

Allocation of Village Funds for *BUMDES* and its contribution to Village Own-Source Revenue with the Management Process as a Moderating Variable

Anastasia Susty Ambarriani, Christina Wiwik Sunarni, Pratiwi Budiharta
Universitas Atma Jaya Yogyakarta
{susty.ambarriani, wiwik.sunarni, pratiwi.budiharta} @uajy.ac.id

Abstract—Law No. 6 of 2014 concerning villages confirms that the Government of Indonesia fully encourages the development of village social and economic independence. The COVID-19 pandemic that has occurred since 2020 has had a very significant impact on the village economy. Therefore, in 2022, the Minister of Villages, Development of Disadvantaged Regions and Transmigration issued Regulation (*Permendesa*) Number 7 of 2021 concerning the priority use of village funds in 2022 (<https://nasional.kompas.com> 14/11/2021) which consists of three main points, one of which is: national economic recovery in accordance with village authority. Opportunities to use village funds to develop Village Owned Enterprises (*BUMDES*) are intended to improve village own-source revenue. This study aims to test whether the amount of village fund allocation for *BUMDES* influences the increase village own source revenue with the moderating variable of village fund management. The results of the study revealed that the total allocation of village funds did not have a direct contribution to the increase in village own-source revenue. However, with moderated *BUMDES* management, the total allocation of village funds has a positive contribution to the increase village own-source revenue.

Index Terms—allocation of village fund, management process, village own-source revenue

I. BACKGROUND

Law Number 6 of 2014 concerning villages confirms that the Government of Indonesia fully encourages the development of village social and economic independence. The Government of Indonesia's support is strengthened by the allocation of State Budget/*APBN* and Regional Revenue and Expenditure Budget/*APBD* for village development (<http://www.djpk.kemenkeu.go.id>). The COVID-19 pandemic that has occurred since 2020 has had a very significant impact on the village economy. Therefore, the Minister of Villages, Development of Disadvantaged Regions and Transmigration issued Regulation (*Permendesa*) Number 7 of 2021 concerning the priority use of village funds in 2022 (<https://nasional.kompas.com> 14/11/2021) which consists of three main points: national economic recovery in accordance with village authority, national priority programs in accordance with village authority and mitigation, and dealing natural and non-natural disasters in accordance with village authority. In the context of village economic growth, village funds may be used for the establishment of *BUMDES* (Village Owned Enterprises). The use of village funds for the development of *BUMDES* is intended to encourage the economy of the community in the village. According to <https://nasional.kontan.co.id>, September 15, 2021), only about 68% of villages in Indonesia use village funds to establish Village-

Owned Enterprises. In addition to the COVID-19 pandemic, several studies note that non-optimal management affects the development of *BUMDES*. (<https://ejournal.bappeda-jatengprov.go.id/>).

This study aims to find out what portion of village funds are allocated for the establishment of *BUMDES* in the Special Region of Yogyakarta, how it is managed, and the contribution of *BUMDES* to the village's own-source revenue. This study is expected to provide an overview of how the influence of village ownership of *BUMDES* in contributing to Village Own-source Revenue.

II. LITERATURE REVIEW

A. Village Owned Enterprises (*BUMDES*)

According to Law No. 11 of 2021 concerning Village-Owned Enterprises (*BUMDES*), *BUMDES* is a legal entity established by villages to manage businesses, utilize assets, develop investments, or provide services with the aim of improving village welfare. *BUMDES* must be run based on the spirit of kinship and mutual cooperation with the principles of: (a) professional; (b) open and responsible; (c) participatory; (d) by prioritizing local resources that are (d) sustainable (Law no. 11 of 2021 on *BUMDES*). Many researches on *BUMDES* have been carried out, however in general the research conducted is descriptive research on the management of *BUMDES* in an area, such as that conducted by Filya, who conducted a description of the optimization of *BUMDES* management in Sukorejo village, Bojonegoro sub-district (Filya, Journal of Economics and Public Finance, Vol. 4 No. 2 Dec, 2017). Nur Aeni's research which describes the performance of *BUMDES* management in Pati Regency suggests that the performance of *BUMDES* in Pati Regency is not yet optimal (<https://ejournal.bappeda.jatengprov.go.id/>). Research conducted by Aprilia, Cahyono and Nastiti (Journal of Accounting and Applied Business vol 1 no 1, 2021) reveals that one of the success factors for *BUMDES* is an accounting information system and good organizational management.

