

Research Article

Optimization Strategy for Village Fund Management in Banyuwangi Regency-Indonesia

Irin Cahyawati*, Zainuri, Duwi Yunitasari

Faculty of Economics and Business, University of Jember, Indonesia

*Corresponding Author

Irin Cahyawati

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Abstract: One of the government's efforts as mandated by Law Number 6 of 2014 concerning Villages to improve equitable and inclusive development in rural areas is by budgeting government expenditures through the village fund distribution mechanism. This study aims to formulate a comprehensive strategy that can maintain the performance of village fund management in Banyuwangi Regency and optimize the allocation of village funds so as to achieve sustainable development. The research method used is SWOT analysis (*Strengths, Weaknesses, Opportunities and Threats*). Methods of data collection by conducting survey research through questionnaires to respondents who have been determined. Based on the results of the SWOT diagram it is stated that the chosen alternative strategy is the strength-opportunity (SO) strategy, namely use strengths to take advantage of opportunities. Furthermore, the first priority strategy is the Strength – Opportunity strategy, the second Weakness – Opportunity strategy, the third Strength – Threat strategy, and the fourth Weakness – Weakness strategy. Threats (Threats). Thus, in order to achieve optimization of village fund management, it is necessary to have a strong integration of the community, village officials, local government, central government in managing village funds and managing and developing regional potential for community welfare in a sustainable manner.

Keywords: village funds, welfare, optimization, government expenditure, SWOT, Banyuwangi district.

INTRODUCTION

Integration of regional development is one way to encourage development in villages that are still experiencing complex problems, both from an economic and social perspective. This is inseparable from the principle of regional autonomy, namely that regional governments have the authority to manage their territorial areas. According to the Minister of Home Affairs Regulation Number 137 of 2017 concerning the Code and Data of Government Administration Areas, it is known that there are 416 regencies, 98 cities, 7,094 sub-districts, 8,490 village and 74,957 villages. Thus, the existence of the village will make a significant contribution to national development. One of the government's efforts as mandated by Law Number 6 of 2014 concerning Villages to improve equitable and inclusive development in rural areas is by budgeting government expenditures through the mechanism for distributing village funds.

Village funds based on the Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration of the Republic of Indonesia Number 16 of 2018 concerning Priorities for the Use of Village Funds in 2019 are funds sourced from the state revenue and expenditure budget, intended for villages, which are transferred through the district revenue and expenditure budget, and used to fund governance, implementation of development, community development, and community empowerment. The use of village funds is prioritized to finance the implementation of programs and activities in the field of development and community empowerment.

One of the public expenditure instruments that has recently become a new instrument for development is the village fund program through the transfer of fiscal funds. This program is applied simultaneously in all villages in Indonesia with the allocation according to village needs. One of the regions that has the best financial performance in Indonesia is Banyuwangi Regency. This performance also encourages the performance of village fund management which has been distributed as a form of village development fund flow. However, under certain conditions, success in managing village funds in Banyuwangi Regency must be maintained in order to maintain the sustainability of village development through optimal management of village funds.

Based on the Banyuwangi Regent's Decree Number: 188/60/KEP/429,011/2018 concerning the Determination and Classification of Village Types in Banyuwangi Regency in 2018, that village in Banyuwangi Regency are classified into 3 types of villages, namely self-help, self-employed and self-sufficient villages. The determination of the type of village is guided by the Minister of Home Affairs Regulation Number 84 of 2015 concerning the Organizational Structure of the Village Government. Each village is categorized based on several characteristics and characteristics. The classification is also one of the guidelines in directing the management of village funds for village development and optimizing village resources for the progress and welfare of rural communities. Then there was an update on the determination and classification of the type of village, based on the Banyuwangi Regent's Decree Number: 188/42/KEP/429,011/2020 concerning the Determination and Classification of Village Types in Banyuwangi Regency in 2020 that the self-help villages which previously numbered 12 in 2018 became 0 in 2020. This shows that in Banyuwangi Regency, villages are progressing quite rapidly in development so that there are no more disadvantaged villages in the form of self-help villages and there are only 2 types of villages based on classification, namely self-employed and self-sufficient villages.

