

The Effect of Village Funds, Allocation of Village Funds, and Balancing Funds on the Number of Poor People in Regencies in East Kalimantan Province

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Abstract— This study aims to determine the effect of village funds, village fund allocations, and balancing funds on the number of poor populations in regencies in East Kalimantan. The quantitative research method employed is multiple linear regression analysis. The data used in this study is secondary data obtained from the Department of Community Empowerment and Village Government, the Directorate General of Fiscal Balance (DJPK), and the Central Statistics Agency in 7 districts of East Kalimantan. The findings revealed that the Village Fund and Village Fund Allocation had an insignificant but not significant effect on the number of poor, whereas the balanced fund had a significant positive effect on the number of poor. Likewise, simultaneously, the variables of the village fund, the allocation of the village fund, and the balanced fund have a significant positive effect on the number of poverty in registries in East Kalimantan Province.

Keywords— Village Fund, Village Fund Allocations, Balance Fund, Poverty.

I. INTRODUCTION

Poverty is the most basic problem experienced by every developing country, including Indonesia [1]. Poverty is assumed to be a condition of a person who is considered unable to fulfill his basic needs, which are a standard of living.

From the perspective of income level, poverty can be grouped into absolute poverty and relative poverty. A person is said to experience absolute poverty if his income is lower than the absolute poverty line or if the amount of his income is not sufficient to meet the needs of daily life, while relative poverty can occur due to differences in income depending on the condition of the region or country. The measure of the poverty line used by the Central Bureau of Statistics (BPS) is based on an absolute poverty approach.

The village government, through Law No. 6 of 2014, obtains village funds from the central government through the APBN and village fund allocations from the district government through the APBD. Village Funds and Village Fund Allocations are used for village development and community empowerment, which leads to economic growth and reduces poverty in the village.

Amount of village funds and village fund allocations received by districts in East Kalimantan has increased from

year to year, from 2015 to 2021. Along with the increase in village funds, the number of villages in Indonesia that received village funds also increased, from 74,093 villages in 2015 to 74,954 villages in 2020 (Sirait & Octavia, 2021). On the other hand, the number of poor people recorded by the Central Statistics Agency (BPS) in East Kalimantan Province continues to fluctuate from 2015 to 2021.

This study adds a balancing fund variable to examine the effect of village funds and village fund allocations on the number of poor people. The balancing fund variable was added because the characteristics of the district and city budget funding sources in East Kalimantan were dominated by balancing funds.

II. LITERATUR REVIEW

Village Fund

Government Regulation Number 60 of 2014 [2] concerning village funds sourced from the state revenue and expenditure budget states that village funds are funds sourced from the state revenue and expenditure budget designated for villages that are transferred through the district or city regional revenue and expenditure budget and used to finance the administration of government, implementation of development, community development, and community empowerment.

The allocation of village funds sourced from the APBN is transferred through the regency/city APBD and then transferred to the village APB. The village fund allocated to each district or city is based on the multiplication between the number of villages in each district or city and the average village fund for each province. The average allocation of the Village Fund is based on the number of villages in the province concerned as well as the population, area, poverty rate, and level of geographical difficulty in the districts and cities within the province concerned.

Allocation of Village Funds

Law Number 6 of 2014 [3] states that the Village Fund Allocation is part of the balancing fund received by the regency or city and represents at least 10% of the balancing fund received by the regency or city in the Regional Revenue

and Expenditure Budget (APBD) after deducting the Allocation Fund Special (DAK).

Based on the Minister of Home Affairs Regulation Number 37 of 2007 [4], the objectives of the Village Fund Allocation are:

1. Tackling poverty and reducing inequality.
2. Improving development planning and budgeting at the village level and community empowerment
3. Improving rural infrastructure development.
4. Improving the experience of religious and socio-cultural values in order to realize social improvement
5. Increasing the peace and order of society.
6. Improving services to rural communities in the context of developing community social and economic activities.
7. Encouraging increased self-reliance and community cooperation.
8. Increase village and community income through Village Owned Enterprises (BUMDesa).

Balancing Fund

Law Number 33 of 2004 [5] states that the Balancing Fund is a fund sourced from APBN revenues allocated to the regions to fund the needs of the regions in the context of implementing decentralization. The amount of the Balancing Fund is determined every fiscal year in the APBN.

According to Djaenuri [6], the balancing fund is a source of regional income originating from the APBN to support the implementation of the authority of local governments in achieving the objectives of granting autonomy to the regions, namely primarily improving public services and welfare. Thus, in line with its main objective, the balancing fund empowers and enhances the capacity of the regional economy, creates a fair, proportional, rational, transparent, participatory, responsible (accountable) payment system, and provides certainty of regional financial sources originating from the region concerned.

The Balancing Fund aims to reduce the fiscal gap between the government and regional governments and between regional governments. The Balancing Fund consists of the General Allocation Fund (DAU), the Special Allocation Fund (DAK), and the Revenue Sharing Fund (DBH).

Poverty

Poverty has become a crucial problem that occurs in Indonesia, and although there have been various ways to deal with it, poverty is still difficult to reduce. Suharto [7] Poverty is a humanitarian problem that hinders prosperity and civilization.