Lukmawati, Puspaningtyas and Rachim (2020, p.65) state that the establishment of *BUMDES* has the intention of growing the village economy, increasing Village Own-source revenue (*PADES*), providing public benefits in the form of providing services for the purpose of living for rural communities and as a pioneer for economic business activities in the village.

BUMDES is a pillar of economic activity in the village that functions as a social institution and commercial institution. *BUMDES* as a social institution sided with the interests of the community through its contribution to the provision of social services, while as a commercial institution it aims to make profits through offering local resources (goods and services) to the market. (Nugrahaningsih, Falikhhatun and Winarna, 2016, 39). Mutolib, et.all (2019, 12) stated that the development and progress of *BUMDES* cannot be separated from the support of the village government as the owner of *BUMDES*.

In achieving the objectives, *BUMDES* must be managed properly in accordance with the principles of *BUMDES* management. Filya (2019, 22) Dwiningwarni and Amrulloh (2020, 6) stated that there are 6 (six) principles in managing *BUMDES*, namely: (1) Cooperative; (2) Participatory; (3) Emancipation; (4) Transparent; (5) Accountable and (6) Sustainable. Cooperative means that all components involved in the management of *BUMDES* must work together and have good coordination for the smooth running of *BUMDES* activities. Participation is shown by the involvement of all components within the *BUMDES*, who must be willing to voluntarily provide support and contributions that can encourage the progress of *BUMDES* efforts. Equality means that there are equal opportunities for all components involved in the management of *BUMDES*, regardless of gender, class, ethnicity and religion. The principle of transparency is shown by the existence of activities that affect the interests of the general public which can be known by all levels of society easily and openly. The principle of accountability is the principle that all business activities must be accountable both technically and administratively. The last principle is sustainable, which is defined as the sustainability of *BUMDES* activities. To be able to survive in business competition, *BUMDES* are required to always be able to innovate and maintain the quality of their products which are supported by all components of *BUMDES*.

III. RESEARCH METHOD

This study has 3 variables, namely the portion of village funds for *BUMDES* as the dependent variable, the increase of village own-source revenue as an independent variable and *BUMDES* management as a moderating variable. Questionnaires and interviews with *BUMDES* managers were used as data collection instruments in this study. Village fund allocations are grouped into 3, namely low village fund allocations, medium village fund allocations and high village fund allocations. The variable of village fund management is measured through management principles consisting of participation, coordination, accountability, transparency, and sustainability. Data collection was carried out by means of questionnaires and interviews.

The research model is described in the following equation:

$$Y = a + b_1X + b_2W + b_3X*W$$

Y is the contribution of *BUMDES* to the village own-source revenue, X1 is the allocation of village funds and W is the management of *BUMDES*. X*W reflects the interaction between village fund and *BUMDES* management.

BUMDES management is a moderating variable that affects the relationship between allocated village fund and village own-source revenue. Before being processed, the classical assumption test was carried out on the data obtained. Hypothesis testing is done with the help of software Spss.20.

IV. RESEARCH RESULT

Many *BUMDES* in DIY and Central Java are inactive. The pandemic caused *BUMDES* to no longer be able to survive. Only 63 *BUMDES* are still operational during the time of study. Of that amount, 31 *BUMDES* are used as the sample. The response rate is 42. However, only 17 data are eligible to be processed. This means the final response rate is 27%. Classical assumption tests were performed for normality and heteroscedasticity tests. From the normality test using the Kolmogorov-Smirnov method, the Asymp value was obtained. Sig. (0.050) is above the maximum error limit, which is 0.05, then the data above is normally distributed. Heteroscedasticity test aims to test whether in the regression model there is an inequality of variance from the residual of one observation to another observation. If the residual variance from one observation to another observation remains, it is called homoscedasticity. To test the presence or absence of heteroscedasticity, it is done by correlating each independent variable with the absolute value of the residual using Spearman Rank correlation. With the help of SPSS 20 software, the results show that there is no heteroscedasticity in this test.

A. Hypothesis testing

The Effect of Village Fund Allocation on *BUMDES* on The Increase of Regional Own-source revenue Moderated by *BUMDES* Management.

