

# **The Implementation of District and Rural Fiscal Balance through Village Allocation Budget in the Form of Autonomous Village Program in Indragiri Hilir District within Local Economic Empowerment**

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**Abstract:** *The research aims to: (1) analyze the governance and effectiveness of the implementation of ADD (Village Fund Allocation) as a stimulant of basic rural infrastructure development budget; (2) investigate the effect of the implementation of ADD towards local economy growth in a sustainable manner. Further, this study employs two approaches, namely: qualitative and quantitative. Qualitative approach is used to reveal the process of governance implementation of ADD, while the quantitative approach is used to determine the effect of ADD on the local economy development. The results concluded that: (1) In principle, the implementation of ADD still contains a lot of problems both in the administrative level as well as the appearance of a conflict of interest in the political dimension; (2) on the aspects of planning and implementation, it is considered to be effective, and the performance needs to be well maintained, while the performance reporting aspects still need to be improved; (3) the most influential variable on the potential development of the village is the condition of infrastructure, followed by other variables, that is: the implementation of ADD, ADD planning, and community participation.*

**Keywords:** *Decentralization, village, Local Economy*

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## **I. Introduction**

Financial balance between the districts and villages (fiscal decentralization), through the implementation of fair and inspirational monetary formula, is expected to encourage the empowerment of the rural economy, improve services to the community including infrastructure during balanced ADD stimulus between the district and the village financial, which is ultimately expected to enhance the intensity of economic activities and improve the rural communities welfare. However, there is still a problem appear in the village, that is the low quality of human resources and community (Thubany, et al. 2006). This might lead on the imperfect public service that become obstructed or obstacles in the rural development management.

In term of work performance, it should be understood that the outputs / outcomes of the program or activity to be achieved must be effective in accordance with the budget that has been used with the measured quality and quantity. As stated before, ADD in the context of financial balance, plays important role as financial transfers among government levels to strengthen the village funds. Therefore, the utilization of ADD should also demonstrate measurable amount of advantage, in order to promote equitability of local economic development in the village.

Currently, there are only a few districts that have been allocated their fund to rural areas that reflects the balance, and many districts still do not accomplish their duties to distribute it. Through the association of village heads and the Village Board, village now demand more adequate ADD to the district. ADD is a manifestation of the district in meeting the basic village rights to provide public services. Accordingly, to realize this policy, there must be government consistency in managing the financial decentralization. If the provincial and district governments have obtained balanced funds from the central government, the village administration should also get the same privileges (Dunn, 2003).

ADD allotment is a manifestation of the village rights fulfillment to organize its autonomy in order to support the rural growth and development based on its potential diversity, participation, genuine autonomy, democratization, and community empowerment. This rule must be carried out since village has the right to obtain the results of local taxes and district/cities levy, and it is also part of the central and local financial balance which is given to districts / cities.

Moreover, the purpose of ADD implementation are: (a) to improve the control in the village level in carrying out government services, construction, and civil society in accordance with its authorities; (b) to increase the ability of society association in villages in terms of planning, implementation, and control of participatory development which correspond to village potential; (c) to enhance the even income distribution, employment opportunities for rural communities, and provide equal chance for the community to establish productive activities; and (d) to encourage self cooperation community increased (Anonymous, 2005).

Nevertheless, most of the resources that are available in rural areas have not been fully able to be managed well by the people and the village government. Consequently, there will be a wide chance of various development problems to be aroused, such as poverty, unemployment, low levels of people education, poor infrastructure conditions, economic inequality and social inequality in both communities and between regions. Economic problems often cause widespread problems in social interactions such as conflict and social cohesion weakening. Low level of education will result in the narrowing job opportunities and low wages in rural areas. Inequality and development gaps in rural areas also appear prominently in the facilities of infrastructure which has not been evenly distributed.

Indragiri Hilir District has set the Regional Regulation (Perda) No. 4 Year 2008 on Rural Finance followed by decree No. 9 Year 2010 on Guidelines for the Implementation of Rural Development Program within the framework of autonomy to the Independent Village in Indragiri Hilir. This regulation is a reference for the implementation of ADD to encourage the development in anticipation of the establishment of independent villages in the region. The budget allocations for village usually reach to Rp. 225,000,000, - up to Rp. 350,000,000, - and in certain circumstances may reach Rp. 500.000.000, - each year. The budget allocation is aimed to improve the acceleration of local economic development in the village including for public services, infrastructure development, community empowerment and job creation.