Suparlan in Annur [8] explained that poverty is a standard of low standard of living, namely a condition of material deficiency of a person or group of people juxtaposed with the general indicator value of life in the community environment. BAPPENAS defines poverty as a condition in which a person or group of people is unable to fulfill their basic rights including: food, health, education, employment, housing, clean water, land, natural resources and the environment, a sense of security from treatment or threats of violence and the

right to participate in socio-political life, both for women and men.

The World Bank argues that poverty is a lack of well-being. Conventional opinion associates welfare primarily with ownership of goods so that the poor are defined as those who do not have sufficient income or consumption to make them above the minimum threshold of the prosperous category. To measure the number of poor people, the Central Statistics Agency (BPS) uses the concept of the ability to meet basic needs (basic needs approach). This concept refers to the Handbook on Poverty and Inequality published by the Worldbank. With this approach, poverty is seen as an economic inability to meet basic food and non-food needs as measured from the expenditure side. A population is categorized as poor if it has an average monthly per capita expenditure below the poverty line.

Al-Khawaeizmi et al. [9] stated that poverty can be classified into four types, namely:

1. Absolute poverty is a condition where the income of a person or group of people is below the poverty line so that it is insufficient to meet the standard needs for food, clothing, health, housing and education needed to improve the quality of life or it can also be interpreted as the condition of an individual who their income is not sufficient to meet their primary needs.
2. Relative poverty is defined as a form of poor condition due to the influence of development policies that have not yet reached the entire community, thus causing income inequality. Even though a resident's condition is above the poverty line, he still looks poor because the average income of the local population is higher. For example, the income of the Balikpapan people is higher than the income of the Samarinda people.
3. Cultural poverty is poverty that is formed because of people's habits that have become a culture, both from the values that are carried, thoughts, and ways of working. Examples of cultural poverty that often occur in society, namely lazy, easy to give up on fate, reject the progress of science and technology and like to choose shortcuts to success.
4. Structural poverty is poverty that comes from social structures embedded in certain groups of people and allows conditions to occur where they cannot use the resources that are actually available to them. Examples of structural poverty that often occur in society, namely people in an area do not have time to have a job or lose their job because the natural resources of the area are controlled by foreign investors who use foreign workers and an area that has abundant natural resources, but the people cannot enjoy this wealth.

III. METHODOLOGY

This study consists of the dependent variable, namely, poverty, and three independent variables, namely, the village fund, the allocation of village funds, and the balance fund. It is suspected that the three independent variables have an effect on the dependent variable, which can be described as follows:

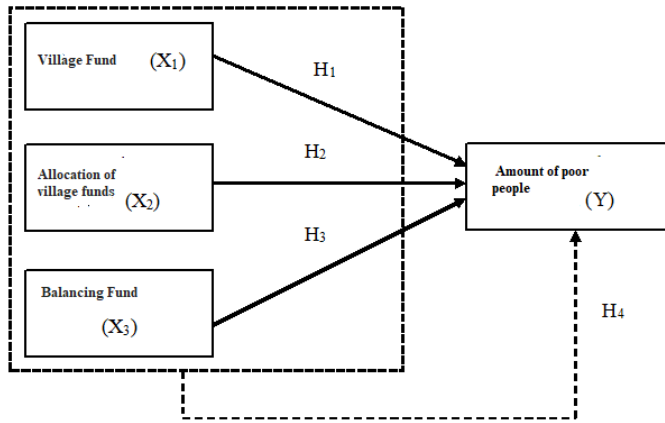


Fig. 1. Research Model

The objects of this research are districts that receive village funds, village fund allocations, and balancing funds between 2015 and 2021, districts that have poor people in rural areas, and districts that are located in East Kalimantan Province. These regencies are Berau Regency, Paser Regency, West Kutai Regency, East Kutai Regency, Mahakam Ulu Regency, North Penajam Paser Regency, and Kutai Kartanegara Regency.

The analytical tool used is multiple linear regression with the following equation:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e \tag{3.1}$$

- Y = Amount of Poor People
- a = constant value
- b = coefficient
- X₁ = Village Fund
- X₂ = Allocation of Village Funds
- X₃ = Balancing Fund
- e = Error

IV. RESULT AND DISCUSSION

Result

Partial test or t test is used to find out how far the influence of each independent variable, namely Village Fund, Village Fund Allocation, and Balance Fund in explaining the dependent variable of the Number of Poor Population. The partial test in this study is seen from the probability value in each variable and compares the t table value with the t statistic in each variable. To determine the t table can be searched on the statistical table at a significance of $0.05/2 = 0.025$ with $df = n-k-1$ or $49-3-1 = 45$, the t table is 2.014. The following are the results of the Partial Test (t test) that has been carried out by researchers in Table 1:

TABLE 1. Partial Test Results (t-Test)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	-8.313	3.102		-2.679	.010
	Village Fund	.049	.027	.158	1.804	.078
	Allocation of Village Funds	-.019	.028	-.091	-.696	.490
	Balancing Fund	.017	.003	.846	6.191	.000

a. Dependent Variable: Amount of Poor People

Source : Data diolah

Based on Table 1, the effect of the independent variables, namely the village fund, the allocation of village funds, and the balanced fund, on the number of poor populations by testing the significance of 0.05 or 5% and the magnitude of the t-count and t-table values, are as follows:

1. The effect of village funds (X1) on the number of poor people (Y)

From the results of the t test that has been carried out, the results are $1.804 < 2.014$ with a sig value of $0.078 > 0.05$, and it can be concluded that it is not significant, partially because the Village Fund has no influence and is not significant to the number of poor people. The results of the study are in line with the findings of previous studies by Lalira et al. [10], Cita et al. [11], and Nugroho et al. [12], which said that village funds had no effect on poverty. This result is different from the research conducted by Safrika [13], Zakaria et al. [14], and Safitri [15], which stated that village funds had a significant positive effect. Other researchers are Pradipta [16], Sigit, and Kosasih, A. [17], with research results stating that village funds have a negative influence.

2. The Effect of Village Fund Allocation (X2) on the Number of Poor People (Y)

From the results of the t test that has been carried out, the results are $-0.696 < 2.014$ with a sig value of $0.490 > 0.05$, and it can be concluded that it is not significant, partially because the Village Fund Allocation has no influence and is not significant on the number of poor population. The results of the study are in line with the research findings of Lalira et al. [10], Rimawan, M. & Aryani, Feny [18], and Nugroho et al. [12], with research results stating that the allocation of village funds has no effect on poverty. The results of other studies found different results from Dewi, R.S., and Rhythm [19], O.N. [20], and Martini et al. [19], which stated that the allocation of village funds had a positive effect on poverty. Other researchers, namely Pradipta [16], Safrika [13], and Safitri [15], stated that the allocation of village funds had a negative effect on poverty.

3. The Effect of the Balanced Fund (X3) on the Number of Poor People (Y).

From the results of the t test that has been carried out, the results are $6.191 > 2.014$ with a Sig value. $0.000 < 0.05$, it can be concluded that it is significant, partially because the Balancing Fund has a positive and significant effect on the number of poor populations.

The results of this study found the same thing as the research of Gumelar and Khairina [21], which stated that the balancing fund had a significant effect on the number of poor people. The results of this study are different from those of Al-Khwarizmi et al. [9], who stated that the balancing fund had a significant negative effect on the number of poor people. Another researcher, Manek & Badrudin [23], stated that the balancing fund had no significant negative effect on poverty.

The simultaneous test or F test is used to determine the effect of the independent variables, namely the village fund, the allocation of village funds, and the balanced fund,

simultaneously or together in explaining the dependent variable, namely the number of poor populations. The following results from the Simultaneous Test (Test F) can be seen in Table 2:

TABLE 2. Simultaneous Test Results (F-Test)

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	10864.781	3	3621.594	45.714	.000 ^b
	Residual	3565.014	45	79.223		
	Total	14429.796	48			

a. Dependent Variable: Amount of Poor People

b. Predictors: (Constant), Balancing Fund, Village Fund Allocation of Village Funds

Source: Data processed

Based on the results of the simultaneous test (F test) in Table 2, it is known that the calculated F value is 45.714 and the sig. 0.000. Because F count > F table, that is equal to 45.714 > 2.81, while the significance value is 0.000 < 0.05. This shows that the independent variables, namely the village fund, the allocation of the village fund, and the balanced fund, are simultaneously able to explain changes in the dependent variable, namely the number of poor populations. So it can be concluded that the Village Fund, Village Fund Allocation, and Balance Fund simultaneously have a positive and significant effect on the number of poor people.

The coefficient of determination is used to determine how far the model's ability to explain the variation of the dependent variable extends. The amount of adjusted R² can be seen in Table 3.

TABLE 3. Coefficient of Determination Test Results (R²)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.400 ^a	.160	.104	4.51836	1.798

a. Dependent Variable: Amount of Poor People

b. Predictors: (Constant), Balancing Fund, Village Fund Allocation of Village Funds

Source: Data processed

Based on the results of the Coefficient of Determination Test in Table 3, it is known that the adjusted R² is 0.104, or 10.4%. This shows that the level of relationship between the independent variable and the dependent variable is very weak (0.00–0.199). In other words, the 10.4% variation in the number of poor people can be explained by variations in the three independent variables of the village fund, village fund allocation, and balance fund. While the rest (100% - 10.4% = 89.6%) is explained by other reasons outside the model.

V. CONCLUSIONS

This study resulted in the following conclusions:

1. Partially, the Village Fund has no effect and is not significant on the number of poor populations in rectorates in East Kalimantan Province in 2015–2021.
2. Partially Allocating Village Funds Has a Negative and Insignificant Effect on the Number of Poor Populations in Regencies in East Kalimantan Province in 2015–2021.

3. Partially, the Balancing Fund has a positive and significant effect on the number of poor populations in rectorates in East Kalimantan Province in 2015–2021.
4. Simultaneously, the Village Fund, Village Fund Allocation, and Balance Fund have a positive and significant impact on the number of poor population in rectorates in East Kalimantan Province in 2015–2021.

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