

Have Village Funds Impact Growth Economy And Poverty Rate?

Aslan, Dio Caisar Darma, Adi Wijaya

Abstract: This study aims to analyze the influence of exogenous variables (allocation of village funds and village expenditure) directly and indirectly on endogenous variables (poverty rate) through intervening variables (economic growth) in Mahakam Ulu Regency. The study was formed with secondary data and used time series data from the Central Statistics Agency of Mahakam Ulu Regency from 2014 to 2018. The study included a causality study, which explained the interrelationships between exogenous and endogenous variables, both directly and indirectly using path analysis techniques. The results of the analysis of model 1, the allocation of village funds (significant positive) and village expenditure (insignificant and negative) on economic growth. In model 2, the allocation of village funds (significant positive), village expenditure (insignificant and negative), and economic growth (significant negative) on the rate of poverty. The indirect effect proves that the allocation of village funds (negative significant) and village expenditure (insignificant and positive) on the rate of poverty through economic growth in Mahakam Ulu Regency.

Index Terms: Allocation of village funds; Village expenditure; Economic growth, poverty rate

1. INTRODUCTION

Regional development is an integral part of national development. The aim of national development is to improve economic performance so as to be able to create jobs and provide a decent living to improve people's welfare. The existence of sufficient natural resources managed by human resources that have great potential for the achievement of development progress [6]. With the development in each region, will increase economic growth in the area. Economic growth is the development of activities in the economy that cause the goods and services produced in the community to increase and the prosperity of the community to increase [5]. The process of the speed of a region's economy is aimed at using the rate of economic growth. The higher the economic growth in a region, the greater the potential source of revenue and if economic growth in a region is low, it will affect poverty. In short, poverty is a low standard of living, i.e. there is a rate of material deficiency in a number or groups of people compared to the general standard of living that applies in the society concerned. This low standard of living has a direct effect on the state of health, moral life, and self-esteem of those classified as poor [10]. Poverty occurs because of differences in resources and the low indicators of human development indicators. Based on the [8], is an insignificant amount for a village, which villages must be able to manage with well. However, in accordance with the mandate of the regulation which states that village funds are prioritized to finance development expenditure and empower village communities. With the existence of these village funds, each village must carry out village development, especially in the area of developing local economic potential. Given that the funds provided are so large, they must be managed as well as possible. In implementing village development programs with village funds it must also involve the community, so that the community feels the progress of the village which is managed

with village funds. For the sake of the creation of an independent village, an increase in the economic potential of a community-based village must be raised.

Table 1

Development of Village Fund Realization, Economic Growth on the basis of the 2010 Constant Prices, and Poverty Rates in Mahakam Ulu Regency in 2014-2018

Year	Village Fund (IDR)		Economic Growth (%)	Poverty (People)
	Allocation	Expenditure		
2014	18,315,547,832	1,535,001,744	0.69	2,380
2015	14,376,212,498	1,125,475,395	4.94	2,510
2016	16,685,820,530	936,836,200	3.32	2,830
2017	9,956,263,964	728,571,250	3.41	2,880
2018	20,750,894,215	2,982,525,615	4.23	3,070
Average	16,016,947,808	1,461,682,041	3.32	2,734

Source: Central Statistics Agency of Mahakam Ulu Regency, 2019

When looking at the data, the realization of the allocation of village funds and village expenditures sourced from the Regional Budget of Revenue and Expenditures of Mahakam Ulu Regency and the Province of East Kalimantan experienced fluctuations over 5 periods (even tending to decline in 2014-2016). The average reached 16,016,947,808 IDR for expenditure in physical form and the realization of village expenditure far below the allocation of village funds namely 1,461,682,041 IDR. Similarly, the economic structure is reflected in economic growth based on 2010 constant prices (average 3.32%). The third achievement of economic indicators in the Mahakam Ulu Regency, also had an impact on poverty rates. As is known, that the average population classified as poor actually increased to 2,734 people. This reflects the quantity of revenue and absorption of the intended budget, still lacking quality in order to improve the welfare of the people of Mahakam Ulu Regency [2]. The components of the Village Revenue and Expenditure Budget measured include village revenue and village expenditure. Village capital expenditure is an assumed village expenditure, which will bring a multiplier effect to a community's economy by building roads, bridges, buildings, irrigation and so on [3]. The type of capital expenditure allocation in village expenditure is found in each program of activities contained in the policy with the