The understanding of financial decentralization at the village level through the ADD and the how effective this financial support will improve the local rural economy in Indragiri Hilir, generating an idea on; 1) whether the design of the balance through the model of ADD will be able to play important role as a mean of improving the performance of rural infrastructure, especially the local economy supporting facilities. In a further study, the question arises on, 2) the measurable implications on whether the increasing village infrastructure will give positive impact on the local community economic activity increased as efforts to improve the standard of living in a sustainable manner.

Local Economic Development / LED is a branch of the theory of development that focus on the region in the area (intra-area focus). The discussion in this case involves the actors, structures, and processes in the local scope. Theoretically, LED concept is framed in the development of market-based (market-driven development) where the central objects in the analysis are the growing business (firms). The business world becomes a central actor of LED, while the others become supporting variables. At the local level, of course, the business world are entrepreneurs or small or micro level of SMEs (Georgina M. Gomez and AHJ Helmsing, 2008). The regeneration of those SMEs at the local level shows the level of local economic development at the village level. This is actually the desired impact of the regional development instruments, including those that come up through fiscal decentralization at village level.

The common constraints which are faced at the village in order to build up local economic development with regard to the allocation of funds is limited number of human resources. Hence, the central government programs should in synergy with local government programs which are not only developing the infrastructure, but also the quality of human resource development.

Related to the above reason, this study specifically encompass the following objectives: 1) to analyze the governance implementation of ADD as a basic rural infrastructure development budget stimulant; 2) to examine the quality of the implementation of ADD as a stimulant of the development budget of basic infrastructure in rural areas; 3) to scrutinize the effects of ADD implementation to the strengthening of the local economy in a sustainable manner.

## **II. Literature Review**

DaruWisakti, 2008. Implementation of the Village Fund Allocation Policy in the Regional District of Geyer Grobogan, MAP-UNDIP. The purpose of this study is to provide an overview on the implementation of the Village Fund Allocation in District Geyer Grobogan, as well as contributing factors and obstacles affecting the implementation and the strategy that should be done within the framework of the successful implementation of the policy. Furthermore, it will also provide recommendations to the Local Government in the management of Village Fund Allocation.

The method applied in this research is qualitative descriptive method, where the main instruments in the study are researchers themselves. Source of data used are primary data and secondary data relating to the circumstances of the empirical implementation of policy. In this study, the authors make use also the survey in order to obtain primary data regarding villages fund allocation policies in the district of Geyer, Grobogan. Based on the obtained data, the authors try to describe / illustrate systematic, factual, and accurate information on the facts, nature, and the relationship among the phenomena.

The results showed that the implementation of Village Fund Allocation (ADD) policy in District Geyer, Grobogan went pretty smoothly. However, if it is related to the achievement of objectives, the implementation of the Village Fund Allocation (ADD) in District Geyer Grobogan was still not optimal. Although the purpose of improvement of governance and community development has been carried out

optimally, but the goal for upgrading the association of villages in terms of planning, implementation, and control of the development has not run optimally. Likewise, the purpose of increasing participation of non-governmental mutual aid society is not optimal. Some of the factors that affect the implementation of the Village Fund Allocation (ADD) in District GeyerGrobogan are communication, human resource capabilities, executive attitudes, bureaucratic structure, the size and environmental policy objectives.

Zhang and Zou (2001), in Khusaini (2006), who conducted a study in China confirms the change / reform of fiscal policy conducted thoroughly in 1994 has changed the tax structure, administration, and profit sharing between levels of government. In the context of the tax revenue sharing for example, if the other countries taxes are collected to the center and then distributed to the regions, in China it's the opposite where the tax levied by the county, was collected in a new area and then distributed / divided by the center. Although the formulations used in profit-sharing scheme continues to change, but that should be the main foundation that areas in China can "hold up" tax revenues in order to meet the needs of the region and the rest must be paid to the center. This pattern will bring transparency in financial transfers between governments in China. However, this study did not mention the financial transfers from the regions / districts allocated to the village.

