

The Influence of Village Funds and Village-Owned Enterprises on Village Economic Growth

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Abstract

This study aims to determine the effect of Village Funds and Village-Owned Enterprises (BUMDes) on village economic growth, with a study in villages in West Limboto District. This study uses a quantitative approach with multiple linear regression analysis techniques with the help of the SPSS 27 program. The data used are secondary data in the form of Village Budget Realization Reports. Measurement of the Village Fund variable uses the village financial independence ratio, while the BUMDes variable is measured by the activity ratio. Meanwhile, village economic growth is measured using the village expenditure growth ratio. The results of the study indicate that Village Funds have a positive and significant effect on village economic growth, as well as BUMDes which also have a positive and significant effect. Simultaneously, Village Funds and BUMDes contribute 83.8% to village economic growth, as indicated by the coefficient of determination (Adjusted R²) of 0.838. Meanwhile, the remaining 16.2% is influenced by other factors outside this research model.

Keywords: Village Fund, BUMDes, Financial Ratio, Village Economic Growth.

INTRODUCTION

Economic growth is one of the main indicators in assessing the success of a region's development, including villages. Healthy economic growth reflects the success of a region in utilizing local resources to create improvements in the welfare of its people. On a village scale, economic growth is not only about statistical figures, but also its impact on increasing income, creating jobs, and the overall quality of life of the community. Villages with growing economies tend to have more independent communities and better access to public facilities (Asbeni, 2020).

However, achieving equitable economic growth at the village level is still a major challenge. Many villages face structural constraints that hinder their economic potential. Limited infrastructure, low education, lack of access to technology, and high dependence on the primary sector, such as agriculture, make these villages vulnerable to economic fluctuations and environmental changes (Maulido et al., 2024). In addition, geographically isolated villages tend to have limited market access, slowing their economic growth. Therefore, village development strategies must include improving infrastructure, empowering communities, and diversifying the economy to ensure sustainable and inclusive growth. A growing village economy reflects not only increased production and consumption capacity, but also better social and environmental sustainability. When village communities are able to optimally manage their local resources, they not only increase individual incomes but also create greater competitiveness for their regions (Susilo et al., 2024). Therefore, it is important to continue to encourage development policies and programs that support village economic growth, so that they can have a real positive impact on village communities in general. In Indonesia, village economic growth has fluctuated in the last five years, reflecting various dynamics that influence economic development at the village level. This trend shows significant changes, ranging from stable growth before the pandemic, contraction during the COVID-19 pandemic, to gradual recovery in the following years. The following presents data on village economic growth in Indonesia for the period 2019-2023.

Table 1. Village Economic Growth in Indonesia from 2019-2023

Years	Growth Percentage (%)	Description
2019	4,8	Stable growth thanks to Village Fund allocation for basic infrastructure such as roads and public facilities.
2020	-0,5	The village economy contracted due to the COVID-19 pandemic which limited community economic activities.



Years	Growth Percentage (%)	Description
2021	1,2	Economic recovery is slow, supported by the direct cash assistance (BLT) program.
2022	2,0	Village economic activity is starting to increase, but BUMDes' contribution is still limited.
2023	2,3	Growth is slightly better with increased community participation in the local economy.

Source: Central Bureau of Statistics 2023

Based on table 1. above, the growth of the village economy in Indonesia has fluctuated, reflecting the dynamics of the economy in the last five years. In 2019, village economic growth reached 4.8%, driven by the allocation of Village Funds which were used for the development of basic infrastructure, such as roads and public facilities, which increased village accessibility and productivity. However, in 2020, the COVID-19 pandemic caused a contraction of -0.5%, due to restrictions on community activities that had a direct impact on various sectors of the village economy.

Recovery began to be seen in 2021, although growth was slow at 1.2%, largely thanks to the direct cash assistance (BLT) program that helped people meet basic needs. In 2022, village economic activity increased with growth of 2.0%, although the contribution from Village-Owned Enterprises (BUMDes) was still limited. Recovery continued in 2023 with growth reaching 2.3%, supported by increased community participation in local economic activities, which showed an improving trend although it still needed strengthening in supporting sectors.

In addition to economic growth, the status of villages in Indonesia has also experienced a significant shift in the last five years. Based on data on the number of underdeveloped villages and developed villages, there is a positive trend in the form of a decrease in the number of underdeveloped villages and an increase in the number of developed villages. The following is data on changes in village status from underdeveloped villages to developed villages.

