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The Influence of Village Funds and Fund Allocations on Growth and Poverty in the Barlingmascakeb Area, Central Java Province

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Abstract

This research is based on the magnitude of the influence of village funds, allocation of village funds on growth and poverty. This study aims to analyze the effect of village funds, village fund allocations on growth and poverty in the Barlingmascakeb Region. The analytical method used is path analysis. And to facilitate data processing, the analysis tool uses the Eviews version 9. For analysis purposes, secondary data is used in the form of time series data, 2017-2021, namely the amount of village funds, the total allocation of village funds, growth and poverty in the Barlingmascakeb Region. Data obtained from the Ministry of Finance, Central Java Statistics Agency and other sources, namely journals and research results The results showed that the Village Fund had no significant effect on the poverty level. This result can be seen from the probability value of t count > 0.05. this shows that the Village Fund has no direct effect on the poverty level. The results showed that the Village Fund Allocation had no significant effect on the poverty level. This result can be seen from the probability value of t count > 0.05. This shows directly that the Village Fund Allocation has no influence on the poverty level. The results showed that Regional Economic Growth (GRDP) had no significant effect on the poverty level. This result was seen from the probability value of t count > 0.05. This shows that regional economic growth has no direct effect on poverty levels.

Keywords
village fund; village fund allocation; economic growth; poverty

I. Introduction

The village is a representation of the smallest legal community unit that already exists and grows along with the life history of the Indonesian people and becomes an inseparable part of the life order of the Indonesian nation. Understanding the Village places the Village as a government organization that politically has certain authority to manage and regulate its citizens or communities. With this position the village has a very important role in supporting the success of the national government at large. Villages are at the forefront of achieving success in all government affairs and programs. This is also in line with the composition of the Indonesian population, most of which currently live in rural residential areas (Ministry of Finance of the Republic of Indonesia, 2017).

The problem is, so far the village is still facing the phenomenon of poverty. Based on Susenas calculations (BPS 2008), most of the poor live in rural areas. In 2002, 63% of Indonesia's poor lived in rural areas. Furthermore, for the period March 2019–September 2019, the percentage of poverty in villages was 12.60 percent, while in urban areas it was 6.56 percent (BPS, 2020).

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The problem of poverty in rural areas can also be seen at the level of depth and severity of poverty. The level of depth of poverty (Poverty Gap Index) shows the average size of the expenditure gap of each poor person against the poverty line. The higher the index value, the greater the average disparity between the expenditures of the poor and the poverty line. The poverty severity index (Poverty Severity Index) shows the distribution of spending among the poor, as well as the intensity of poverty. The two indices show that during the period March 2019–September 2019, the Poverty Depth Index (P1) and Poverty Severity Index (P2) were much higher in rural areas than in urban areas. BPS (2020) noted. Rural Poverty Depth Index is 2.18, while in urban areas it is 1.05. Meanwhile the Poverty Severity Index in rural areas is 0.55, while in urban areas it is 0.24. This fact implies that the poverty rate in rural areas is more severe than in urban areas. In order to support village development, Law Number 6 of 2014 mandates that villages be given a source of income from the State Revenue and Expenditure Budget, namely the Village Fund. The new Village Fund was implemented in 2015 with the issuance of Government Regulation Number 60 of 2014 concerning Village Funds sourced from the State Revenue and Expenditure Budget. The priority of using the Village Fund is to finance the implementation of local village-scale programs and activities in the field of village development and empowerment of village communities.

In addition, another source of village income is the Village Fund Allocation (ADD). Article 72 of Law Number 6 of 2014 states that the sources of village income include village fund allocations which are part of the balancing fund received by the district/city. The Village Fund Allocation (ADD) is a fund allocated by the Regency/Municipal government for villages originating from the part of the central and regional financial balance funds received by the Regency (Government Regulation Number 72 of 2005). One of the objectives of the Village Fund Allocation (ADD) is poverty alleviation (Regulation of the Minister of Home Affairs Number 37 of 2007).

Table 1. shows that the Village Fund and Village Fund Allocation (ADD) have a major contribution to village income. In 2017, the Village Fund contributed 57.42 percent and decreased to 56.60 percent in 2018. In the same year, the contribution of the Village Fund Allocation increased from 30.43 percent to 30.90 percent. Overall during 2017 and 2018, the Village Fund and ADD played a very important role in village revenue, which was more than 85 percent.

