An Evaluation of P3DK (An Acceleration of Development Village Program): A Reviewing on Failure toward Revolving Loan Fund System in Kepulauan Riau Province, Indonesia

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Abstract

P3DK (An Acceleration of Development Village Program) is a system or design as an effort of people empowerment to develop infrastructure and the economic development at village level with the purpose to attract more people participate in development and to strengthen people in the future. P3DK has been conducted by Kepulauan Riau Province. Totally, there were 169 target villages and this program was conducted in 2006 to 2011, where each village was allocated fund as of IDR 500,000,000. Every year, the target village to get the fund has been variety. This program was run by giving fully authority to the head of village and it’s people to design an applicable concept of village development through P3DK to start small- medium enterprise in the village. The main aim is to measure and study the success of the implemented concept by the local government to develop Economic of the people. The research funding shows that concept has failed in reaching the target which has been set early to develop the economy of people in village through P3DK. This happened because the lack of intention of the people to return the loan. Another factor is the punishment was not being taken to those who didn’t returned the loan. The recommendation of this paper is the reconstruction of new loan system by focussing on the procedure and mechanism of the program in crucial to be done. Rewards and Punishments is indeed to be implemented seriously for the shake of program.

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1. Introduction

The role and government intervention in order to build the rural economy in Kepulauan Riau province is an obligation that must be fulfilled. It aims to reduce the income gap between rural communities to urban communities. A variety of government programs have been implemented in order to achieve these targets, for example; to build and improve the infrastructure either in education, health, roads, marine and terrestrial transportation, and so on. To achieve these objectives the government cannot perform its role without the involvement of each of the parties (stakeholder). Planning and sustainable synergy is needed in order to improve the achievement of economic development of rural / villages communities in Kepulauan Riau Province.

2. Background of The Study

The government has a huge role in building the country's economy especially to build up the local economy for rural or village citizen. In general, there are many programs that have made by the Indonesian government in order to improve the living standard of the people of Indonesia. In particular, Kepulauan Riau Province also has big ambitions in order to improve the welfare of rural people and rural economies accelerate to pursue the economic of urban communities.

Based on statistical data published by Badan Pusat Statistik or BPS (Central Bureau of Statistics) Kepulauan Riau Province (2012) showed that poverty rate in Kepulauan Riau Province has increased by income level. This is shown by the data in 2008-2012 of which IDR 262.232 in 2008 to IDR 356.873,- in 2012. Based on these data the BPS of Kepulauan Riau Province (2012) give a conclusion that the poverty line has decreased the level of income IDR 356.873,- in 2012. Furthermore, based on the percentage reduction in the poverty rate of 9.18 % (136.360 people) in 2008 to 7.11 % (131.222 people) in 2012.

The Chief of National Development Planning Board (Bappenas) Armida Alisjahbana (DHO/NAD, August 18, 2013) said that the Indonesian government had made the Government Work Plan (Rencana Kerja Pemerintah or RKP) in 2014 in which to reduce poverty in Indonesia to be 9% to 10%. These programs is a program Rice Poor (Raskin or Beras Miskin), Family Hope Program (Program Keluarga Harapan or PKH), Help Poor Students (Bantuan Siswa Miskin), PNPM Mandiri for the provision of Direct Aid Society (Bantuan Langsung Masyarakat or BLM), Public Credit (Kredit Usaha Rakyat or KUR), and pro-people programs such as; very cheap house program, clean water programs, cheap and frugal electricity programs, program to improve the lives of fishermen, as well as programs to improve the lives of the urban poor.

In line with the objectives of the central government, the government of Kepulauan Riau Province has a role and responsibility in order to combat and eradicate poverty by maximizing community involvement directly. In this case, the government has a program called Accelerated Program Urban and Rural Development (P3DK). The orientation of the program is to improve and advance the existing underdeveloped villages in Kepulauan Riau Province. Through this program, the government of Kepulauan Riau Province directly involve the community in determining the direction of development they want based on the Decree of the Governor and Technical Guidelines (Guidelines) set. This development model is a more bottom-up where people are given the freedom to manage and build their respective areas through the construction supervisor who has been designated by rural / urban, respectively.