To see the effect of Village Fund Allocation on The Increase Regional Own-source revenue Moderated by *BUMDES* Management, linear regression analysis is used with the following equation:

$$Y = a + b_1X + b_2W + b_3X*W$$

In which:

Y = The Increase Regional Own-source revenue

X = Village fund allocation

W = *BUMDES* management

a = constant

b = Regression Coefficient

The results of processing on SPSS 26 software for multiple regression analysis are presented in the following table:

REGRESSION ANALYSIS TABLE

Coefficients ^a					
Model	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1 (Constant)	3.431	2.356		1.456	.169
X	.286	.080	.723	3.571	.003
W	.072	.049	.341	1.465	.167
X*W	-.003	.002	-.481	-1.972	.070

a. Dependent Variable: Y

Source : Primary Data Processing Results, 2022

Based on the results of the calculations in the table above, the form of the linear regression equation is obtained as follows:

$$Y = 3,431 + 0,286X + 0,072W - 0,003X*W$$

The value of the regression coefficient on the independent variables illustrates that if it is estimated that the independent variable increases by one unit and the value of the other independent variables is estimated to be constant or equal to zero, then the value of the dependent variable is estimated to increase or decrease according to the sign of the regression coefficient of the independent variable.

From the linear regression equation above, the constant value is 3.431. That is, if the variable of the Increase of Regional Own-source revenue is not influenced by the independent variables, namely Village Fund Allocation, *BUMDES* Management and Village Fund Allocation moderated by *BUMDES* Management, the average amount of Regional Own-source revenue Increase will be 3,431.

The sign of the regression coefficient of the independent variable shows the direction of the relationship of the variable concerned with the Increase of Regional Own-source revenue. The regression coefficient for the independent variable *X* is positive, indicating a unidirectional relationship between the allocation of village funds and the increase of Regional

Own-source revenue. The regression coefficient of the *X* variable of 0.287 means that for every increase in the allocation of village funds by one unit, it will cause an increase in Regional Own-source revenue by 0.287.

The regression coefficient for the independent variable *W* is positive, indicating that there is a unidirectional relationship between the management of *BUMDES* and the increase of Regional Own-source revenue. The regression coefficient for the variable *W* of 0.072 means that for every increase in *BUMDES* management by one unit, it will cause an increase in Regional Own-source revenue by 0.072.

The regression coefficient for the independent variable *X* moderated *W* is positive. This shows that there is a unidirectional relationship between the allocation of village funds moderated by the management of *BUMDES* and the increase in Regional Own-source revenue. The regression coefficient for the variable *X* moderated by *W* is 0.003 which means that for every increase in the allocation of village funds moderated by *BUMDES* management by one unit, it will cause a decrease in the increase in Regional Own-source revenue by 0.003.

B. Testing the Significance of the Regression Coefficient Overall Hypothesis Testing (F Test)

The government allocates village funds to *BUMDES* to accelerate *BUMDES*' operational activities. As the *BUMDES* operational activities increase and sustain, the village own-resource will also increase. A good *BUMDES* management will make the operational activities better and sustainable. The combination of the amount of village fund along with good management will increase village-own resource. Thus, the hypothesis in this research is

Ho: There is no effect of village fund allocation, *BUMDES* management, and village fund allocation moderated by *BUMDES* management on the increase of Regional Own-source revenue.

Ha : There is a significant effect of village fund allocation, *BUMDES* management, and village fund allocation

moderated by *BUMDES* management on the increase of Regional Own-source revenue.

To determine whether the influence of the independent variables on a dependent variable is significant simultaneously, the F test is used.

$$\alpha = 5\%$$

Statistical test:

$$F = \frac{R^2(n-k-1)}{k(1-R^2)}$$

Testing criteria: Ho is accepted if F calculate < F table

F table = $F_{\alpha; (df1, df2)}$; $df1 = k$, $df2 = n-k-1$ (17-3-1)=13 = 3,411.

The results of the F test based on SPSS processing are presented in the following table:

OVERALL HYPOTHESIS TESTING TABLE (TEST F)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.587	3	4.196	4.985	.016 ^b
	Residual	10.942	13	.842		
	Total	23.529	16			

ANOVA^a

a. Dependent Variable: Y

b. Predictors: (Constant), $X*W$, *X*, *W*

Source: Primary Data Processing Results, 2022

From the table above, the F calculate value is 4.985. Because the F calculate value (4.985) > F table (3.411), Ho is rejected. Thus, it can be concluded that simultaneously there is a significant effect of Village Fund Allocation, *BUMDES* Management and Village Fund Allocation moderated by *BUMDES* Management on the increase of Regional Own-source revenue.

C. Hypothesis testing

To determine the significant effect of the independent variable on a dependent variable, the t test was used.

Hypothesis:

Ho₁ : $\beta_1 = 0$ Village Funds Allocation has no significant effect on the increase of Regional Own-source revenue.