Table 1. Realization of Village Government Revenues throughout Indonesia (Billion Rupiah), 2017- 2018

Rincian	2017	2018
1. Village original income	3.097 (3,09)	3.711 (3,61)
2. Tranfers Revenue	96.651 (96,42)	98.580 (95,91)
2.1. Village Fund	57.561 (57,42)	58.174 (56,60)
2.2. Tax Revenue Sharing and Regency/city levies	2.466 (2,46)	2.976 (2,89)
2.3. Village fund Allocation	30.507 (30,43)	31.760(30,90)
2.4. Financial Aid	6.117 (6,11)	5.670 (5,52)
3. Other Income	492 (0,49)	497 (0,48)
Income	**100.240 (100,00)**	**102.788 (100,00)**

Source: BPS, 2019 (Processed) Note: Numbers in percentage brackets

Departing from the above phenomenon, researchers are interested in examining how the impact of the Village Fund and Village Fund Allocation on the poverty level of the districts receiving the two transfers. So far there have been several researchers linking the Village Fund or Village Fund Allocation (ADD) to poverty. Sigit (2020) conducted research on the effect of the Village Fund on poverty at the Regency/City level in Indonesia. This study uses panel data regression with a fixed effect model. The results of the study found that the Village Fund variable had a negative influence on the Number of Poor People.

II. Review of Literature

2.1 Village Fund Theory

According to Government Regulation Number 60 of 2014 concerning Village Funds, village funds are funds sourced from the State Revenue and Expenditure Budget designated for villages which are transferred through the Regency/City Regional Revenue and Expenditure Budget and are used to finance government administration, development implementation, fostering community, and community empowerment. In the same vein, the Village Fund Pocket Book published by the Minister of Finance (2017). defines village funds as budgets originating from the APBN which are specifically intended for villages in order to carry out development and community empowerment through City/Regency APBD funds. The use of village funds is based on the Regulation of the Minister of Disadvantaged Regions and Transmigration No. 21 of 2015 concerning Priority for the Use of Village Funds for the 2016 Fiscal Year, the first implementation of programs and activities in the field of village development, including: among others the development, development, and maintenance of infrastructure or physical facilities and infrastructure for livelihoods, including food security and housing, public health, education, social and culture, community economic efforts, production and distribution of renewable energy and environmental conservation activities. Second, programs and activities in the field of Village Community Empowerment, are allocated to fund activities aimed at increasing the capacity of residents or rural communities in entrepreneurial development, increasing income, and expanding the economic scale of individual residents or community groups and villages.

2.2 Village Fund Allocation Theory

Definition of ADD in Government Regulation no. 72 of 2005 is the fund allocated by the regency/municipal government for villages originating from the part of the central and regional financial balance funds received by the regency/city. The share of the central and regional financial balance funds received by the Regency/City for the village is at least 10% divided proportionally to each village. Furthermore, with the enactment of the Village Law, the principle of implementing the Village Fund Allocation is further strengthened. Through Government Regulation No.43 of 2014 concerning Implementing Regulations of Law No. 6 of 2014 concerning Villages, the mechanism for implementing the Village Fund Allocation and its allocation is regulated.

2.3 Regional Economic Growth

An indicator of the added value of an area that is commonly used is GRDP (Gross Regional Domestic Product). The definition of GRDP according to the Central Statistics Agency (2020) is the amount of added value produced by all business units in a certain area, or is the total value of goods and services produced in the domestic area to be further used as the "final" consumption of the community. The preparation of GRDP is presented on the basis of current prices and constant prices. GRDP on the basis of current prices

describes the added value of goods and services which is calculated using the prevailing prices every year, while GRDP on the basis of constant prices shows the added value of these goods and services which is calculated using prices prevailing in one particular year as a basis.

2.4 Poverty

According to Nurwati (2008) poverty is a social problem that continues to exist in people's lives. The problem of poverty is very long, and for a long time, as is the case with human age itself, and the main element of the problem is related to various forms or characters of human life. In other words, poverty is a life problem that is global in nature, meaning that the problem of poverty has become a worldwide concern, and this problem exists in all countries, although the impact of poverty is very different. Based on the poverty line, the Foster-Greer-Thorbecke (FGT) Index can be calculated which consists of: (1) the percentage of poor people to the total population (head-count index, P0); (2) the level of depth of poverty (poverty gap index, P1); and (3) poverty severity index (P2).