Reflecting on the phenomenon of village funds in Banyuwangi Regency and empirical studies related to the management of village funds in development, it is necessary to have a strategy to maintain and optimize the success of village fund management based on the Banyuwangi Regent's Decree Number 188/42/KEP/429,011/2020 concerning Determination and Classification of Types Villages in Banyuwangi Regency in 2020. The arrangement and mapping of these strategies can be done by looking at reports and several other references as well as conducting field surveys to see the strengths, weaknesses, opportunities, and threats of village fund management in Banyuwangi Regency.

LITERATURE REVIEW

Public expenditure theory can be discussed in the context of increasing public expenditures, the range of public expenditures, and/or in terms of dividing a number of public expenditures into different items such as expenditures on goods and services and capital expenditures (Peters, no date; Muritala and Taiwo, 2011) There are two important and well-known theories about increasing public spending. The first is connected to Wagner and the other is connected to Wiseman and Peacock. Wagner revealed that there is an inherent tendency for various levels of government activities (such as central, state, and local governments) to increase, both intensively and extensively (Peters, no date; Magazzino, Giolli and Mele, 2015). He stated that there is a functional relationship between economic

growth and government activities with the result that the government sector grows faster than economic growth (Magableh, no date; Peters, no date). But on the other hand, Wiseman and Peacock in their study of public spending in England for the period 1890-1955 revealed that public spending did not increase smoothly and sustainably, but in jolts. Some social or other disturbance that results in the need for increased public spending that cannot be met by existing public revenues.

The basic concept related to village funds began with the enactment of Law Number 6 of 2014 concerning Villages which mandated the government to allocate the village fund budget. The policy also integrates and optimizes all budget allocation schemes from the government to villages. Village funds are budgeted annually in the APBN, given to each village as a source of village income. Regarding the distribution of village funds, it has been regulated in Minister of Finance Regulation Number: 50/PMK.07/2017 concerning Management of Transfers to Regions and Village Funds, as amended in Minister of Finance Regulation Number:112/PMK.07/2017. The regulation aims to realize the principles of transparency and accountability and ensure the achievement of the use of village funds. In its development, in 2020, there is an improvement in the formulation of the distribution of village funds in each village as stated in Banyuwangi Regent Regulation Number 18 of 2020 concerning Procedures for Distribution and Determination of Village Fund Details for Each Village. The details of the village funds for each village are allocated evenly and fairly based on the Basic Allocation (AD), Formula Allocation (AF), Performance Allocation (AK), and Affirmation Allocation (AA).

Menkhoff and Rungtuxsivivor (2009) explained that the role of village funds was to increase "access to financial aspects". However, the realization is less convincing and raises questions about the efficiency of the program. Meutia and Liliana (2017) analyzed the village fund program in one region of Indonesia, revealing that aspects of financial management in general are in accordance with the provisions of Permendagri Number 113 of 2014 concerning Village Financial Management and comply with the basic principles of financial management. Bounthom Sisoumang, Vute Wangwacharakul and Visit Limsombunchai (2013) explained that the Village Development Fund (VDF) contributes to social development in villages. This requires not only management skills and experience to optimize business and social goals, but also the knowledge and understanding of members to receive flexible or relatively moderate rates of return on deposits. Because in general management experiences various obstacles as explained by Femandes Simangunsong, Satrio Wicaksono (2017) that one of the obstacles to managing village funds is the quality of human resources of the

Village apparatus when compared to their duties, authorities, and responsibilities. Furthermore, Jamaluddin et. al. (2018) shows that the management and use of village funds does not have a significant impact on regional development growth because village development programs are not in sync with regional development policies (RPJM). Thus, based on the theoretical and empirical studies previously mentioned, this study aims to analyze the phenomenon of village funds in Indonesia to obtain the right strategy design to improve the efficiency of village funds, especially in the Banyuwangi district of Indonesia.

