AN ANALYSIS OF VILLAGE FUND IMPLEMENTATION IN CENTRAL JAVA PROVINCE: AN INSTITUTIONAL THEORY APPROACH WITH A MODELING INSTITUTIONAL ASPECT

Eko Nur Surachman
Ratna Dwi Astuti
Politeknik Keuangan Negara STAN
Correspondence Email: e.nursurachman@pknstan.ac.id

ABSTRACT
The implementation of fiscal decentralization in Indonesia has been completed with the issuance of the Village Law and Village Fund Program. Nevertheless, some problems arose in its application. This study aims to map the issues and build a relationship model based on institutional theory, using content analysis and triangle approach interviews. The study concludes that the Village Fund is profoundly affected by the coercive element that is sourced from the authority of the Government to regulate and supervise the program. This coercive then influences the normative, in which the regulation frame and strict implementation lead to difficulties to fulfill the administrative requirements. It then affects the cognitive element on how to sustain and make the planning of the Village Fund Program executable, which leads to poor planning, problematic execution. As it is mandatory, the program is still improvised in its running, which makes the output utilization low.

KATA KUNCI:
Fiscal Decentralisation, Village Fund, Public Policy Evaluation, Institutional Theory

KLASIFIKASI JEL:
H72, O23, R11

CARA MENGUTIP:
1. BACKGROUND

Back in 2014, the Government of Indonesia established Law No 6, Year 2014, concerning rural villages. This bill opened up opportunities for villages to become independent and autonomous in managing village development plans and conducting village development programs as well as managing village budgets to finance the program. So as to implement the law (article 72 paragraph (1) of Law No 6 Year 2014), in 2015, the Central Government introduced a breakthrough program by allocating special funds directly from the State Budget to the village, which later became known as the Village Fund (Government of Indonesia, 2014b). The program is the most revolutionary public policy that the Government of Indonesia has ever made, as the fund is directly transferred to the Village legislative body to finance the development of the village. It is also planned by the villagers themselves, without Central Government intervention in the process of planning and executing the village program. The policy is real and very much at the micro-level of fiscal decentralization. In this context, the Village and Villagers factors play a substantial and crucial role in the program.

Article 19 of Government Regulation No 60 Year 2014 (regulation to implement Law No 6 Year 2014), stipulates that the Village Fund can be used to finance the implementation of village government, development of village infrastructure and empowerment of village and communities, especially to the village development and community empowerment (Government of Indonesia, 2014a). The policy of village development activities is directed at efforts to encourage community self-managed participation in the village itself, in village planning and development. However, villages are still allowed to carry out activities (procurement of goods/services) with contracts such as construction activities requiring experts and/or heavy equipment. Based on the regulations explained above, the Village Fund aims to make the development program run evenly and fairly to the village, so development is not only concentrated in the urban areas (Government of Indonesia, 2014b). It assists the village development to improve villagers’ welfare to the through increasing public services, advancing the village economy, and overcoming the disparity between inter-village developments. This revitalization and empowerment of villages are also applied in several countries. Thailand launched the Village and Urban Community Fund in 2001 to provide working capital for Village Credit Associations. Each village received a million baht and was available to almost 78,000 villages. The impact of the Fund was it resulted in the spending of underprivileged people increasing during the application of Village Fund terms (Boonperm, Haughton, & Khandker, 2013). It indicates Thailand’s Village Fund’s success in reducing poverty. A similar program was also launched in China in 2001. The Government of China provided investment funds to impoverished villages based on participatory village planning by their inhabitants. The results show that villages with the higher quality village committees gained more significant benefits from the program, both in rich and poor households. In contrast, the villages with educated leaders gained more benefit for the wealthier people (Park & Wang, 2010). While in India, the village development emphasized how to involve the participation of the people of the village, especially the impoverished, to take part in the government village program. The government made Village Development Councils to allow more participation at the grassroots level (Chattopadhyay, Chakrabarti, & Nath, 2010).

