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The Role of the Village Revenue and Expenditure Budget and the Village Development Index in Reducing Poverty Rates (Cases in Provinces in Indonesia)

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Abstract

This research aims to analyze the influence of the village income and expenditure budget (APBDes) and the village development index (IDM) on poverty levels. APBDes in this study is proxied by the variables of village original income, village funds, village fund allocation, village development expenditure, community development expenditure, and community empowerment expenditure. This research uses 33 provinces in Indonesia for the 2018-2023 period with the panel data regression analysis method. Data was collected from the Indonesian Central Statistics Agency and the Ministry of Villages, Development of Disadvantaged Regions and Transmigration. The results of this research show that the original village income variable has a negative and significant effect on the poverty level, expenditure in the field of community empowerment, and the village development index has a positive and significant effect on the poverty level. Meanwhile, the variables village funds, village fund allocation, village development spending, and community development spending do not have a significant effect on the poverty level.

Keywords: *Poverty Level; Village Income and Expenditure Budget; Village Development Index*

Introduction

Poverty is one of the main problems in development, both in developed and developing countries. Poverty is a challenge facing all countries and the international community as a whole (Liu et al., 2017). One of the factors that causes backwardness and obstacles in a country's development is the level of poverty. The problem of poverty is an interesting thing to study and is the most important and easiest way to assess the success or failure of government in a country (Rustariyuni & Setyari, 2012).

The World Bank found that 80 percent of the population is extremely poor and 75 percent live in rural areas. In Africa and Asia, around 80 percent of the poor live in rural areas, and in Latin America, around 50 percent of all poor people live in rural areas (Todaro & Smith, 2020). Data from developing countries shows that about two-thirds of the poorest people live off subsistence farming. The remaining third are in rural areas engaged in services, and others are in suburban areas, where they engage in various forms of work such as street vending, offering services, and small-scale trading.

The centralization of the economy in urban areas for several decades has indeed led to unequal development results, a condition that has persisted for a long time and has led to disparities in income and welfare between urban and rural communities. One impact is that the amount of poverty in rural areas is much greater than in urban areas. Poverty in Indonesia is synonymous with rural areas, so efforts to reduce poverty levels in rural areas are seen as a top priority in reducing national poverty levels.

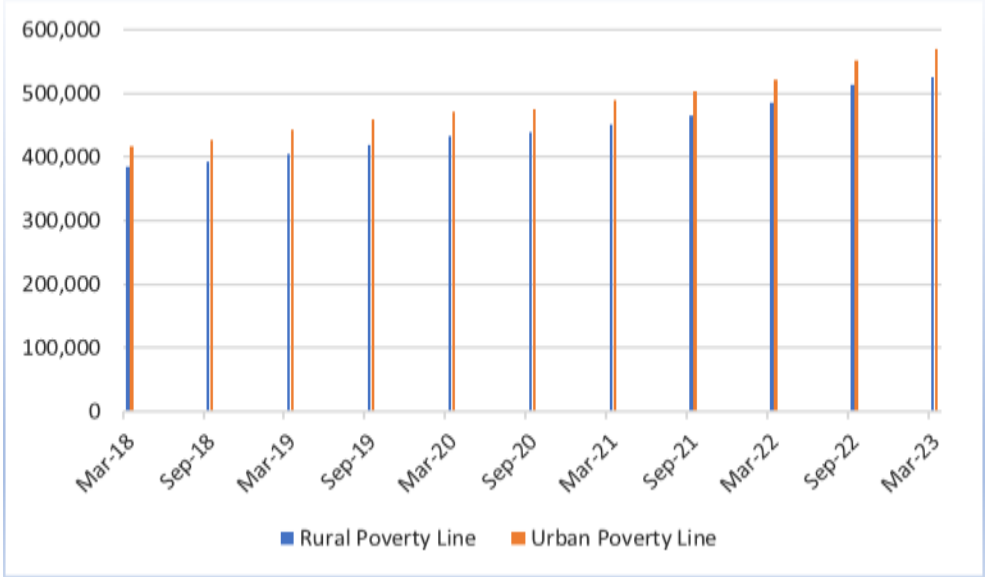

Figure 1. Poverty Line in Indonesia 2018-2023 (Rupiah)
Source: BPS Indonesia, 2018-2023

Based on Figure 1, it can be seen that during the period March 2018 to March 2023, the poverty line figure in Indonesia has increased. When viewed by region, it shows that the urban poverty line is higher than the rural poverty line. This condition shows that the monthly per capita expenditure of the population below the poverty line in Indonesia is dominated by urban areas.

