The Implication of Village Funds Utilization Towards Poverty in Maluku Province

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Abstract

The study was conducted to: *first*, observe and analyze the poverty in cities or regencies of Maluku Province before and after the village fund was granted and *second,* to find out and to analyze the impact of the expenditure on community empowerment; village development implementation; expenditure on the implementation of village government; and community development towards poverty in cities or regency in Maluku. The methods applied for this study is the average diference Paired Sample T-Test and multiple linear regression test by (Prasetyo Yudhi, 2015)using panel data on village funds and regency/city poverty in 2016-2018. Findings/Originality: the study is that there was no better changes of people's in poverty of the Maluku cities and regencies when the village fund was granted, there was no significance differences. The study depicted a small implication of village fund utilization towards poverty, this was due to the missuse of the village expenditure, so only the two variables namely the village development implementation variable and the village administration expenditure variable which have impact on poverty reduction but didnot a significant. The implication of the result is that the Regency/City Government of Maluku Province pays more attention to the accuracy of village funds usage and supervision on village spending. Village community empowerment spending it needs to be increased and Village funds should focus more on the problems faced such as the level of education/skills of the poor household heads and the magnitude of the potential agricultural sector.

Key Word: Village Fund, Village Expenditure, Poverty

INTRODUCTION

The logical consequence of the regencyal autonomy concept is the presence of fiscal decentralization. The fiscal decentralization system which engages villages as the target of its distribution, has implications on the funds transfer policy from the central and Regencyal governments to the village government. Act no. 6/2014 concerning Villages, the village autonomy provides broader opportunities for village governance. In the framework of village autonomy, all forms of village government affairs are under the authority of the village, including in terms of village financial management (Prasetyo Yudhi, 2015). Villages are given the widest most possibly autonomy to regulate and manage the interests of local communities according to their own initiatives based on the aspirations of the people in a more independent, democratic, creative, and close to the structure and culture of the community at the local level. In managing and directing the household, the village requires sources of income, where one of the sources is obtained from the Village Fund.

The Village Fund policy is the manifestation of government commitment to provide a source of income for the villages. The Village Fund policy is a strategic way to accelerate the

village's development and to reduce poverty. The granting of Village Funds (DD) in the form of real money is intended to develop villages in every region of the province. The large sums of money will meet the needs of the villages, this will bring an increase of the community welfrer. Meanwhile the decrease on poverty rate will bring a better welfare for the people.

The Village Fund, first allocated in 2015 has continued to increase, so has the Regency/City Village Fund in Maluku Province, as seen in Table 1, the increase of the year 2016 to 2018. (Statistics Indonesia, 20019). This is a manifestation of the government's commitment to support villages and rural communities as the subject of development to evolve in accordance with their authority.

Table 1. Village Fund (VF) Regency/Citiesin Maluku Province

Regency/Cities	2016	2017	2018
West – Southeast Maluku	48,599,940	61,914,924	71,411,196
Southeast Maluku	50,170,032	165,332,720	126,003,928
Central Maluku	112,179,984	140,085,568	156,961,616
Buru	53,312,420	93,006,856	86,675,504
Aru Islands	86,675,504	67,039,940	68,712,840
West Seram	55,587,176	73,922,536	69,665,128
East Seram	95,912,808	150,297,744	136,453,472
Soutwest Maluku	81,924,384	91,062,520	101,936,256
South Buru	57,739,372	58,520,936	99,294,264
Ambon City	21,207,280	19,885,120	30,453,312
Tual City	19,352,100	24,881,460	25,894,210
MALUKU	682,661,000	945,950,324	973,461,726

Source: Statistics Indonesia, Village Government Financial Statistics Year 2016-2018.