Table 2. Changes in Village Status (Underdeveloped-Advanced) 2019-2021

Yearss	Number of Underdeveloped Villages	Number of Advanced Villages
2019	17.626	8.647
2020	13.232	10.249
2021	12.068	15.329
2022	9.238	20.249
2023	7.154	23.035

Source: Ministry of Villages, Disadvantaged Regions and Transmigration 2024

Based on Table 2. above, although there has been a consistent increase in the number of developed villages from year to year, the number of underdeveloped villages is still significant, indicating that many villages have less than optimal economic growth. In 2019, the number of underdeveloped villages was much higher than that of developed villages, indicating a fairly large gap in village development. Although in the following years the number of underdeveloped villages continued to decline, this figure still shows that many villages still face structural obstacles in developing their economic potential (Muzdalifah & Syamsu, 2020).

One of the strategic programs that plays an important role in encouraging village economic growth is the Village Fund. This program was launched by the government through Law Number 6 of 2014 concerning Villages with the main objective of accelerating development, reducing the gap between villages and cities, and improving the welfare of village communities. The Village Fund is not only intended for physical infrastructure development, but also includes community empowerment, management of local potential, and strengthening village institutional capacity. Irmansyah et al., (2021) explained that the Village Fund has made a real contribution to improving community accessibility through the construction of roads, bridges, and other public facilities which are an important foundation in supporting economic activities in villages (Irmansyah et al., 2021).

The significant increase in the number of advanced villages in recent years shows the positive impact of the implementation of the Village Fund. The results of the study (Wenggol et al., 2024) show that the allocation of Village Funds for strategic projects, such as the development of irrigation infrastructure, has increased agricultural productivity, while support for the small trade sector has

also helped strengthen the local economy. This study specifically shows that the Village Fund contributes significantly to the growth of the village economy, especially when the funds are used to support productive sectors. For example, community skills training and micro-business development are strategic steps that can increase the income and competitiveness of village communities.

The success of the Village Fund in many villages has been seen, its implementation is not free from various challenges. The results of research by Sugiharti et al., (2023) revealed that one of the main obstacles in the implementation of the Village Fund is the lack of managerial capacity of village officials in planning and managing funds (Sugiharti et al., 2023). Underdeveloped villages often use the Village Fund for short-term projects without considering economic sustainability. This challenge is exacerbated by limited knowledge and technology, so that many underdeveloped villages have not been able to optimize the potential of the Village Fund to the maximum to escape economic stagnation.

Research by Handra, (2022) shows that the Village Fund also has a positive impact on reducing poverty levels in several areas through job creation (Handra, 2022). Village projects, such as the construction of public facilities, not only provide direct benefits in the form of infrastructure improvements, but also open up new business opportunities for the community. For example, the construction of village roads has facilitated the distribution of agricultural products, which in turn increases the income of local farmers and traders. However, this study also emphasizes that the success of the Village Fund is highly dependent on the active participation of the community in the planning and implementation process. Villages that involve the community in decision-making have better results than villages that only rely on village officials.

The sustainability of Village Fund benefits requires a more integrated and adaptive approach so that its impact can be felt maximally by village communities. The government needs to provide technical assistance to village officials to improve managerial capacity, so that the use of Village Funds is not only limited to short-term projects, but also directed at programs that focus on sustainable economic growth (Setiadi et al., 2020). One of the strategic steps that is a priority is strengthening Village-Owned Enterprises (BUMDes).

Village-Owned Enterprises (BUMDes) are business institutions established by villages based on Law Number 6 of 2014 concerning Villages. BUMDes were established to manage village potential independently and sustainably, with the main objective of improving the welfare of village communities and creating sources of village income. In Article 87 of the Village Law, BUMDes is mandated to be one of the economic instruments that functions to develop village assets, create jobs, and support the management of local village potential optimally. In addition, BUMDes also plays a role in reducing village dependence on external assistance by strengthening village economic independence (Wuryandini et al., 2024).

The results of research conducted by Kerap et al., (2021) show that the existence of BUMDes has a significant influence on village economic growth (Kerap et al., 2021). Villages with active BUMDes recorded a significant increase in village income, especially through the management of business units such as agricultural trade, clean water management services, and local transportation services. Research by Yassa & Bumbungan, (2021) revealed that BUMDes is able to utilize Village Funds as initial capital to create productive businesses that have a direct impact on increasing community income and strengthening the village economy in a sustainable manner (Yassa & Bumbungan, 2021).

However, the success of BUMDes in supporting village economic growth is not without challenges. According to Hidayat et al. (2021), many villages face obstacles in managing BUMDes, such as minimal managerial capacity of administrators, weak business planning, and lack of community participation in managing village businesses. These obstacles often prevent BUMDes from achieving their maximum potential as a driving force for the village economy, especially in villages that are classified as underdeveloped. The disparity between BUMDes in developed villages and underdeveloped villages is one of the main issues that needs special attention.

