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## Effectiveness Utilization of Village Funds in Development of MSMEs (Case Study: Tambang Sub-District, Kampar)

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**Abstract:** The purpose of this study is to analyze the effectiveness of Village Fund utilization in the development of Micro, Small, and Medium Enterprises (MSMEs) in Tambang District, Kampar Regency. Village Funds are an important instrument in village development that is directed not only at infrastructure development, but also at empowering the community economy, especially MSMEs. The research method uses a descriptive approach with SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis techniques. Data were collected through in-depth interviews, field observations, and review of official village documents. The research results show that the utilization of Village Funds has significantly contributed to the development of MSMEs, particularly in terms of business group capital, skills training, and the provision of production facilities. However, its effectiveness has not been maximized due to weaknesses in business management, product innovation, and limited market access. A SWOT analysis yielded several development strategies, including optimizing local potential (traditional culinary, plantation products, and crafts), strengthening the capacity of MSMEs through management training and digitalization, product diversification, and strengthening village business institutions.

**Keywords:** Village Funds, MSMEs, Effectiveness, SWOT Analysis, Mining.

### INTRODUCTION

MSMEs are one of the main pillars of the national economy. Based on data from the Ministry of Cooperatives and SMEs (2023), the number of MSMEs in Indonesia reached more than 65 million units, absorbing about 97% of the power work, and contributing around 61% of Product Gross Domestic Product (GDP). In Riau Province, MSMEs also play an important role in increasing community welfare, especially in rural areas. The development of the number of MSMEs in Tambang District in a number of years finally shows a positive trend. This is important to notice because the existence of MSMEs is one of the indicators of the dynamics of the public village economy. For a clearer description of the condition mentioned, in Table I below data is presented on the number of MSMEs in Tambang District during the 2021–2023 period.

**Table I. Development Number of MSMEs in Tambang District, Kampar Regency (2021–2023)**

Year	Number of MSMEs (Units)	Growth (Percentage)	Information
2021	1,310	+ 11.0%	Recovery, starting with Village Fund support and business assistance.
2022	1,480	+ 12.9%	Significant increase, culinary and trade sectors are dominant.
2023	1,650	+ 11.5%	Sustainable growth along with village empowerment program interventions.

Source: BPS Kampar Regency, *Tambang District in Figures* (2021–2023), processed writer.

Based on Table I, the number of MSMEs in Tambang District in the 2021–2023 period shows trend positive growth. In 2021 it was recorded 1,310 MSME units, an increase by 11 percent compared to year previously. Condition This reflect start recovery activity economy public after affected the COVID-19 pandemic, where some MSMEs received support through capital assistance and training from government village and government area. Growth the more significant in 2022 with the number of MSMEs reached 1,480 units or increased by 12.9 percent. the increase the especially originate from sector culinary, trade, and business based services that start develop along improvement mobility public.

In 2023, the number of MSMEs will return increase become 1,650 units with 11.5 percent growth. Positive trend This show that MSMEs in Tambang District have Power good adaptation as well as capable utilise opportunity economy local. In addition, there is utilization of Village Funds in empowerment programs public participate push development of MSMEs so that contribute to growth economy village. Although Thus, the development of MSMEs in mining is still face a number of constraints. Survey results beginning show that only around 25% of MSME actors who have do recording finance in a way simple, and only 10% have it certification products (e.g. PIRT or halal). From the side marketing, the majority of MSMEs still depend on offline sales in local markets, with only around 15% already utilizing digital platforms or e-commerce. Conditions This make Power relative competitiveness of MSMEs weak, especially with existence competition product from other areas as well fluctuations price material standard like catfish which are often changed every the year.

Situation the show importance evaluation effectiveness utilization of Village Funds in support MSME development. Analysis This expected can give description comprehensive about strengths, weaknesses, opportunities and threats faced by MSMEs in Tambang District, as well as formulate a more comprehensive development strategy appropriate target.

**Limitations Study**

This study still has limitations due to its emphasis on an exploratory qualitative approach, so the results cannot be widely generalized. Furthermore, the study lacks quantitative data, such as MSME growth rates or changes in community income following Village Fund interventions, which could strengthen the validity of the findings. therefore, further research is recommended to integrate quantitative data and conduct longitudinal studies to provide a more comprehensive and measurable analysis of the effectiveness of Village Fund utilization on MSME development.