The Village Fund is budgeted annually in the state budget and distributed to each village and which becomes 1 (one) of 7 (seven) sources of village financial income. The Village Law states that village funds is a budget intended for villages which is transferred through the district/city budget to finance the implementation of village governance, village development, community empowerment, and community development. The purpose of the Village Fund is to improve public services in the village, alleviate poverty, advance the village economy, overcome development disparities between villages and strengthen rural communities as subjects of development. Thus, the large and continuously increasing Village Fund (VF) in each year is expected to reduce the poverty rate of Regencies/Cities in Maluku Province. The problem as described above is quite interesting, therefore this study was conducted to: *first*, know and analyze poverty in the Regency/City in Maluku Province before and after the use of the Village Fund and *second* is to know and analyze the impact of the use of Community Empowerment expenditure, Village Development Implementation expenditure, expenditure on Village Administration, and expenditure on Community Development for Regency/City Poverty in Maluku Province

RESEARCH METHOD

The study applied a quantitatif method by employing the *Paired Sample T-Test* and multiple linear regression tests. Paired Sample T-Test was used to compare the average of two variables or samples with the same subject which experienced different treatments or pairs. In this study a T test was carried out on the poverty variable before and after the Village Fund. The data used are district/city poverty data in 2012, 2013 and 2014 compared with district/city poverty data in 2016, 2017 and 2018. The multiple linear regression test aims to test hypotheses and identify causal relationships between various variables (Santoso, 2014) . This study examined and analyzed the influence of variables on community

empowerment, village development implementation expenditures, village government implementation expenditures, and community development guidance on poverty.

The data applied in this study was secondary data, namely provincial government realization budget report and poverty data in Maluku Province by regency/city. Sources of data were obtained from the Statistics Indonesia (BPS) Maluku. The datawas presented in time series (*Data and Information on Region/Cities PovertyYear 2012-2018*, 2019) and in cross section (between regencies/cities). The data analysis model in multiple linear regression usesd the following formula:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where :
Y = Poverty
β_0 = Constant
X_1 = Community empowerment expenditure
X_2 = Village development application expenditure
X_3 = Village government implication expenditure
X_4 = community building expenditure
β_1 = Regression coefficient
e = Error standard
The operational definition is expained below:
1. Poverty (y) is the ability to meet basic needs (basic needs approach). Poverty is seen as the economic inability to meet the basic needs offood and non-food which is measured from the expenditure rate. This studyapplied the number of poor population.
2. Community Empowerment Expenditure (X_1) is expenditure on head of villages; village officials and Village Consultative Body; skill and capacity building activities, and other activities related to economic; agriculture; fisheries; and trade business training activities, activities which involve community capacity building for the community institutions.
3. Village development implementation expenditure (X_2) is expenditure needed to support village road construction, rural irrigation/farming irrigation development, village owned-enterpirse (BUMDesa) management, and other activities aimed at assisting village development implementation.
4. Village administration expenditure (X_3) is the expenditure for the formation of Village Consultative Body, the development activities and the maintenance of village office facilities and infrastructure, as well as other activities that are built to support the administration of village government.
5. Expenditures for community development (X_4) are expenditures aimed at maintaining peace and order, providing social assistance to orphans and the poor, and for supporting other activities to foster community.

RESULT AND DISCUSSION
Poverty Before and After The Village Funds
The first hypothesis of the study claimed that poverty would decrease after the grant of village funds. In poverty testing, a tof -0.967 was obtained with a significance level of 0.341. The results depicted that there was no difference in poverty before or after the Village Funds were granted.

Table 2. t-test significance

Paired Samples Test

	Paired Differences						Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference	t	df	

|				Lower	Upper			
Pair 1 SEBELUM_VF - SETELAH_VF	-.39152	2.32578	.40487	-1.21620	.43317	-.967	32	.341