To optimize the role of BUMDes, strategic steps are needed such as increasing training for BUMDes administrators, ongoing technical assistance, and strengthening collaboration with village communities in business planning and management (Widianingsih et al., 2020). With proper management, BUMDes can not only be a source of income for the village, but also an important instrument in creating inclusive and highly competitive village economic growth. Pradani's research, (2020) shows that with good policy support, BUMDes has great potential to accelerate village economic development and reduce inequality between regions (Pradani, 2020).

West Limboto District is one of the administrative areas in Gorontalo Regency that has a variety of natural and human resource potentials. Divided into several villages, this area is expected to become one of the driving forces of local economic growth through the Village Fund and Village-Owned Enterprises (BUMDes) programs. Village Funds, as part of the national policy to strengthen development at the rural level, aim to provide sufficient funding to support productive economic activities and community empowerment. Meanwhile, BUMDes is designed as a business entity managed by the village to maximize local potential.

However, based on initial observations conducted by researchers, it was found that village economic growth in West Limboto District is still slow. This can be seen from the lack of adequate infrastructure, such as suboptimal connecting roads between villages, limited market access, and lack of supporting facilities for economic activities. In addition, the employment opportunities available to village communities are also still very limited, so that many productive-age residents have to look for work outside the village. This condition causes the local economic potential to not be utilized optimally, and the development programs that have been planned have not had a real impact on improving the welfare of the community in West Limboto District.

In addition, based on the statement of the Regent of Gorontalo, Prof. Nelson Pomalingo, quoted from one of the official websites gorontalokab.go.id, economic growth in Gorontalo Regency only reached 2.42%. This figure is relatively small when compared to the average national economic growth of 5.05% and the average economic growth of Gorontalo Province of 4.50% (BPS Gorontalo Province, 2024). This difference shows that the local economic sector has not been able to make a significant contribution to the economy as a whole. In fact, this sector has a strategic role in driving inclusive economic growth, especially in rural areas. The lack of contribution also indicates obstacles in the management of local resources and the implementation of development programs that are not yet effective.

Based on the background description that has been explained above, it is clear the urgency and significance of the role of Village Funds and Village-Owned Enterprises (BUMDes) in driving village economic growth. These two elements are interrelated in ensuring sustainable, effective, and appropriate development and management of village resources according to the needs of the local community. Village Funds are the main foundation in supporting development programs, while BUMDes acts as a driver of the local economy that is able to create business opportunities and improve community welfare.

In addition, this study differs from the location of the research object, as well as the research results which are still inconsistent and have different variables. Several previous studies have shown a significant influence between Village Funds and Village-Owned Enterprises (BUMDes) on village economic growth. For example, research conducted by Albaab & Darmawan, (2024) shows that the growth of BUMDes in underdeveloped areas has a positive influence on economic growth in Central Java Province (Albaab, 2024). This study reveals that the original village income generated by BUMDes significantly increases community income, creates jobs, and encourages infrastructure development in underdeveloped villages. In addition, research by Rimawan & Aryani, (2019) in Air Putih Village, North Bengkulu Regency, showed that transparency in the management of Village Funds has a significant positive effect on improving community welfare (Rimawan & Aryani, 2019). Transparent management of Village Funds can encourage better infrastructure development and public services, thereby contributing to local economic growth.

On the other hand, there is research with different results. Research by Annisa et al., (2024) found that Village Funds and the existence of BUMDes did not have a significant effect on poverty reduction in East Lombok Regency (Annisa et al., 2024). This is due to the use of Village Funds which is mostly focused on physical infrastructure development without optimizing community economic empowerment. In addition, a study by Fadillah, (2023) showed that the growth of BUMDes in Bogor Regency did not have a significant effect on the economic growth of the region (Fadillah, 2023). The main factor causing this is the management of BUMDes which is not yet optimal, with many BUMDes being inactive and not yet able to make a real contribution to the village economy.

This study aims to analyze the influence of village funds and the existence of Village-Owned Enterprises (BUMDes) on the growth of the village economy in West Limboto District, both partially and simultaneously. Theoretically, this study is expected to enrich the literature in the field of village accounting, especially related to village financial management and the role of BUMDes in local economic development. Practically, the results of this study can provide strategic input for village governments in designing policies for the allocation of funds and the development of effective BUMDes, encourage active community participation in village economic management, and be a reference for further researchers who want to explore themes related to village empowerment and sustainable development.

METHOD

Location and Time of Research

This research was conducted in several villages in West Limboto District that are active in managing village funds and developing BUMDes, to study the influence of both on village economic growth. This location was chosen because it was considered representative. The research is planned to take place from January to completion, covering the stages of data collection, analysis, and compilation of results continuously until a comprehensive conclusion is obtained.