RESEARCH METHODS

This research is a qualitative research that combines qualitative and quantitative data input. The method of collecting data is by conducting survey research through questionnaires to respondents who have been determined. The purpose of this study is to find out how the strengths, weaknesses, opportunities, and threats can be formulated so that strategies in managing village funds are used, qualitative data is used. Thus, the author

departs from a case study that produces qualitative data input in the form of human perceptions and then analysed using a SWOT analysis (*Strengths, Weaknesses, Opportunities and Threats*).

SWOT analysis is a tool used for strategic planning and strategic management in an organization. In addition, SWOT can also be used effectively to build organizational strategies and competitive strategies to achieve an expected goal (Gurel and Tat, 2017). SWOT is also a simple analytical tool to capture and measure the ability of resources in optimizing the role of an organization or institution through identification of external opportunities and threats that can ultimately be used to achieve a strategy (Thompson et al., 2007: 97).

The SWOT matrix identifies potential tactical strategies that can be used for the purpose of taking advantage of opportunities or defending against threats through increasing existing strengths and reducing weaknesses. The TOWS matrix seeks to develop a tactical strategy based on four different positions.

Table 3.1 TOWS matrix

Factors		Internal	
Factors	Strengths (S)	Weaknesses (W)	
External			
Opportunities (O)	Examining strategies using force to be exploited opportunities (SO)	Examine strategies that take advantage of opportunities to avoid weaknesses (WO)	
Threats (T)	Examine strategies that minimize the effects of weaknesses and overcome or avoid threats (WT)	Examine strategies that use strengths to overcome or avoid threats (ST)	

Source: (Sammut-Bonnici and Galea, 2014)

Determination of the matrix of external and intemal factors that will become the strategy, carried out in the following way (Wulandari, 2009):

a. External Strategy Factor Analysis (EFAS)

This matrix is used to analyse matters relating to economic, social, cultural, demographic, political, legal, information, technology and other issues related to external factors. The stages in developing the EFAS matrix are as follows:

1. Develop strategic external environmental factors that include: opportunities and threats
2. Determination of strategic factor weights on a scale ranging from 0.0 (not important) to 1.0 (very important). The weight reflects the level of importance of the factor to the success of the organization.
3. The strategic factor rating for each factor is given by giving a scale ranging from 4 (outstanding) to 1 (poor) based on the influence of the relevant organizational condition factor.
4. Multiplying the weight by the rating to get the weighting factor value. The result is a weighted score for each factor whose values vary from 4.0 (outstanding) to 1.0 (poor).

5. The total number of weighted values in the column to obtain the total weighting scores for the organization concerned. The total score shows how a particular company reacts to its external strategic factors.

b. Internal Strategy Factor Analysis (IFAS)

This step is to develop an intemal strategy which can then be concluded and evaluated for the strengths and weaknesses that exist in the organization. The stages of developing the IFAS matrix are as follows:

1. Develop intemal environmental strategic factors that include strengths and weaknesses
2. Determine strategic factor weights on a scale ranging from 0.0 (not important) to 1.0 (very important)
3. Rating strategic factors for each factor by providing a scale starting from 4 (outstanding) to 1 (poor) based on the influence of factors related to the condition of the company.
4. Multiplying the weight by the rating to get the weighting factor value. The result is a weighted score for each factor whose values vary from 4.0 (outstanding) to 1.0 (poor).

5. Add up the weighted values in the column to get the total weighting score for the organization in question. The total value reflects the company's

reaction to the internal strategy which includes strengths and weaknesses.



Figure 3.1 SWOT Diagram
Source: (Dess *et al.*, 2019)

Quadrant I

The result of this position indicates a strong organization and has great opportunities. Thus, a progressive strategy can be recommended, meaning the organization is in prime and stable condition so that it has the opportunity to expand, encourage and enlarge and maximize growth.