With the increasing poverty rate, the government has implemented various policies to overcome this problem. Following the president's direction, poverty alleviation starts from the lowest level by strengthening areas, namely village development. With regional autonomy, the government has implemented a fiscal decentralization policy by distributing funds to village governments. The village government is given full authority in matters and management of finances intended for village development (Yanuar et al., 2021).

One aspect that plays a role in village development is village finances and village assets. Village finance relates to the village's rights and obligations which can be valued in money, while village assets are village property that originates from the village's original assets, purchased or obtained at the expense of the Village Revenue and Expenditure Budget (APBDes) or the acquisition of other legal rights. Two things need serious attention from the village, namely village income and village expenditure. Village income comes from various sources of income in the village and this village income is used by the village to finance various types of village expenditure, where village expenditure is prioritized to meet development needs agreed upon in village meetings (Dewi & Irama, 2018).

Completes an explanation of the objectives and functions of the APBDes related to poverty alleviation, where poverty is one of the serious problems in national development in Indonesia (Solikatun et al., 2018). This poverty problem can be used as a reference for the government in implementing policies related to the APBDes to achieve regional independence by creating regional growth and being able to overcome poverty problems.

With the issuance of Law No. 3 of 2024 concerning Villages, village governments are given the authority to regulate government affairs and manage their areas based on their original rights and village-scale authority. This means that the village government is responsible for problems that arise in its area and organizes development programs following its authority to overcome these problems. All activities that fall under the authority of the village are regulated and recorded in the APBDes. For this reason, since 2018, the central government has indicated to village governments through the Ministry of Villages to prioritize village spending on poverty alleviation.

The Village Development Index, which functions as development in villages, is regulated by the Minister of Villages, Development of Disadvantaged Regions and Transmigration Regulation No. 2 of 2016 that the Village Development Index is a composite index that includes three components the Social Resilience Index (IKS), the Economic Resilience Index (IKE), and the Environmental Resilience Index (IKL). The Development Village Index, it can clarify villages both in terms of development and also regarding status in a village.

Based on this background, this research will look at the influence of the Village Revenue and Expenditure Budget (APBDes) and the Village Development Index on poverty levels in Indonesia.

Research Methods

This research uses quantitative methods to determine the extent of the role of villages through the Village Revenue and Expenditure Budget (APBDes0) on poverty levels in Indonesia. The unit of analysis in this research is the provinces in Indonesia, namely 33 provinces that have village areas in them. The data used is data secondary sourced from the Indonesian Central Statistics Agency (BPS) and the Ministry of Villages, Development of Disadvantaged Regions and Transmigration. Type of data used in the study This is panel data, combined from cross-section data and time series data as much as possible for six years namely 2018-2023. The variable study includes 7 variables independent namely: income original village, village funds, village fund allocation, spending field development village, shopping field coaching social, shopping field empowerment society, and index village build. The measurement variable study is as follows:

Table 1. Research Data

No	Variable	Explanation	Units	Source
1	Poverty Level (POV)	The average monthly expenditure per capita of the population is below the Poverty Line	Thousand Rupiah	Central Bureau of Statistics
2	Income (PADes)	Funds sourced from business results, assets, self-help and participation, cooperation, etc	Thousand Rupiah	Central Bureau of Statistics
3	Village Funds (DD)	Funds sourced from the APBN intended for villages are transferred through the District/City APBD	Thousand Rupiah	Central Bureau of Statistics
4	Allocation (ADD)	Funds sourced from the District/City APBD, sourced from central and regional financial balance funds received by the District/City government of at least 10% of DAU plus DBH	Thousand Rupiah	Central Bureau of Statistics
5	Village Development Expenditures (BPbD)	Village expenditure allocated for village development activities	Thousand Rupiah	Central Bureau of Statistics
6	Expenditures in the Community	Village expenditure allocated for village community development activities	Thousand Rupiah	Central Bureau of Statistics

