

# Analysis of the role of village funds and transformational leadership for the economic empowerment success of village communities in Buol Regency, Central Sulawesi, Indonesia

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## Abstract:

**Background:** There are limited resources for the benefit of community empowerment through village funds. Based on OMSPAN (2022) data, there is a trend of decreasing the amount of village funds by 3 % from 2020 to 2021, and decreasing again by 12 % in 2022. One additional effort needed is the initiation and implementation of innovative ideas from all parties, coordinated by transformational leaders in this case the village head as the spearhead of village fund management.

**Materials and Methods:** This research was conducted to find empirical evidence of the role of village funds and transformational leadership on the economic empowerment success of village communities in Buol Regency. The target population of the study is 935 people consisting of village officials from the Buol Regency. Based on the determination of the number of Slovin samples, the number of samples obtained was 110 respondents. This study uses quantitative primary data by using a questionnaire as a data collection tool and then processed using SPSS 16.0.

**Result:** The results of the data analysis, there are differences in the level of impact between village funds and transformational leadership on the economic empowerment success of village communities: village funds are not significant while transformational leadership is significant. Simultaneously, the influence of the two independent variables is significant on the economic empowerment success of village communities.

**Conclusion:** Based on the conclusions of the research, it is recommended to review the strategy for using village funds and strengthening leadership styles in an effort to succeed the economic empowerment success of the village community in Buol Regency.

**Key Word:** Intrathecal; Bupivacaine; Buprenorphine; Nalbuphine; Postoperative analgesia.

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Date of Submission: 06-06-2022

Date of Acceptance: 21-06-2022

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## I. Introduction

Improving the quality of village communities in developing the economy requires various efforts to become strong, advanced, independent and democratic in accordance with the state's commitments contained in Law Number 6 of 2014<sup>1</sup> concerning Villages. So far, the Village Fund (VF) is expected to create village development and empowerment towards a just, prosperous and prosperous society. This is in line with Keynes's theory which includes the government sector in its macro analysis. According to Keynes<sup>2</sup> the expansion of government spending can accelerate economic growth. The village fund program started in 2014 and was implemented in 2015. Apart from Indonesia, the Thai government also has a similar program, namely The Thailand Village Revolving Fund (VRF) which started operating in 2001. Thai village fund provides one million baht (approximately USD 22,500) for each village and urban community in Thailand. Total funds disbursed were approximately USD 2 billion to 74,000 Thai villages and 4,500 urban communities<sup>3</sup>. Thailand's village fund provides loans to villages, while the Indonesian village fund program provides grants to villages. Despite the large amount of village funds, many studies have not reached agreement that village funds have a role in improving the village economy. By some of these researchers, VF program is not a pro-poor program. Regarding village funds in Thailand, this program helps low-income people as well as middle-income people and above<sup>4</sup>. Non-land owners with incomes slightly above the poverty line are assisted by this program. In other

words, the middle class can stay above the poverty line with this program. Besides that, it is shown that village funds are associated with an average increase of 3.5 % in expenditure and 1.4 % in income<sup>5</sup>. According to them, this program is a pro-poor program. Indonesia is a country with the largest microfinance scheme in the world provided through Bank Rakyat Indonesia which was later replaced by Bank Vietnam as the largest microfinance scheme provider in 2009.

In Buol Regency (consisting of 11 sub-districts, 7 sub-districts, and 108 villages), there is a downward trend in the amount of village funds in Buol Regency, namely by 3 percent from Rp. 94,841,158,495 in 2020 to Rp. 94,572,829,000 in 2021, and decreasing again in 2022 by 12 percent to Rp. 83,199,687,000<sup>6</sup> encouraging the introduction of other factors that are expected to realize the success of empowering village communities. One of the additional efforts needed is the generation and implementation of innovative ideas from all parties coordinated by transformational leaders, in this case the village head as a policy maker for fund management. This assumption is based on research by Robbins and Judge (2015)<sup>7</sup> which states that leadership is the ability to influence a group to achieve a set vision and goals.