Quadrant II

In this position indicates a strong organization but faces big challenges. Strategy recommendations that can be provided through Strategy Diversification. This strategy means that the organization is in a stable condition but faces a number of severe challenges so that it is estimated that the wheels of the organization will have difficulty developing if it still refers to the previous strategy so that strategy variations must be carried out.

Quadrant III

The results of this quadrant mean that an organization is weak, but has great opportunities. So it is recommended to change the previous strategy pattern in order to minimize the risk of failure and be able to capture opportunities and improve organizational performance.

Quadrant IV

This position indicates that an organization is weak and faces big challenges. From these results, it can be recommended that a strategy be given with a Defensive Strategy because the organization's internal conditions are in a dilemmatic situation so it is advisable to use a defensive strategy, controlling intemal performance so that it does not fall further.

RESULTS AND DISCUSSION

This study uses primary data with respondents consisting of managers and users of village funds in all villages in Banyuwangi Regency. Respondents come from village fund managers who have full competence and information related to village funds. Some of them consist of village government (village apparatus and members of the village consultative body/BPD); regional/district government (Banyuwangi Regency Inspectorate, Regional Secretary Section, Community and Village Service, and Regional Financial and Asset Management Agency/BPKAD) and East Java Provincial Government represented by P3MD (Regional Community Development and Empowerment Program)experts.

Table 4.1 Number of Research Respondents

No	Position	Total
1	Legal Analyst	1
2	Regional Secretariat Organization Analyst	1
3	Development Analyst	1
4	BPD Members	1
5	Middle Auditor	1
6	Junior Auditor	1
7	First Auditor	1
8	Assistant Regional Inspector I	1
9	Assistant Region III Inspector	1
10	Head of Empowerment and People's Welfare	1

11	Section for Community Head of Section for Community Economic Empowerment Section	1
12	Head for Village Development Planning	1
13	Head of Subsection for Village Administration	1
14	Head of Subsection for Programming	2
15	Head of Subsection for Planning and Finance	1
16	Head of Regional Financial Management	1
17	Head of BPD	1
18	Assistant Village	4
19	Village Apparatus	51
20	Pt. Glenmore Camat	1
21	Secretary	1
22	Staff for Village Empowerment	2
23	Evaluation and Reporting Staff	1
Total		78

The application of the SWOT method in this study will be directed to detect the strengths, weaknesses, opportunities, and threats of management village fund in Banyuwangi. From these results, it can be mapped related to the management of funds in order to achieve an optimal contribution to the welfare of the people in Banyuwangi Regency. From the internal side, we will detect in detail the weaknesses and strengths of village fund management, which are prioritized for the education, health, and infrastructure sectors. Meanwhile, from the external side, threats and opportunities will be detected which will be directed at several stakeholder behaviours related to the management of village funds. The data sources used in the SWOT analysis will focus on several references in the form of village fund financial reports, news related to village fund management in Banyuwangi Regency and other references that can support the optimization of village fund management. The discussion of this research focuses on the type of village in Banyuwangi Regency, namely self-employed village.

The results of the assessment of the weighting of the internal factors of the self-employed village can be seen in Table 2. Based on the answers to the questionnaire submitted to 78 respondents related to the management of village funds in the self-employed village of Banyuwangi district, the internal factor in the form of the main strength possessed by the self-employed

village is transparent village fund management, accountable, participatory, orderly and budgetary discipline. The statement is evidenced with a total value of 0.22 with a rating of 4. In addition, no less important strengths are in the form of an information system for implementing village funds (DD) regulations that are quite good, Have a reliable village financial management application system (E-Village Budgeting) and also have productive village human resources, with the same total value of 0.21 with a rating of 4 (four)

While the main weakness faced by self-help villages in managing village funds is related to the management of poverty and population data in the village that has not been well organized and the level of validity low with a total score of 0.16 with a rating of 3 (three). In addition, internal factors that become further weaknesses are the determination of the priority scale of village development activities that are not optimal, village government services to the community are not optimal and the problem of accountability for the realization of funds and the planning stages are not optimal. The total value of these internal factors is 0.15 with a rating of 3 (three). Thus, it can be seen in the assessment of the weighting of internal factors that self-help villages have enormous strength in village fund management activities, but efforts are still needed to correct weaknesses that can hinder the optimization of fund management.