In the Indonesian context, according to Law No 6/2014 concerning villages, the Village Fund is determined at 10% of the Regional Transfer Fund, which is intended for all villages in Indonesia (Government of Indonesia, 2014b). Nevertheless, the allocation process also considers the number of villagers, the poverty rate in the villages, location and geographical difficulties to decide the amount of Village Funds for each village. Therefore, the Village Fund will be beneficial particularly to the villages whose income only depends on budget allocation from their respective Regency/City Government budgets and do not have Village Endemic Income that can support development in the village. There are a large number of villages with this characteristic, which accounted for 63% of all villages in Indonesia in 2016 (Republika, 2016). The amount of Village Funds transferred to the villages is also getting bigger each year. In 2015 the number of Village Funds budgeted by the government amounted to 3.23% of all balancing funds, amounting to IDR 20.77 trillion. Meanwhile, in 2016, the government budgeted IDR 46.98 trillion or 6.5% of the total transfer expenditure to the regions, and IDR 60 trillion in 2017(Kementerian Keuangan, 2017).

On the other hand, the implementation process of the village fund up until now has had several constraints. The main problem is the use of Village Funds outside the priority areas
(Kementerian Keuangan, 2017). In addition, some issues have arisen at the technical level, such as the results of procurement that could not be used/utilized, the excess calculation of budget volume (Budget Draft), and the misuse of budget (Media Indonesia, 2016), budget embezzlement, budget cuts, fictitious reports on Village Fund development programs (CNN Indonesia, 2017), the phenomena of local elites who co-opt the budget for personal interests, especially local village elites (Tirto.id, 2017), and the low levels of transparency regarding planning and use of village budgets (Antara, 2017). Study Field empirical facts about this problem were explored by (Riyani, 2016) who argued that the problem of the Village Fund was caused by a lack of a sense of responsibility among village officials in managing village funds, the relatively few people who cared about development, and the lack of meetings to convey village fund allocation information to the community. A study by Aziz (2016) also found similar evidence, where the capacity and capability of the villagers to design and manage the program and fund was the main problem. The quantitative hypotheses test results of Atmadja & Saputra’s research indicate that the competence of human resources, assistance, and monitoring affect the accountability of village financial management, including administration, programming, development planning or budget formulation (Atmadja & Saputra, 2018). In addition, the less participation and minimal sense of belonging of the villagers to the program is also a problem. As explored by Apriani, more than 50% of respondents in the three provinces in Indonesia did not have any information about the village fund (Apriani, 2016). Therefore, the number of communities who actively engaged in the program are low. These should be addressed and revised to ensure the effectiveness of the program in the future so that the program will achieve the ultimate goals successfully. Hence, this study aims to explore and map the village fund implementation issues and build a relationship model among the influence factors based on institutional theory, using content analysis and triangle approach interviews.

2. LITERATURE REVIEW

2.1. Development Theory

Economic development is an integrative effort to improve human life quality, including prosperity, living standards, and job opportunities to alleviate poverty, unemployment, and economic inequality (Harahap, 2019). Initially, the state, as the main actor, takes full responsibility in the effort to change the economic as well as social structure in the development (Sulistiowati, 2011) through the efficient allocation of economic resources from the neoclassical economist point of view (Bardhan, 1989). However, in the recent discussion, the role is changing. As the conventional agent of development, the state is replaced by globalization and regionalization (Pieterse, 2010). According to the author, the development goal has not achieved or at least has not met the expectations. This has happened mainly in Africa, some parts of Latin America, and South Asia. Modernization and Westernization, which are two pillars of classical development theory, are no longer relevant to the development’s real outcome in those regions. Ecological problems arose from modernization, while Westernization has not considered the local culture values and cultural diversity.

In addition, institutional economists should pay more attention to the development’s real-world experiences, not only from the historical events that have contributed to the mainstream development theory of today (Chang, 2011). Those discussions should take into consideration the formulation of a development policy in the near future. In the Indonesian context, the development policy should consider intangible factors, such as local values and wisdom that arose from Indonesia’s cultural diversity, not solely or fully adopt the mainstream theory, such as the Rostow, Harrod-Domar, Arthur Lewis, and Dependency Model (Restiyanto & Yusroni, 2006).