Research Approach and Design

This study uses a quantitative approach because the data collected is in the form of numbers and is analyzed statistically to test the relationship between variables objectively and systematically. The research design is designed to test the effect of Village Funds (X1) and BUMDes (X2) as independent variables on Village Economic Growth (Y) as the dependent variable. The aim is to verify the extent to which the two variables contribute to the development of the village economy in West Limboto District.

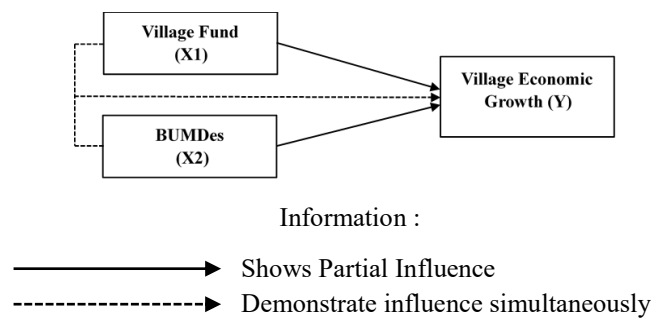


Figure 1. Direct influence of Village Fund and BUMDes variables on Village Economic Growth

Operational Definition of Research Variables

This study uses two main types of variables, namely independent and dependent variables. The independent variables consist of Village Funds (X1) and BUMDes (X2), which are expected to influence the dependent variable, namely Village Economic Growth (Y). Village Funds refer to the budget allocation from the central government for village development, while BUMDes is a village-owned business entity that aims to improve community welfare. Village economic growth is measured through indicators such as increased income, reduced unemployment, and development of the economic sector.

Operationally, these variables are measured using indicators and ratio scales: Village Funds (X1) use the financial independence ratio, BUMDes (X2) is measured through the activity ratio, and Village Economic Growth (Y) through the village spending growth ratio. This operational definition aims to ensure consistency and clarity in measurement for quantitative analysis.

Population and Sample

The population in this study includes all parties involved in the management of village funds and BUMDes in 10 villages in West Limboto District, namely village officials, BUMDes administrators, and village communities. Because the population consists of only 10 villages, this study uses a saturated sampling technique, where the entire population is sampled. This approach was chosen so that the results obtained reflect the conditions as a whole and are representative. The villages that were sampled were: Ombulo, Daenaa, Huidu, Huidu Utara, Haya-Haya, Pone, Yosonegoro, Pandengo, Hutabohu, and Tunggulo.

Data Collection Techniques

The data collection techniques in this study used secondary data with a ratio scale to measure the variables of Village Funds (X_1), BUMDes (X_2), and Village Economic Growth (Y). Village Funds were measured through the ratio of financial independence and spending growth, while BUMDes were analyzed using the profitability, liquidity, and activity ratios. Village economic growth was measured through the ratio of income and spending.

For the purposes of multiple linear regression analysis, ordinal data from the questionnaire were transformed into an interval scale using the *Method of Successive Interval* (MSI). The transformation was carried out through the calculation of normal distribution and area density, with the help of Microsoft Excel which had been installed with a special statistical plugin for MSI to speed up the data conversion process.

Data Analysis Techniques

Data analysis techniques in this study were carried out using statistical software after the data was collected. The stages of analysis include:

1. Research Instrument Test
 - a. Validity: Measuring the accuracy of questionnaire items using the Pearson Product Moment method. Items are declared valid if $r_{\text{count}} > r_{\text{table}}$.
 - b. Reliability: Measuring data consistency using Cronbach's Alpha. The instrument is considered reliable if $\alpha > 0.60$.
2. Classical Assumption Test
 - a. Normality: Using One-Sample Kolmogorov-Smirnov. Data is declared normal if significance > 0.05 .
 - b. Multicollinearity: Tested with Tolerance values (> 0.10) and VIF (< 10).
 - c. Heteroscedasticity: Tested using the Glejser method. There is no heteroscedasticity if probability > 0.05 .

This analysis ensures that the data is suitable for multiple linear regression to measure the influence of Village Funds and BUMDes on village economic growth.

Statistical Hypothesis

This study uses multiple linear regression to analyze the effect of Village Funds (X_1) and BUMDes (X_2) on Village Economic Growth (Y). Testing is carried out in several stages:

1. The t-test is used to test the partial effect of each independent variable. H_0 is rejected if $t_{\text{count}} \geq t_{\text{table}}$ at a significance of 5%, meaning that the independent variable has a significant effect on the dependent variable.
2. The F test is used to determine the simultaneous effect of Village Funds and BUMDes on economic growth. H_0 is rejected if $F_{\text{count}} > F_{\text{table}}$ and $\text{sig} < 0.05$.
3. The Determination Coefficient (R^2) is used to measure how much variation in economic growth can be explained by Village Funds and BUMDes. An R^2 value approaching 1 indicates a strong influence.

