regulations, socialization, facilities, and infrastructure (Hulu et al., 2018). For example, the village head is able to empower the community with intellectual disability people in Karangpatihan Village, well known as the "Idiot Village or Village of Idiot people" (Azhar et al., 2019), or build relationships between actors as an effort to establish and to carry out community empowerment innovations in Melung Village (Kushandajani & Permana, 2020). Thus, the village head as the leader in the village becomes the center of all functions implemented in the village, the ability of the village head to empower village communities will influence the level of community participation as the main supporting capacity in the administration of village governance (Kushandajani & Astuti, 2017).

Local capacity plays an essential role to solve livelihood and governance issues, specifically at the village level (Bebbington et al., 2006). Moreover, Political and social economy approaches are essential for building local capacity (Bebbington et al., 2006). This is evidenced of which one of local capacity dimensions, i.e. social capital in the form of cultural elements, can increase the level of community participation in the planning and aspiration processes (Kurrohman, 2015). Local culture in Sudaji Village consisting of *parahyangan* (human relations with God), *pawongan* (relation among humans), and *palemahan* (human relations with the environment) is relatively the same as Javanese culture seen from religious elements consisting of *habblum minallah* (human relations with God) and *hablum minannas* (relation among humans) (Prabawani, 2018). Therefore, this study projects local culture, as a resource attached in social relations and forms bonding, bridging, and linking in the community, is a social capital to achieve the successful village fund management in Lerep Village (Mathews, 2021). Besides, local culture which prioritizes benefits for life, togetherness, harmony, and balance prevents any violations in the management of village fund in Sudaji Village, Bali. This can be done because local culture forms values and working ethics for village apparatus (Kurniawan Saputra et al., 2018). In every decision making, the variable "endogenous capacity constraints" becomes the main consideration, including in the selection of the right technology use for the development of local community (Shi, 2015) and in the efforts to maintain rural life in Sanneoul village, South Korea (Nam, 2018).

Almost all previous studies related to village fund in Indonesia used qualitative studies with planning variable (Kurrohman, 2015), leadership style (Naufan & Kushandajani, 2018; Soukotta & Utami, 2019), institutional relations (Yusuf et al., 2019), environment-based community development (Watts et al., 2019), financial management of village fund (Meutia & Liliana, 2017) and comprehensively covered planning process, funding allocation, implementation, and reporting of village fund (Asni et al., 2013). Until this study has been conducted, there is only one quantitative study involving variable of development and economic

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improvement (Tangkumahat et al., 2017). As a consequence, it is necessary to formulate dimensions, variables, and parameters that can be generalized to conduct a quantitative study on a village which has successfully implemented programs and management of village fund since this is a national scale program and its success can be adopted in other countries. By considering various failure and success factors of the program, this study formulates leadership consisting of character, inspirational and intellectual, and local capacity which includes social and economic capital as independent variables that can affect the implementation of the program and the success of village fund, from planning process, performance, to achievement.

METHOD

This is an explorative study which involved survey as the primary data. The population of this study is the community of Lerep Village in West Ungaran subdistrict, Semarang Regency, Central Java. The number of samples in this study obtained by convenience sampling is 200 respondents representing all *dusun* (hamlets, an administrative area under village government), *RWs* (administrative area under hamlet), and *RTs* (administrative area under RW) in Lerep Village. Therefore, there were representatives from all levels and/or categories of the community, consisting of elements of Village/RW/RT officials, community leaders, and ordinary people. The variables and indicators in this research are compiled from previous studies which were mostly qualitative and they had been adapted to the context studied in this research through interviews and surveys in the same village (Kushandajani et al., 2020). The variables in this study consist of leadership dimensions consisting of characters and inspiration, local capital dimensions consisting of social and economic capital, and dimensions of village fund program implementation involving planning, performance, and achievement. The indicators of each variable in details are described in this following table:

Table 1. Variables and Indicators

Indicators	Indicators
Character	Planning
C1 As a role model for the village community	P11 Formulating vision and mission of village
C2 Able to fulfill his/her promises	P12 Planning the stages to achieve village's vision and mission
C3 Hard worker	P13 Identifying challenges/threats faced by village
C4 Attend every village event to socialize the common goals	P14 Forum for planning the use of village fund
Inspirational & Intellectual	Performance
I1 Encourage ideas from subordinates/community	Pr1 Community's motivation in the implementation
I2 Treat subordinates/community well	Pr2 Clear information for the public/community
I3 Consider subordinates'/community's needs, abilities and aspirations	Pr3 The use of technology/computer/internet to inform the implementation of the program
I4 Provide solution to social problems	Pr4 Management of village human resources for the implementation of the program
	Pr5 The suitability of the program with the enacted regulations
Social Capital	Achievement
SP1 Mutual cooperation (<i>Gotong royong</i>)	A1 Realization of all planned programs
SP2 Caring for each other	A1 Realization of the program on time as planned
SP3 Sharing (with each other)	A1 Optimizing the use of village fund
SP4 Mutual trust	A1 The use of village fund is accordant with the regulation
SP5 Harmony	
Economic Capital	
EP1 Food crops	
EP2 Cow farm	
EP3 small and medium enterprises (local term: <i>UMKM</i>)	