Zhang and Zou (2001), in Khusaini (2006), also carried out a study in India. In the context of the comparison, India is a representation of federation in which its constitution separates the functions and finances between the center and the states government. These studies suggest that the state obtain tax-sharing percentage which is greater than the center. The tax profit sharing ranges from 49% for the central and 51% for the states that took place between 1985 until 1991. Years later, it was changed, the percentage become 45.5% for the central and 54.5% for the states. The entire process is handled by the authority of the Finance Committee that sets the percentage composition of profit sharing as well as the handling of state aid that require additional assistance.

Meanwhile, studies on fiscal decentralization to the government village level that is supported by the theoretical fundamentals are still relatively rare. The results of the study are still strongly associated with both program activities of local government and donors. The patterns used which then led to a policy of financial transfer from the village district (ADD) refers to the concept of financial transfers between the central and local. For example, a study conducted by Maryunani et al. (2002) to construct formula and implementation of village fund allocation (ADD) in four districts in East Java. This study confirms that the district financial transfer policies to the village apply certain formulations by considering the objectives and indicators used to distribute the ADD. This formulation then inspires the Minister of Home Affairs Decree No. 140/640 dated 22 March 2005 regarding the Village Fund Allocation Guidelines (ADD) from District / City Government to the village.

### **III. Research Methodology**

Based on the objectives of the study, which try to reveal the findings related to the governance and the quality of implementation of ADD as well as the effect of implementation of ADD to the strengthening of the local economy, the researcher employed the qualitative or phenomenology and quantitative approach or positivism.

Indragiri Hilir chosen as the setting of the study area since the Government of Indragiri Hilir has implemented and applied ADD programs. This is in line with the ADD program implementation juridical basis namely Law No. 32 of 2004 on Regional Government junto Regulation No. 72 Year 2005 on the village in article 68 paragraph 1 (c).

Based on the purpose and group analysis method, this study will use several methods of data analysis, qualitative analysis which utilizes the Focus group discussions (FGD) approach, and Case Studies. The quantitative analysis employ Importance Performance Analysis on the implementation of ADD, SWOT Approach Interactive Data Analysis Model, analysis of Structural Equation Modelling (SEM).

### **IV. Research Findings And Discussion**

#### **The phenomenon of ADD Implementation in Indragiri Hilir**

The description of the findings at the location which was done through in-depth interviews and focus group discussions with informants indicated different characteristics and conditions of the village. Therefore, it is necessary to involve deep thinking and wisdom to face the situation. This depiction implies the growth of the spirit over the insertion of balanced budget and keeps a sense of pessimism about the future budget accountability. However, if the implementation of ADD in Indragiri Hilir can be run in accordance with the entire society motivation then it will be able to walk hand in hand on the rail that has been set. The issue has become quite complicated, if the Village Head (especially the patterns of the leadership) is unable to accommodate a variety of interests which still hold strong culture of paternalistic in the village. In those villages that have been able to show fair and democratic leadership of the village chief, the sense of belonging of the village will also increase, including accountability.

Moreover, the study showed that, in general, the components of the villagers and his administration have already understood about the concept of ADD. Perceptions given to ADD linked to how ADD capable to cope with poverty, improving the countryside infrastructure development, increase the value of religious, social and cultural, realize social piety, improve peace and tidiness of society, improving public services, and increase self-help mutual cooperation community.

In addition, there is alsoan understanding that emerged believe that ADD will be able to boost the capacity of better village administration and a stronger sense of belonging to the development process in the village, because ADD is in the form of stimulant fund that is expected to be a driving force for the participation of citizens.

More complex description revealed by informants that ADD aims to empower communities, for example the allocation as outlined in the Decree No. 09 of 2010 on Technical Guidelines for ADD in Indragiri Hilir, intended at tackling poverty and reducing inequalities, improving development planning and budgeting in village and community development, improve infrastructure, improve the socio-cultural practice of religious values in order to realize an independent village.

"The main objective is accelerating the development of the village. Both in terms of basic infrastructure and economic infrastructure, as well as open the isolation of the village, open access to the village and make people feel at home and get equal job opportunities. In addition, the circulation of money will exist in the village itself. Through the implementation of independent village fund, the flow of money willstay in local area of the villages and working opportunities will be widely opened to villagers. It is expected to increase the economy of the village". (Suhardiman - Head of Infrastructure BPMPD village in the district of Inhil)

"It is very helpful; this program helps increasing the family economy for it can develop the business". (AgusRudianto - ADD Receiver)

"The correlation helps people very much, also facilitates the development and progress of the village". (Herliyan–TasikRayaVillage Head)

Yet some villagers feel they have not received sufficient finance to build up the construction of the village and the stakeholder involvement in the village is still less. It is because there are still many necessitates of the village that still could not be covered with ADD finance, both for the needs of infrastructure, institutional, and village operational.