2.2. Rural Development: Concept and Application

Since the collapse of the New Order Regime in 1998, political reform has begun at every level of government. It offers the opportunity to revise terms of the relationship between central government (state) and local government, including communities, down to the lowest level, namely rural villages. Antlöv (2003) points out that a village is managed by a representative council that is elected by the community, not solely handled by the Village Head as ultimate authority like before. Furthermore, the village council is provided with greater control and autonomy to make decisions and apply policies to its constituents. Nevertheless, village autonomy is not the only factor that is needed to support village development and alleviate poverty (Antlöv, 2003). It should be supported by a proactive village apparatus as well as active participation by the community.
In Indonesia, based on Law No. 6 Year 2014 regarding Villages and Government Regulations as the implementation guidance of Law No 6 Year 2014 (Government Regulation No43 Year 2014 to Government Regulation No 47 Year 2015 and Government Regulation No 60 Year 2014 to Government Regulation No 8 Year 2016), Government undertakes to provide direct development funds to villages, better known as the Village Fund. The implementation of the Village Fund is a breakthrough policy from the concept of decentralization that has been applied since the Reformation Era in 1999. Several decentralization regulations, issued during the era of 1999 to 2004, put more emphasis on the district/city governments (Law No 22 Year 1999 and Law No 32 Year 2004) rather than the village councils. The issuance of Law No. 6 Year 2014 was an effort to revive the critical role of villages in the national development process (Aziz, 2016). The Village Fund put priority on empowering village communities, besides financing the implementation of village councils and the development of rural infrastructure. The basic principle of the policy is how to encourage villagers’ participation in the process, starting from planning to implementing the program. However, there are some exceptions for goods/services procurement that are far from simple, for example requiring experts and/or heavy equipment, such as the construction of road infrastructure, buildings, or tourism sites. In this case, the village is still allowed to outsource procurement to private parties. The participation of the villagers is a focal point in the Village Fund program as the main objective of the fund is to increase the wealth of the village itself. Hence, it is carried out by maximizing all of the potential resources, including materials and labour within the village.

2.3. Institutional Theory

The institutional theory seeks an explanation of how the elements of an institution, including structure, norms, rules, informal arrangements and actors, affect organizational action to gain legitimacy and resources (Lammers & Garcia, 2017; Scott, 1987). The authors pointed out that institutional theory has been evolving in many ways, providing many perspectives on institutionalization formulation. None of them are right or wrong. The institutional theory simply has a broad scope, multilayered with many variants, and not every formulation is universally applicable. Scott (1987) further explains that organization structure then becomes only a tool or technical instrument that is shaped by the arbitrary natural dimensions of the institution, consisting of interaction and adaptive processes to retain the predetermined value. The existence of an organization then becomes gradual as the result of legitimacy and relational networks, affected by rational myths and social norms. So, in the context of organizational behaviour, choices, and decisions taken are restricted by many external pressures and internal needs to pursue status stability (Oliver, 1991).

Furthermore, institutional theory gives an understanding that some of the organization’s decisions are not the result of economic rationality but rather a social product. Hence, interaction among actors is a major element to study (Suddaby, 2013). The author explains that there are, at least, six fundamental concepts that shaped institutional theory, infusion of value; diffusion; rational myths; loose coupling; legitimacy; and isomorphism. Institutionalization as a process of instilling value becomes one of the earliest facets of institutional theory, as stipulated by Philip Selznick. He stated that institutionalization is an adaptive process by the organization towards value and any action within the organization is basically to maintain those values (Scott, 1987).

The process to preserve value in such a dynamic environment then stimulates diffusion throughout the organization. The adaptive process of social norms first constructs rational myths, something that is perceived as a rational economic because it is manifest in other successful organizations, and then is diffused and taken for granted by the institution (Meyer & Rowan, 1977; Scott, 1987; Suddaby, 2013). This adoption is somehow unrelated to economic productivity or efficiency and more due to responsibility to external expectation, to maintain social conformity, organization sustainability or gain legitimacy (Abdelnour et al., 2017; Meyer & Rowan, 1977; Oliver, 1991).

Organizations then have an institutional pattern in creating a formal structure, adopting the policy, making decisions, or become isomorphic (Abdelnour et al., 2017; Dimaggio & Powell, 1983; Scott, 1987). Adoption of practices taken from a leading institution or highly institutionalized organizations. The highest level of social conformity comes from the state and professional bodies, and so isomorphism could appear in three mechanisms, coercive, normative, and mimetic (Dimaggio & Powell, 1983; Scott, 1987; Suddaby, 2013).
Coercive isomorphism comes from political influence and legitimation problems as antecedents. Weber (1978) ascertains that the legal framework defines and affects many aspects within the organization, including structure and behaviour. Legitimacy and resource allocation somewhat depend on the regulatory commitment and technical requirement, for example, in the budgeting process that is strongly influenced by laws and political forces (Pfeffer & Salancik, 2003).