Furthermore, the data was then processed using Smartpls v.3 where the threshold values for outer loadings are > 0.7 , > 0.7 , Composite Reliability (CR) > 0.7 , and Average Variance Extracted (AVE) > 0.5 . Meanwhile, the fit model is determined by SRMR < 0.08 and NFI > 0.90 (Hu, L.-t., & Bentler, 1998). These values are significantly essential to maintain the validity of constructs both the measurement and structural constructs.

RESULT

Respondents in this study were relatively represented evenly in terms of gender, age, and education. This implies that the results of the research correspond to the heterogeneous community assessment of various demographic dimensions in Lerep Village, Ungaran

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Barat subdistrict, Semarang Regency. The majority of respondents are married or are the decision makers in the family or the head of the family. Moreover, the respondents also consist of elements of Village Apparatus, public figures in the community, and common people. Meanwhile, based on the level of education, 52.5% of the respondents have a minimum education of senior high school (local term: SMA). Besides, from the income background, only 23% of the respondents have more than 2.5 million rupiahs income, although 29% of them were object to stating their average monthly income. This data show that the economic level of the research respondents is still relatively low. In detail, the description of the respondents is shown in Table 2.

Table 2. Respondents' identity

Characteristics	F	%
Gender		
a. Male	100	50.0%
b. Female	100	50.0%
Marital status		
a. Unidentified	20	10.0%
b. Not married	28	14.0%
c. Married	152	76.0%
Age		
a. Refused to answer	7	3,50%
b. ≤20 yo	10	5,00%
c. >20 - 30 yo	44	22,00%
d. >30 - 40 yo	51	25,50%
e. >40 - 50 yo	59	29,50%
f. >50 - 60 yo	23	11,50%
g. >60 yo	6	3,00%

Characteristics	F	%
Social position		
a. Common people	146	73.0%
b. PKK administrators (PKK is a program for women empowerment)	5	2.5%
c. Village officials/apparatus	42	21.0%
d. Community figures	7	3.5%
Education		
a. Unschool /elementary school (SD) graduates	51	25.5%
b. Junior high school graduates	44	22.0%
c. Senior high school graduates	80	40.0%
d. Diploma/Bachelor degree graduates	25	12.5%
Income		
a. Refused to answer	58	29.0%
b. ≤2.5 mill	96	48.0%
c. >2.5 – 5 mill	40	20.0%
d. >5 – 7.5 mill	6	3.0%

The indicators of this study are all valid with a minimum factor loading value of 0.7. This means that all indicators are adequate to explain each respective latent variable. The Details of the indicator validity can be seen in Figure 1.