"No, Sir (ADD funds used to finance / capitalize business community or fund is managed in BUMDes), until now we still focus on infrastructure". (Herliyan – TasikRayaVillage Head)

Nonetheless, the village community has seen that the implementation of the ADD is quite proportional and considered to bring positive impact compare with the condition before the ADD was implemented. In principle, the concept of ADD has a fairly good representation of the needs of rural development and support resources owned. The villagers were accepting ADD current proportion with quite fair and wise. In terms of competitive development, among the villages, there is no envy feeling since the budget distributed has allocated in balanced because ADD has had a clear formulation in determining the amount of the allocation of funds every village should have.

"No party dominates. All interests accommodated. The working groups were formed where the implementation done by LPM and supervision by BPD ". (KhairuddinAkhyar - KelumpangVillage Head)

Theoretically, there is still the needfor intensive assistance to villages that are still categorized as "disadvantaged" in the capacity of government. So it is very necessary to sort out the rank

of village governance capacity in an effort to stimulate and improve the capacity of government. Ranking is what will be decisive in the process of accompaniment patterns later. Every village in Indragiri Hilir will certainly have wide and different characters including elements of society sociology. So if it only relies on the pattern so far, it will be increasingly difficult to accelerate the development process where there's also a variety of inequality between one village to another village.

However, there are quite interesting criticisms from the community, that the division of authority that accompanied the budget still will coincide with a lot of interest, given that the Musrenbangprocesses are also strongly covered by the political process.

"... various community responsesappear related with infrastructure development. Some regard this as project activity (for profit). But after we explained that this activity (village self-sufficiency) is to help

people, they finally understand. But, some people still do not understand. It is quite normal, since it is go directly face the society in the field "(Anwar Sulaiman - Chairman of the BKM Prosperous)

Development activities such physical infrastructure construction undertaken by interrelated services in the village are appropriately needs to be done in coordination with village government. So villagers will not feel left, or even, village will provide assistance as much as possible or more extreme if the budget may be managed together with the village government so that the value of the result is expected to be more optimal than when authorized by third parties (contractors). However this would once again have to see the readiness of the local village, and this is why villages ranking is needed as mentioned above.

"The toughest obstacle is to change the people mindset and villagers, especially the administrative personnel. They rely heavily on village assistant consultant. So that when the village assistant is not "qualified", it will bother the village officials so much". (Yusrizal - Head of BPMPD, Inhil District)

Given the difference capacity of human resources in the village administration, the strengthening should be done first as part of the transition process. If the village officials immediately released to work alone, where ADD is like a general purpose grant (DAU), then the condition is still quite worrying. Supposing, the "key" will be released slowly at the right time.

However, all stakeholders should be aware that, although there are various characteristics of villages, when basically they were already well-established in terms of capacity and human resources, and already have a village product plan, then the function of operational guidelines and technical guidelines are only as a guide. Whereas for the villages that are still in the low category in terms of capacity and human resources capabilities, then the guide could be a foothold in the processes of rural development. It means that the guidelines (Guidelines and Technical Guidelines) in the decree No. 09 of 2010 was made not tight but still consistent with the spirit of village autonomy that the initiative and the initiation of community and village government was the one that determines the basis for a decision making at the village level.

The data showed that the allocation scheme of ADD adheres to two basic principles in allocating, i.e. Fair and Equitable. Based on this concept, then the ADD allocation formula was defined as follows:

$$ADDx = ADDM + ADDPx$$

Where :

ADDx : Village Fund Allocation for village x  
ADDM : Minimum Village Fund Allocation received by the village  
ADDPx : Proportional Village Fund Allocation for village x

The proportional Village Fund Allocation calculation that will be distributed to certain village is calculated as follows:

$$ADDPx = BDx (ADD - ADDM)$$

Where:

BDX : Village Weight Value of village x  
ADD : Total Fund Allocation for Rural district / city  
ADDM : The total amount of Minimum Fund Allocation