**Village Funds**

Village Funds are funds sourced from from Budget State Revenue and Expenditure (APBN) allocated for village and transferred through Budget Regional Income and Expenditure of Regency /City. According to Constitution Number 6 of 2014 concerning Villages, Village

Funds aim to for finance organization governance, development, coaching and empowerment society. More continued, PDTT Village Ministerial Regulation Number 13 of 2020 emphasize that Village Funds can used for development business economy productive, including support for MSMEs at the level Village. According to Nurhidayati and Prasetyo (2020), effective Village Fund management must adhere to the principles of transparency, accountability, participation, and sustainability. Proper implementation of the Village Fund should not only focus on physical development but also on community economic empowerment through the development of productive businesses such as MSMEs and Village-Owned Enterprises (BUMDes).

### **Micro, Small, and Medium Enterprises (MSMEs)**

According to Constitution Number 20 of 2008 concerning MSMEs, business micro, small and medium is business productive owned by individual and business entities that fulfill criteria certain related assets and turnover. MSMEs have role strategic in development economy national Because capable absorb power work, push growth economy, and strengthen resilience economy society (Tambunan, 2019). In the context of rural areas, MSMEs are one of the pillars in increase income society and reduce number poverty. In addition, according to Suryani and Hendrawan (2021), MSMEs play a role important in support development economy area through improvement mark plus product local, absorption power work, and contribution to improvement welfare society. With Thus, MSMEs do not only functioning as perpetrator economy productive, but also as instrument strengthening sustainable and inclusive people's economy.

### **Program Effectiveness**

Effectiveness is size success something organization or program in reach goals that have been established. Steers (1985) state that effectiveness is level success organization in reach desired goal. Indicator effectiveness can seen from accuracy targets, utilization source power, achievement results, and program sustainability (Mahmudi, 2010). With Thus, the effectiveness utilization of Village Funds can measured from how far the program is truly push development of MSMEs and providing impact to welfare public village. According to Rivai and Mulyadi (2020), program effectiveness can also be measured through achievement indicator performance like accuracy targets, efficiency implementation, perceived benefits, and sustainability program results. therefore that, effectiveness be one of indicator main in evaluate success implementation of government programs, including empowerment programs economy community and MSME development. With Thus, the effectiveness of the program shows to what extent is the implementation activity walk in accordance with goals, objectives, and expected results, as well as to what extent the impact give change positive for group target.

### **Community Empowerment**

Empowerment public is a process for increase capacity individual and groups to be able to take decisions and control source the power they have have. According to Chambers (1995), empowerment aims to ensure that society capable increase independence and participation in development. Village Funds, as instrument policy fiscal, it is expected No only become a stimulus for development physique but also capable empowering public through Village MSME development. In the context of local economic development, Raharjo and Dhewanto (2020) explain that community empowerment through MSME development is an effective strategy for increasing income, creating jobs, and strengthening the village economic structure. Thus, community empowerment is a crucial foundation for realizing inclusive and socially just development.

### Previous Research

A number of study show that Village Funds contribute to improvement economy public through MSME development. Research Sari (2021) find that the use of Village Funds in Sleman Regency has an impact positive to improvement village MSME turnover. Meanwhile that, research Hidayat (2022) in Jember Regency showed that success Utilization of Village Funds is highly dependent on participation society and transparency management. This is show that the effectiveness of Village Funds is not only influenced by the amount of funds, but also by good governance.

In assessing success a program, it is needed size effectiveness, which according to Siagian (2015) is to what extent a objective can achieved with source available power in a way optimal.for analyze conditions and potential of MSMEs in general comprehensive, used approach SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats). This method used for identify internal and external factors that influence success a program or organization (Rangkuti, 2018).

### METHOD

Study This is study descriptive qualitative with approach SWOT analysis, which aims for describe conditions, potential and challenges MSME development in Tambang District, Kampar Regency. Informant in study This consists of from apparatus village, UMKM actors, administrators BUMDes, as well as selected community purposively. Data collection was carried out through interview with device villages and MSME actors, observations to activity production and marketing, as well as documentation various data such as Village Fund reports, BUMDes data, and MSME profiles. the data obtained analyzed through three stage, namely data reduction, data presentation, and data extraction conclusion, with use approach SWOT for identify strengths, weaknesses, opportunities and threats faced by MSMEs in the region.