Normative isomorphism is associated with professions, where collective action from professionals shapes a new practice based on their methods, prerequisites and prescriptive norms to validate their cognitive works. Professionals become moral actors who set the norm and align it with their cognitive process through consultation, training, etc (Dimaggio & Powell, 1983; Scott, 1987; Suddaby, 2013). However, a pure form of normative isomorphism is dubious because in the process, professionals need to experience either a coercive or mimetic process (Dimaggio & Powell, 1983). In addition, mimetic isomorphism is triggered by uncertainty and ambiguity of success criteria. Practices from perceived successful organization become a model, and institutions will mimetically implement it implicitly or explicitly (Dimaggio & Powell, 1983). Considering social and political forces in the adaptive process within an organization, Abdelnour et al., (2017) argue that innovation or new managerial practices are a result of communication within the community and a form of subjective interpretation by the adopter. Both communication and interpretation are the outcomes of human acts, and there is a possibility for actors with leadership to initiate changes through lobbying, negotiating or mobilizing resources, bringing out the concept of institutional entrepreneurship in the neo-institutionalism (Lammers & Garcia, 2017; Lawrence & Suddaby, 2006; Opara, Elloumi, Okafor, & Warsame, 2017; Scott, 1987). In order to choose among multiple views in a study related to institutional theory, Scott (1987) highlights three major institutional features that can be used to emphasize the facts during observation. Those features are the predominant type of institutionalization, identified influences, and affected aspects of organizations. With attention to the major parts, the researcher can conclude which element has the most influence on the organization’s structure and performance and the neo-institutionalism approach by Scott (2004) is taken into consideration in this study.

3. RESEARCH METHODS AND DATA

This study tries to explore the implementation of government policy regarding Village Fund using a qualitative approach. Firstly, in order to build the frame of the analysis, the authors used content analysis by exploring the various journals, reports, and seminars that discuss the implementation of the Village Fund to mapping the problems so that it led to the focus and effective analysis. It was argued by (Webster & Watson, 2002) that a literature review is important to create a foundation for advancing knowledge, facilitates theory development, closes areas where over-explored study already exists and uncover areas where further research is needed. Secondly, In order to enhance the analysis, the in-depth interviews with triangle approach are taken to the relevant stakeholders, namely the Ministry of Finance-DG of Fiscal Balance (DJPK) as representative of policymaker/regulator in the Central Government, Empowered Villages and Civil Registration Agencies at the Provincial Level as representative of the regulators in the Local Government, as well as the Local Assistance Officers, who assist the village apparatus in the Village Fund Program as representatives of the Village Fund Object (Villagers and Village Officers). The object of this study is villages in Central Java, as this province is one of the biggest to receive Village Funds (Aziz, 2016). The province received IDR 5.32 Trillion in 2015, increasing considerably to IDR 6.73 Trillion in 2018, IDR 7.8 Trillion in 2019, and IDR 8.2 Trillion in 2020. In order to represent the villagers in Central Java, the researcher chose one village in the western area, namely Karangrenga Village, Maos District in the Cilacap Region, one in the central area, Kalongan Village, Ungaran Timur District, Semarang and one in the eastern area of Central Java Province, Borangan Village, Manisrenggo District in the Klaten Region. Those three villages received the biggest village funding in each area in 2015, amounting to IDR 854.7 Million IDR 847.5 Million, IDR 803 and 9 Million respectively. The amount is far above the average Village Fund allocation of IDR 720.4 Million per village. The data was collected by from interviews using the interpretive approach to capture the corresponding contextual features and complexity of Village Fund implementation. By using the interpretive approach, this study attempts to understand the necessity of a government policy on Village Funds by studying its natural context from the human actors’ perspective (Walsham, 2006). The primary data gained from the interviews include the implementation of the Village Funds program in real practice, the obstacles that hinder the Village Fund program at
208

every level, as well as monitoring and advisory activities taken to solve the problems.

Furthermore, the study applied an institutional framework as a basis to analyse the implementation of the Village Funds program by exploring the program from three elemental points of view, namely cultural-cognitive, normative and coercive elements, which explains how the elements of the institution, including structure, norms, rules, informal arrangements, and actors, could affect organizational action in order to gain legitimacy and resources. This concept of institutionalization provides a broad perspective on how interests among parties, knowledge and capacity of the institution, political influences, and regulatory framework could affect the Village Funds. In order to picture the relationship modelling among the three elements, the authors used NVivo 12 as a tool to code, run the query and explore and analyse the phenomena transcribed in the interview manuscript.