Source: Data Processing By SPSS Program

The results of this study were in accordance with the study data (Figure 1) which depicteds that after the Village Fund, the number of poor regencies/cities in Maluku Province did not decrease but instead, it was increased in 2017 and 2018 compared to the year 2013 and 2014. Likewise the percentage of poverty reduction is not getting bigger every year, but the number is decreasing. This is indicated by the percentage of poverty reduction from 2016 to 2017 by 2.20% to only 0.13% in 2017 to 2018
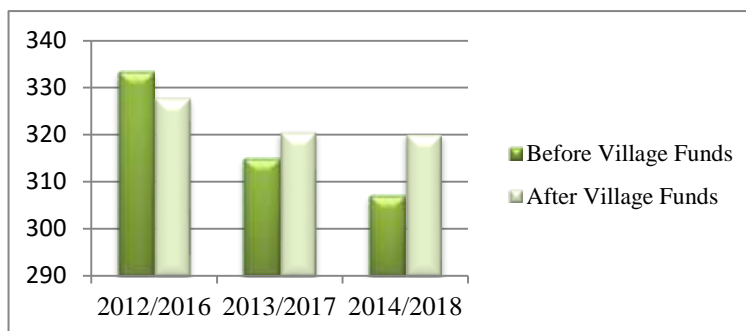
Source: Statistics Indonesia, Data and Information of Poverty in Cities/Regions
Figure 1. Maluku Poor Population Before and After the Village Funds

The results of this study fit to the data ofthe poverty depth level (P1) in rural areas in Maluku, which increased after village funds from 2016 to 2018 were granted, as shown in Figure 2. The depth level of poverty was another important measurementneeded to observe the poverty statistics thoroughly and comprehensively. The poverty depth level was a value depicted the average distance between the poverty line and the expenditure of the poors. The greater the P1 value, the deeper poverty that occured. A decrease in the value of P1 indicated an improvement of the poor's living standard, which was whenexpenditure lines fell near to the Poverty Line which was the standard for meeting basic needs for food and non-food. On the other hand, an increase of the P1 value indicated that the poors' living standard was declining and if their expenditure fellbehind the minimum standard of living (Poverty Line), it was increasingly difficult to raise their status to be prosperous ones.
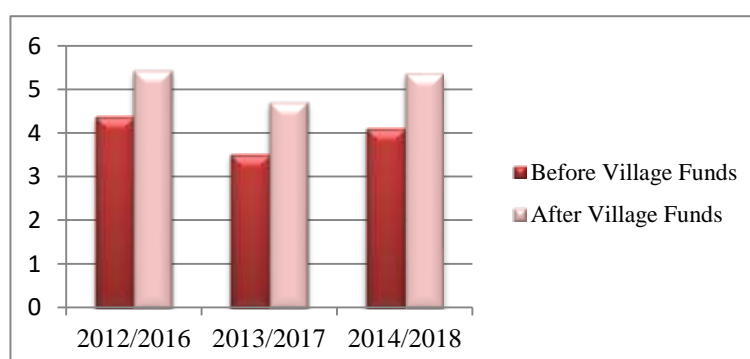

Source: Statisctics Indonesia, Poverty Profile of Maluku Province Year 2014 and Year 2018
Figure 2. Poverty Depth Level (P1) Maluku Villages Before and After the Village Funds

An increase of P1 in rural areas indicated a decline the rural poor living standard. This is possible due to the increasement in prices of goods and services, but on the contrary there is no increasement of the poor income. (Bellinger WK, 2007) stated that poverty has two dimensions, namely income and non-income dimensions. Poverty in the income dimension is defined as a low-income family, while the non-income dimension is characterized by incapacity, lack of hope, lack of representation and lack of freedom. Poverty which is resulted from the income has gotten more review and discussion, because of the measurement easiness and it can be divided into relative poverty and absolute poverty. Thoroughly, poverty is then measured by comparing the income or consumption of each individual with some predetermined standards where people are categorized as poor if the income or consumption is below that standard (Haughton, J., 2012).

According to (Harriss-White, 2005), the rootsof poverty are dependence, isolation, helplessness and low life expectancy. Therefore poverty has transformed into many sides: economic, social and political. Economically, the poor do not have anything, they are socially nothing, and politically they do not get rights except being the victims of development (having no rights and being wrong).

