

THE ROLE OF THE REGIONAL BUDGET IN POVERTY LEVELS (CASES IN PROVINCES IN INDONESIA)

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ABSTRACT

This research aims to analyze the role of APBDes on poverty levels in Indonesia. 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 case studies in 33 provinces in Indonesia and the observation period is 2018-2023, using a panel data regression analysis approach. The findings of this research are that the variables of original village income and village funds have a negative and significant effect on the poverty level, and expenditure in the field of community empowerment has a positive and significant effect on the poverty level. Meanwhile, the variables village fund allocation, village development expenditure, and community development expenditure do not have a significant influence on the poverty level.

Keywords: APBDes , Poverty Level

INTRODUCTION

Poverty is one of the problems fundamental to 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. 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 (Todaro & Smith, 2020). The majority of rural residents work in the agricultural sector, especially farm laborers and casual daily laborers, resulting in very low wages (Hasibuan et al., 2019). 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. 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

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welfare between urban and rural communities. One impact is that the amount of poverty in rural areas is much greater than in urban areas (Agustina & Yahya, 2022). Empirically, the poverty rate can be measured using the poverty line. Poor people are people whose average monthly per capita expenditure is below the poverty line. The poverty line according to rural and urban areas in Indonesia can be seen in Figure 1 below.

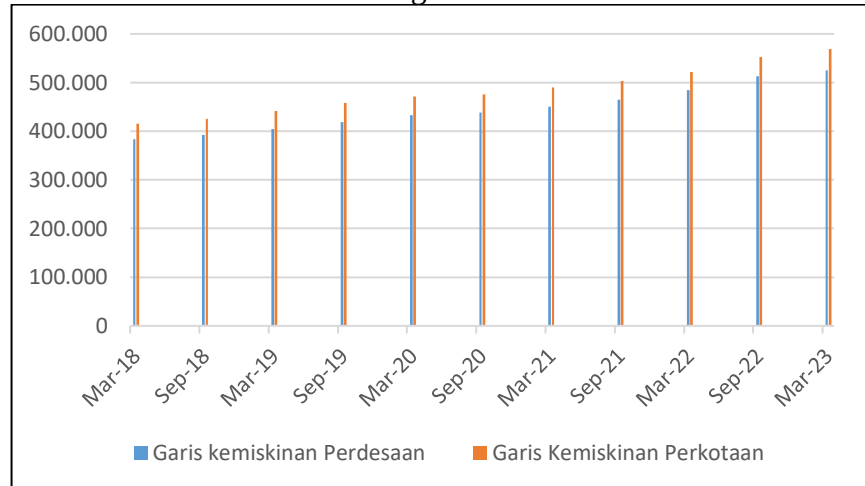


Figure 1. Poverty Line in Indonesia 2018-2023 (Rupiah)

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 (Solikatur 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

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independence by creating regional growth and being able to overcome the problem of poverty.