4. DISCUSSION AND RESULTS

4.1. The Village Fund: A Regulation Perspective

The Village Fund Implementation Program highly depends on the village, consisting of the Village Council and its constituents (Aziz, 2016). The author points out that in the Indonesian context, the role and function of the village have changed over time. Even before the Indonesia Independence, the village as a small structure of society had been formed and already existed. The first formal regulations to manage villages started in the old order regime of Law No. 22 Year 1948, concerning the Principles of Regional Government, Law No. 1 Year 1957, concerning the Principles of Regional Government, Law No. 18 Year 1965, concerning the Principles of Regional Government, and Law No. 19 Year 1965, concerning Desa Praja as a transitional form to accelerate the realization of level III regions throughout the Republic of Indonesia. Then in the new order regime, the government formed Law No. 5 Year 1975, concerning the Principles of Government in the Region and Law No. 5 Year 1979, concerning Village Government. During the Reformation era, the government established Law No.22 Year 1999, concerning Regional Government, Law No. 32 Year 2004, concerning Regional Government, and Law No.6 Year 2014, concerning Villages, and finally Law No. 23 Year 2014, concerning Regional Government. All of those regulations regarded the village as 'Old Institution.' As studied by Thoenig (2013), the Old Institution theory saw public administration as a specific domain defined by the political bodies and administrative structures that govern public affairs. Public institutions were taken for granted. They were neither an issue for knowledge nor a problem for action. Clear-cut boundaries were supposed to separate policy for society and politics from administration. The public sector should be treated as a homogenous and coherent actor relying upon a tightly coupled set of specific entities subordinated to the will of its leaders and able to define a general interest criterion. Legal authority and political legitimacy should provide the backbone of governance. From the perspective of the old institution, the implementation of village regulations did not accommodate the interests and needs of the village community.

This was changed after the establishment of Law No. 6 Year 2014 that regulates the village as the center of development. The village is considered a Neo Institution. It defines a perspective which is usually associated with the idea of institutional background matter because it shapes public administration realities and processes (Thoenig, 2013). Several issues of the new public sector paradigm have emerged, namely, what roles and functions do public institutions play in providing social and economic outcomes to markets, polities, and societies? Does the public sector produce and allocate goods and services efficiently and effectively? Is it possible to fight bureaucracies and to develop democracies quickly and voluntarily? In this point of view, the village holds a more substantial role. It is not only regarded as a static form of bureaucracy that has existed for a long time without a clear objective but also as a dynamic institution that is becoming the main actor in the development of the village and ensuring welfare for the village population (Society). The important factor that is important to take into account is all the effort to achieve those objectives should include and accommodate the villagers’ interests. According to Law No. 6 Year 2014, the regulation provides a sample room for planning development based on the village community’s priority needs without being burdened by work programs from the upper-level government agencies (Simangunsong & Wicaksono, 2017). It is then called ‘Village Autonomy’. Village autonomy is genuine and complete autonomy. It is not a gift from the government. Instead, the government is obliged to respect the original autonomy of the village (Widjaja, 2008).
4.2. The Village Fund Implementation

The Village Fund Policy brings with it great expectations for the development of Indonesia. Once historically established, the development starts from the initiative of the village, the smallest structure in the formal bureaucracy system in Indonesia. In addition, the village also has the autonomy to manage and finance the program through the Village Fund. When everything is going satisfactorily and ideally, the impact of the Village Fund Program will have a massive impact on the development of Indonesia. While there is a success story of the Village Fund Program, like Ponggok Village in Central Java (Asriel & Priyatno, 2018), other researchers concluded that there are many problems that hinder the Village Fund program. The capacity and capability of the village apparatus is the main problem in the implementation of the Village Fund (Aziz, 2016; Priyarsono, 2017; Saragih & Agung, 2018; Simangunsong & Wicaksono, 2017), especially in the field of public accounting and the technology to prepare financial reports (Triani & Handayani, 2018).