2.5 Relationship between Village Funds and Village Fund Allocation on Economic Growth

The Village Fund and ADD can be considered as part of fiscal policy, namely a government action to regulate the course of the economy by determining the amount of government revenues and expenditures each year which is reflected in the APBN for national and regional/regional APBD documents. The purpose of this fiscal policy is to stabilize prices, output levels and employment opportunities and spur economic growth (Sukirno, 2008). According to Mankiw (2008) if government spending increases then AD (Aggregate Denand) will increase. The theory that discusses the relationship between government spending and economic growth is described in The General Theory Keynes

2.6 Relati Relationship between Growth, Village Funds, and Allocation of Village Funds with Poverty

Increasing government spending in the form of Village Funds and ADD will increase GRDP which in turn increases regional economic growth. Such economic growth is very important for poverty alleviation. The benefits of fast economic growth will spread to all groups of people through the output multiplier, namely the impact of increasing final demand. a sector to the total output of all sectors in a region. Because of this, most studies find that economic growth reduces overall poverty, so policy makers need more detailed results to make decisions about the allocation of public resources and sources of funds to finance public spending (Sarris, 2001).

III. Research Method

In this study, the type of data based on the source is secondary data. Secondary data is primary data that has been further processed and presented either by primary data collectors or other parties. The type of data used to analyze the Village Fund, Village Fund Allocation, GRDP, and Poverty with the 2017-2021 time period in the form of time series and cross section data. the type of data according to the time of collection is time series data. Time Series is data that describes something from time to time or historical period. Periodic series or time series is a series of observations of events, events or variables taken from time to time, recorded carefully according to the order in which they occur, then

compiled as statistical data. Sources of data are obtained from the Central Statistics Agency and related government agencies which are tailored to the needs of the research.

The type of research method chosen is descriptive analysis, in other words, analytical descriptive research takes problems or focuses on problems as they are when the research is carried out, the research results are then processed and analyzed to draw conclusions.

The Path Analysis Model can be derived its regression equation as follows:

$GDRP = \beta 0 + \beta 1 \text{Village Fund} + \beta 2 \text{ Allocation Village Fund} + \varepsilon 1$ ……1

$POV = \beta 0 + \beta 3 \text{ GDRP} + \beta 4 \text{ Village Fund} + \beta 5 \text{ Allocation Village Fund} + \varepsilon 2$ ……..2

Then the regression equation is changed in the form of a logarithmic equation and the following equation is obtained:

$LN \text{ GDRP} = \beta 0 + \beta 1 \text{ LN Village Fund} + \beta 2 \text{ LN Allocation Village Fund} + \varepsilon 1$

$LN \text{ POV} = LN \beta 0 + \beta 3 \text{ LN GDRP} + \beta 4 \text{ LN Village Fund} + \beta 5 \text{ LN Allocation Village Fund} + \varepsilon 2$

Information
GRDP : Gross Domestic Product per Capita (Rupiah)
Village Fund : Village Fund per Capita (Rupiah)
ADD : Village Fund Allocation per Capita (Rupiah)
POV : Poor (Percent)
Bo: Constant
β1… βn: Coefficient
ε_1 : Error sub structure 1
ε2: Error Sub Structure 2
LN: Natural log

IV. Result and Discussion

4.1 Relationship between Village Funds and Village Fund Allocation on Economic Growth

To find out the Effect of Village Funds and Allocation of Village Funds on Economic Growth in the Barlingmascakeb Region in 2017-2021. Regression analysis model 1 (one) is used to determine the strength of the relationship of the independent variable to the intervening variable

The estimation results of panel data regression using the Common Effect Model, Fixed Effect Model (FEM), and Random Effect Model (REM) approach can be seen in Table 1

Table 1. Interpretation Results of Common Effect Model, Fixed Effect Model, and Random Effect Model Calculations using Eviews 10.