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largest composition than other types of expenditure [1]. In order to increase economic growth and reduce poverty, it is necessary to involve the surrounding community, especially in rural development and village community empowerment. Like the Mahakam Ulu Regency as a new region in East Kalimantan Province since 2013 to develop community-based economic potential. The regency which has 5 administrative districts (Long Bagun, Long Hubung, Laham, Long Apari, and Long Pahangai), is a development and expansion of the previous Regency, namely West Kutai. Of the many villages that have community-based economic sectors, it can be concluded that this area has high economic potential. Of the many villages with a variety of crafts, preserved customs, diverse cultures, most villages have very high economic potential. Referring to these phenomena and problems, this study aims to analyze the influence of exogenous variables (allocation of village funds and village expenditure) directly and indirectly on endogenous variables (poverty rate) through intervening variables (economic growth) in Mahakam Ulu Regency. Previous research revealed that Informal Financial Institutions were effective in promoting investment among members as compared to non-members. It was therefore concluded that Informal Financial Institutions have been effective in promoting socio-economic development of the town [4].

2 METHOD

2.1 RESEARCH DESIGN

The study was designed through a quantitative descriptive approach basically suppressing its analysis on numerical data (numbers) processed by statistical methods. Basically, a quantitative approach is carried out in inferential research (in the context of testing hypotheses) and rests the conclusion of the results on a probability of rejection of the null hypothesis. With quantitative methods, the significance of group differences or the significance of the relationship between the variables studied will be obtained [9]. A quantitative approach is used to analyze the model used whether the results are statistically significant or not. In this study the approach to the statistical method is used namely the path analysis model. To simplify data processing, IBM SPSS Statistics 24 software is used. In the path analysis method, there are direct and indirect effects. Direct influence means the direction of the relationship between variables (allocation of village funds, village expenditure, and economic growth on poverty rates) directly without passing through other variables. For indirect effects, the mediation variable (economic growth) must pass. To see the magnitude of the direct effect between variables, using beta coefficients or standardized regression coefficients. Meanwhile, the magnitude of the indirect effect in path analysis, is by multiplying the coefficient of the direct influence of exogenous variables on endogenous.

2.2 OPERATIONAL DEFINITION

The determination of these variables, classified into the following statistical symbols:

- Village fund allocation (X1) and village expenditure (X2) are exogenous variables.
- Economic growth (Y1) is an intervening variable that affects the third relationship is exogenous.
- The poverty rate (Y2) is an endogenous variable.

To clarify the variables to be analyzed in the study, the following operational definitions need to be formulated:

- Allocation of village funds.
Funds provided to villages originating from financial balance funds between the central and regional governments received by Mahakam Ulu Regency are reviewed based on geographical location, and natural resources in the context of accelerating development, and aiming at the construction of infrastructure facilities and infrastructure, such as: roads, bridges, markets, agriculture, and irrigation during 2014-2018 with units of Rupiah (IDR).
- Village expenditure.
Represents all costs for project activities whose non-physical results are beneficial in the current and future periods to improve the level and welfare of the community in Mahakam Ulu Regency, such as: providing education, health improvement, and other fields during 2014-2018 with consideration Rupiah (IDR).
- Economic growth.
It is an increase in overall community income that occurs in Mahakam Ulu Regency. With the increase in all added value that occurred in terms of GRDP based on constant prices of constant prices in 2010 (17 sectors) during 2014-2018 with a unit percentage (%).
- Poverty rates.
It is the total population living below the poverty line with a minimum consumption limit of marginal groups in the Mahakam Ulu Regency and is in reference to income slightly higher than the lowest income during 2014-2018 with a unit of life.