	Development Sector (BPbiK)			
7	Community Empowerment Expenditures (BPdM)	Village expenditure allocated for village community empowerment activities	Thousand Rupiah	Central Bureau of Statistics
8	Developing Village Index (IDM)	The composite index was formed based on the Social Resilience Index, Economic Resilience Index and Environmental Resilience Index	Index	Ministry of Villages, Development of Disadvantaged Regions and Transmigration

The estimation model used in this research is as follows:

$$POV_{it} = \beta_0 + \beta_1 PADes_{it} + \beta_2 DD_{it} + \beta_3 ADD_{it} + \beta_4 BPbD_{it} + \beta_5 BPbiK_{it} + \beta_6 BPdM_{it} + \beta_7 IDM_{it} + \varepsilon_{it}$$

Where POV shows the level of poverty, PADes shows the village's original income, DD shows village funds, ADD shows village fund allocation, BPbD shows spending in village development, BPbiK shows spending in community development, BPdM shows spending in community empowerment, IDM shows village development index, I show the cross-section, t shows the time series, and ε shows the error term.

Results and Discussion

Results

Using panel data regression analysis requires several testing stages to get the best results. The first stage is to choose the best model using the Chow, Hausman, and Lagrange Multiplier tests. The results of the Chow test show the F-*statistic* probability value < 0.05, which means the best model used is the Fixed Effect Model (FEM). Next, the Hausman test produces a chi-square probability value > 0.05, meaning that the best model selected is the Random Effect Model (REM). Then, the Lagrange multiplier test gives a Breusch Pagan probability value of <0.05, meaning that the best model chosen is the Random Effect Model (REM) Table 2.

Table 2. Selection of the Best Model

Test Model	Probability	Results	Conclusion
Test Chow	0,000	mark *probability cross-section chi-square* equal to 0.000 < 0.05, then H_0 is accepted	*Fixed Effect Model*
Hausman test	0.243	mark *random probability cross-section* is 0.243 > 0.05, then H_0 is rejected	*Random Effect Model*
Lagrange Multiplier Test	0,000	value *(both)* equal to 0.000 < 0.05, then H_0 accepted	*Random Effect Model*

Source: processed data, 2024

The results of the Random Effect Model regression estimation can be seen in Table 3. Based on statistical tests, three independent variables are significant at α = 5%, namely the original village income variable, expenditure in the field of community empowerment, and the village development index. However, in this study, the variables village funds, village fund allocation, village development expenditure, and community development expenditure did not have a significant effect on the level of poverty in Indonesia.

Table 3. Random Effect Model Estimation Results

Variable	Coefficient	Probability t-statistic	Conclusion
PADes	-5.05	0.001	Significant
DD	-9.91	0.144	Not significant
ADD	-4.70	0.738	Not significant
BPbD	1.94	0.743	Not significant
BpbiK	7.78	0.137	Not significant
BPdM	3.17	0,000	Significant
LnIDM	863	0,000	Significant
Adjusted R-Squared	= 0.3525		
Prob. F- *Statistics*	= 0.000		

Source: processed data, 2024

The Random Effect Model equation can be seen in the following equation:

POV = -6377 – 5.05 (*PADes*) – 9.91 (*DD*) – 4.70 (*ADD*) + 1.94 (*BPbD*) + 7.78 (*BPbiK*) + 3.17 (*BPdM*) + 863 (*LnIDM*).....(1)

A constant value of -6377 can be interpreted as if the independent variable used has a value of 0 then the poverty level will decrease by IDR 6,377 thousand.

Discussion

Based on the Random Effect Model (REM) estimation results presented in Table 3, the F-*statistic* probability value is 0.000 < 0.05. This means that together the independent variables used in the model have a significant influence on the poverty level. Furthermore, the goodness of fit model can be seen through mark coefficient determination (adjusted r-squared). The adjusted R-squared value in the model is 0.35, meaning that the variation in the independent variable is 35%, while the remaining 65% is explained by other factors outside the model.

The village's original income variable has a negative and significant effect on poverty levels in Indonesia. The village's original income coefficient value is -5.05. This means that for every increase in original village income of IDR 1 thousand, poverty will be reduced by IDR 5.05 thousand. The findings of this research are supported by the results of research from Astuti (2013) which states that increasing a village's original income can reduce poverty rates. This means that there has been program success, target success, and overall goal achievement because the increase in original village income has significantly succeeded in reducing the amount of poverty.