As a breakthrough,the village officials have the ability toraise the community and village income by building or maximizing the Village-Owned Enterprises (BUMDes) potential. By doing this, the increase of the people income and villages income would be easier to be achieved. This can be done by the village government by providing training, guidance and development to the village community. The activities can be carried out either through soft skills training, training to open small businesses, preparing employment and so on that involve village communities in village development.

There was no significant reduction in poverty after the Village Fund was implemented, it is indicated that the use of Village Funds in Maluku Province was not at its peak, so even though the Village Fund was large and tend to be increased by year, it is unable to reduce the number of poor people. This is mainly caused by various factors such as the low education of the poorand the large employment in the agricultural sector. Therefore, it was important to identify the characteristics or profile of poor households so that the real condition can be well described. This is the basic of how the appropriate treatment and policies can be formulated and targeted to improve the socio-economic conditions of the poor households. The tangible characteristics was the Head of the Household (KRT) level of education. This is based on the concept that the head of households are those responsible for the family support which then affects the poverty status of each household member.
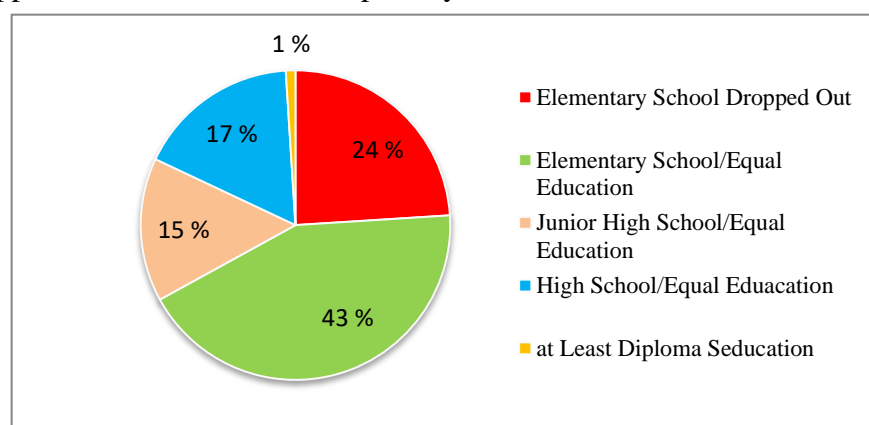
Figure 3. Head of Poor Household Education Level Percentage in Maluku Year 2018

Figure 3 informs that around 43 percent of the heads of poor households in Maluku are an elementary school/equivalent graduates. Meanwhile, around 24 percent is dropped out

from elemntary school or do not own the school certificate, and approximately one percent of them are diploma or university graduates. The data support the theory that poor households are identical with underdevelopment in the field of education. The head of a poorly educated household face difficulty to compete with others for more decent jobs,this situation hamper the efforts to obtain more income to improve the quality of life of the households. Thus, investment in population education is important in to eradicate poverty, so the future generations will have better education fundamentals and greater opportunities for getting jobs and decent income.

(Todaro MP, 2006) stated that there is a positive correlation between a person's formal education and the earnings. Someone who completes high school or college earns up to 300 to 800 percent higher income than those with lower education. In the analysis of the characteristics of poor households, it is important to look at the level of education of the household head. Assuming that Todaro's theory is in line with the theory of human capital, then the head of the household with a higher level of education has the opportunity to elevate his family life from poverty than those with lower education.

According to (Samuelson, P. A., & Nordhaus, 1997), the causes and occurrence of poor people in low-income countries are due to two main things, the bad condition of health and nutrition, and the slow improvement in the education quality. Therefore, the government must take a serious effort to eradicate diseases, improve health and nutrition, upgrade the education quality, eradicate illiteracy, and improve the skills of its people. These five things are efforts to improve the quality of human resources.. The effort is supported by the results of (Kimsum T, 2012) which depicted that there was only 4-10 percent households with chronic poverty of the total sample, most poverty found were transient poverty, reaching 84-90 percent. The results obtained depicted that agricultural land, animal husbandry, heads of households education and social capital are important factors that will be valuable in helping the chronic poverty reduction.

