ANALYSIS OF VILLAGE FUNDABSORPTION FOR COMMUNITY POVERTY RELIEF IN THE ENDE REGENCY OF NUSA TENGGARA TIMUR PROVINCE

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ABSTRACT   DOI No: 10.36713/epra11169   Article DOI: https://doi.org/10.36713/epra11169

This study investigates the use of Village Fundto reduce community poverty in Ende Regency, Nusa Tenggara Timur Province (NTT). The sample size for this study is 255 villages in Ende Regency that publish comprehensive financial reports for the fiscal years 2017 to 2020. Panel data analysis was used to assess this study, in which research participants were chosen, processed, and analyzed to determine the independent variables, namely Village Fundand Fund Allocations. Poverty is the dependent variable in the village. According to the findings of this study, partial absorption of the Village Fund Allocation (ADD) has no influence on community poverty in the 255 villages of Ende Regency, and the Village Fund has no substantial effect on community poverty in Ende.

KEYWORDS: *Village Fund Allocation (ADD), Village Fund, Poverty*

BACKGROUND

Poverty is a difficult issue that affects every country on the planet. Each country strives to eradicate poverty by enhancing education, health, and community empowerment in development.Poverty is a major issue in Indonesia, owing to the country's enormous poor population. According to BPS, the number of impoverished people in Indonesia in September 2020 will be 27.55 million. This figure rises in comparison to the number of impoverished people in March 2020 (26.42 million) and September 2019 (26.42 million) (24.79 million). The number of poor persons in rural areas (15.11 million people) was higher in September 2020 than in urban areas (12.03 million people).

In the same time period, the percentage of poor people in urban areas is 7.88%, while the percentage of poor people in rural areas is 13.02%. At the sub-national level, Nusa Tenggara Timur is always third from last in terms of population. This is depicted in the graph below:
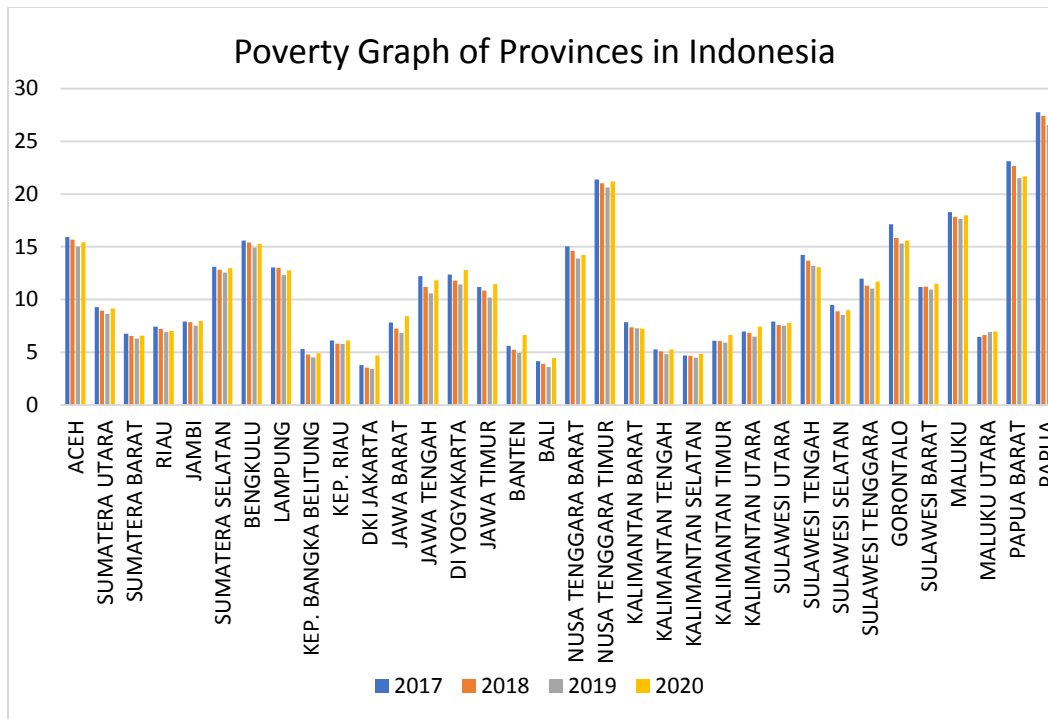
Figure 1.1. Poverty Graph in Indonesia