Livelihoods of rural coastal communities / villages in Kepulauan Riau Province in general are as farmers, fishermen, industrial workers, petty traders and others. The majority, livelihood of coastal communities in the province of Kepulauan Riau is the fishing and marine (fishing) and farming (Katan, E., March 13, 2012). The role of government in order to build the economy of the people is very important where the government is a facilitator in the welfare of society. One of the traditional approaches presented by Goldenberg, M., (2008) to build a rural economy / village is through offering access to capital which the government can create a policy to develop rural economy through lending program to be used as initial capital for the small business community in developing household. Thus, a program offered by the government has given leeway to people in developing economies to be better than ever. However, the program must be controlled by the people themselves who have been given the authority to manage finances that have been granted to each village in Kepulauan Riau Province.
3. Research Questions

The implementation in this study follows the following questions:
1. What is the role of government in building the economic of villagers?
2. How the results that achieved by the government through a loan program of P3DK?
3. What are the barriers and challenges in implementing a loan program of P3DK?

4. Purpose of the Study

The Purpose of the study are:
1. To determine the role of government in building community economic Village in Kepulauan Riau Province.
2. To investigate the results that achieved by government through a loan program of P3DK.
3. To know the obstacles and challenges in implementing P3DK through revolving fund loan program.

5. Limitation of The Study

The context of program evaluation conducted in this study only focused on achieving P3DK. Especially sub-programs with respect to the outcome of the activities of savings and loan that had been filed by some villages located in each district / city in Kepulauan Riau Province-Indonesia.

6. Data collection and Analysis

The methodology in this study uses qualitative descriptive analysis model. To obtain the data and information that is accurate then the researchers conducted a Focus Group Discussion (FGD) with the local community (Creswell, 2012). Furthermore, in addition to carrying out focus group discussions, this study also conducted in-depth interviews (face to face and open interview) to the organizer and perpetrator or the loan user opinion and involve the local community to provide an assessment of the existence of a program loan funds raised by the local community. Sampling the model in this study using purposive sampling and snowball sampling. To determine the district / city that will become the sample. Furthermore, researchers used snowball sampling techniques to ensure sample program managers and actors on the revolving loan fund. Therefore, geographical location of the villages in the province of Kepulauan Riau scattered between islands, then in determining the area to be used as a sampling of the city / district using purposive sampling models. Whereas in determining rural / urban sampled on the use of loan funds P3DK using snowball sampling models. The time required to complete the data collection in the field for 6 months starting from July to December 2013. Technique used is to go to villages located in seven districts / cities in Kepulauan Riau Province.

Table 1. The user list of Revolving Loan Fund (RLF) P3DK of year 2006-2011

<table>
<thead>
<tr>
<th>No</th>
<th>Description</th>
<th>City or District</th>
<th>Year</th>
<th>Total (IDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Business Assistance Savings and Loans</td>
<td>Tanjungpinang</td>
<td>2008</td>
<td>83,597,000</td>
</tr>
<tr>
<td>2</td>
<td>Savings and Loans Fishermen</td>
<td>Bintan</td>
<td>2008</td>
<td>113,913,716</td>
</tr>
<tr>
<td>3</td>
<td>Savings and Loans</td>
<td>Natuna</td>
<td>2008</td>
<td>120,000,000</td>
</tr>
<tr>
<td>4</td>
<td>Fishery Enterprise Fund</td>
<td>Batam</td>
<td>2008</td>
<td>80,653,000</td>
</tr>
<tr>
<td>5</td>
<td>Community Economy</td>
<td>Lingga</td>
<td>2008</td>
<td>26,000,000</td>
</tr>
<tr>
<td>6</td>
<td>Savings and Loans</td>
<td>Natuna</td>
<td>2009</td>
<td>194,209,000</td>
</tr>
<tr>
<td>7</td>
<td>Savings and Loans</td>
<td>Batam</td>
<td>2009</td>
<td>35,000,000</td>
</tr>
<tr>
<td>8</td>
<td>Savings and Loans</td>
<td>Anambas</td>
<td>2009</td>
<td>55,000,000</td>
</tr>
<tr>
<td>9</td>
<td>Savings and Loans</td>
<td>Lingga</td>
<td>2009</td>
<td>218,630,000</td>
</tr>
</tbody>
</table>
7. Related Work

1.1 Rural Economic Program by Government

There are many strategies and programs taken by the government in various countries in establishing and maintaining the economic stability of rural communities. For example, as is done by the government of Pakistan and the Philippines in improving and building the local economy in order to be better then the target groups of the two countries are the rural poor, especially for women, disenfranchised male youth, and persons with disabilities (Webb, K, Riordan, T, & Bruno B, 2005). Furthermore, Webb. K, Riordan. T, & Bruno B, (2005) explains that the role of both governments is to set an ambitious task of creating an alternative model to increase revenue and job creation for the groups most marginalized in diversity, geographic region, and so on. In both countries, the villagers have suffered from issues of peace and security for a long time and there are no jobs or foreign investment can be found. In addition, the government has limited capacity to overcome poverty.