Variabel	Dependen: PDRB (*Product Domestic Regional Bruto*)		
	PLS	FEM	REM
C	3.620675	4.460554	4.202428
Log (Dana Desa)	-0.058962	-0.104307	-0.033429
Log (Alokasi Dana Desa)	0.466546	0.151046	0.254508
R^2	0.694063	0.926598	0.369615

F-Statistik	24.95506	37.87066	6.449659
Prob.F Statistik	0.000002	0.000000	0.006247

4.2 Selection of the Best Estimation Model

a. Chow Test

Table 2. Result of Panel Data Estimation with Chow test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	14.255799	(4,18)	0.0000
Cross-section Chi-square	35.685640	4	0.0000

Source: Panel Data Output Using E-Views 10

Hypothesis formulation can be explained as follows H0 : Best Ordinary Least Square Pooled HA: Best Fixed effect, at Significance (α) = 0.05 with Testing Criteria then H0 is rejected if the significance of Fstat < and H0 is accepted if the significance of Fstat > if the significance value of F is 0.0000 < 0.05, H0 is rejected so that the model follows the Fixed Effect

b. Hausmann Test

Table 3. Results of Panel Data Estimation with Hausmann Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	7.935956	2	0.0189

Source: Panel Data Output Using E-Views 10

The formulation of the hypothesis is as follows, if H0: the best random effect and HA: the best Fixed Effect if the level of significance (α) = 0.05 with the test criteria then H0 is rejected if the Chisquare significance < α and H0 is accepted if the Chisquare significance > α so The chi-square significance value is 0.000> 0.05, Ho is rejected so that the model follows the Fix Effect.

So after selecting the right method, then testing the equation to find out the relationship between variables using the Fixed Effect Model method shown in table 4.1.3 as follows:

4.3 Hypotesis Test

a. Interpretation of the Coefficient of Determination (R-Square)

Table 4. Fixed Effect Model calculation results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(DANADESA)	-0.104307	0.097289	-1.072136	0.2978
LOG(ALOKASIDANA DESA)	0.151046	0.075995	1.987586	0.0623

C	4.460554	0.199201	22.39219	0.0000
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.926598			

Source: Panel Data Output using Eviews 10

Based on the results of FEM data processing in Table 4.1.2.1 shows an Rsquare value of 0.926598, this figure indicates that the Independent variables (Village Funds and Village Fund Alokas) jointly affect the dependent variable (GRDP) by 92.65%, while the remaining 7.35 percent is explained by other variables or factors not included in the model.

b. F Uji test

The results of the f test in table 4.1.2.1 show the probability value of the F-statistic of 0.2978>α(0.05). then H0 is accepted and simultaneously (simultaneously) the independent variables (Village Fund and Village Fund Allocation) affect the dependent variable (GRDP).

c. t test

The result of the t test in the table show that

a. The significance value of the Village Fund t statistic is 0.2978, which is greater than 0.05, so it is rejected to be accepted, meaning that the independent variable affects the dependent variable significantly.
b. The statistical significance value of the Village Fund Allocation t statistic is 0.0623, which is greater than 0.05. rejected is accepted one of the independent variables significantly affects the dependent variable.

From the effect validity test (t test) it can be seen that one of the dependent variables has a significant influence on economic growth in the Barlingmascakeb region.

4.4 Hypotesis Test

To find out the Effect of Village Funds, Allocation of Village Funds, Economic Growth on Poverty in the Barlingmascakeb Region in 2015-2019, regression analysis model 2 was used to determine the strength of the relationship of the independent variables.

The results of the panel data regression estimation using the Common Effect Model, Fixed Effect Model (FEM), and Random Effect Model (REM) approach can be seen in Table 5

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Variabel	Dependent: Kemiskinan		
	CEM	FEM	REM
C	-4.715712	2.753995	-6.146530
Log(Dana Desa)	0.258774	-0.152802	0.186372
Log (Alokasi Dana Desa)	0.527243	-0.150172	0.319024
Log(PDRB)	0.790870	2.184152	1.193189
R^2	0.716754	0.900901	0.638877
F-Statistik	17.71349	22.07801	12.38396
Prob. F Statistik	0.000006	0.000000	0.000070

Source: Eviews 10 panel data processing results

4.5 Selection of the Best Estimation Model

a. Chow Test

Table 6. Chow Test Calculation Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	7.897437	(4,17)	0.0009
Cross-section Chi-square	26.254981	4	0.0000