The general regression equation used:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$$

This method provides a comprehensive picture of the relationship between variables and helps test hypotheses statistically.

RESULTS AND DISCUSSION

Overview of Research Location

This research was conducted in Limboto Barat District, Gorontalo Regency, which has quite significant village development dynamics, especially through the utilization of Village Funds and the development of BUMDes. The focus of the research covers 10 villages, namely Ombulo, Padengo, Yosonegoro, Tunggulo, Pone, Haya-Haya, Daena, Huidu, Huidu Utara, and Hutabohu.

Each village has different geographical, socio-economic, and leading sector characteristics, but generally depends on the agricultural, livestock, and MSME sectors. The village government is active in increasing community capacity through financial management training and business digitalization using the SI-APIK application. Samples were taken using a saturated sampling technique because the number of villages is limited, allowing for comprehensive observation and analysis.

Ratio Statistical Analysis (Descriptive Analysis)

Ratio statistical analysis was conducted to assess village performance based on three indicators: financial independence ratio, activity ratio, and spending growth ratio. The calculation results from 10 villages in West Limboto District show:

1. Financial Independence Ratio: All villages are in the Very Low category ($<25\%$), with the highest value being 9% (Huidu Village) and the lowest being 2.60% (Padengo Village). This indicates a complete dependence on government transfer funds.
2. Activity Ratio: Three villages (Pone, Daena, Huidu) are in the Good category ($>50\%$), six villages are Moderate, and one village (Padengo) is Low. This shows that most villages are sufficiently utilizing assets to support income.
3. Spending Growth Ratio: Six villages are in the High and Very High categories (above 15%), such as Haya-Haya and Daena which show significant spending expansion. The other three villages are in the Medium category, indicating stable spending growth.

Overall, the villages show potential for economic growth, but are still highly dependent on central funds and need asset optimization and more efficient spending planning.

Data Quality Test Results

Data quality testing is carried out through validity and reliability tests to ensure that the instruments used can measure variables accurately and consistently.

1. Validity Test:

Validity is tested using the Pearson Product Moment method using SPSS. With an r table of 0.5760 ($n=10$, $\alpha=5\%$), all indicators in the Village Fund (X_1), BUMDes (X_2), and Village Economic Growth (Y) variables have a calculated $r > r$ table ($X_1=0.888$; $X_2=0.830$; $Y=0.698$), indicating that all indicators are valid and suitable for use in further analysis.

2. Reliability Test:

Reliability is tested using Cronbach's Alpha, and all variables have alpha values above the minimum limit of 0.60 ($X_1=0.890$; $X_2=0.850$; $Y=0.940$). These results indicate that all instruments have high internal consistency, so that the data produced can be relied on.

Overall, the research instrument has been proven to be valid and reliable.

Classical Assumption Test Results

Before the regression analysis was conducted, three classical assumption tests were applied: normality, multicollinearity, and heteroscedasticity tests, to ensure that the regression model met statistical requirements.

1. Normality Test:

Using the Shapiro-Wilk method, all variables showed a significance value above 0.05 ($X_1 = 0.395$; $X_2 = 0.541$; $Y = 0.421$). This indicates that the data is normally distributed, meeting the requirements for parametric analysis.

2. Multicollinearity Test:

The VIF values for Village Funds (1.106) and BUMDes (1.906) are far below the maximum limit of 10, with tolerance values above 0.10 each. This means that no multicollinearity was found between the independent variables, so that the regression coefficient estimates are considered stable and accurate.

3. Heteroscedasticity Test:

Through the Glejser test, the significance value of Village Fund (0.360) and BUMDes (0.392) is greater than 0.05, indicating no indication of heteroscedasticity. Thus, the regression model has a constant residual variance, ensuring the efficiency of estimation and the validity of subsequent statistical tests.

Multiple Linear Regression Analysis Results

Regression analysis shows that both Village Funds (X_1) and BUMDes (X_2) have a positive influence on Village Economic Growth (Y). Based on the results of SPSS, the following regression equation is obtained:

$$Y = 3.908 + 0.184X_1 + 0.211X_2 + e$$

The interpretation of the results is:

1. The constant value of 3.908 indicates that without Village Funds and BUMDes, the village economy still has a basic value of 3.908.
2. The Village Fund coefficient (0.184) indicates that each increase in Village Funds will drive village economic growth by 0.184 points.
3. The BUMDes coefficient (0.211) indicates that an increase in BUMDes contributions also has a greater effect on village economic growth.