The village fund variable does not affect the poverty level in Indonesia. The coefficient value of the village fund allocation variable is -9.91. However, because statistical results show that village funds have no effect on poverty levels, an increase or decrease in village funds will not affect poverty levels. This is the following research by Lalira et al. (2018); Rahayu (2018) found that village funds have not been able to provide a significant influence in alleviating poverty in Indonesia. Village funds have not

been able to improve community welfare because most of the allocated funds are only intended for the development and improvement of physical infrastructure.

The village fund allocation variable does not have a significant effect on the poverty level in Indonesia. The coefficient value of the village fund allocation variable is -4.70. However, because statistical results show that village fund allocation has no effect on poverty levels, an increase or decrease in village fund allocation will not affect poverty levels. This finding is different from the research results of Susilowati et al. (2017); Aslan et al. (2019); Dewi & Irama (2018). The findings state that village fund allocation has a negative and significant effect on poverty levels. The allocation of village funds has not been able to improve the welfare of the people in the village. This of course needs to be supported by several parties so that development priorities are directed to the scale of the village's own needs and capabilities. Then this community empowerment can be carried out by the village government through useful programs and discussed with the community so that the community is also actively involved in the development space in the village.

The village development expenditure variable does not have a significant effect on the poverty level in Indonesia. The coefficient value of the village fund allocation variable is 1.94. However, because statistical results show that village development spending has no effect on poverty levels, an increase or decrease in village development spending will not affect poverty levels. This finding is different from the research results of Daforsa & Handra (2019); Wiratama et al. (2023); Agustina & Yahya (2022). This research found that village development expenditure variables can reduce poverty levels. This reflects the fact that infrastructure development in Indonesia focuses more on cities than villages, which are geographically difficult to access. This gap contributes to the poverty dilemma in Indonesia. Infrastructure development has also been proven to have an impact on poverty alleviation, both in villages and cities.

The expenditure variable in the field of community development does not have a significant effect on the level of poverty in Indonesia. The coefficient value of the expenditure variable in the field of social development is 7.78. However, because statistical results show that spending in the field of community development does not affect the poverty level, an increase or decrease in spending in the field of community development will not affect the poverty level. This finding is in line with the research results of Nugraheni et al. (2018); Setianingsih (2016). In the findings, the results showed that the expenditure variable in the field of community development did not have a significant effect on poverty. The activities financed by this budget allocation are mostly intended for salaries for technical personnel, not for activities carried out to alleviate poverty.

The expenditure variable in the field of community empowerment has a negative and significant effect on poverty levels in Indonesia. The spending coefficient value in the field of community empowerment is 3.17. This means that for every IDR 1 thousand increase in spending on community empowerment, poverty will increase by IDR 3.17 thousand. This research is in line with the research results of Hardianto (2022) ; Nugraheni et al. (2018) ; which states that the budget for community empowerment has a positive and significant influence on poverty alleviation. An appropriate and appropriate community empowerment program can carry out skills and training or use other more appropriate empowerment factors so that with maximum possible effort, prosperity will be achieved.

The village development index variable has a positive and significant effect on poverty levels in Indonesia. The coefficient value of the developing village index is 863. This means that for every 1 unit increase in the developing village index, poverty will increase by IDR 863 thousand. This finding is in line with research conducted by Sunaryono (2021) which found that increasing village status had a significant effect on reducing poverty rates. The government's goal is to increase the village development index as a means of reducing the poor population. Increasing the village's status to become independent is also accompanied by increasingly better facilities and infrastructure. Independent villages have increased levels of community welfare and low levels of poverty (Kusumastuti, 2018).

Conclusion

This research analyzes the relationship between poverty levels, village original income, village funds, village fund allocation, village development expenditure, community development expenditure, community empowerment expenditure, and the village development index in 33 provinces in Indonesia during the 2018-2023 period using the panel data regression method. The research results show that the original village income variable has a negative and significant effect on the poverty level, expenditure in the field of community empowerment, and the village development index has a positive and significant effect on the poverty level. Meanwhile, the variables village funds, village fund allocation, village development spending, and community development spending do not have a significant effect on the poverty level.

Based on the results of this research, it can be used as literacy material in decision-making to overcome poverty problems, especially in rural areas. Rural-based development can be a solution to economic problems and an effort to create just and equitable development. This equitable development will increase economic growth and is expected to reduce poverty rates.

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