Furthermore, limited access to health services, education, housing and settlements, infrastructure, capital/credit and information for the poor, are otherfactors which lead to less optimal means to reduce poverty. To hinder the problems mentioned, a significant amount of expenditure is needed and one of them is through village expenditure. Therefore, the impact of village expenditure variable towards poverty becomes very important to find out.

Village Expenditure Impact to Poverty

Village expenditure which consists of community empowerment expenditure, village development implementation expenditure and community development expenditure have a significance value greater than 0.05. This indicates that all village expenditure variables do not significantly influence poverty in the regency/city in Maluku Province as depicted in Table 3.

Table 3. Coeffisien of Multiple Regression

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.762	8.402		.924	.363
	COMMUNITY_EMPOWERMENT	.211	.117	.343	1.810	.081
	VILLAGE_DEVELOPMENT	-.050	.108	-.116	-.469	.643
	GOVERNMENT_IMPLEMENTATION	-.019	.107	-.048	-.180	.858
	COMMUNITY_BUILDING	.015	.061	.051	.242	.810

a. Dependent Variable: POVERTY

Source: SPSS Data Processing

Village expenditure that is used in every regency/city in Maluku province which has implications for poverty (Y) is the variable of the expenditure for village development (X_2) with a negative coefficient of 0.05 and the variable for the expenditure of village government (X_3) with a negative coefficient of 0.02 . This means that if the expenditure for implementing village development increases by one percent, poverty decreased by 0.05 percent from the previous, *cateris paribus*. Furthermore, if the variable expenditure for village administration increases by one percent, poverty decreased by 0.02 percent from the previous one, *cateris paribus*

The expenditure variable for implementing village development had a non-significance influence to poverty. This was caused by the fact that the constructed infrastructure facilities' maintenance are not optimal. The village infrastructureswhich were built was not an urgent need for the village/villagers, but they were more the village ellite/apparatus'desire. Eventhough infrastructure development supposed to contribute to poverty radication through the selected infrastructure with economic impacts, many villages have found the infrastructures such as village gates, village offices, or village fences had small impact on the economy let alone poverty reduction.

Physical development was applied so that the community can utilize existed infrastructure to support their daily activities. If development was adjusted to the needs of each village, it could help the community to gain access and adequate facilitie in the village. Therefore, the most important thing is the efficient and effective use of village expenditure by villages to assist the achievement of village development goals, by improving the welfare and quality of rural communities and the poverty reduction.

The large expenditure budget for implementing village development in Maluku but has not yet had a significant effect on poverty, reinforces the notion that village funds have not been able to encourage inclusive economic growth, especially the absorption of labor from the poor and the procurement of goods and services by the community. It is understandable that village spending has not been able to reduce poverty in the Maluku province because only a small portion of funds are used for community economic empowerment activities. Meanwhile the greater allocation of funds for physical development has not been directly related to poverty levels, because physical development is generally a public good. Although in some cases there are villages that carry out physical development directly for the poor, for example the construction of livable houses, health facilities and education. Considering that poverty is a multidimensional phenomenon caused by not only the economic factors but also by limited access to basic services and not fulfilling basic services, in addition to infrastructure, village funds should be used for activities to increase the availability of basic services and community economic empowerment.

The community empowerment expenditure variable has a positive coefficient towards poverty and has a value of 0.211, which means that if the community empowerment expenditure increases by one percent, poverty will increase by as much as 0.211 percent from the previous, *cateris paribus*. The community empowermentexpenditurehas no effect towards poverty in Maluku. This shows that community empowerment expenditure has not yet affected poverty reduction in Maluku.

This is due to the fact that non-physical development such as community empowerment has not been fully implemented by the village head, it is by maximizing the use of village funds in the field of village community empowerment. This issupported by by the data shown in Figure 4. The data in Figure 4 depicted that the village funds in Maluku from 2016 to 2018 were mostly used for the rural physical facilities and infrastructure construction or commonly known as village development expenditure by 36% - 45%. As for the implementation of village government is by 14% - 24%, which is then followed by

expenditure on community empowerment by 14% - 24% and community development by 4% - 36%.