2.3 DATA TYPES AND SOURCES

In this study secondary data is used. Secondary data used is time series. Secondary data is data obtained through other parties, not directly obtained from researchers and research subjects. Secondary data is usually in the form of available documentation or report data [7]. The time series data is a type of data based on the period of occurrence from time to time. The research uses data from several main sources through the official website of Government Agencies and downloaded in the form of documents (pdf), namely: Central Statistics Agency of Mahakam Ulu Regency (Mahakam Ulu in Figures) various series; Journal and known research on a national and international scale in repute. The following is a summary of the types and sources of data used by researchers:

Table 2
Variables, Symbols, Units, Sources, and Amount of Data

Variable	Symbol	Unit	Source	Amount of data
Allocation of village funds	X1	IDR	Central Statistics Agency of Mahakam Ulu Regency	5 years
Village expenditure	X2	IDR	Central Statistics Agency of Mahakam Ulu Regency	5 years
Economic growth	Y1	%	Central Statistics Agency of Mahakam Ulu Regency	5 years
Poverty rate	Y2	People	Central Statistics Agency of Mahakam Ulu Regency	5 years

of direct and indirect effects, as well as the influence of village fund allocation (X1) and village expenditure (X2) as endogenous variables on the eco-variable variables namely poverty level (Y2) through economic growth (Y1) as intervening variables. The results of path analysis and

hypothesis testing are explained in Table 3.

Table 3
Path Coefficient and Hypothesis Testing

Hypothesis	Variable	Standardized Coefficient (β)	t-values	Sig.
1	X ₁ → Y ₁	1.130	4.156	0.103
2	X ₂ → Y ₁	-0.187	-0.687	0.563
3	X ₁ → Y ₂	2.125	16.715	0.038
4	X ₂ → Y ₂	-0.084	-1.855	0.315
5	Y ₁ → Y ₂	-1.115	-10.460	0.061

Source: SPSS 24.0, 2019 (processed)

Total effect is the sum of direct and indirect effects with this provision, so the total effect of all research variables can be explained in the following table:

Table 4
Direct, Indirect, and Total Effect Results

Relationship	Direct Influence	Indirect Effects Through Y1	Total Influence
X ₁ → Y ₁	1.130	-	1.130
X ₂ → Y ₁	-0.187	-	-0.187
X ₁ → Y ₂	2.125	(1.130 x -1.115) = -1.259	2.125 + (-1.259) = 0.866
X ₂ → Y ₂	-0.084	(-0.187 x -1.115) = 0.208	-0.084 + 0.208 = 0.124
Y ₁ → Y ₂	-1.115	-	-1.115

Source: SPSS 24.0, 2019 (processed)

It can be concluded that there is 1 exogenous variable, namely direct village expenditure (model 1) to endogenous variables is negative. Meanwhile, 1 variable (allocation of village funds) in model 2 directly has a positive impact on endogenous variables. Evidenced by the direct influence of village spending on economic growth has the lowest path coefficient value of -0.187, inversely proportional to the direct path coefficient between the allocation of village funds to economic growth of 1.130. In function (model) 2, the direct effect between economic growth which has the lowest coefficient value on poverty level is -1.115 and village expenditure is -0.084. Differ on the effect of the allocation of village funds on poverty rate with a coefficient of 2.125. The indirect effect of village fund allocation variables has been proven to have a negative effect on poverty rate through economic growth, namely -1.259. On the other hand, village spending has a positive effect on poverty rate through economic growth with a coefficient of 0.208. More complete, each variable path can be described as follows:

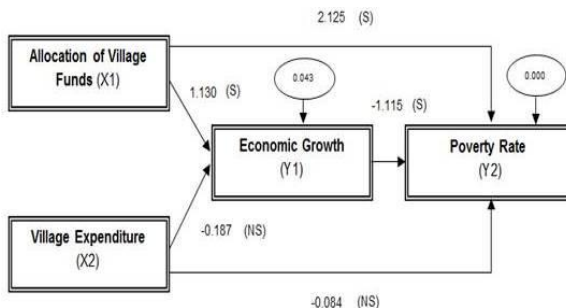


Figure 1

Complete Relationship Structure Path

Notice: *S (Significant); *TS (Not Significant) According to Baron and Penny (1986) in Charismawati (2011) a variable is called an intervening variable if the variable also influences the relationship between exogenous and endogenous variables. Mediation hypothesis testing can be done with a procedure developed by Sobel in 1982 and known as the sobel test.