### RESULTS AND DISCUSSION

Based on results research in Tambang District, MSMEs have significant role in push economy local. Types of businesses that are growing covering culinary traditional, products plantations, crafts, and service small. the existence of Village Funds also give contribution important through provision of business capital group, training skills, as well as development infrastructure economy village such as markets and roads business farmers. However Thus, the development of MSMEs is still face various constraints, including capacity source Power limited human beings, limitations access towards the digital market, as well as competition with product industry scale big.

for understand condition the in a way comprehensive, used approach SWOT analysis. From the analysis known that strength the main advantage of MSMEs in mining lies in the potential local specialties, Village Fund support, as well as nearby location with Pekanbaru. Meanwhile that, weakness covering scale small business, packaging less product interesting, and lack of certification. Opportunities open in form support government, e-commerce trends, and partnerships with BUMDes. As for the threat come from market competition, fluctuations price material standard, and low adaptation technology. SWOT matrix results analysis can seen in the following table:

Internal	Strengths (S)	Weaknesses (W)
Internal Village & MSME Factors	<ul style="list-style-type: none"><li>□ Village Funds have allocation special for empowerment economy public.</li><li>□ the number of MSMEs in Tambang District is sufficient</li></ul>	<ul style="list-style-type: none"><li>□ Capacity MSME management is still low (recording finance, marketing).</li><li>□ Utilization of Village Funds is more Lots to infrastructure, not yet focus to MSMEs.</li></ul>

	<ul style="list-style-type: none"> <li>□ many and varied (processed fish, agriculture, culinary, crafts).</li> <li>□ Support apparatus a relatively small village near with public.</li> <li>□ there is potential local (fish, agriculture, natural resources) that can made into material standard for MSMEs.</li> </ul>	<ul style="list-style-type: none"> <li>□ Lack of transparency and program evaluation.</li> <li>□ the lack of innovation products and limitations technology.</li> <li>- Human resources apparatus village limited in mentoring technical.</li> </ul>
External	Opportunities (O)	Threats (T)
Environment External & Policy	<ul style="list-style-type: none"> <li>□ Support policy national &amp; regional to strengthening MSMEs through Village Funds.</li> <li>□ the existence of regional markets (Bangkinang, Pekanbaru) which can absorb Mining MSME products.</li> <li>□ Digitalization &amp; e-commerce trends that can utilized by MSMEs.</li> <li>□ Potential partnership with BUMDes, cooperatives, and sectors private.</li> </ul>	<ul style="list-style-type: none"> <li>□ Competition product with MSMEs from other areas.</li> <li>□ Fluctuation price material raw materials (e.g. fish, agriculture).</li> <li>□ Risk of Village Funds being misused or No appropriate target.</li> <li>□ dependence on aid without independence.</li> <li>□ Change Village Fund regulations that can reduce allocation for MSMEs.</li> </ul>

The SWOT analysis concludes that MSMEs in the research area have significant growth potential, primarily due to the support of local resources and village government policies. However, weaknesses in management and marketing need to be addressed immediately through ongoing training and mentoring programs. Recommended development strategies include leveraging digital marketing opportunities, improving product quality, strengthening village-owned enterprise (BUMDes) institutions as the center of the village economy, and encouraging MSME independence to reduce over-reliance on Village Fund assistance.

### Recommended MSME Development Strategies

Based on results SWOT analysis, MSME development strategies can formulated through four approach main, namely **SO, WO, ST, and WT strategies**.

#### 1. SO Strategy (Strengths–Opportunities)

Strategies that can done in utilise internal strength to reach opportunity external (SO strategy) is with optimize the potential possessed by MSME actors and support source power available in the area. One of the step strategic that can done is optimize utilization material standard local for produce product featured typical areas that have mark add and power competitiveness in the market. Utilization source Power local No only pressing cost production, but also strengthens identity products that can become characteristics typical area.

In addition, Village Fund support and the existence of Village-Owned Enterprises (BUMDes) can utilized for expand network distribution and strengthening system marketing MSME products. Collaboration between government villages, BUMDes, and potential MSME actors increase access towards a larger market wide, both at the level local and regional. Furthermore, development digital marketing becomes aspect important in expand range consumers. the use of social media and marketplaces provides opportunity big for MSMEs to introduce product they in a way more effective, efficient and cost effective low. Through this strategy, the product local can more known by the public wide, including in the national market even international.

Beside that, development products also need directed at commodities that have high market potential, such as processed fish, results plantations and products craft hand.

Innovation customized products with trends and preferences consumer become key in increase Power MSME competitiveness in the midst market dynamics that continue changed.

With Thus, this SO strategy focused on strengthening internal potential of MSMEs through optimization source Power local, support institutional village, and utilization digital technology, so that capable reach opportunity external in a way maximum and sustainable.

## 2. WO Strategy (Weaknesses–Opportunities)

Reduction strategy weakness with utilise available opportunities (WO strategy) are directed at improvement capacity and competence MSME actors to be able to adapt with market and technology developments. One of them step strategic needs done is organization training that focuses on improving ability managerial, innovation products, as well as digital marketing training the aim for strengthen ability management business and improve Power competition MSME products in the market are increasingly competitive.