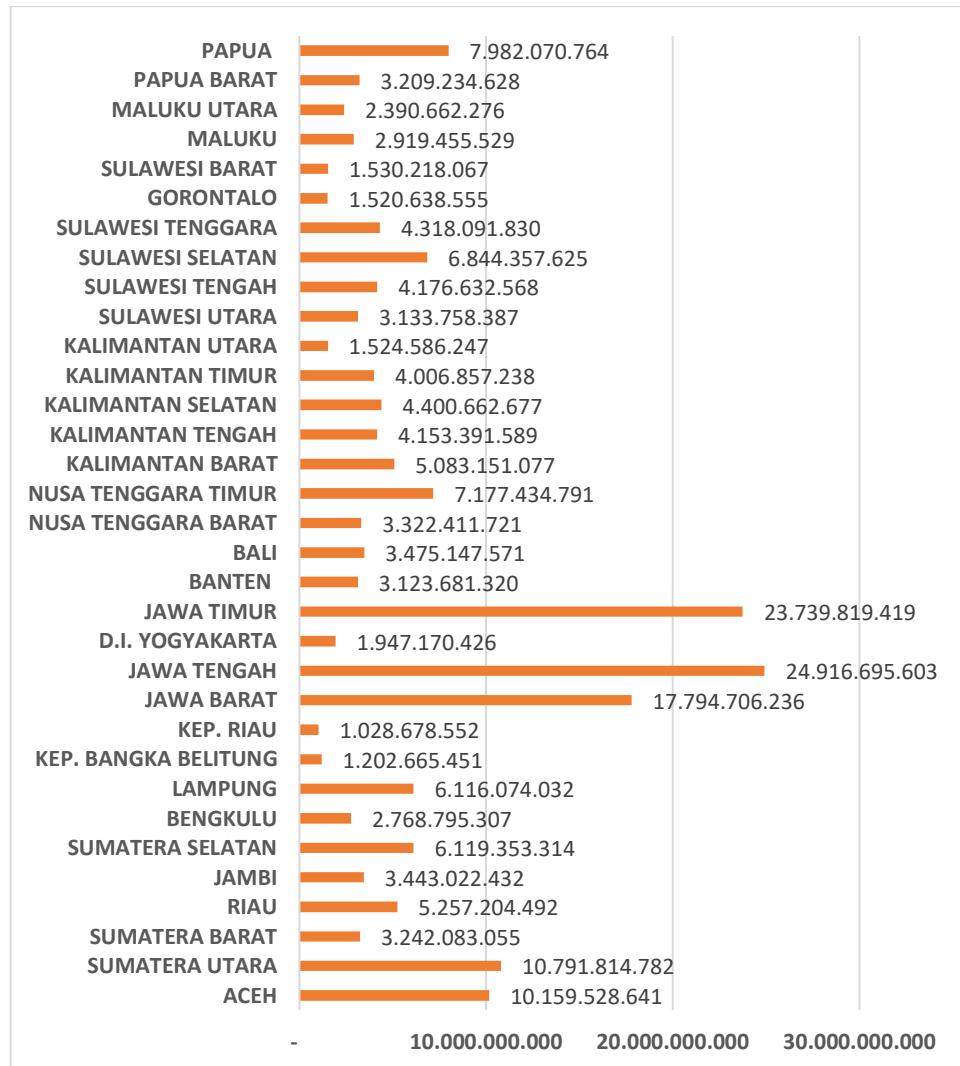


Figure 2. Average APBDes for 33 Provinces in Indonesia 2018-2023 (Thousand Rupiah)

Source: BPS Indonesia, 2018-2023

Based on Figure 2 you can explain that the average APBDes highest in Indonesia in 2018-2023, namely Central Java Province amounted to IDR 24,916,695,603 thousand, while the region with an average APBDes smallest is in the Province Riau Islands amounting to Rp 1,028,678,552 thousand. This matters because the consequence is an adjustment of regional groups, increasingly advancing the region then the more independent so that automatic income and expenditure village increases and vice versa if the area the more left behind so income and expenditure village experience decline. 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 by 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. Based on the background and data that have been presented, each region has different characteristics. A study is needed regarding the influence of APBDes linkages on poverty levels in Indonesia so that poverty alleviation programs can be implemented on target. This study aims to see the impact of the APBDes, which is proxied by several indicators, on poverty levels.

METHOD

The data used to support this research is secondary data obtained from the Indonesian Central Statistics Agency (BPS). This research focuses on 33 provinces in Indonesia with an observation period of 2018-2023. This research cannot analyze the influence of APBDes in 33 provinces in Indonesia on poverty levels in the region. Panel data regression analysis is used to see the influence of the independent variable on the dependent variable. The independent variables in this research are APBDes which is proxied by village original income, village funds, village fund allocation, village development expenditure, community development expenditure, and community empowerment expenditure. Furthermore, the dependent variable used in this research is poverty-level data which is proxied by the poverty line. There is an empirical model in this research and there is one dependent variable, namely the poverty level, and six independent variables listed in the model equation. The model equation in this research is as follows:

$$POV_{it} = \beta_0 + \beta_1 PADes_{it} + \beta_2 DD_{it} + \beta_3 ADD_{it} + \beta_4 BPbD_{it} + \beta_5 BPbiK_{it} + \beta_6 BPdM_{it} + \varepsilon_{it} \dots \dots \dots (1)$$

Information:

POV	= Poverty Level (Dependent Variable)
PADes	= Village Original Income
DD	= Village Fund
ADD	= Village Fund Allocation
BPbD	= Village Development Expenditures
BPbiK	= Expenditures in the Community Development Sector
BPdM	= Community Empowerment Expenditure
β_0	= Constant
$\beta_1, \beta_2, \dots, \beta_6$	= Regression Coefficient
ε	= <i>error term</i>
i	= <i>cross section of 33 provinces in Indonesia</i>
t	= <i>time-series (2018-2023)</i>

RESULTS

Using analysis panel data regression requires some stages of testing to get the results best. Stage First is to choose the best model with Chow, Hausman, and Lagrange Multiplier tests. Chow test results show mark probability F -statistic < 0.05 which means the best model used is the Fixed Effect Model (FEM). Next, the Hausman test gives results marked chi-square probability > 0.05 means the best model selected is the Random Effect Model (REM).