According to graph 1.1, Papua Province has the greatest percentage of poor people (26.80%), followed by Papua Barat Province (21.70%), and Nusa Tenggara Timur (21.21%). NTT's natural environment is barren and arid. Drought and food insecurity are common challenges for NTT residents. Poverty, malnutrition, high dropout rates, and insufficient access to health care are all ongoing issues. Similarly, Ende Regency, as an intrinsic part of NTT, has never been free of poverty.
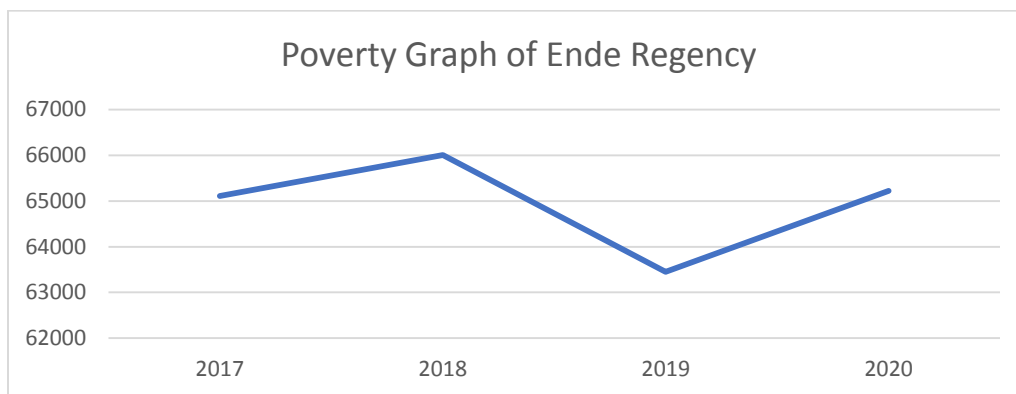

Figure 1.2. Poverty Graph of Ende Regency

According to Figure 1.2. above, the number of poor people in Ende Regency has been increasing since 2017. In 2017, the number of poor people in Ende Regency was 65,010, and this figure climbed to 66,010 in 2018, 63,450 in 2019, and 65,220 in 2020.

To reduce poverty, the Indonesian government has implemented a Village Fund and Village Fund Allocation scheme.

Village Funds are used to finance the implementation of village governance to promote the welfare of rural communities, with the primary goal of improving the community's economy.

The village fund budget allows the village to promote the local community's economy through training and marketing.

The Village Fund Allocation (ADD) program's goal is to help the village government finance village government initiatives and empower village communities.

Similarly, financial management. The community and village government budget village fund allocations and

Village Fund through the APBD. This indicates that village community development is carried out in an integrated manner for the benefit of the community, including planning, implementation, and assessment. Because, unfortunately, Ende Regency falls into the lowest tier in the area in terms of absorption of village fund budgets.

REVIEW OF LITERATURE AND THOUGHT FRAMEWORK
Village Fund Allocation (ADD)

In the Minister of Home Affairs Regulation Number 113 of 2014 concerning Village Financial Management, Village Fund Allocation (ADD) is a balancing fund received by a district/city in the district/city Regional Revenue and Expenditure Budget after deducting the Special Allocation Fund.The APBD provides funding for ADD to finance government administration and to help improve the community's quality of life. ADD reflects open district government and allows the community to collectively choose all special programs to boost the community's economic status.