This finding is in line with the results of study from Kompak and Bappenas (2017) which explains that the use of village funds are mostly used for the physical facilities and infrastructure construction by 84%, while the use for community empowerment is only 6.5%, according to the Fiscal Policy Office of the Ministry of Finance of Republic Indonesia (2017), the use of Village Funds of more than 80 percent is used for the field of village development which does not have a multiplier effect to improve the village economy
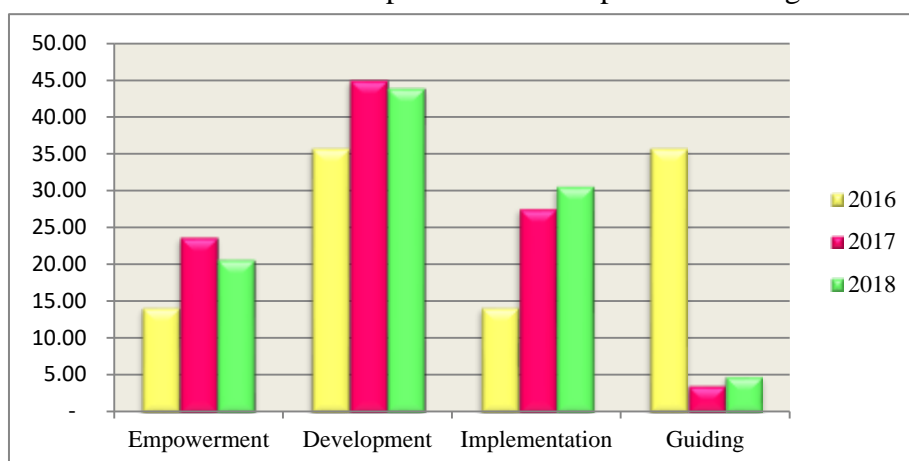
Source: Statistics Indonesia, Village Government Financial Statistics Year 2016-2018.
**Figure 4. Percentage of Village/Regency Expenditure Components in Maluku Province**

In promoting productivity, community empowerment expenditureapplied by Maluku community should be utilized appropriately so that it can be fully beneficial for them. Empowerment activities can excel the realization of the community's potential so that it can reduce poverty in Maluku Province. According to (Widjaja, 2010) community empowerment is an effort to elevate the community potential, so that the people can embody their identity and dignity in order to survive and develop themselves in the economic, social, religious and cultural fields. In community empowerment, the community is the actor and determinant of development. In this relation, community proposals are the basic for local, regencyal, and even the stepping stone for national development programs. Thus the community should be facilitated to examine their own livelihoods, needs, problems and development opportunities.

Thus, the workfield of Head of Household (KRT) becomes an important aspects to observed and examine the condition of poor households. Knowing the type of business field that most poor households have will provide information on what sectors should be the focus for policy makers in efforts to empower poor households to eradicate poverty. In addition, it will also be an important input to find out whether the workfieldof the poor household head is a productive sector and how it has been affected by the poverty status.

Figure 5 illustrates the workfield of poor household heads in (*Data and Information on Region/Cities PovertyYear 2012-2018*, 2019). It depicted that the majority of poor household heads work in the agricultural sector, which is about 68 percent of all poor households. So far, agriculture, especially in developing countries is synonymous with poverty. This is due to agricultural practices carried out by households are usually less productive, subsistence and only manage small area of land. Thus, agriculture-based rural industrialization is very important in Maluku so that the number of the poors working in the agricultural sector can be reduced. The well applied industrialization, in the term of being relatively labor-intensive and based on agriculture, will reduce number of the poor (Banerjee S, 2002). This study is relevant to (Lai, 1994) research in Taiwan which stated that the