Table 4.2 Assessment of Internal weighting factor (IFAs)

No	Component / Factor	Strength	Weights	Rating	Score
S1	Had regulatory information system implementation village fund (DD) is quite good	296	0.06	4	0.21
S2	flows village (DD) of the Government The center is large enough per village per year to be allocated in village development and empowerment programs 2	286	0.05	4	0.20
S3	Has a reliable village financial management application system (E-Village Budgeting)	292	0.05	4	0.21
S4	has a monitoring system implementation of village infrastructure development activities (E-monitoring System) that can be widely accessed by the public	282	0.05	4	0.19
S5	Guidance and supervision in the optimal management of village funds (BPD, Village Facilitator, Local Government)	288	0.05	4	0.20
S6	There is a regional government strategic program that becomes	267	0.05	3	0.17

	a development stimulus in the village				
S7	Has productive village human resources	298	0.06	4	0.21
S8	Transparent, accountable, participative, orderly and budgetary discipline	303	0.06	4	0.22
S9	The performance of the village apparatus is quite good according to the provisions in the <i>job description</i>	286	0.05	4	0.20
S10	Social and political conditions in Banyuwangi Regency in an effort to support development	271	0.05	3	0.18
S11	existence of authority to the Village Government to develop rules on local authority scale rural village	280	0.05	4	0.19
TOTAL STRENGTH					2.17
Components / factor weakness		Value	Weight	Rating	Score
W1	which is less appropriate educational qualifications in managing the village fund (DD)	233	0.04	3	0.13
W2	Egocentric village government toward the direction of development in the village supra level	230	0.04	3	0.13
W2	Turn over the village is high enough	220	0.04	3	0.12
W3	Determination of scale priority program of village development activities is not optimal	251	0.05	3	0.15
W4	Management of poverty and population data in the village is not well organized and the level of validity is low	259	0.05	3	0.16
W5	Village government services to the community not optimal	250	0.05	3	0.15
W6	The planning stage does not fully reflect the real conditions and development needs in the village	249	0.05	3	0.15
W7	Accountability has not yet interpreted the benefits achieved, it is still in the realization and budget absorption	247	0.05	3	0.15
W8	Institutional model that is not optimal	237	0.04	3	0.14
TOTAL WEAKNESSES			1.00		1.27

Description:

Value = number of responses from all respondents in S1, S2, ..., Sn, W1, W2, ..., Wn.

Rating = the total number of answers: the number of respondents

Weight = the value of the total value of the strength + the total value of the weakness ; the total weight of internal factors must be equal to 1.00 (one)

Score = Weight x Rating

The external factor weighting assessment consists of opportunity and threat factors. Based on the EFAS weighting calculations, which are summarized in Table 4.4, the main opportunity for self-employed villages in Banyuwangi Regency is to be able to improve community welfare with a total value of 0.33 and a rating of 4 (four). In addition, the second big opportunity is support from the Central Government

through Ministries/Institutions related to the village fund strategic program as an effort to encourage development at the village level with a total value of 0.31 and a rating of 4 (four).

Regarding the threats to be faced, the biggest threat is in the form of disasters or extraordinary events so that the planning of development programs must be rearranged, the village fund budgets refocused and reallocated. This statement is evidenced by a total value of 0.27 with a rating of 3 (three). In addition, the second major threat is related to the low response to public complaints related to the management of village funds, namely with a total weighting value of 0.22 and a rating of 3. Self-employed villages are very large, but there is a need for anticipation and planning to minimize the threats that will be faced in order to achieve optimization of village fund management.