Source: Output panel Eviews 10

Hypothesis formulation can be explained as follows H0 : Best Ordinary Least Square Pooled HA: Best Fixed effect, at Significance (α) = 0.05 with Testing Criteria then H0 is rejected if the significance of Fstat < and H0 is accepted if the significance of Fstat > if the significance value of F is 0.0000 < 0.05, H0 is rejected so that the model follows the Fixed Effect

b. Hausmann Test

Table 7. Results of Panel Data Estimation with Hausmann Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	20.134036	3	0.0002

Source: Eviews 10 panel data output results

The formulation of the hypothesis is as follows, if H0: the best random effect and HA: the best Fixed Effect if the level of significance (α) = 0.05 with the test criteria then H0 is rejected if the Chisquare significance < α and H0 is accepted if the Chisquare significance > α so The chi-square significance value is 0.000> 0.05, Ho is rejected so that the model follows the Fix Effect.

4.6 Hypothesis test

a. Interpretation of the Coefficient of Determination (R2)

Table 8. Regression table panel data fixed effect model method

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(PDRB)	2.184152	0.606618	3.600536	0.0022
LOG(DANADESA)	-0.152802	0.258261	-0.591658	0.5619
LOG(ALOKASIDANADESA)	-0.150172	0.215983	-0.695294	0.4963
C	-9.838689	2.753995	-3.572516	0.0023
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.900901	Mean dependent var		0.507821

Based on the results of FEM data processing in Table 4.2.3 shows the Rsquare value of 0.900901. This figure shows that the Independent variables (Village Funds, Village Fund Allocations, and Economic Growth/GDP) jointly affect the dependent variable (Poverty) by 90.1 percent, while the remaining 9.9 percent is explained by other variables or factors not included in the figure model

b.F Uji test

The results of the f test in table 4.2.3 show the probability value of the F-statistic of 0.5619>α(0.05). then H0 is accepted and simultaneously (simultaneously) the independent variables (Village Fund, Village Fund Allocation and Regional Economic Growth) affect the dependent variable (Poverty)

c. t Test

The result of the t test in the table show that

a) The significance value of the Village Fund t statistic is 0.5619, which is greater than 0.05, so it has a significant effect
b) The statistical significance value of the Village Fund Allocation t statistic is 0.4963, which is greater than 0.05. then it has a significant effect
c) The significance value of the t statistic for economic growth (GDP) is 0.0022 from 0.05, so it has a significant effect.

From the effect validity test (t test) it can be seen that the dependent variable has a significant influence on poverty in the Barlingmascakeb region.

V. Conclusion

This study aims to see how much capacity the local government in the Barlingmascakeb region has in increasing Economic Growth and Reducing the Poverty Index through Village Funds and Village Fund Allocations. in its management, it can be one of the benchmarks or measures of success in suppressing the poverty index and increasing economic growth by managing the Village Fund and Village Fund Allocation efficiently and effectively in its use in the Barlingmascakeb area. Based on a descriptive analysis of poverty in the Barlingmascakeb area, we can see that the poverty index is still quite high and has decreased significantly. This result interprets the Village Fund and Village Fund Allocation as providing a small contribution in increasing Economic Growth which affects the decline in the poverty index. So there needs to be improvements from the local government to the district/city government in the management of Village Funds and Village Fund Allocations so that they can be absorbed properly. Based on the results of panel data estimation, it shows that economic growth is also influenced by the amount of Village Funds and Village Fund Allocations given from the Central Government and Regional Governments to the Barlingmascakeb Regency/City Government. These results provide an illustration, the larger the Village Fund and the Allocation of Village Funds provided by the Central Government or Regional Government will have an influence on Economic Growth as seen from the increasing Gross Regional Domestic Product.

To reduce the Poverty Index, one must pay attention to other indicators of the Village Fund and Village Fund Allocation, or the Central Government or Regional Government can increase the amount of the Village Fund budget and Village Fund Allocation with the aim that the larger the budget given, the greater the regional potential that can be developed so that it will have impact on increasing Economic Growth in the Barlingmascakeb Region. To encourage increased Economic Growth in the

Barlingmascakeb Region, steps can be taken by the Regency/City Government to be put to good use, and used on target with reference to the Regency/City Government RPJMP. And don't let there be a budget that settles, or corrupt practices carried out by Regency/City Government elements so that it will have an impact on faster and more effective Economic Growth which will also affect the poverty index. The more the budget is absorbed, the more prosperous the community.

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