Based on the above background, this research needs to be carried out in order to find empirical findings regarding the role of village funds and transformational leadership on the economic empowerment success of village communities in Buol Regency.

The hypotheses in this study consist of:

- H1 : The role of village funds on the economic empowerment success of village community is significant.
- H2 : The role of transformational leadership on the economic empowerment success of village community is significant.
- H3 : Simultaneous role of village funds and transformational leadership on the economic empowerment success of village community is significant.

Multiple regression analysis was used to determine the effect of the independent variable on the dependent variable with the equation:

$$Y = a + B1X1 + B2X2 + e$$

Description:

- Y = The economic empowerment success
- a = Constanta
- B1 = Regression coefficient of the role of village funds
- B2 = Regression coefficient of the role of transformational leadership
- X1 = Role of village funds
- X2 = Role of transformational leadership
- e = error term

## **II. Material And Methods**

The grand theory used in this research is leadership theory with transformational leadership as applied theory.

### *Transformational leadership*

The transformational leadership style introduced by James McGregor Burns in 1978, conceptualizes two leadership styles, namely transactional or transformational. Leaders with transactional leadership style lead with the concept of social exchange. Meanwhile, the transformational leadership style stimulates and inspires followers to jointly go through the process so that they can achieve extraordinary achievements by developing their respective leadership capacities. Transformational leaders help followers grow and develop into leaders by responding to the needs of individual followers by empowering them and by aligning the goals and objectives of individual followers, groups, and the larger organization. Transformational leaders help followers grow and develop into leaders by responding to follower needs through empowerment and aligning followers' goals and objectives individually, in groups, and in the larger organization<sup>8</sup>. Transformational leadership acts as a moderating variable in the relationship between excessive qualifications and innovative work behavior<sup>9</sup>. Transformational leadership plays a role in building trust and individual identification and helps create an atmosphere of innovation. It is easier for transformational leaders to build trust and trust positively influences the innovation atmosphere, helps build trust between the leader and team members<sup>10</sup>. Through this method, the awareness of the importance of their task is realized by the team members. In addition to trust in the leader, transformational leadership is also able to improve the organizational culture of followers by convincing followers of their potential to make the organization more advanced in the future<sup>11</sup>, supporting the independence of followers to meet three basic psychological needs, increasing competition, and establishing interpersonal relationships in the workplace<sup>12,13</sup>, involving employees in decision making, giving and implementing ideas,

solving problems, and taking action. If followers err, transformational leaders do not punish them in a critical way, but nurture them<sup>14</sup>. The components of transformational leadership consist of<sup>8</sup>:

1. Ideal Influence

The behavior of the transformational leader becomes a role model for followers; admired, respected, and trusted; have the ability, perseverance and willpower. The ideal influence consists of two sub-components, namely leader behavior and leader attributes.

2. Inspirational Motivation

Transformational leaders have behaviors that motivate and inspire followers by providing appreciation and challenges for the work of subordinates so that they can stimulate team spirit. Show enthusiasm and optimism. Involving subordinates in designing the vision, communicating clearly also being committed to the common goals and vision.

3. Intellectual Stimulation

Transformational leaders take a new approach to dealing with old problems to stimulate followers to be innovative and creative. Criticism does not openly rebuke followers for wrongdoing; provide creative solutions to problems faced by followers. Encourage followers to try new approaches and not criticize followers' ideas if they differ from those of the leader.

4. Individual Considerations

The transformational leader pays special attention to the needs of each follower, acting as a mentor so that they can develop and achieve. Develop potential followers and partners gradually. Provide opportunities for individual opinions and provide a supportive atmosphere for learning. Respect the needs and wants of different individuals. Stimulates two-way communication, personal interaction with followers, leader listens effectively. Leaders delegate tasks as a means of developing followers.