Table 4.4 Weighting Penilaian Results External Factors (EFAS)

	Components / Factor opportunities	Value	Weighted	Rating	Score
O1	existence of various regulations related to rural development guidelines for rural development foothold	270	0.08	3	0.28
O2	Enforcement by Law Enforcement Officials (APH) to encourage transparency and accountability in village fund management	271	0.08	3	0.29
O3	Support from the Central Government through Ministries/Institutions related to village fund strategic programs as an effort to encourage development at the village level	280	0.09	4	0.31
O4	Village wealth potential includes: geography, topography, and culture on village development innovations can still be developed	277	0.08	4	0.30
O5	Cooperation with other regions to develop village potential and encourage	255	0.08	3	0.25

	more optimal management of village funds				
O6	Technological advances encouraging acceleration of development at the village level	279	0.09	4	0.30
O7	The high level of public interest in village development was driven by the enactment of the Village Law and transfers village fund (DD)	269	0.08	3	0.28
O8	Improved community welfare	291	0.09	4	0.33
TOTAL OPPORTUNITY					2.35
	Threats Components/Factors (Threats)	Value	Weight	Rating	Score
T1	Village fund budget (DD) reduced or even removed from the national program	166	0.05	2	0.11
T2	There is an <i>issue of irregularities or fraud</i> in the management of village funds (DD)	207	0.06	3	0.17
T3	There is a disaster or extraordinary event so that the development program planning must be rearranged, The village fund budget was refocused and reallocated	265	0.08	3	0.27
T4	The relatively large post-election political costs triggered a <i>moral hazard</i> in the management of village funds	213	0.06	3	0.18
T5	The low response to public complaints related to the management of village funds	237	0.07	3	0.22
TOTAL THREATS			1.00		0.95

Description:

Value = number of responses from all respondents on O1, O2, ..., On, T1, T2, ..., Mr.

Rating = the total number of answers: the number of respondents

Weight = the value of the total value of the strength + the total value of the weakness; the total weight of internal factors must be equal to 1.00 (one)

Score = Weight x Rating

The next stage after the results of calculations on internal and external factors can be described in the Cartesian Diagram SWOT analysis, can be seen in Figure 4.1. The formula to find the coordinates is as follows:

To find the coordinates, it can be searched in the following way:

Internal analysis coordinates; coordinates of external analysis

= total score of strengths - total score of weakness 2;

total score opportunity - total score threat 2

$$= \frac{S-W}{2}; \frac{O-T}{2} = \frac{2,17-1,27}{2}; \frac{2,35-0,95}{2} = 0,45; 0,70$$

(coordinate point x;y)

Based on the Swakarya village SWOT diagram in Figure 4.1 it is stated that the chosen alternative strategy is the strength-opportunity (SO) strategy which means that optimizing the management of village funds can use internal strengths to take advantage of external opportunities. These results indicate a positive aggressive strategy, namely carrying out full initiative and planned growth. Thus, things that need to be considered are related to data collection of programs or activities to be carried out, when and where they are carried out so that the objectives of optimizing village fund management can be achieved in a planned and measurable manner. In the SO strategy, various parties related to the management of village funds pursue external opportunities by considering the strengths that exist in self-employed villages.

The SWOT matrix is a tool used to formulate alternative strategies for managing village funds. The total value of internal and external factors can be described in the SWOT analysis diagram and the SWOT matrix combination formula. The following are the results of the combination of matrices obtained by a combination of internal and external factors.

Table 4.5 Combination of SWOT Matrix Strategy

IFAS	(Strength)	(Weakness)
EFAS	SO Strategy	WO Strategy
(Opportunity)	<ul style="list-style-type: none"> Institutional strengthening of the village government system to the central government in managing village funds Synergizing potential and needs villages in determining development programs and regional government strategic plans regional Exploring potentials by involving the community's role in planning development programs Priority programs are to explore village and community potentials to provide 	<ul style="list-style-type: none"> Evaluation of village fund management performance related to determining development priority scale Identification of problems and village potential with valid data Planning based on evaluation and real village conditions Prioritizing target achievement rather than realization in the use of village funds

	long-term long-term benefits	
	ST Strategy	WT strategy
(Threat)	<ul style="list-style-type: none"> • Direct socialization of village communities related to village fund management • Increasing the role of technology for planning to reporting on village fund budget management village • Involving communities in evaluating planning and managing village fund budgets • Strengthening public awareness to be more innovative and creative to become more independent villages 	<ul style="list-style-type: none"> • Increased competence related to financial management on devices related to • Transparency, prioritizing the achievement of targets, not budget absorption. • Improvement of population database management so that the program is right on target.