In addition to that, the Village Fund regulations were still centralistic, authoritative and rigid (Saragih & Agung, 2018). This circumstance tends to limit the discretion of Regional and Village Governments in developing innovation and exercising their creative ideas and thinking on how to use the Village Fund. It is worse with the sudden regulation revision, either at central, provincial, or city/regency levels, so that the implementation of the Village Fund program was stalled (Aziz, 2016; Triani & Handayani, 2018). The technical and administrative requirements, such as the need for comprehensive preparation of the current year’s Village Budget as well as the Village Budget Realization Report of last year (as accountability report), also hamper the program. It takes time to prepare all of the required documents and reports (Triani & Handayani, 2018), which keeps the Village Government preoccupied with administrative matters rather than with the substance of strengthening the village community (Saragih & Agung, 2018). The provincial government tried to solve the problem by assisting directly in the village. However, the majority of villages complain about village assistants whose existence was a burden on the village. Village facilitators did not have the ability and expertise related to village fund management (Triani & Handayani, 2018).

Furthermore, the monitoring and audit that were conducted strictly in the beginning of the program also interrupted the implementation. It raised the concern of the village apparatus about the legal issues that made them reluctant to use the Fund (Aziz, 2016). Besides, the monitoring and audit conducted by the upper-level government and agencies were also not yet coordinated and synergized (Saragih & Agung, 2018). It created legal and formal uncertainty to the Village Government concerning the disbursement of the fund.

The poor planning also failed to support expenditure with adequate evidence of excess budget (RAB) volume calculation, or even excess payment (Aziz, 2016; Simangunsong & Wicaksono, 2017). Also, the construction work was carried out entirely by third parties/service providers. It was far from the ultimate aim of the Village Fund to involve greater participation of the Villagers in the work. (Aziz, 2016). Furthermore, the study by Aziz (2016) also found that the prioritization of the Village Fund program still emphasized construction activities rather than the empowerment of the village society. It was also found that some Village Development Planning was still not aligned with the Village Budget.

Another problem arising from minimal participation and no sense of belonging of the village population to the program was the low numbers of villagers who actively engaged in the program (Apriani, 2016; Saragih & Agung, 2018; Simangunsong & Wicaksono, 2017). This was the result of the excessive use of the authority of the Village Head. In many villages, the Village Head held the full right to set priorities for the use and allocation of Village Funds. The program was simplistically planned and executed, but not based on community needs. (Aziz, 2016). It made many Village Heads liable for prosecution for corruption and embezzlement cases (Antara, 2017; CNN Indonesia, 2017; Tirto.id, 2017). In order to attract participation from the society, to ensure the transparency of the program, there should firstly be dissemination of information about the program to the villagers so that it continues to engage them from the planning phase to program execution. Unfortunately, according to (Apriani, 2016), approximately 58.7% of the respondents located in 3 provinces in Western, Central, and Eastern Indonesia do not know about the program. This situation indicates that the public response and exposure to the program is very low. Interestingly, the lowest literacy rate of the Village Fund Program is not in Eastern Indonesia, where the media and access of information are limited but in Western Indonesia, where the information resources are widely open and easy to access. It is more connected to the villagers’ awareness culture and participation in village activities, in
which, in this case, rural society, who mostly live in western Indonesia, are more passive and reluctant to engage in village activities.

4.3. The Determinant Factors of Institutionalism

In order to process the data and to conduct analysis, the researcher first established variables related to neo-institutionalism. Based on interpretive research, the study tries to compose ten determinant factors to conduct qualitative analysis. Among the ten factors that were used in the study, there are three variables in the coercive aspect, two variables in the normative, and five variables in the cognitive. These ten factors are the result of the content analysis & literature review process, and these factors are then used as nodes to conduct the coding process by NVivo software. The description of each variable is presented in Table 1.