This phenomenon is not much different from the situation in Indonesia, especially for poor and marginalized communities in both urban and rural. Various programs have made the Indonesian government in order to reduce poverty and create employment for the people but the unemployment rate is still relatively high. Providing subsidies directly or indirectly such as by providing fuel subsidies (Bahan Bakar Minyak or BBM), giving Direct Cash Transfers (Bantuan Langsung Tunai or BLT), granting loans capital from the government in collaboration with the Bank, provision of capital which is managed directly by the people (P3DK fund) and so on. It aims to stimulate the economy in order to become better people in the future and achieve a level of prosperity that was mandated in the 1945 Constitution.

1.2 Revolving Loan Funds Program

Without access to the source of the loan funds are provided by an agency or institution that provides loans to individuals, groups and organizations who have very limited financial will impact on the opportunity to open a business and even the difficult to develop small business or home industry on village citizen (Bryson, J. R., & Buttle, M., 2005). According to National Association of Counties (n.d) stressed that Revolving Loan Fund (RLF) is a source of money used to provide loans to projects or programs offered by the government. Institutions most likely to provide capital loans are usually made by the Bank (Lappalainen, J., and Niskanen, M., 2013) Furthermore, the National Association of Counties explained that the Federal Government and most often utilize local RLF to catalyze; 1) Business development and job creation, 2) Residential and increasing energy efficiency local business, 3) Brownfield redevelopment, and 4) water purification project. On the other hand asserts that the initial capital funding to offer long-term, low-interest financing for a variety of uses, ranging from residential and commercial building retrofits for job creation and industrial efficiency (National Association of State Energy Officials, 2013).

This concept is more oriented on Small-Medium Enterprise (SME’s) where institutions provide loans huge capital in order to build up the people's economy and and attempt to to create employment to the community and grow the state's economy for the better in future. The role of a revolving loan fund is very important in enhancing the economic growth of a country. Government has a role in developing local economy and business opportunity in open employment and unemployment can be emphasized by providing initial capital fund to the community. in addition, the provision of low-interest expense to the repayment of the revolving loan fund will ease the burden on the community in an effort to refund monthly. Nevertheless, the concepts included in P3DK only oriented towards granting loans capital on household industries (small business) which aims to provide opportunities to the community in developing a business such as; plantation, agriculture, fisheries, household trade and so on (Hassan,
The concept of a revolving loan fund in order to help the poor and build the economy, especially for the women borrowers has a very significant impact on the success of the state of Bangladesh (Yunus, M. 2007). This program is very important to improve the economic progress of the people of developing countries such as Indonesia. The use of the loan funds utilized to support the start-up capital in building micro-enterprises and home industries (Yunus, M. 2007; Collins, S. B., Reitsma-Street, M., Porter, E., & Neysmith, S., 2011; Irwin, D., Pattinson, S., and Scott, J. M., 2014).

Basically, the concept of loans held on P3DK very different from the system offered by institutions such as the Bank or the Agent or the Institution's loan fund. Those institutions must have goals that are pursuing profit, which means higher interest rates lead to poor returns are not able to apply for a loan to the Bank and other Institutions. The institutions prefer the products they offer to consumers or service users borrowed funds provide benefits to them (Rose, A. L., & Holden, C., 2003). While P3DK running by the local government over the system offers very low interest rates of up to 0.2% depending on each of rural / urban in determining the interest rate loan that has been agreed. This is leading to high levels of demand for people who are attempting to get a loan these funds (Irwin, D., Pattinson, S., and Scott, J. M., 2014). The use of these funds is used as the operational management of a revolving loan fund future. In addition, the advantage of managing the loan is expected to be growing where the profits would be an asset or a financial cash villages / urban.

The supply of a relatively small amount of funds by the provider, it will cause a delay in the distribution of loans to borrowers. This means, the existence of sufficient funds and even unlimited will provide a great opportunity for people to be creative in job opportunities as well as provide an opportunity to develop the small business community itself (B. Irianto, 2010; Irwin, D., Pattinson, S., and Scott, J. M., 2014).