The next step after compiling the SWOT matrix is to include quantitative model analysis, which is derived from the sum of the scores for each factor in each SO,

WO, and SO strategies. ST and WT. The following is a table of the quantitative model of strategy formulation.

Table 4.6 Planning Matrix of Quantitative Strategy Combination

Internal	(Strength)	(Weakness)
Factors External	Weight 2.17	Weight 1.27
Factors		
(Opportunity)	SO Strategy uses strengths to take advantage of opportunities Weights 4.52	WO Strategy Minimizes weaknesses by taking advantage of opportunities Weight 3.62
Weight 2.35		
(Threat)	ST strategy uses strength to overcome threats Weight 3.12	WT strategy Minimizes weaknesses and avoids threats Weights 2.32
Weight 0.95		

Based on the results of the SWOT analysis, it is shown that in the villages the type of village is self-sufficient and self-sufficient (based on SK Banyuwangi Regent Number 188/42/KEP/429,011/2020) shows the results that in the first quadrant the focus is in

formulating policy strategies. The following are the priority policy strategies based on the calculation of the results of the combination of internal and external strategies.

Table 4.11 Priority Strategy

Priority	Strategy	Weight Value
1	Strength – Opportunity	4.52
2	Weakness – Opportunity	3.62
3	Strength – Threat	3.12
4	Weakness (Weakness) – Threats (Threat)	2.32

Basically, a self-employed village is a village that already has the ability to develop village potential but has not been able to expand its strengths and capabilities to its full potential. On the elements of strengths and opportunities (SO strategy) several strategies can be formulated for the management of village funds in Banyuwangi, especially for self-employed villages. The formulation of this strategy is based on the SWOT results and the weights are then combined according to the real conditions in the field. Some of these strategies include:

➤ **Strengthening institutions from the village government system to the central government in managing village funds.**

Institutional in this case is related to the institutional order and the rules of the game within the institution. Institutional strengthening in the village government system to the central government is intended to

synergize the vision, mission and goals that are supported by behavior that is in accordance with the set rules. This aims to minimize internal and external problems as well as an effort to synergize goals so that village fund management can be achieved according to development goals. Institutional strengthening is also a step to build organizations, systems, partnerships and synergize goals in order to carry out an agenda that takes into account several elements. Several important elements are considered in building and strengthening institutions, including those related to *individual capability development*, *organizational capacity building*, and *institutional capacity building* (Thaha, 2009; Toimsar et al., 2018).

In this case, the development and institutional strengthening of the village and regional government systems are expected to produce good synergies in the management of village funds. In addition, institutional

strengthening is expected to have a complex positive impact in overcoming the institutional problems themselves at the village to regional government level. Institutional strengthening is expected to increase the capacity and development of skills and competencies of government employees, to develop and strengthen development and strengthening of external links in order to grow and expand partnerships intensively, extensively, and solidly.

➤ **Synergize the potential and needs of the village in determining development programs and regional government strategic plans.**

Each village has its own potential from various fields, both from the potential for natural, cultural, social and economic wealth. This potential is an important factor that is considered to develop the village and improve village development which is supported by the existence of village funds. Through the village fund budget presented, it is necessary to schedule and plan a program based on the potential and needs of the village. This is done so that development goals can be achieved effectively and according to achievement targets. In Banyuwangi Regency, especially in self-employed villages, the majority have the potential for abundant natural wealth from the agricultural, plantation, fishery and forest sectors. This can be the main key for the village government in seeing the potential that exists then poured into a program and village strategic plan supported by village funds.