ADD program implementation has legal consequences related to the amount of funds allocated. So it needs the commitment of all parties in order to support the distribution and the use of ADD to be justified and following the principles of good governance. If the village does not immediately improve its performance, then certainly there will be repetition of old patterns that involve planning and reporting that will be "made" by particular party. These efforts need to be eliminated through the simultaneous assistance to the village which still does not meet certain degree of capacity. Every village in Indragiri Hilir, needs to be ranked on the capacity of the village administration. Thus, for the well-established capacity villages, if already has an adequate village plan product (*RPJMDesa*) and sufficient *APBDesa*, should be encouraged to be consistent with plan product in the realization of village development. At the same time, the central government must provide intensive assistances to other villages with low capacity of human resources in order to prepare the products of village development plans.

In general, the understanding of village officials and parties related to the purpose of ADD is quite diverse. ADD existence according to their understanding is aiming to boost the welfare of rural communities. Besides, they see also that ADD is a form of regional autonomy (village). On the other hand, there were found that ADD is only as a stimulant for the development of the village. It means that the presence of ADD is expected to encourage the involvement of citizen participation in rural development.

The fact that was expressed by the informant showed that there is a relatively good understanding on purpose of ADD. Even though there is still an assumption that ADDS is aimed to improve village officials' welfare. But in general, what is revealed by the informant may possibly be the initial capital in the ADD agenda execution where a good understanding of having ADD were expected to be a helpful guidance for those officials to manage and use it well. Village community must also know the purpose of ADD for it will help them to be able to do a check and balance against the use of ADD funds. This is very important because the nature of the ADD is a manifestation of the process on strengthening the village autonomy in which their active participation in the development of rural area became the crucial support of village autonomy itself. A good understanding of governments and rural communities on the purpose of ADD by will be able to make the ADD to function ideally in facilitating the realization of perfect growth and economic prosperity which can truly be felt by the whole rural community.

### **Implementation quality of ADD in Indragiri Hilir**

The results of Importance Performance Analysis (IPA) calculation can also be used as a step to improve the performance of each individual indicator. The calculation results will be mapped into a Cartesian diagram to locate the computation outcomes. The observations of these indicators specify that:

Based on the results of field observation and calculation of the entire indicator shows that the Planning (A) and Implementation (B) need to be maintained in this case because the results of both performance calculation are above the average, while the level of interest (performance) according to the perception of the respondents are also very important, therefore these indicators are very necessary to be maintained equally. Reporting (C) is included into main priority quadrant that should be completed for the reason that the current performance is still below the average, while the respondent's perception score of the interests and expectations of these indicators is above average or respondent consider that this is a very important indicators which consequently should be the focus of performance improvement to increase the final accomplishment.

Furthermore, IFE and EFE matrix show the SWOT matrix for Indragiri Hilir ADD program as follows: If it is observed based on the abundant potential of the village in terms of resources such as agricultural and other potential of villagers as well as view existing strengths in the planning process which is involving the community, so the strategy that should emerge from the strength and the opportunity is how to formulate the regulation of the village regarding resource management that can be a basis income of the village. In addition, it is very important to have the planning on developing productive efforts that aim to stimulate the potential of the village with the intention of increasing the economy state such as creating village market, village banks, or other BUMDes. These efforts will be very beneficial in the coming period in addition to boost the potential of the village that can also be used as Villages Revenue (PaDes).

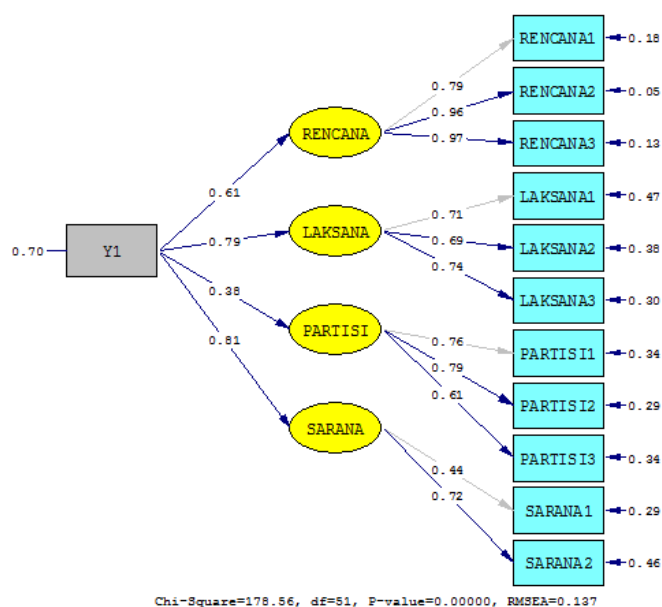
Additionally, to eliminate the weakness, such as the frequent delays in the disbursement of funds caused by repeated postponements of technical guidance especially for farthest areas, the development of communication technology and informatics can be an alternative to reduce the problem that occur in the implementation process of sending technical instructions or even to deliver other reports.