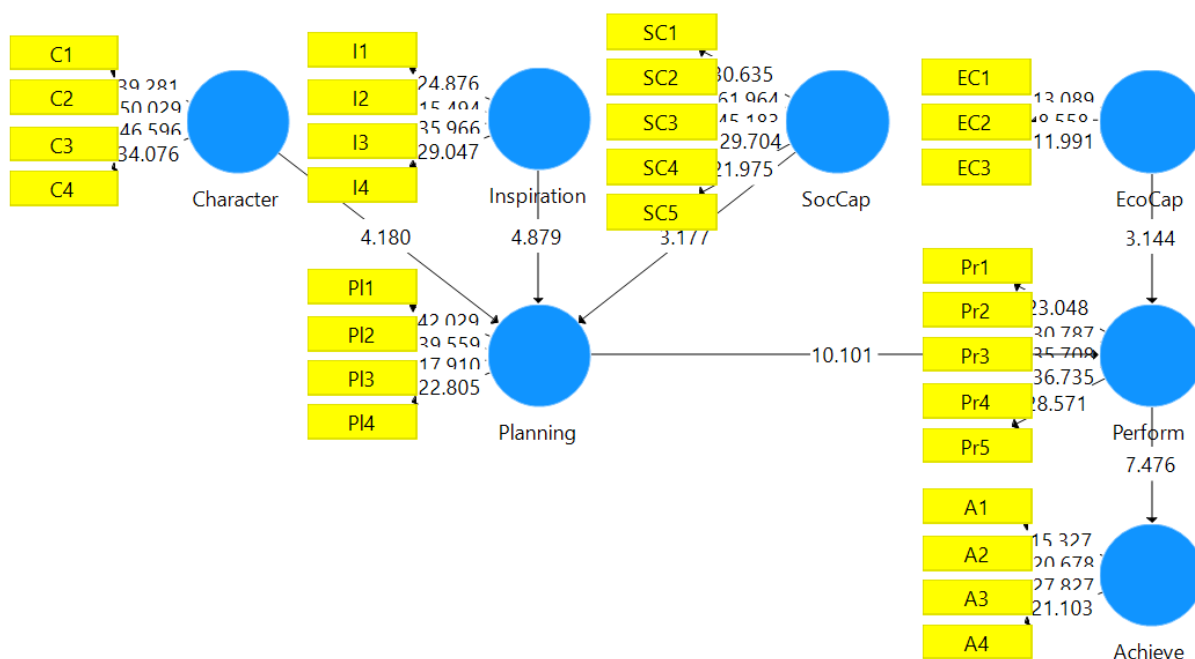


Figure 1. Research model

The measurement model and structural model of this study also show that the model is reliable and valid where all of Cronbach's Alpha > 0.7, CR > 0.7, and AVE > 0.5 as shown in the following table:

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Table 3. Constructs' validity

	Cronbach's Alpha	CR	AVE
Character	0.8773	0.9158	0.7312
Inspiration	0.8428	0.8944	0.6796
Social Capital	0.9188	0.9390	0.7550
Economic Capital	0.7858	0.8673	0.6860
Planning	0.8539	0.9014	0.6962
Performance	0.8919	0.9204	0.6983
Achievement	0.7852	0.8599	0.6057

The relationship between variables and the significance of the model shows that there is a considerable influence from all independent variables on achievement, i.e. character, inspiration, social capital, and economic capital. However, there is a slight difference that social capital affects achievement on planning and performance, while economic capital influences achievement only through performance.

Table 4. Constructs' validity

	Ori Smpl (O)	T (O/STDEV)	Stat P Values
Character -> Planning -> Perform -> Achieve	0.0839	34.474	0.0006
Inspiration -> Planning -> Perform -> Achieve	0.1103	35.512	0.0004
SocCap -> Planning -> Perform -> Achieve	0.0511	26.792	0.0076
EcoCap -> Perform -> Achieve	0.1114	25.947	0.0097

Table 4 above shows that the relationship between all projected paths is proven to be significant. Therefore, it can be concluded that Character, Inspiration, and Social Capital significantly affect Planning, Performance, and Achievement. Likewise, Economic Capital influences Achievement, but only through Performance.

Meanwhile, the overall model is significant where the chi-square is significant, although the resulted fit model is not as good as the indicators validity and the results of hypothesis testing, where SRMR is < 0.8 and significance with Chi-Square is > 0.05 , but the NFI is less than 0.9. This result can be explained due to the fact that the number of samples is only 200 respondents which are less large when compared to the number of parameters tested. This means that any model indicated by NFI is sensitive to the sample size (Ainur et al., 2017; Hooper et al., 2008).

Table 5. Goodness fit

	Saturated Model	Estimated Model
SRMR	0.0681	0.0993
d_ULS	20.156	42.877
d_G	10.287	11.197
Chi-Square	11.553.993	12.303.801
NFI	0.7248	0.7069

DISCUSSION

Demographically, the population in Lerep Village, Semarang Regency is 11,711 people with a relatively balanced number of male and female residents. This village consists of 8 hamlets, an administrative area under village government (local term: *Dusun*), 10 RWs (administrative area under hamlet), and 66 RTs (administrative area under RW). Topographically, Lerep Village has a slope/peak character where 22% of the area is rice field (mostly irrigated) and 49% of the total area is plantation/unirrigated agricultural field/community-based forests. Moreover, Lerep village is located on the border of a big city and a regency area, so it is not far from the center of government, but still has a strong rural character. These factors make the village area become one of the leading tourism (BPS Kabupaten Semarang (Central Bureau of Statistics of Semarang regency), 2019)

The success of Lerep Village as a sustainable tourism village (Kemenparekraf, 2021) is proven to be the result of the local leader's, in this case the village head's, characters and abilities to become an inspirational figure so that the community actively participate in the planning process, implementation, and achievement of the village fund program targets. Local leader is considered to have worked hard, able to be a role model, able to fulfill his promises, and actively present in the community to socialize the program.