Thus, both independent variables are proven to provide a real contribution to improving the village economy in West Limboto District.

Hypothesis Testing Results

Hypothesis testing was carried out through partial (t-test), simultaneous (F-test), and coefficient of determination (Adjusted R^2) tests to measure the influence of Village Funds and BUMDes on Village Economic Growth in West Limboto District.

1. t Test (Partial):

The results show that Village Funds (X_1) does not have a significant partial effect on village economic growth, with a significance value of $0.061 > 0.05$ and a calculated t of $1.972 < t_{table} 2.228$.

On the other hand, BUMDes (X_2) has a significant effect, with a significance value of $0.001 < 0.05$ and a calculated t of $3.876 > t_{table}$, indicating that the existence of BUMDes plays an important role in encouraging village economic growth.

2. F Test (Simultaneous):

Simultaneously, Village Funds and BUMDes have a significant effect on economic growth, as evidenced by a significance value of $0.003 < 0.05$ and F count of $9.676 > F_{table} 4.74$. This means that both variables together contribute to improving the village economy.

3. Coefficient of Determination (Adjusted R^2):

The Adjusted R^2 value of 0.838 indicates that 83.8% of the variation in village economic growth can be explained by Village Funds and BUMDes, while the remaining 16.2% is influenced by other factors. The R value of 0.889 indicates a very strong relationship between variables.

Thus, BUMDes is proven to be the dominant factor, while Village Funds have not shown a significant effect individually, although simultaneously both contribute greatly to village economic growth.

Discussion

The Influence of Village Funds on Economic Growth in Villages in West Limboto District

Based on the results of the t-test, Village Funds do not have a significant effect on economic growth in West Limboto District. Although Village Funds continue to be distributed every year, the results of the analysis show that their contribution to increasing economic growth in the villages studied is not strong enough. This can be caused by various factors, such as program planning that has not focused on strengthening the productive economy, the use of funds that are more dominant for physical development than economic empowerment, and the low capacity of village financial management based on the creation of long-term economic value (Noholo, 2021).

Support for these results is also evident from the descriptive analysis of the Village Financial Independence Ratio, which shows that the level of independence of villages in West Limboto District is still in the "Very Low" category. The Financial Independence Ratio is used to measure the extent to which a village is able to finance its development and governance from original village income sources, without relying too much on transfers from the central government. In this case, all villages in the area still show high dependence on Village Funds. For example, Huidu Village has the highest independence ratio of 9%, while Padengo Village only reaches 2.60%. This means that more than 90% of village income still comes from transfer funds, and not from local economic initiatives. This dependence indicates that the potential of the Village Fund has not been optimized to build an independent economic base, such as through the development of MSMEs, superior agricultural sectors, or local entrepreneurial innovation (Taan et al., 2023).

This low ratio is an indicator that the Village Fund has not been optimally utilized to encourage productive and sustainable economic activities. The use of Village Funds in many villages tends to be directed at physical infrastructure development activities, such as village roads, drainage, or the construction of village offices. Although infrastructure is important as a support, without being accompanied by investment in productive economic sectors such as agriculture, livestock, MSMEs, and BUMDes, the Village Fund will not be able to provide a multiplier effect on local economic growth.

The findings in this study are in line with the results of research by Annisa et al., (2024) which found that Village Funds in East Lombok Regency did not have a significant effect on poverty reduction because most of the funds were used for infrastructure, not economic empowerment. Likewise, research by Samsir et al., (2021) concluded that Village Funds actually had a negative effect on economic growth in South Sulawesi due to weak management capacity and inappropriate use of village budgets (Samsir et al., 2021). Both studies emphasize that without proper management and policies, Village Funds can become a fiscal burden that does not make a real contribution to local economic growth.

However, the results of this study are not in line with research by Zain & Deviani, (2024) which shows that Village Funds have a positive and significant effect on economic growth in underdeveloped areas when managed properly, such as in the form of business training and community empowerment (Zain & Deviani, 2024). Research by Dionisius et al., (2023) also found that Village Funds in Lewolaga Village succeeded in driving economic growth through support for the agricultural sector and business capital assistance (Petung et al., 2023). These studies emphasize that the positive influence of Village Funds is highly dependent on their utilization strategies that focus on productive and sustainable activities.

The results of this study can be understood more deeply through Agency Theory. This theory explains the relationship between the principal (central government) as the fund provider and the agent (village government) as the manager. When the agent does not have adequate capacity, incentives, or monitoring mechanisms, the principal's goals will not be achieved optimally. In the context

of West Limboto District, the low influence of Village Funds on economic growth indicates a gap between budget planning and program implementation in the field, which indicates weaknesses on the agent side in agency theory.