In the direction of solving the difficulty that threatens ADD miss allocation including the misuse of funds by village officials, the powers of community active involvement can be a strong point to monitor the activities of ADD through community agencies. During this time, the public agency to monitor is the BPD (Village Consultative Agency), but there is still the need for more independent public institutions to oversee the management of ADD in the village.

Strategies that are urgently needed related to weaknesses in the implementation of ADD is strengthening and intensifying the training of rural financial governance in order to avoid the mistake of allocating funds. The strict regulation is also another vital strategy to overcome the weaknesses and threats.

### **Effect of ADD Implementation against Local Economy Strengthening**

The local economy indicators can be represented by the potential development of the village and the growth of rural enterprises. Analysis of the role of ADD to the potential development of the village is done using a Confirmatory Factor Analysis (CFA), this analysis is used to examine how the measured variables (indicators) describe or represent a number of constructs. CFA is used to test the assertion of the measurement theory that determines how the measured variables logically and systematically describe the role of planning, implementation, monitoring participation, and infrastructures on the village potential development. Based on the Confirmatory Factor Analysis (CFA), the loading factor values illustrated as follows:



**Figure 7.1**

**Relation of Each variable**

Based on the picture, it can be seen that the most important indicators that contribute to the formation of planning variables ADD (X1) is the role of village officials (Planning3) with a correlation value of 0.97. Another indicator is the role LPM (Planning2) and the role of BPD (Planning1) with a correlation value respectively of 0.96 and 0.79.

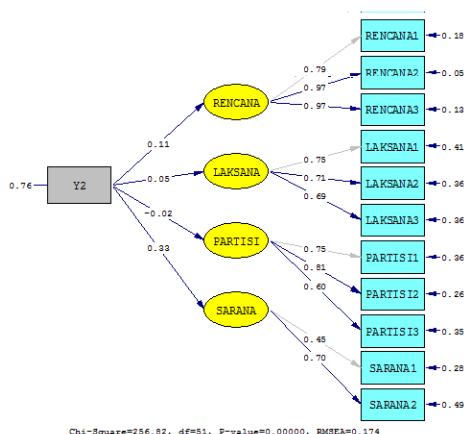
The crucial indicator of ADD implementation variable formation (X2) is received benefits from the implementation of ADD (Implementation3) with a correlation value of 0.74. Another indicator is public involvement in the implementation of ADD (Implementation1) and Conformity implementation of ADD with the needs of society (Implementation2) with a correlation value respectively by 0.71 and 0.69.

Furthermore, indicators which are crucial to the formation of community participation variable (X3) is the way how community participate actively to provide valuable contribution to ADD activity planning (participation2) with a correlation value of 0.79. Further indicator is the community participation in various activities funded by the ADD (Participation1) and community monitoring (Participation3) with a correlation value respectively of 0.76 and 0.61.

The crucial indicators to the establishment of facility (X4) are the condition of village office (Infrastructure2) with a correlation value of 0.72 and also the conditions of village infrastructures (roads, bridges, markets, etc) (Infrastructure1) with the value of correlation at 0.44.

The most important variables to the development of potential/superior variables formation after the ADD implementation (Y1) is the condition of physical facilities (X4) with a correlation value of 0.81. The next variables in sequence, namely: the implementation of ADD (X2), planning of ADD (X1), and participation (X3) with a correlation value respectively by 0.79; 0.61 and 0.38.