To enshrined that this revolving loan fund programs run in accordance with the targets to be achieved then the government should have to set the standard implementation mechanism, namely; The first phase, to impose regulations, the existence of the program and sources of funds. Regulation is a fundamental tool in organizing and binding between the manager and the actors or users revolving loan fund. Managers and users should refer to the well established rules regarding the purpose of borrowing, borrowing requirement, eligibility of the borrower, the amount of loan funds, loan repayment system, as well as the rewards and sanctions of the borrowers. The second phase, the loan application, the design and review of the revolving loan fund. The government needs to create a model and application revolving loan fund in accordance with the objectives to be achieved by the government in order to build up the people's economy and provide a significant impact on the existence of the program for the community. in addition, the government needs to review the application and the model has been set whether the programs offered will actually benefit the community and the government itself. The third phase, the construction program is a formulation that is essential to catalyze economic development of society. The fourth phase, implementation and completion of an important stage for the success of a revolving loan fund program. The fifth phase, the system of repayment by the borrower to the manager of a revolving loan fund. It is necessary to strictly control which to facilitate this program requires discipline and commitment of the borrower to repay the loan funds so that the funds can be used or given to the next borrower. This means that, if the congestion to refund the loan will provide constraints for the future sustainability of the program.
8. Evaluation Concept

The main objective in implementing the government's program evaluation is to determine the level of success that has been achieved by the government in order to improve the economy of rural communities as well as the impact on the empowerment of rural communities P3DK / village located in Kepulauan Riau Province. This is Necessary because the government has a plan to implement the program again using the government budget in 2014.

Basically, the evaluation is the systematic collection and study analysis information to determine usefulness, effects, or impact the value of a program or activity (Margoluis. R, Caroline S. C, Salafsky. N, & Brown. M, 2009). Furthermore, Webb. K, Riordan. T, & Bruno B, (2005) stated that the mid-term evaluation is to provide project management, partners, and others with information needed to assess and possibly revise the project policy, strategy, data collection methods, objectives, institutional arrangements, plans employment, and resource allocation.

In essence, this evaluation on the purpose, systematic, and carefully and analyze the information used for the purpose of documenting the effectiveness and impact of the program, establish accountability and identify areas that require change and improvement. There are many types of evaluation, depending on destination, time, and procedures used. A summative evaluation, sometimes called the evaluation results, carried out for the purpose of documenting the results of a program. The specific objectives of a program are identified and documented the level of achievement of these goals. The results of the summative evaluation may indicate changes to be made in the program in order to improve in the next implementation. Summative evaluation results to determine the status and condition program for accountability purposes.

The results can also be used as an assessment of the need for further planning program changes or the introduction of new programs and intervention. A formative evaluation, also known as process or implementation evaluation, carried out to examine the various aspects of an ongoing program to make changes / improvements as the program being implemented. This type of evaluation efforts to document what is transpiring in a program. Data were collected and analyzed during the program changes can be made to ensure that quality is maintained throughout the execution of the program. Well (n.d) suggests that when doing an evaluation of the program should consider the 9 steps, namely; (1). Define the purpose and scope of the evaluation, (2) Specify the evaluation questions – what do you want to know?, (3) Specify the evaluation design, (4) Create the data collection action plan,
(5) Collect data, (6) Analyze data, (7) Document findings (8) Disseminate findings, and (9) Feedback to program improvement.

Input (resources), government and revolving loan fund managers need to prepare and set up a system which serves to maintain the continuity of the program to be run either on the rules relating to borrowing, the source of the loan funds, the type of activities of loans, guarantees against the loan and who deserves to be the borrower (participants).

Process, This stage is a very important series of stages in which the implementation of the activities of the borrower's revolving fund and to measure the commitment of the borrower to repay the funds to the manager under the agreement that has been mutually agreed.

Output, at this stage will describe the results of an activity or activities that have been implemented a choice of borrowers managers and actors revolving fund provided by the government of Kepulauan Riau Province. Direct result of the activities, events or services from a revolving loan fund programs such as how many people who have served or who has received a loan service to capital.

Outcome, This is the final stage which will give effect to the community as well as the provincial government's own island. The success or failure can be measured by the results achieved by the government through the implementation of program, it will have the effect of long term which will be demonstrated through a form of achievement, impact, benefits that have been achieved. For example, increasingly create employment opportunity and sustainability of the system capital loan fund for other people.