By considering the ratio analysis, previous research findings, and the agency theory framework, it can be concluded that the Village Fund in West Limboto District has not had a significant impact on village economic growth. There needs to be an increase in human resource capacity, strengthening of village economic institutions, and more productive program supervision and planning so that the Village Fund can truly encourage economic independence at the village level.

The Influence of BUMDes on Economic Growth in Villages in West Limboto District

Based on the results of the t-test, BUMDes has a positive and significant influence on economic growth in West Limboto District. This finding shows that the existence and good management of BUMDes can encourage economic activity in the villages studied. BUMDes that function well not only contribute to increasing Village Original Income (PAD), but also create new jobs, improve the quality of life of the community, and strengthen the local economy as a whole. This is evident from the BUMDes activity ratio in several villages which show quite good results. For example, Pone Village has a good BUMDes activity ratio, reaching 68.14, which indicates that BUMDes in this village is quite active in encouraging the economy.

Support for this result is also evident from the descriptive analysis in Table 4.2 regarding the BUMDes Activity Ratio, which shows that villages with higher ratios, such as Huidu Village (65.51) and Daena Village (55.44), show more productive economic activity. This shows that the higher the BUMDes activity ratio, the greater its contribution to village economic growth.

This BUMDes Activity Ratio measures the extent to which BUMDes can manage and run businesses that have an economic impact on the village. Villages with a higher ratio tend to have more diverse BUMDes business units and can make a more significant contribution to the local economy. Conversely, villages with a low ratio, such as Padengo Village (18.23), indicate that BUMDes in the village is not yet fully active and functioning optimally.

The results of this study are in line with research by Albaa & Darmawan, (2024) which found that the growth of BUMDes in Central Java Province had a significant effect on the economic growth of underdeveloped regions. Increasing the number of well-managed BUMDes can have a positive impact on the local economy through job creation and increasing PAD. In addition, research by Ibrahim et al., (2023) also supports this finding by showing that good BUMDes management can create jobs, increase people's income, and improve their quality of life, which in turn contributes to village economic growth.

However, the results of this study are not in line with research by Fadillah, (2023) which shows that although the number of BUMDes has increased, suboptimal management in Bogor Regency does not have a significant impact on economic growth (Fadillah, 2023). This shows that the success of BUMDes in driving the economy is highly dependent on effective management. In addition, research by Annisa et al., (2024) is also in line with these findings, which state that although the number of BUMDes has increased, many of them are inactive or poorly managed, so they do not have a significant impact on poverty reduction in East Lombok Regency.

The results of this study can be understood more deeply through Agency Theory. This theory explains the relationship between the principal (central government) and the agent (village government) who manage funds and programs. In this context, the success of BUMDes is highly dependent on the capacity and effectiveness of the agent in managing existing resources. When BUMDes management is carried out properly, the government's goal of improving the welfare of village communities and encouraging local economic growth can be achieved optimally. Conversely, if the agent does not have the right capacity or incentives, these goals will not be achieved optimally.

By considering the ratio analysis, previous research findings, and the agency theory framework, it can be concluded that good BUMDes management has a significant positive impact on village economic growth in West Limboto District. Strengthening the capacity of BUMDes managers, as well as improving the quality of planning and supervision, is very important to ensure that BUMDes can provide optimal contributions to the local economy.

The Influence of Village Funds and BUMDes on Economic Growth in Villages in West Limboto District

The results of the study show that Village Funds and BUMDes simultaneously have a positive and significant effect on Economic Growth in villages in West Limboto District. This means that the management of Village Funds directed at productive programs and economic infrastructure development, if combined with innovative BUMDes activities that are in accordance with local potential, can have a positive effect on the economic growth of village communities. These results emphasize the importance of integrating fiscal policies at the village level with economic empowerment based on village institutions.

Based on the findings, the Adjusted R Square value was obtained at 0.838, which means that Village Funds and BUMDes simultaneously contributed 83.8% to Village Economic Growth. This means that 16.2% of the variation in village economic growth is influenced by other factors outside of these two variables. These factors include the level of community education, market access affordability, infrastructure quality such as roads and irrigation, the role of the local private sector, and support from local government policies.

In addition, social dynamics such as community participation in development planning and the leadership capacity of village heads can also be important determinants in shaping village economic growth. The R value of 0.889 indicates a very strong relationship between the independent and dependent variables, which reflects that the regression model built has good predictive ability in explaining the influence of Village Funds and BUMDes on village economic growth.