### *Village Fund*

Village funds are funds sourced from the state revenue and expenditure budget designated for villages which are transferred through the district / city regional income and expenditure budget and are used to finance government administration, implementation of development, community development, and community empowerment<sup>15</sup>. Giving financial authority to local governments means delegating authority to local governments to serve their communities for development<sup>16</sup>.

Government regulation number 60 of 2014<sup>17</sup> and regulation of the minister of village PDTT RI Number 5 of 2015<sup>18</sup>: (1) prioritized village funds to fund village development and community empowerment which are the authority and responsibility of the village; (2) village funds are prioritized to fund activities aimed at increasing the capacity of village residents or communities in entrepreneurial development, increasing income, and expanding the economic scale of individual residents or community and village groups; (3) providing empowerment services and support for the poor not in the form of free compensation, but with a revolving fund pattern; (4) Village funds are prioritized to finance the interests of the village and village communities, not the interests of individuals; (5) Village funds are prioritized for building basic facilities and infrastructure for the purposes of supporting transportation, irrigation and sanitation, basic services, food security, energy and economic development; (6) Village funds are prioritized to develop the potential and cultural and economic assets of the village.

Community empowerment activities that may be financed from village funds include:

1. Assistance with production equipment and capital for economic actors with a revolving pattern.
2. Training and apprenticeship for BUMDes administrators and village economic actors in order to increase their capacity.
3. Capacity building for village food security programs and activities.
4. Organizing, facilitating and training paralegals as well as legal assistance for village communities, including the formation of a Village Community Empowerment Cadre (KPM) and capacity building for the Village Community Study Room (Community Center).
5. Public health promotion and education as well as clean and healthy living movements, including capacity building for Posyandu management, Poskesdes, Polindes and the availability of medical personnel.
6. Support for village forest/coast and community forest/beach management activities.
7. Increasing the active capacity of community groups managing renewable energy and preserving the environment, such as training in making compost, biofuels, and others.
8. Capacity building of community groups for the use of appropriate technology.

The content of these regulations is intended to direct village funds to realize the welfare of rural communities. Improving village fund management has the potential to increase village economic growth between 3.44 % and 3.98 % only through the village fund program<sup>19</sup>. In fact, not all village governments have demonstrated capacity strengthening in implementing village funds, as happened in Maros District<sup>20</sup>, village

fund management policies have been implemented based on normative rules with internal and external support and constraints<sup>21</sup>.

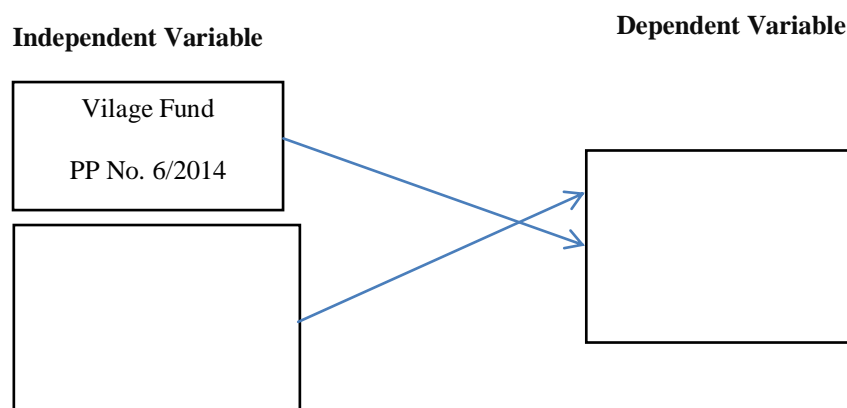
*The economic empowerment success of village communities in Buol Regency.*