According to Goldenberg. M, (2008) there are some approach to build the economic of rural and regional citizen's. This approach has included, notably; (1) Providing subsidies to agriculture and other sectors and industries prominent in the targeted regions, (2) Supporting job creation activities, (3) Offering various kinds of assistance for the development of businesses and enterprises, (4) Facilitating access to capital, and (5) Pursuing initiatives to increase investment in the targeted regions. Furthermore, the policy and program instruments used in these approaches include; (1) Grants and contributions, (2) Loans and other measures to assist firms in accessing capital, (3) Tax incentives; and (4) financial measures targeted at small businesses and enterprise development, as well as advisory and information services. On other hand, Department for Environment Food and Rural Affairs (2013) say that to built the rural development program government have to be updating the evidence relating to understanding the value for money, impact and delivery of socio-economic interventions and the leader.
9. Finding and Discussion

P3DK is a government program that implemented Kepulauan Riau Province by using the local budget. Budget is given in the form "Grant Fund" reached IDR 500,000,000 - which is managed directly by the villagers / villages in order to promote the development of rural / urban village. The type of development could include; manufacture and repair of road infrastructure, buildings, homes uninhabitable, prevention of coastal erosion, creating a people's economy, providing revolving loans and so on. Overall activity in each village / sub has elements of filing different activities which was highly dependent on local community needs and deal with conduct these meetings together before deciding what they want.

Government as the organizer does not have to intervene in the interests of all the activities that have been filed by the villagers / village. The government here only as an institution has a duty and responsibility to advance both the feasibility of providing community services infrastructure, economic, social, cultural, and even how the program can create an opportunity to make an effort so that households could reduce the level of unemployment in Kepulauan Riau Province (Gruber, 2010; Gruber, 2012). In this point of view, the government does not have a purpose in the pursuit of profit, but the government is attempting to create jobs through the provision of capital that has been agreed upon by society together (Irwin, D., Pattinson, D., and Scott, JM, 2014).

Revolving loan fund is a program that is essentially a strategy to help repair and the development of social economy. Through the provision of public capital could open a small business (small business) to support the domestic economy. However, it is not uncommon this revolving loan fund to reap maximum results in achieving the desired target government. Therefore, before implementing the program, the government must first create a rule that will be able to bridge the program in order to meet the target of improving the economy in rural / urban.

Before elaborating on the attitudes and behaviour as well as the commitment of borrowers P3DK, feels it is necessary to revisit the behaviour and attitudes of owners of small family firms and non-family firms on the use of loan funds from various sources in order to support the advancement of small business (Lappalainen, J., & Niskanen, M., 2013). In general, when viewed from the side of the goal then no much difference when talking about business and personal forms of family business is to pursue profit and grow their respective businesses. However, there are indicators that are important to them in terms of refund loans if they borrow loan funds to providers. The findings indicate that the activity P3DK attitudes and behaviour as well as the commitment of the borrower to repay (repayment) to the manager of the loan fund is very low and the average of the total available funds are distributed to each borrower only ranged between 5 % to 7 %. Awareness of the existence of functions funds provided by the government is considered as the only funds provided free of charge to the public. This is why the government's failure to achieve goal in establishing economic empowerment of the people through the use and utilize the revolving loan fund. In addition, the lack of clear goals and a revolving loan fund where no strong construction or umbrella rule of law (such as requirements, borrower eligibility, system control, sanctions and rewards) in the start of this revolving loan fund programs that the community does not have the awareness, as well as pressure to repayment these funds to the manager.

In line with the results of a study presented by B. Irianto (2010) which says that the success in achieving Rural Agribusiness Development (RAD) is highly dependent on the cooperation and commitment of all parties (stakeholders) involved. Starting from the planning, preparation, implementation and support of the government especially the government of Kepulauan Riau Province. Different results are providing support in the form of capital is not a constraint in Kepulauan Riau Province. Since the implementation of the program P3DK Year 2006-2011, the government allocated funds in order to develop the economy of the people through the wisdom concept defined jointly by the villages in Kepulauan Riau Province. However, behavior and low public commitment in terms of return on capital revolving cause failure of the government in building rural economy. In addition to this, the system goes punishment not have a significant impact on public awareness of the loan refund P3DK.

10. Conclusion

Government must do its part to help alleviate our worst problems, but government alone cannot solve them (Yunus, M; 2008). It is supposed to be true, the government should be able to perform its role in resolving the economic problems people where still high levels of poverty that hit Indonesia. Conversely, when the government has been giving the opportunity to the community through community P3DK should use and take advantage of the program as possible. Society must have a commitment that the presence of a government loan fund is an asset for
rural / urban and loans will be given the opportunity to other parties who require such funds. Public awareness in the recovery or repayment is paramount to the success of the government's role to build rural economy / is in the province of Kepulauan Riau.

From the findings in this study the recommendations given to the government as well as the manager of the revolving loan fund must formulate P3DK is a standard mechanism revolving loan fund that is distributed to the villagers / village. Strengthening the mechanism should be constructed through regulations that would bind the borrower through a model of the award (reward) and sanctions (punishment) for the revolving fund borrowers.

References