Ha₁ : $\beta_1 \neq 0$ Village Funds Allocation has a significant effect on the increase of Regional Own-source revenue.

Ho₂ : $\beta_2 = 0$ The management of *BUMDES* has no significant effect on The Increase of Regional Own-source revenue.

Ha₂ : $\beta_2 \neq 0$ *BUMDES* management has a significant effect on The Increase of Regional Own-source revenue..

Ho₃ : $\beta_3 = 0$ Village Fund Allocation moderated by *BUMDES* Management has no significant effect on The Increase of Regional Own-source revenue.

Ha₃ : $\beta_3 \neq 0$ Moderated Village Fund Allocation The management of *BUMDES* has a significant effect on The Increase of Regional Own-source revenue.

$$\alpha = 5\%$$

Statistical Test :

$$T_{cal} = \frac{b}{Se(b)}$$

Testing criteria : 1. Ho is rejected if the value of Sig ≤ 0.05 .

The results of the t-test based on SPSS processing are presented in the following table:

TABLE OF PARTIAL HYPOTHESIS TESTING (t-TEST)

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
1	(Constant)	3.431		1.456	.169
	X	.286	.080	.723	.471
	W	.072	.049	.341	.167
	X*W	-.003	.002	-.481	.070

a. Dependent Variable: Y

Source: Primary Data Processing Results, 2022

The following results can be concluded:

1. Based on the table above, it can be seen that Variable X has a sig value less than 0.05. Because the value of sig (0.003) < 0.05, Ho is rejected. Therefore, it can be concluded that there is a significant effect of the allocation of village funds on the increase of regional own-source revenue.
2. Based on the table above, it can be seen that variable W has a sig value more than 0.05. Because the value of sig (0.167) > 0.05, Ho is accepted. Therefore, it can be concluded that there is no significant effect of *BUMDES* Management on the increase of Regional Own-source revenue.
3. Based on the table above, it can be seen that variable X moderated by W has a sig value greater than 0.05. Because the value of sig (0.070) > 0.05, Ho is accepted. Therefore, it can be concluded that there is no significant effect of village fund allocation moderated by *BUMDES* management on the increase of Regional Own-source revenue.

D. Correlation Analysis

To find out the simultaneous relationship between Village Fund Allocation, *BUMDES* Management and Village Fund Allocation moderated by *BUMDES* Management on the increase of Regional Own-source revenue, multiple correlation analysis (R) was used.

CORRELATION ANALYSIS TABLE

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.731 ^a	.535	.428	.91744

a. Predictors: (Constant), X*W, X, W

Source: Primary Data Processing Results, 2022

Based on the results of the SPSS software output above, the correlation coefficient (R) is 0.731. This shows that there is a sufficient relationship between Village Fund Allocation, *BUMDES* Management and Village Fund Allocation moderated by *BUMDES* Management on the Increase of Regional Own-source revenue.

E. Coefficient of Determination

The magnitude of the influence of Village Fund Allocation, *BUMDES* Management and Village Fund Allocation moderated by *BUMDES* Management on the increase of Regional Own-source revenue can be shown by the coefficient of determination with the following formula:

$$KD = R^2 \times 100\%$$

$$= (0,731)^2 \times 100\% \\ = 53,5\%.$$

This means that the variables of Village Fund Allocation, *BUMDES* Management and Village Fund Allocation which are moderated by *BUMDES* Management have an influence of 53.5% on the increase of Regional Own-source revenue. While the remaining 46.5% is the contribution of other variables besides Village Fund Allocation, *BUMDES* Management and Village Fund Allocation moderated *BUMDES* Management.

V. CONCLUSION

From the results of research and data testing, the following conclusions were obtained:

1. Village funds allocated to *BUMDES* vary widely, depending on the Village Government, however, some of the average village fund allocations for *BUMDES* are in the low category
2. Good management greatly affects the sustainability and performance of Village Owned Enterprises
3. From the statistical test results, the allocation of village funds is not directly correlated with the increase in village own-source revenue, but the allocation of village funds has a positive correlation with the increase in village own-source revenue if moderated by good management.

Limitations of Research and Suggestions for further research: This study only uses sample data in three areas, namely the Special Region of Yogyakarta, the District of Mungkid and the District of Klaten. Thus, the conclusions in the study only apply to these three areas. Further research can be carried out in different areas so that a clearer picture can be obtained of the relationship between the three variables studied. The number of samples is also small because many *BUMDES* are no longer operating during the PPKM period.

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