Table 1. Institutional Theory Aspect Influenced The Village Fund Program

<table>
<thead>
<tr>
<th>No.</th>
<th>Parent Nodes</th>
<th>Nodes</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Coercive</td>
<td>Government Authority</td>
<td>Government (at any level) ability and power to make decisions and enforce obedience from related parties.</td>
</tr>
<tr>
<td>2.</td>
<td>Coercive</td>
<td>Regulative Framework</td>
<td>The existence of regulation, laws, or other formal agreements (Central, Provincial, Local/City/District, Village Regulation) with all of the revision</td>
</tr>
<tr>
<td>3.</td>
<td>Coercive</td>
<td>Monitoring and Audit</td>
<td>Supervision, monitoring, and checks and balances mechanism from internal and external parties.</td>
</tr>
<tr>
<td>4.</td>
<td>Normative</td>
<td>Capacity and Capability of Human Resource and Management</td>
<td>Embedded capability and competency of human resources (Village Apparatus, Village Assistant), including sound managerial systems to manage the village governance</td>
</tr>
<tr>
<td>5.</td>
<td>Technical and Administrative Aspect</td>
<td>Technical and Administrative Aspect</td>
<td>The technical and administrative requirements of the Village Fund implementation and accountability report.</td>
</tr>
<tr>
<td>6.</td>
<td>Cognitive</td>
<td>Planning and Executing Ability</td>
<td>Planning and Executing Ability of the Village Apparatus</td>
</tr>
<tr>
<td></td>
<td>Cognitive</td>
<td>Legal issues concern</td>
<td>The reluctance of Village Apparatus to use the Village Fund because of the legal issues</td>
</tr>
<tr>
<td></td>
<td>Cognitive</td>
<td>Detail Scope of Usage</td>
<td>The clarity of Village Fund to finance the programs (The scope of the program) and program priority</td>
</tr>
<tr>
<td></td>
<td>Cognitive</td>
<td>Participation and Sense of Belonging</td>
<td>The participation of the Villagers i the Village Fund program and their sense of belonging to the program.</td>
</tr>
<tr>
<td></td>
<td>Cognitive</td>
<td>The program output usefulness and utilization</td>
<td>The utilization of the Village Fund program output/result.</td>
</tr>
</tbody>
</table>

Source: Authors compilation based on literature review

The transcript from FGD and interviews were then processed and coded using NVIVO software. Every word and statement from the verbatim transcript is coded based on the nodes. The coding result shows that 37.37% coverage of total references is related to coercive pressure, while cognitive pressure has 15.43% coverage, and normative pressure only 25.23% coverage. The research also used cluster analysis among items coded at each node and obtained Pearson coefficient correlation values from those variables. The Pearson correlation value indicates the strength of the relationship between two variables. The closer the value to 1, the stronger the relationship between two variables. As there are ten nodes, the possible pair-wise correlation between nodes is forty-five relationships (combination mathematic model). The author listed the ten strongest correlations, among others, as shown in table 2. This statistical relationship was then furnished with the result of group coding to build a correlation model among variables.

Table 2. The Ten Strongest Correlation Codes

<table>
<thead>
<tr>
<th>No.</th>
<th>Code A</th>
<th>Code B</th>
<th>Pearson correlation coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Nodes\Technical and Administrative Aspect</td>
<td>Nodes\Regulative Framework</td>
<td>0.85</td>
</tr>
<tr>
<td>2.</td>
<td>Nodes\Planning and Executing Ability</td>
<td>Nodes\Capacity and Capability of Human Resource and Management</td>
<td>0.79</td>
</tr>
<tr>
<td>3.</td>
<td>Coercive</td>
<td>Regulative Framework</td>
<td>Nodes\Government Authority</td>
</tr>
</tbody>
</table>
4.4. The Modelling of Determinant Factors of Institutionalism

The Village Fund Program is significantly influenced by the Coercive Element (Red Oval). The Village Fund Program is managed and regulated by the Central Government through 3 Ministries (Ministry of Finance, Ministry of Home Affairs and Ministry of Villages) and 1 Internal Auditor Agency (Badan Pengawasan Keuangan dan Pembangunan/ BPKP). Each of the institutions, based on their authority, issues several regulations from their point of view. The Local Government, both in the provincial or regency level, then uses the Central Government Regulations as a basis to regulate the program at their level based on their authority. Synchronization and harmonization of the regulations is the critical point in this step. It will affect the next step, namely the application of the Village Fund Program and the disbursement of the fund itself. Parallel to the application and disbursement of the Fund, several institutions also conduct the supervision and monitoring (audit) of the program. Besides four regulators, as mentioned before, several law enforcement bodies, such as the KPK (Corruption Eradication Commission), Polri (National Police), TNI (National Army) and also Supreme Audit Agency (BPK) are responsible for the monitoring and supervision activities of the Program. These coercive elements that implement the program are very strict and inflexible in the context as they have to fulfill several strict requirements in terms of the administrative and technical aspects, such as the disbursement procedure as well as the reimbursement/responsibility report of the Fund (Normative Element). It is worse with the sudden revision of the regulations, in which the requirements are added to with new documents, which are supposed to be applied as soon as possible. On the one hand, the ideal procedure holds the complete administrative documents as a focal point to ensure correct governance of the program. However, on many occasions, the translation of the ideal regulation into practice makes the Village Fund program overly restricted.