Government regulation Number 4 of 2016<sup>22</sup> stated: (1) village community empowerment aims to enable villages to take collective action as a unit of village governance, governance units of village community institutions and traditional institutions, as well as unity of economic and social governance environment.; (2) empowerment of village communities as referred to in paragraph 1 is carried out by the government, provincial government, regency/city regional government, village government and third parties; (3) Village community empowerment as referred to in paragraph 1 is carried out by the village government, village community institutions, village customary institutions, village cooperation forums, and groups of government and development activities in general. Community empowerment is a strategy used in community development as an effort to realize ability and independence in the life of society, nation and state<sup>23</sup>. The main understanding of community empowerment is a strategy to realize the ability and independence of the community. Empowerment is an effort to realize the ability and independence of the community in the life of society, nation and state<sup>23</sup>. The main understanding of community empowerment is a strategy to realize the ability and independence of the community. Empowerment is an effort to realize the ability and independence of the community in the life of society, nation and state<sup>24</sup>.

Assessment of the success of community empowerment in terms of their ability in the field of economy, access to welfare, culture and politics. These aspects relate to the dimensions of power, namely: 'power within', 'power to', 'power over' and 'power with'. From these bases, the following are a number of indicators that can be linked to the success of empowerment<sup>25</sup>:

1. The majority of people in your village have the ability to go outside their area of residence, such as to markets, health facilities, entertainment places, places of worship.
2. The majority of people in your village have the ability to buy goods for daily family needs (rice, cooking oil, spices); personal needs (hair oil, shampoo, cigarettes, powder)
3. The majority of people in your village have the ability to buy secondary or tertiary goods, such as wardrobes, TV, radio, newspapers, magazines, family clothes.
4. The majority of people are able to make decisions independently or together (husband/wife) regarding family decisions, for example regarding house renovation, buying goats for livestock, purchasing gardens, buying rice fields, obtaining business loans.
5. The majority of people in your village own houses, land, productive assets.

Transformational leadership strengthens the mediating relationship between Internal Control System (ICS) and organizational performance<sup>26</sup>, transformational leadership significantly influences the success of public sector projects<sup>27</sup>, on organizational performance and innovation<sup>28</sup>; and on school culture<sup>29</sup>. However, there are still contradictory results: it turns out that transformational leadership does not always have a positive impact. Transformational leadership cannot have a direct impact on work performance<sup>30</sup>.



**Figure 1:** Conceptual Framework

Sampling used a non-probability sampling method, namely purposive sampling technique. This method is determining the sample with certain considerations, where the members of the sample will be selected in such a way that the sample taken represents the characteristics of the population.

**Study Design:** This research uses a quantitative approach. The data collected is primary data, through a questionnaire filled out by the sample respondents.

**Study Location:** This research was conducted in Buol Regency, Central Sulawesi Province, Indonesia.

**Study Duration:** Maret 2022 to May 2022

**Sample size:** 110 respondents

**Sample size calculation:** Based on the determination of the number of Slovin samples:<sup>31</sup>  $n = N/(1+Ne^2)$

n = sample size

N = population size

e = fault tolerance limit (used in this study 9%)

$n = 935/(1+(935)(0,09)^2) = 109,1 \approx 110.$

the number of samples obtained is 109.1 (e = 0.09) adjusted to 110 respondents.

**Subjects & selection method:** The study population was 935 people, consisting of officials from all villages in Buol Regency<sup>32</sup>.

**Inclusion criteria:**

1. Respondents are village officials and village institution administrators
2. involved in implementing village community empowerment
3. knowing the procedures for managing village funds, especially those used for community empowerment and also familiar with the leadership style of their leaders .

**Exclusion criteria:**

Working less than 1 (one) year.

### Procedure methodology

To assess each variable, this research uses a quantitative scale to collect respondents' opinions. The village fund variable indicators are adopted from the dimensions used by Tasik and Lengkong (2018)<sup>33</sup>. The transformational leadership indicators introduced by Bass in 1985 consist of 7 indicators adopted from Avolio, Bass & Jung (1999)<sup>34</sup> with adjustments. The indicators for the economic empowerment success of village communities were adopted from Suharto (2005)<sup>25</sup> made in the form of a statement. All of these statements are showed in Table 1.