success of development strategies in Taiwan is mostly determined by industrial sector development in rural areas. Then the results of (Lin, J. Y., & Liu, 2000) in China, support the idea from some findings which mentioned that the key factor for China economic growth was fiscal reform in line with rural reform. The effect of economic activity by sector on poverty reduction was stated by (Lai, 1994) by testing the hypothesis of sectoral growth patterns. Economic activity by sector has a thorough impact on poverty reduction that is independent towards aggregate economic growth.
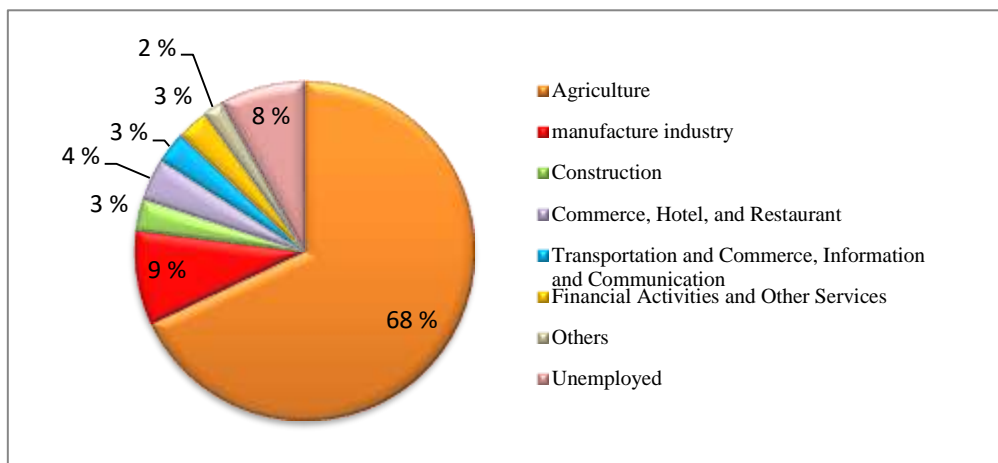
Source: Statistics Indonesia, Maluku Poverty Profile 2018
Figure 5. The Poor Head of Household Workfield in Maluku Year 2018

The results of this study supportsthe research conducted (Santoso & Sandy J. Maulana, 2017), which stated that village funds affects the reduction of vulnerable/near poor people poverty levels, through increased expenditure per capita (as an intermediate outcome), but does not affect very poor populations. From the results of the research, village funds affected the reduction of urban village disparities, but did not affect the disparities between residents within the village.

Meanwhile, the non-linier esearch with the results of this research is an empirical study conducted by (Hong, 2010). Hong's research found that the Korean fiscal stimulus in 2008, had a large contribution to thequick and extraordinary economic recovery compared to the fiscal response during the economic downturn. The results of this study indicate that fiscal policy has an important role both on economic growth and in reducing poverty nationally. (Mehmood, Rashid, 2010), was conducted to observethe short term of relationship between government spending with poverty reduction. The results of the study show a negative relationship between government spending and poverty reduction. The analysis concluded that government spending, population growth, and remittances had a significant effect on poverty reduction, while investment had no significant effect on poverty reduction.

CONCLUSION

The study concluded that poverty in the region/city in Maluku did not experience a better change when granted the village funds, because the results of the t test showed that there was no difference in poverty before and after the granting. The implication their utilization for poverty is still small, this is due to the inappropriate use of village funds through village expenditures, so that only the variable of village development expenditure implementatiom and the variable expenditure of village administration which do not have a significant effect on poverty. Therefore, the recommendation of this research is that the Regency/City Government of Maluku Province pays more attention to the accuracy of village

funds usage and supervision on village spending. Village community empowerment spending is still small so it needs to be increased so that it can increase the income of the poor. Village funds should focus more on the problems faced such as the level of education/skills of the poor household heads and the magnitude of the potential agricultural sector. This can be implemented in the form of industrial agriculture in rural areas as well as optimizing the role of BUMDes in villages, so that the level of poverty in rural areas is expected to be reduced

ACKNOWLEDGEMENT

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