Figure 1. Modelling of the Institutionalism Aspects

Source: Authors compilation based on depth-interviews and analysis results
On the other hand, the capacity and capability of the village officials—the ones who plan, run and take responsibility for the program—was still limited. This included the soft competency to propose proper development planning as well as hard competency to manage and execute the development planning. It was also affected by legal issues of concern. The village officials were afraid that their policy to apply and use the Village Fund might become legal cases in the future. It was closely related to the monitoring, supervision, and audit of the program that was simultaneously conducted by several bodies, including Law Enforcement Institutions as well as the Audit Agency, with the various standards of monitoring and audit. Those two Normative Elements (blue oval) then affected the Cognitive Elements (Orange Oval), namely planning and executing ability to manage the Village Fund Program. It made the planning partial and not comprehensive, as having it ready on time was much more important otherwise the fund would not be available. Hence, in the execution phase, it raises a question to what extent the Village Fund could be used to finance a specific program. The poor planning and also the vagueness of Village Fund usage robbed the program of optimal utilization. This was very counterproductive for the Village Fund, as it was designed to increase the villager’s welfare as well as increase the economic activity by provisioning the asset or infrastructure in the village.

Nevertheless, there was some notable success. A few villages that claimed success in implementing the program were influenced by cognitive elements to define the scope of the program financed by the Village Fund. In this situation, the village apparatus provides empowerment to the society with or without the Village Fund program. The apparatus see the Village Fund not as the ultimate goal, but just a tool to help them to increase public wealth. There are common developments needed by most villages (such as irrigation and sports facilities). The idea to build the facilities is easily copied by other villages, and greases the wheels of Village Fund implementation. Based on this result, the coercive pressure by regulating the program with a more detailed procedure should be accompanied by normative and cognitive/mimetic pressure. The normative pressure is conducted by professionals and academics from local universities to assist the village. At the same time, the cognitive/mimetic pressure is delivered by promoting the success story of the Village Fund in some villages and exposing it at national level. The successful program should be documented as knowledge management and then broken down to the practical level to be copied for easy implementation. There is one node that is excluded from the model, namely Participation and Sense of Belonging, as the correlation coefficient of the node is low (starting from rank 32nd with correlation coefficient 0.47).

5. CONCLUSION

The implementation of Regional Autonomy in Indonesia, as mandated since the Reform Era, was completed by the issuance of Law No 6 Year 2014, regarding the rural village. This is a continuation of decentralization from provincial, city/regency ((Law No 22 Year 1999) to the village as the lowest level of government (Law No 6 Year 2014). In order to implement it, the Central Government transfers direct funds to the village (The Village Fund Program). However, the application of the program has not been as smooth as expected; some problems arose and hindered the main objective of the program. Based on the Institutional Theory, the Village Fund is highly affected by the coercive element sourced from the authority of the government in regulating and supervising the program. The coercive then affects the normative element, in which the regulation framework and strict implementation lead to difficulties to fulfil the administrative requirements. In addition to that, the level of capacity and capability of the villagers is low. Those two normative factors then affect the cognitive element on how to create a sustainable and executable planning of the Village Fund Program. The poor planning makes the scope of the program unclear. However, as it is mandatory, the program is still running, with as a consequence, the output of the program not optimally utilized to support the aim of the Village Fund Program. Based on the results, some policies to ease the regulation are critically needed, particularly related to the administrative requirements. In parallel, the capacity and capability of the villagers should be rebuilt from scratch to make the program successful. The crux of capacity is identifying the common objectives, goals, and the needs of the villagers and translating it into a simple and achievable plan (RPJMDes and APBDes).

6. LIMITATIONS

The objects of the study need to be enhanced to reach other villages in Central Java Province to capture the whole picture and recent phenomena.
that it features. It may provide a broader perspective to improve the policy at the sub-national and national levels. It is because different villages in other regions have their own culture, which subsequently affects the institutional mechanism in the village’s organization.

REFERENCES


Lawrence, T. B., & Suddaby, R. (2006). *Institutions and institutional work*. In *The SAGE*
Handbook of Organization Studies. https://doi.org/10.4135/9781848608030.n7