**Table 1:** Questionnaire statements

Variables	No	Statements
A. Village Funds	1	In your village, village funds are used to develop a production business by providing a revolving fund.
	2	In your village, village funds are used to develop a production business by providing production equipment.
	3	Your village uses village funds to increase the capacity of BUMDesa employees through training.
	4	Your village uses village funds to increase the capacity of other village economic actors (other than BUMDes employees) through training.
	5	Village funds are used to build the capacity of activist community groups and appropriate technology.
	6	Village funds are used to increase the capacity of community groups using appropriate technology.
B. Transformational Leadership	1	You are willing to take concrete action at the direction of the village head.
	2	Your village head is able to provide rational alternative solutions to complex problems
	3	The village head is able to improve your skills in problem solving.
	4	The village head encourages you to participate in decision making.
	5	Your village head generates ideas.
	6	Your village head implements ideas
	7	Your village head takes action to solve the problem
	8	The village head embraces you if you make a mistake.
C. The economic empowerment success of village communities	1	The majority of people in your village have the ability to go outside their area of residence, such as to markets, health facilities, entertainment venues, places of worship.
	2	The majority of the people in your village have the ability to buy goods for daily family needs (rice, cooking oil, spices); personal needs (hair oil, shampoo, cigarettes, powder)
	3	The majority of people in your village have the ability to buy secondary or tertiary goods, such as wardrobes, TV, cellphones, newspapers, magazines, family clothes.
	4	In your village, the majority of people are able to make decisions independently or together (husband/wife) regarding family decisions, for example regarding house renovation, buying goats for livestock, buying gardens, buying rice fields, obtaining business loans.
	5	The majority of people in your village own houses, land, productive assets.

### Statistical analysis

This study uses quantitative primary data by using a questionnaire as a data collection tool and then processed using SPSS 16.0.

### III. Result

This section focuses on data analysis, presentation of results and discussion of study findings. There were 130 questionnaires distributed, with details: 110 were filled out completely, 7 were not filled out completely and as many as 13 questionnaires were not returned by the respondents. A total of 104 questionnaires were collected by researchers and a total of 26 questionnaires were collected by research colleagues. From a total of 108 villages in Buol Regency, village officials from 68 villages became respondents, representing 10 sub-districts (a total of 11 sub-districts, 1 consists of kelurahan).

Before conducting an analysis to determine the role of the village and the role of transformational leadership in economic empowerment success of village communities. Validity and reliability tests were carried out on the data collected through questionnaires to ensure that the statements in the questionnaire were valid and reliable to be used as measuring tools so that the data could be used to analyzed further and does not lead to biased and incorrect conclusions. Validity test showed, R count 16 statement items above the R table with a significance level of 5% and  $n = 30$  (0.361), as many as 3 statement items below the R table, which means it is not valid. Besides being valid, each question in the questionnaire was declared reliable with a Cronbach Alpha value of 0.927, greater than the critical R value of 5% significance  $df: n-2 = 28$  (0.3610), declared reliable.

**Table 2:** Valid and Invalid Statement Items

No. of Statement Item	R - Count	R - Table	Description
1	0.540	> 0.361	valid
2	0.844	> 0.361	valid
3	0.681	> 0.361	valid
4	0.663	> 0.361	valid
5	0.851	> 0.361	valid
6	0.878	> 0.361	valid
7	0.508	> 0.361	valid
8	0.622	> 0.361	valid
9	0.790	> 0.361	valid
10	0.673	> 0.361	valid
11	0.797	> 0.361	valid
12	0.885	> 0.361	valid
13	0.205	< 0.361	tidak valid
14	-0.275	< 0.361	tidak valid
15	0.464	> 0.361	valid
16	0.434	> 0.361	valid
17	0.628	> 0.361	valid
18	0.036	> 0.361	valid
19	0.795	> 0.361	valid

#### *Composition of respondents*

Based on position, the majority of respondents were village secretaries and heads of financial affairs, namely 37.2 percent and 25.5 percent, respectively. (Table 3) they are village officials who know more about managing village funds as well as being subordinate to the village head so that they are expected to provide an appropriate response to the questionnaire statement.