The use of village funds by conducting programs according to the village's potential can be a strategic step in optimizing the use of village funds so that it can have a positive and sustainable impact on village development. For example, from the plantation sector in several self-employed villages in Banyuwangi, the village fund budget can be allocated to form a business entity that supports managing plantation and agricultural production from upstream to downstream. This program also requires a comprehensive supervision so that implementation can be achieved optimally because in the implementation of programs that use village funds, it should prioritize achievement targets, not only how much absorption and realization of village fund budgets have been used by the village. This supervision can be carried out, for example by implementing regulations related to the management of village funds, whether issued by the local government or the village government itself. In addition to supervision through regulations, it is also important to establish an agency that is authorized to independently oversee the management of village funds so that there is no intervention from parties that will cause problems, especially when moral hazard practices are very vulnerable to occur.

Preventively, supervision in the management of village funds has been carried out by the Regional Consultative Body (BPD) as community representatives to supervise activities that have not been carried out so as to minimize the prevention of irregularities (Gunawan, 2019). However, the community also has a large and important role to directly oversee the implementation of the program so that post-implementation deviations do not occur. The involvement of the village community itself in supervising the management and implementation of the village fund program is also very important because the community acts as an object in the management of the village fund itself.

➤ **Exploring the potential of the region by involving the role of the community in planning development programs.**

Regional potential is not only seen physically, for example, natural and cultural potential. Observations of community activities can also be used as material for observations in assessing the potential of the village. In designing village programs using village funds, it is also necessary to involve the community. It is necessary to hold discussions between village officials and the community so that the village government can dig further information about the potential and problems faced by the community directly from the community. From these discussions, the government can map out what agendas are urgent to be made into a program according to the needs of the community and synergized with the existing village potential. This can facilitate the management of village funds so that they are more effective and can achieve targets for sustainable village development.

➤ **Programs are prioritized to explore the potential of villages and communities to provide long-term benefits.**

Priority scale in selecting the right program for the reach of long-term development programs and having a significant impact on village progress. Careful planning in determining the program will have an impact on the management of village funds and the sustainability of village development. For this reason, a clear mechanism and regulation is needed to set the priority scale needed according to the needs of the village.

The results of this study also support previous empirical studies from Meutia and Liliana (2017) which also stated that the management of village funds in certain areas was in accordance with the established rules, but there were several problems, one of which was that not all villages studied had human resources who mastered reporting aspects and accountability. The empirical study of Nikmatuniayah et al. (2018) explains the problems of managing village funds in the form of high costs for managing village economic resources, inaccuracy in the presentation of village financial reports, and high professional management costs. In

addition, Lailiani (2017) also explains in his study that increasing community participation in rural development is an SO strategy. The strategy is to build a joint commitment with the community and utilize funds so that the realization of village infrastructure development can be completed immediately.

CONCLUSION

Based on the results of the SWOT diagram for self-help villages, it is stated that the alternative strategy chosen is the strength-opportunity (SO) strategy in Quadrant I and has a total weight value (highest priority) of 4.52. The SO strategy can be in the form of institutional strengthening from the village government system to the central government in managing village funds, synergizing village potentials and needs in determining development programs and regional government strategic plans, exploring regional potential by involving the role of the community in planning development programs, prioritized programs to explore village and community potential for long-term benefit.

Regarding the policy strategy for optimizing the management of village funds, practically based on the results of the study, several suggestions that are urgently needed to be followed up are as follows:

1. Strengthening institutions from the village government, local government to the community.
2. Socialization to increase literacy about development and management of village funds to the community so that they can be involved clearly and correctly in development from planning to accountability so that it is more transparent.
3. Program planning is prioritized for development that has a sustainable impact that is in line with the potential and needs of the village.
4. Increasing the role of technology in managing population databases and village potentials so that the level of data validity is more accurate so that program targets and targets are clearer.
5. Playing the role of technology to collaborate and cooperate with external parties and the private sector to increase creativity and innovation so as to expand market networks.

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