Next, it is necessary development center training integrated at the level villages facilitated by the government village Work the same with government area and college high. Training center This expected become means development capacity source Power human, place exchange knowledge, as well as receptacle mentoring sustainable for MSME actors. Collaboration cross institution the potential create synergy in improvement quality business and innovation product based potential local. Besides improvement capacity source Power human, improvement quality packaging products also become aspect important in strengthen Power MSME competitiveness. Attractive, informative, and fulfilling packaging modern market standards can increase interest buy consumer as well as expand range marketing product local. therefore that, MSME actors need to get mentoring in design and standards appropriate packaging with characteristics product and target market.

On the other hand, access to source capital need expanded through various scheme funding, such as cooperatives, BUMDes, and partnership with institution finance. Availability of adequate capital will support MSME actors in develop scale production, increase quality products, as well as expand network distribution. With Thus, the WO strategy focuses on strengthening capacity perpetrator business through improvement skills, innovation products, and access funding, so that existing internal weaknesses can minimized with utilise opportunity external available optimally.

## 3. ST Strategy (Strengths–Threats)

Strategy using strength for face threats (ST strategy) are directed at strengthening Power competition through utilization internal potential possessed by MSME actors. the main effort done with maintain and improve quality products to be able to compete with product from industry scale big. Consistency in quality become factor key for maintain trust consumer as well as expand market share.

In addition, the creation products that have characteristics typical local become step strategic in build differentiation and uniqueness are difficult imitated by the product mass. Advantages based wisdom local the can become identity competitive strengthening position of MSMEs in the market. Utilization network social between MSME actors also play a role important in strengthen collaboration, expanding access information, and improve position bid in face market dynamics and pressure competitive.

More further, diversification strategy product need done for reduce dependence on one type efforts and strengthening resilience to change market demand. Through

diversification and innovation sustainable, MSMEs are expected capable face threat external in a way adaptive as well as guard sustainability his business in term long.

#### 4. WT Strategy (Weaknesses–Threats)

Minimization strategy weakness at a time avoid threats (WT strategy) are focused on efforts improvement independence and resilience of MSMEs in face dynamics environment external. One of the step strategic that can done is push independence MSME actors so that they do not only depend on Village Fund assistance, but rather capable develop business in a way independent through innovation and efficiency management source power. In addition, the formation of group business together become an important strategy for increase scale production, pressing cost operational, as well as strengthen position bid in the market. Collaboration between perpetrator business expected can create synergy that drives efficiency and expand access to source Power productive.

Mentoring sustainable from party academics and practitioners are also needed for increase capacity managerial, innovation products, as well as ability adaptation to market changes. Approach This play a role in strengthen Power stand business as well as ensure sustainability development of MSMEs at the level local. Furthermore, development system control price material standard through Work the same with suppliers local become step strategic in guard stability cost production. Mechanism This can reduce risk fluctuations prices and dependence on suppliers external.

With Thus, the WT strategy emphasizes importance independence, collaboration, mentoring sustainable and stability chain supply as effort comprehensive in minimize internal weaknesses at once avoid threat potential external hinder development of MSMEs.

## CONCLUSION

Based on results research conducted through interviews, observations, and documentation, can concluded that MSMEs in the research area own significant role in push economy villages, in particular through utilization potential local like results fisheries, plantations, and crafts. Although Thus, MSMEs still face a number of constraints, including limited capital, low capacity source Power human, scale relative production small, and lack of innovation and quality packaging product.

The results of the SWOT analysis show that strength the main advantage of MSMEs lies in the availability of material standard abundant local support government village through allocation of Village Funds and BUMDes, as well as skills traditional public in process product. Meanwhile that, the opportunity that can utilized covers increasing request to product local, development digital technology for marketing, as well as existence training program support from various parties. However Thus, MSMEs also face threat in the form of competition with product industry scale large, fluctuations price material standard, change appetite dynamic consumers, as well as risk dependence on aid government.

Based on condition In this regard, the MSME development strategy is directed at utilizing existing strengths and opportunities, at the same time minimize weaknesses and threats. Some steps that can be taken taken including optimizing potential local become product featured village, improve capacity perpetrator business through training digital management and marketing, strengthening institutional through role BUMDes, carries out diversification products to be more adaptive to market changes, as well as push independence of MSMEs so that No fully depend on Village Funds.

In a way overall, MSMEs in the research area own sufficient prospects promising for develop more Far if the strategy is right can implemented in a way consistent. With Thus, the existence of MSMEs is not only capable increase welfare perpetrator effort, but also giving contribution real to development economy village in a way sustainable.

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