**Table 3:** Position of respondents

Position	Number of people	Percentage (%)
Treasurer	5	4.5
Chief of Dusun	6	5.5
Head of social section	1	0.9
Head of well-being	3	2.7
Head of government	3	2.7
Head of finance	28	25.5
Head of development	1	0.9
Head of planning	3	2.7
Head of general affairs	5	4.5
Operator of Siskeudes	19	17.3
Village secretary	36	32.7
<b>TOTAL</b>	<b>110</b>	<b>100</b>

The majority of respondents are aged 26-35 years, as many as 44.5 percent, describing that village officials consist of young people because active body and mind as well as high mobility are needed in the administration of village government (Table 4).

**Table 4:** Respondent Age

Age	Number of people	Percentage (%)
> 55	2	1.8
46 - 55	14	12.7
36 - 45	32	29.1
26 - 35	49	44.5
18 - 25	13	11.8
<b>TOTAL</b>	<b>110</b>	<b>100</b>

Education of respondents as much as 70 percent are high school graduates/equivalent (Table 5) illustrates that the availability of human resources for college graduates who serve in the village, especially in government, is still lacking.

**Table 5:** Education of respondents

Education degree	Number of people	Percentage (%)
High school/equivalent	77	70,0
Diploma (D1 - D3)	2	1,8
Bachelor (S1)	31	28,2
<b>TOTAL</b>	<b>110</b>	<b>100</b>

*Analysis result of the effect of village funds, transformational leadership on the economic empowerment success of village communities*

**Table 6:** The results of Multiple Regression Analysis

Variable	Regression coefficient	T - Count	Sig.
constant	9.092		
X1	0.094	1.345	0.182
X2	0.173	2.204	0.030

F Count = 4.581

R<sup>2</sup> = 0.079

Based on the calculation of the coefficients, the regression equation becomes:

$$Y = 9,092 + 0,094X1 + 0,173X2 + e.$$

#### IV. Discussion

The results of the regression analysis of this study prove that partially, village funds do not have a significant effect on the economic empowerment success of village communities with a significance value of 0.182 (> 0.05). This is not in accordance with the initial assumption (Hypothesis 1 is rejected). The transformational leadership variable proved to have a significant effect on the success of rural community economic empowerment with a significance value of 0.030 (<0.05), which means that hypothesis 2 is accepted. As for the simultaneous influence, village funds and transformational leadership together have a significant effect on the success of rural community economic empowerment as indicated by the significance value of the F test of 0.012 (< 0.05), which means X1 and X2 have a significant influence on Y.

#### V. Conclusion

From the analysis of research findings it can be concluded:

1. Village funds have no significant effect on the economic empowerment success of village communities in Buol Regency. This result contradicts the results of Firmansyah, et., al. (2020)<sup>35</sup> research which found that village funds had a significant effect on village development and village community empowerment. This result also contradicts the qualitative research of Ismail, et., al. (2022)<sup>36</sup> which found that community empowerment budgeted through village funds was quite effective in empowering the community.
2. Transformational leadership has a significant effect of 17.3 percent on the economic empowerment success of village communities in Buol Regency. Previous studies are in line with this finding have been described in the theoretical review section.
3. Village funds and transformational leadership together can increase the economic empowerment success of village communities in Buol Regency.

4. This study has several limitations. First, the limited number of independent variables that affect the economic empowerment success of village communities. The results of the analysis show that there are other variables that can be used as research objects to improve village community empowerment such as the role of local governments, communities, and non government organizations<sup>37</sup>.

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