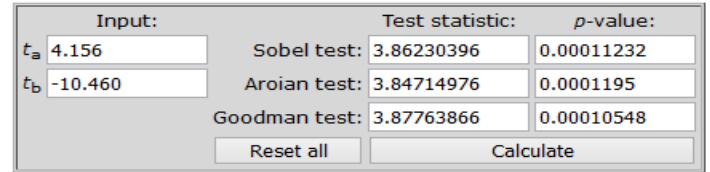


Figure 2

Sobel Test X1 Against Y2 Through Y1

Source: SPSS 24.0, 2019 (processed) By calculating the indirect effect of village fund allocation to poverty rate through economic growth, by multiplying lines X1 - Y1 (a) with paths Y1 - Y2 (b) or ab (1.130 x -1.115) and entering standard error paths a (0.000) and line b (18.678) on the multiple test. The indirect effect of village fund allocation on the level of poverty through economic growth path coefficient is -1.259 with a probability of 0.000 (sig < 0.10), or in other words a significant and negative impact. Therefore, the hypothesis put forward was accepted (see Figure 2).

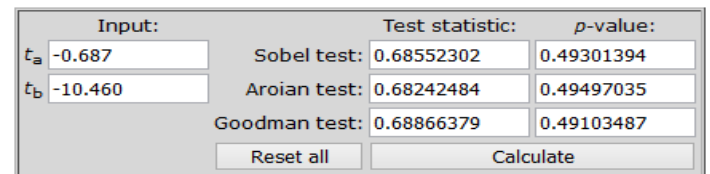


Figure 3

Sobel Test X1 Against Y2 Through Y1

Source: SPSS 24.0, 2019 (processed)

Figure 3 explains the indirect effect of village spending on poverty rate through economic growth, by multiplying paths X2 - Y1 (a) with paths Y1 - Y2 (b) or ab (-0.187 x -1.115) and entering the standard error path a (0.000) and path b (18.678) on the multiple test. The indirect effect of village spending on poverty rate through economic growth has a path coefficient of 0.208 with a probability of 0.493 (sig > 0.10), or in other words a less significant and positive impact. Therefore, the hypothesis put forward was rejected. It can be concluded, one exogenous variable, namely the allocation of village funds indirectly has a significant and negative impact on the endogenous variable (level of impoverishment) through the intervening variable (economic growth). Thus, economic growth (Y1) is considered appropriate as an intervening variable between these relationships. Meanwhile, village spending has a less significant and positive impact on poverty rate through economic growth. In this regard, the variable of economic growth is considered inappropriate to be an intervening variable.

4 CONCLUSION AND LIMITATION

4.1 CONCLUSION

Based on the research results discussed in the previous

chapter, the following conclusions can be concluded:

- It is proven that the allocation of village funds directly has a significant and positive effect on economic growth. The role of village funds allocation in the physical form in Mahakam Ulu Regency has turned out to be in line with expectations in the field and has a real impact on increasing economic growth, although it is not comprehensive.
- It is proven that village expenditure directly has a less significant and negative effect on economic growth. The role of village spending in the Mahakam Ulu Regency was not in line with the expectations in the field and lacked a real impact on increasing economic growth achievements. The expenditure flow so far has not touched various sectors. As is known, the lack of absorbed workforce does not increase people's income and consumption and this pattern causes economic growth to be of poor quality.
- It is proven that the allocation of village funds directly has a significant and positive effect on poverty rate. The role of village fund allocation in Mahakam Ulu Regency was not in line with the expectations in the field and had a real impact on reducing poverty, although it was not comprehensive. Realization of these expenditures is considered less effective and is not able to reduce poverty directly. This is caused by the proportion of village fund allocations that only focus on infrastructure development (roads, electricity, clean water, etc.).
- It is evident that village spending directly has a less significant and negative effect on poverty rate. The role of spending in the non-physical form in Mahakam Ulu Regency was in accordance with the expectations in the field and had a significant impact on reducing poverty. The existence of village spending so far has been more focused on financing the education, health and other sectors. The high expenditure in this sector has led to other types of expenditure, such as: education and health (revitalizing infant and early childhood nutrition posts). Both sectors are very vital and able to reduce poverty rate, although less comprehensive.
- It is proven that economic growth directly has a significant and negative effect on poverty rate. The role of economic growth turned out to be as expected in the field and had a real impact on reducing poverty. Performance of economic growth has involved various sectors comprehensively, such as: agriculture, plantation, forestry, fisheries, mining, and excavation which have added to reduce the number of people classified as poor. The sector and sub-sector are classified as primary, which means labor intensive and absorbs the population as a large workforce. Large income and consumption flows are considered a short-term solution to reduce poverty.
- It is proven that the allocation of village funds indirectly has a significant and negative effect on poverty rate through economic growth. The role of village fund allocation through economic growth in the Mahakam Ulu Regency has turned out to be as expected in the field and has a real impact on reducing poverty. In fact, the current village budget allocation for the Mahakam Ulu Regency Government can reach all sectors. Therefore, the achievement of economic growth as an accumulation of the budget has reduced the number of poor people. Encouragement of allocation of funds that are considered appropriate and effective, is considered a catalyst for poverty through the achievement of equitable economic

growth.

- It is proven that village spending indirectly has a less significant and positive effect on poverty rate through economic growth. The role of non-physical village spending through the rate of economic growth in Mahakam Ulu Regency was not in line with expectations in the field and had a significant impact in reducing the poor population. The flow of government expenditure (in this case village spending), is not comprehensive in various lines (health, or education) and touches the economy en masse. Economic sectors that are already labor-intensive, do not fully create quality population growth or welfare. Therefore, the poverty rate in Mahakam Ulu Regency has increased from year to year. In addition, non-physical spending through technical training and community empowerment such as through the entrepreneurship program, apparently most of it has not been carried out by the business actors themselves or there has been no real follow-up. Thus, the role of non-physical expenditure allocation from the Government seems stagnant.

4.2 LIMITATION

Limitations on the research that can be made suggestions, based on the results of this study are as follows:

- The regional government of Mahakam Ulu Regency should be more responsive in reducing poverty rate by providing policies that are more in favor of human empowerment. In conditions of economic growth oriented to labor-intensive, has resulted in the population classified as a workforce increased. However, the basic homework is more efficient allocation of village spending, and needs to increase and improve the fields of employment and technology.
- Referring to the results of the statistical analysis, which states that if the allocation of village funds has a less significant and negative influence on economic growth and on poverty rate through economic growth, the government of Mahakam Ulu Regency should review with the program and policies in the field through the stages of the planning process. thoroughly. This must be done carefully involving various parties, so that based on the characteristics of village areas that have different budgetary needs, depending on the population, poverty pockets, and economic potential.
- In terms of oversight of the Village Fund Allocation, it is necessary to optimally involve the role of village facilitators as accountants or have special expertise on village financial performance. This needs to be considered intensively by the Government by increasing the quota of village assistants or seeking qualifications with specific criteria or skills in the field. That way, both the allocation of village funds and village expenditures can run effectively (between expenditure and income in accordance with the program that was planned in the previous year).
- Further research adds to the research time and selects the right time for research, so that data collection can be done according to the research objectives. In addition, expanding the research sample should compare between village (physical and non-physical) spending between the regions themselves in Mahakam Ulu Regency, so as to increase the generalization of research results.

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