This study is in line with the findings of Suwondo and Rahmawati, (2021) who examined the impact of Village Funds and the existence of BUMDes on the welfare of village communities in Central Java Province (Hasugian et al., 2021). They found that the management of Village Funds directed at strengthening the productive economy and empowering BUMDes was able to create new jobs, increase community income, and strengthen the village economic base. The synergy between village financial instruments and village business units is the key to sustainable local economic growth. Furthermore, research by Haryanto, (2022) also supports these results by examining villages in Sleman Regency (Syaufi & Haryanto, 2022). He concluded that the combination of Village Funds and BUMDes performance has a major contribution in driving the village economy, especially in strengthening the integrated agricultural sector and the creative economy. In his research, villages that actively develop BUMDes and appropriately utilize Village Funds experience income growth and a decrease in local unemployment rates.

However, the results of this study are not in line with the findings of Fadillah (2023), which shows that although the number of BUMDes has increased in Bogor Regency, suboptimal management does not have a significant impact on economic growth. This failure is caused by weak managerial capacity, low community participation, and minimal local regulatory support. This study confirms that increasing the number of BUMDes does not automatically guarantee economic growth if it is not accompanied by effective and accountable management. Similar results were also shown in the research of Annisa et al., (2024) in East Lombok Regency, which found that most BUMDes were inactive or stagnated, even when they received Village Fund injections. In this context, the Village Fund which should strengthen the local economic sector is ineffective due to the lack of management strategies, weak coordination between stakeholders, and the absence of a clear and sustainable business model. These two studies show that the success of the Village Fund and BUMDes is highly dependent on the quality of implementation and the effectiveness of institutions at the village level.

From the perspective of agency theory, the results of this study provide an illustration that the relationship between the central government (principal) and the village government (agent) can run effectively if the agent is able to carry out its functions and responsibilities in accordance with the mandate given. In the context of Village Funds and BUMDes, the village government acts as an agent that manages village funds and businesses for the public interest. When the village government transparently and accountably allocates Village Funds for productive activities and fosters BUMDes professionally, the development goals expected by the principal can be achieved.

Agency theory also emphasizes the importance of monitoring and incentive mechanisms so that agents do not abuse their authority or act based on personal interests. In other words, strengthening the capacity of village officials, financial governance systems, and community involvement in supervision are important elements to ensure that this agency relationship runs effectively and sustainably. In the context of the results of this study, the effectiveness of Village Funds and BUMDes in encouraging village

economic growth reflects that the agency system is running optimally where the interests of the principal and agent are in one goal, namely the progress and independence of the village economy.

CONCLUSION

Based on the results of the analysis and research findings, it can be concluded that village economic growth in West Limboto District is influenced by two main factors: Village Funds and Village-Owned Enterprises (BUMDes). However, the influence of both does not show uniform results.

First, Village Funds do not have a significant direct influence on village economic growth. This is thought to be because the use of funds is still dominated by physical development activities, while the allocation for productive economic activities is still limited. In addition, the low capacity of village officials in managing funds, as well as the high dependence on fund transfers from the central government, also weaken the potential of Village Funds as a driver of local economic independence.

On the other hand, BUMDes shows a positive and significant influence. Well-managed BUMDes have been proven to be able to drive the village economy through increased business activity, creation of new jobs, and increasing community income. This success shows that village economic institutions play an important role in strengthening the local economic structure.

Simultaneously, Village Funds and BUMDes together have a significant influence on village economic growth. This means that collaboration between the use of Village Funds for productive activities and the management of BUMDes that is directed and professional is the main key in driving sustainable village economic growth. Strong synergy between village fiscal policies and local economic institutions can create an ecosystem that supports the independence and welfare of village communities.

Suggestions

Based on the results of the research that has been conducted, there are several important recommendations that can be used as considerations, both by the village government in West Limboto District and by further researchers.

For the village government in West Limboto District, it is recommended to direct the use of Village Funds to productive economic sectors that have a direct impact on the independence and economic growth of the community. Programs such as the development of micro-enterprises, agriculture, animal husbandry, and strengthening the capacity of local business actors need to be a priority. In addition, increasing the capacity of village officials in planning, managing, and evaluating the budget is very important to ensure that the use of Village Funds is more targeted and sustainable. The village government is also expected to begin exploring and developing sources of original village income independently, in order to reduce dependence on transfers from the central government, and create a stronger and more independent village fiscal system.

Meanwhile, for further researchers, it is recommended that research not only be limited to Village Funds and BUMDes as the main variables, but also expand the scope of analysis by considering other factors that may also influence village economic growth. These factors can include the level of education of the population, quality of infrastructure, access to markets, and the role of the local private sector. With a more comprehensive approach, future research results are expected to provide a more holistic and in-depth picture of the dynamics of economic development at the village level.

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