Village Fund (DD)

Village Fund are funds sourced from the State Revenue and Expenditure Budget (APBN) for villages that are transferred through the district/city APBD and used to finance government administration, development implementation, community development, and community empowerment.The State Budget (APBN), which aims to improve the welfare of the people, is the source of DD's finances. The central government must provide DD to every village.Village Fund are spent according to priorities for the benefit of rural communities, ensuring that there is no disparity between urban and rural communities.

Poverty

Poverty is a state in which people are unable to achieve their necessities. According to the World Bank (2019), poverty is defined as a person's inability to meet basic requirements, lack of educational opportunities, lack of a job, and lack of hope for the future. In general, it refers to a scenario in which people are unable to meet their basic demands for clothing, food, and shelter.

Ende Regency and Poverty

Ende is the name of a regency on the island of Flores that is still part of the NTT, with Ende as its capital city. Ende Regency has 21 sub-districts, 255 villages, 23 sub-districts, and 893 hamlets or neighborhoods. Ende has a total land area of 260,127 km2 or 26,012.7 ha and an ocean area of 94.79 km2 or 9,479 ha. According to data from the Ende Regency BPS, the number and density of persons who have completed the registration process per sub-district in 2020 are 274,599,000.

According to the Ende Regency's Central Statistics Agency (BPS), the number of poor persons in the Ende area increased by 0.58 percent in 2020 compared to the previous year. Ende Regency has 23.18 percent of the impoverished population in 2019. In 2020, it will be 23.76 percent. The Ende Regency poverty line increased by Rp. 25,610 per capita per month, or 7.54 percent, from Rp. 363.508 per capita per month in 2019 to Rp. 392,591 per capita per month in 2020.

RESEARCH METHODS

Panel data analysis is used in this study, and the dependent variables (independent) are Allocation of Village Fundand Village Funds, whereas the dependent variable (bound) is Poverty. The subjects of this study are 255 villages in Ende Regency that publish complete financial reports for the fiscal years 2017 to 2020.

DATA ANALYSIS METHOD
Data analysis
a. Chow test

The Chow test is used to determine the panel data regression model, and the F-restricted test is used to determine the probability value of the F-statistics.
b. Hausman test

The panel model in this study is the Random Effect Model.
c. Lagrange Multiplier Test

This method detects whether the model is Random Effect or Pooled Least Squares.
 d. Random Effect Model

The Random Effect Model is the best-suited panel data model for the research based on the data estimation results.

Hypothesis test
a. Simultaneous Significant Test (F-statistical Test)

The F test is used to measure the level of significance of all independent factors' influence on the dependent variable.
b. Coefficient of Determination Test (R2)

The coefficient of determination is used to calculate how well the model in this study explains the variation in the dependent variable.
c. Partial Significance Test (t-statistical test)

The t-test was used to test whether the independent variables (Village Fund Allocation and Village Fund) had a partial effect on the dependent variable of poverty.

RESULTS AND DISCUSSION
Amount of Village Fund Allocation (ADD) and Total Village Fund on Poverty Alleviation in Ende Regency
a. The Effect of Village Fund Allocation on Poverty Alleviation in Ende Regency

REM Estimation Results Table

Dependent Variable: LOG(Y)
Method: Panel EGLS (Cross-section random effects)
Date: 08/11/22   Time: 21:18
Sample: 2017 2020
Periods included: 4
Cross-sections included: 255
Total panel (unbalanced) observations: 1015
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.411055	0.265302	1.549389	0.1216
LOG(X1)	0.239999	0.016842	14.24977	0.0000
LOG(X2)	0.016163	0.011435	1.413539	0.1578

Effects Specification			S.D.	Rho
Cross-section random			0.271144	0.7734
Idiosyncratic random			0.146761	0.2266

Weighted Statistics				
R-squared	0.241360	Mean dependent var		1.410876
Adjusted R-squared	0.239861	S.D. dependent var		0.177722
S.E. of regression	0.154478	Sum squared resid		24.14994
F-statistic	160.9830	Durbin-Watson stat		1.672423
Prob(F-statistic)	0.000000			