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This is important because people have higher trust in leaders who share their views (Gabela-Flores & Diedrich, 2021), as it has become part of local knowledge (Wenndt et al., 2021) amid the limitations of village community in understanding village fund regulations and policies. Local leader in Lerep Village has also succeeded in being the inspirational figure to the community through the growth of ideas, good treatment for staff and community or equity by considering their needs to provide solutions to community problems, particularly in marginal groups. Trust and equity have a significant contribution to the success of leaders (Gabela-Flores & Diedrich, 2021).

This local leadership increasingly shows its role in the community whose high social values, such as mutual assistance or *gotong royong*, reciprocity, mutual trust, and harmony as the social capitals of the community. In consequence, even in the context of voluntary works, the combination of local leadership and social capital which creates bonding, bridging, and linking is significantly able to realize the achievement of common goals or program achievements as those in developing countries whose similar characteristics to Indonesia, such as in Kenya. (Mutua & Kiruhi, 2021), Brazil (Mathews, 2021), and Malaysia, particularly in populations whose long and relatively homogeneous history (Lim et al., 2017).

This study found that although local public management is not a complex one, the demands for ethical working relations and people-centered management (Mutua & Kiruhi, 2021) seem to be prominent in the success of the village fund programs in Lerep Village. In addition, there is a tendency for local leaders in Lerep Village to apply servant leadership whose perspective that the most effective leader is a leader who can wholeheartedly serve his constituents or the community (Eva et al., 2019). For the community of Lerep Village and stakeholders, the village head is a good leader who gives responsibility to his staffs and also has the ability and skills improvement (Apak & Gümüş, 2015). Thus, such good treatment from local leaders towards their community, the value of togetherness, reciprocity, and equity plays a crucial role to the success of the program. Leaders must be able to integrate numerous resources (Akdol & Sebnem Arikboga, 2017).

The findings previously described has proven that local leaders with good personal qualities play a vital role in capacity building to create a sense of belonging in the local culture (Mohamad et al., 2013), as well as become the pioneers and innovators for rural communities (Mohammadpour et al., 2017). There is a strong correlation between leadership and governance There is a strong correlation between leadership and governance through his ability as a mediator between citizens and larger government entities (Beer, 2014). The type and qualities of leadership that can motivate the subordinates (Apak & Gümüş, 2015) are clearly manifested in Lerep Village. Thus, there is a better creativity and innovative thinking in the community through the role of a good leader (Eisele, 2017) mainly in leaders whose vision, patriotism, charisma, and strong determination (Fuad, 2014). Leaders are required to conduct various courses, in order to be able to develop their managerial skills and work in various levels of corporate governance (Birknerová et al., 2017). In the context of “rural leadership patronage” (Antlov & Eko, 2012), organizational actors who offer new ways seem to have different cultural orientations (Öztürk et al., 2017) and to share knowledge (Mahmood & Arif Khattak, 2017) essentially to “interests related to ownership issues” (Palmer, 2007) labelled as leaders.

In this study, economic capital consisting of food crops resources, livestock, and small businesses has a different role from social capital in influencing the success of the village fund programs. Bourdieu’s field theory (Hillyard, 2020), involve states that economic capital affects the success of the program in the most desirable position context. In the context of village fund, this program is oriented towards people who do not yet have job opportunities. Meanwhile, the community of Lerep Village with the existence of food resources, livestock and small business is considered to have jobs and income. Therefore, economic capital significantly affects the implementation and the performance of village fund, but not from the planning process. However, this research does not comprehensively involve economic capital parameters.

Future research is suggested to validate the findings of this study in different populations. There are still some criteria of the fit model which have not been met yet, i.e. the normed fit index (NFI), indicating that this model needs to be validated using a more diverse population with an adequate number and characteristics of the samples to explain the parameters being tested (Memon et al., 2020). In addition, it needs to enrich the parameters, specifically economic capital so that the existence of the least desirable position in the context of village fund can be explored considering that the involvement of the most desirable people is not enough to prove the success of the village fund programs.

CONCLUSION

This study found that the roles of leaders and local capacities in relation to the management of village fund which is being massively promoted in Indonesia are significantly essential to ensure the planning, implementation and achievement of the programs financed by village funds. Leaders are required to have a strong character both in being a role model who set a good example, fulfilling promises, and working hard, as well as actively encouraging ideas and providing social solutions. Furthermore, social capital does not have as big influence as leadership does; nevertheless, it also has a significant influence on the success of the village fund program, in the form of *gotong royong* (mutual cooperation), caring, and mutual trust. Likewise, economic capital also significantly affects the implementation and achievement of the village fund program, although it is not included in the planning. Thus, future research needs to validate indicators and research model by using different populations and enriching economic capital parameters.

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