Confirmatory Factor Analysis (CFA) is also employed to investigate the role of ADD to the growth of businesses in the village, this analysis is used to examine how the measured variables (indicators) describe or represent a number of constructs. CFA is used to test the assertion of the measurement theory that determines how the measured variables logically and systematically explain the role of the planning, implementation, monitoring participation, and infrastructures towards the growth of rural enterprises. Based on the analysis, the loading factor values can be seen as follows:



**Figure 7.4**

**Relation of Each variable**

Based on the picture, it can be seen that the most important indicators that contribute to the formation of planning variables ADD (X1) is the role of village officials (Planning3) and the role of LPM (Planning2) with correlation value of 0.97. Another indicator is the role of BPD (Planning) 1 with a correlation value respectively of 0.96 and 0.79.

The crucial indicator to the formation of ADD implementation variable (X2) is community involvement in the implementation of ADD (Implementation1) with a correlation value of 0.75. The next indicator is the suitability of ADD program implementation with the needs of society (Implementation2) and the benefits received from the implementation of ADD (Implementation3) with a correlation value respectively by 0.71 and 0.69.

Indicators which are important to the formation of community participation variable (X3) are the dynamic participation of community to provide supporting ideas to ADD planning activities (Participation2) with a correlation value of 0.81 followed with community participation in activities funded by the ADD (Participation1) and community monitoring on ADD activities (Participation3) with a correlation value respectively of 0.75 and 0.60.

Likewise, the condition of village office is considered as an essential indicator to the establishment of facility conditions (X4) with a correlation value of 0.70 followed with conditions of village infrastructures (roads, bridges, markets, etc) (Infrastructure1) with the correlation value of 0.45.

The variable that significantly affects the formation of financed growth of rural enterprises variable (impact) by ADD (Y2) is the physical facilities condition (X4) with a correlation value of 0.33 then followed with other variables namely: ADD planning (X1), ADD implementation (X2), and participation (X3) with each correlation value of 0.11; 0.05 and 0.33.

**V. Conclusion**

Scientifically, the study of the implementation of ADD can provide a supporting framework for the sustainability of fiscal decentralization through the financial balance of the district to the village. By this supporting concept / theory and strategy, it is expected that every village and district level stakeholders will reach the same understanding. On the other hand, the supporting theory still leaves a gap between middle range theory and micro theory. If the macro level theories have been accommodated through the theories of balance / grant, the micro and medium still considered inadequate as study. Suppose the Traditional Theory (First Generation Theory) that emphasizes on the benefit of decentralization allocation to gain the simplicity of information, then, Second Generation Theories explained that decentralization will influence the behavior of local governments. Will the local governments behave differently with the implementation of fiscal decentralization compare with centralized government? Therefore we need a sharp analysis that supports the theory of village fiscal decentralization or usually called as thirty generations theory of grants which goes deeper on the simultaneous impact analysis of ADD as well as other village's income sources that can be utilized to prolong the sustainability of rural development. The village as the lowest level of government (Indonesian context) becomes the supporting pillar of successful development. It means that, ADD will not only emphasize the benefit on the ease of information or influence the behavior change, yet, it is also as a mean of supporting the equitable development of Indonesia. Nonetheless, the effectiveness of the impact still needs to be studied more in depth so that in the future, this research can be used as a basis for further scientific work research. In conclusion, the perspective option as mentioned above is expected to be an alternative attempt to address the general trend from policy makers who seen this phenomena similarly in the process of regional development



which much deviated from the path and objectives. Every thought is still feasible for debate (debatable) but at least this effort can be an option to overcome the rigidity of the perspective on the development realities that have been regarded or always justified as a truth, especially from the view of policy makers (Decision maker).

Technically, for completing the mechanism of Village Fund Allocation (ADD) to contribute in optimum village economic growth, we can do the following actions:

- a. Tightening regulations and enforcement.
- b. Strengthening village institutions for controlling functions which is very necessary, in order to avoid the misuse of ADD.
- c. Increasing the effectiveness of regular training to improve the quality of village officials, especially in the management of ADD funds.
- d. The utilization of information technology such as the Internet network to facilitate the files and report transfer related with the program implementation.
- e. Promoting and disseminating the village institutions to strengthen the functions and duties ranging from planning, implementation, and monitoring of activities that financed with ADD.
- f. Consolidation, integration, synchronization the regulations or policies concerning to the village, in order to avoid mutual distortions of the programs relating to rural development.
- g. Constructing Village Regulation on village productive resource management capitalized by ADD funds
- h. Creating productive enterprises to improve the welfare and increase village original income
- i. The utilization of supporting information technology (e.g. village web as a village promotional tool) to enhance rural development and promote the potential of the village.

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