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Then the Lagrange multiplier test gives results marked Breusch Pagan probability < 0.05 means the best model selected is the Random Effect Model (REM) (Table 1).

Table 1. Selection of the Best Model

Test Model	Probability	Results	Conclusion
Test Chow	0,000	mark <i>probability cross-section chi-square</i> equal to $0.000 < 0.05$, then H_0 is accepted	<i>Fixed Effect Model</i>
Hausman test	0.466	mark <i>random probability cross-section</i> is $0.466 > 0.05$, then H_0 is rejected	<i>Random Effect Model</i>
Lagrange Multiplier Test	0,000	value (<i>both</i>) equal to $0.000 < 0.05$, then H_0 accepted	<i>Random Effect Model</i>

Source: Data processed with Eviews 12, 2024

Based on the Random Effect Model (REM) estimation results, 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 0.18, meaning that the variation in the independent variable is 18%, while the remaining 82% is explained by other factors outside the model. The results of the Random Effect Model regression estimation can be seen in Table 2. Based on statistical tests, three independent variables are significant at $\alpha = 5\%$, namely the variables of original village income, village funds, and expenditure in the field of community empowerment. However, in this study, the variables of village fund allocation, village development expenditure, and community development expenditure did not have a significant effect on the level of poverty in Indonesia.

Table 2. Random Effect Model Estimation Results

Variable	Coefficient	Probability t-statistic	Conclusion
Village Original Income	-4.83	0.003	Significant
Village Fund	-2.11	0.005	Significant
Allocation of village funds	-1.44	0.368	Not significant
Shopping Village Development Sector	8.59	0.199	Not significant
Shopping Field Coaching Sociability	8.52	0.154	Not significant
Shopping Field Community empowerment	4.30	0,000	Significant
<i>Adjusted R-Squared</i>		0.183	
<i>Prob (F-Statistic)</i>		0,000	

Source: Data processed with Eviews 12, 2024

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

$$POV = 11.86 - 4.83 (PADes) - 2.11 (DD) - 1.44 (ADD) + 8.59 (BPbD) + 8.52 (BPbiK) + 4.30 (BPdM) \dots \dots \dots (2)$$

A constant value of 1186 can be interpreted as if the independent variable used has a value of 0 then the poverty level will increase by IDR 1,186 thousand.

DISCUSSION

The Influence of Village Original Income on Poverty Levels in Indonesia

The results of this research show that a village's original income has a negative and significant effect on poverty levels in Indonesia. The village's original income coefficient value is -4.83. This means that for every increase in original village income of IDR 1 thousand, poverty will be reduced by IDR 4.83 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 Influence of Village Funds on Poverty Levels in Indonesia

The estimation results show that the village fund variable has a negative and significant effect on poverty levels in Indonesia. The coefficient value for village funds is -2.11. This means that for every increase in village funds of IDR 1 thousand, the poverty rate will decrease by IDR 2.11 thousand. This finding is in line with research conducted by Sigit & Kosasih (2020); Ritonga et al. (2021) who found that the village fund variable had a negative influence on poverty. 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 reduce poverty rates, especially in rural areas.

The Influence of Village Fund Allocations on Poverty Levels in Indonesia

The research results show that the village fund allocation variable does not have a significant effect on the level of poverty in Indonesia. The coefficient value of the village fund allocation variable is -1.44. However, because statistical results show that village fund allocation has no effect on poverty levels, an increase or decrease in village funds 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 Influence of Expenditures in the Village Development Sector on Poverty Levels in Indonesia

The research results show that the expenditure variable in the village development sector does not have a significant effect on the level of poverty in Indonesia. The coefficient value of the village fund allocation variable is 8.59. However, because statistical results show that spending in the village development sector has no effect on poverty levels, an increase or decrease in village development spending will not affect the poverty level. 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 Influence of Expenditures in the Community Development Sector on Poverty Levels in Indonesia

The results of the research show that 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 8.52. 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 (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 Influence of Public Empowerment Expenditures on Poverty Levels in Indonesia

The results of this research show that a village's original income has a negative and significant effect on poverty levels in Indonesia. The village's original income coefficient value is 4.30. This means that for every increase in original village income of IDR 1 thousand, poverty will increase by IDR 4.30 thousand. This research is in line with the research results (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.

CONCLUSION

Statistical analysis in this research shows that the variables of original village income and village funds have a negative and significant effect on the poverty level, and expenditure in the field of community empowerment has a positive and significant effect on the poverty level. Meanwhile, village fund allocation, village development spending, and community

development spending do not have a significant effect on poverty levels. Based on the results of this research, village-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 reduce poverty rates, especially in rural areas.

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