Unweighted Statistics				
R-squared	0.572729	Mean dependent var		5.398426
Sum squared resid	102.3420	Durbin-Watson stat		0.394647

The ADD coefficient log 0.23999 in the REM Estimation table implies that if the amount of village finances increases by one unit, poverty increases by 0.23999. A positive coefficient value indicates that there is a link between ADD and poverty level. The Village Fund Allocation variable has a probability of 0.0000. The significance level of 0.00000 is less than that of 0.05. With a confidence level of ADD 24% on the poverty variable, you can partially influence the level of poverty. This suggests that raising the amount of Village Fund Allocation will increase poverty.

According to the findings of the preceding analysis, the village fund allocation scheme is ineffective in alleviating poverty in 255 villages in Ende Regency. The lack of human resources and district oversight is to blame for the underutilization of village budget allocations in the Ende Regency. The poor quality of human resources impedes the management of local money allocations. Similarly, a lack of oversight from the government and the community can lead to village officials misusing village financial allocations. As a result, community participation in monitoring its use is highly anticipated, ensuring that village monies are used for the benefit of the community.

ADD has no substantial impact on the development of Ende Regency's 255 villages.

b. The Effect of Village Fundon Poverty Alleviation in Ende Regency in 2017-2020

The DD coefficient value in the REM Estimation Results table is Log 0.016163, meaning that if the amount of village finances increases by one unit, poverty increases by 0.016163. The presence of a positive coefficient value indicates that there is a link between the Village Fund (DD) and the level of poverty. Poverty will rise as the number of DD increases.

There is also a probability value of 0.1578 for the village fund variable. As an exception, the Covid-19 pandemic village fund has drained more energy, resulting in village finances being spent for handling covid and delivering direct cash support (BLT) to the community, causing development to stall. The community's economy is being dragged down by Covid-19, which is also contributing to an increase in the poverty rate in Ende Regency.

c. The Simultaneous Effect of Allocation of Village Fundand Village Fundon Poverty Alleviation in Ende Regency

According to the table, village finances have a 24% effect on the distribution of Village Fundto the poverty rate, while the remaining 76% is influenced by other variables.

The preceding research reveals that the factors ADD and DD have a combined effect on rising poverty in Ende Regency. The supply of ADD and DD allocations does not solve Ende's poverty problem.

CONCLUSION

From the results of the analysis above, it is concluded that:
1. Village Fund Allocation (ADD)

The Village Fund has a good impact on poverty. The increase in ADD will increase the number of poor individuals, which is a great trend. The causes are a lack of human resources to manage funds, a limited number of village fund allocations in the Ende Regency budget, a lack of socialization of ADD use, and a lack of monitoring from the district government to village officials, which leads to ADD errors.
2. Village Fund (DD)

Village Fund has no discernible impact on poverty. This suggests that increasing the Village Fund will increase the number of poor individuals. The main reason is a lack of socialization from the district government, which results in the misappropriation of village funds, the use of which has no direct impact on the village community, while road access to the village is difficult, and if many goods have been damaged, the price of goods in the villages is significantly higher than the actual price. Due to a lack of human resources on the part of village officials, they have been unable to manage the Village Fund budget for community welfare.

SUGGESTION

Based on the conclusions above, the authors suggest the following:
1. For the Government and Related Agencies

Human resources (HR) must be strengthened to guarantee that villages are prepared for the future. Furthermore, the government must provide more targeted and long-term control, guidance, and assistance to village leaders. To successfully eliminate poverty in the future, the community's economy must be strengthened by increasing the percentage of village fund allocations and Village Fundutilized. The village government and community established the "dhonga nua" (remember the village) initiative to encourage community members living abroad to collaborate and participate in local development.

2. For Further Researchers

Researchers can improve this research by including the findings of direct interviews with the community and extending the research period so that the results gained are more accurate and diversified.

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