Effectiveness of Village Fund in Encouraging Development and Reducing Poverty and Unemployment in Rural Area of Lampung Province

Irdham Riyanda 1*; Elfindri 2; Hefrizal Handra 3

1) irdhamriyanda@yahoo.com, University of Andalas, Indonesia
2) elfindribana@unand.ac.id, University of Andalas, Indonesia
3) hefrizalhandra@gmail.com, University of Andalas, Indonesia

*) Corresponding Author

ABSTRACT

Objective: The objective of this research is to find out the existence of village funds which are crucial to the financial resources of villages to develop their own regions. However, the existence and the amount of village funds which are distributed is not always in line to achieve the certain level of village development, reduce poverty and unemployment. Village Development is the 3rd Nawacita of the government, as well as a commitment of the government to recognize the existence of indigenous peoples.

Methodology: The methodology used in this study is paired sample t-test and independent sample t-test by comparing the period before and after the distribution of village funds, for the condition in Lampung Province.

Finding: The results of this study concluded that the existence of village funds, generally, has an effect to encourage village development. Even though in some areas this effect has not yet been shown.

Conclusion: Further results also conclude that the existence of village funds has no effect on reducing poverty and unemployment of rural people. It is expected for the future to allocate and spend the village fund on activities which may directly reduce poverty and employment.

Keywords: Village Fund; Poverty; Development; Unemployment; T-test

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INTRODUCTION

The existence of Desa (village) is a commitment of the Indonesian Government which stated in the Constitution of 1945. This acknowledgment was later confirmed by the current government, through Nawacita-3, to strengthen the village. Village, as the smallest government unit, is given the authority to carry out the development on its own territory. Consequently, the development needs more resources such as adequate financial resources from the central or local government (Aziz, 2016). According to the Law Number 6/2014 of Village, these funds could be transferred from the state budget as Dana Desa/Village Fund (VF), and local budget as well.

Even though the amount of VF was quite large, it is still not enough to encourage villages to achieve the decent development indicator. Such contradictions could be found in the rural development in Lampung Province. Based on data of Indeks Pembangunan Desa (Village Development Index/VDI) of Badan Pusat Statistik (Central Bureau of Statistics/CBS), the Pedesaan (rural area) in the province of Lampung shows that there was still a gap between VDI scores and amount of VF transferred (BPS, 2019). Rural areas in the Tanggamus District, which received the highest VF (reached around Rp 708 billion during the 2015-2018 period), but the VDI score was only 61.94, or the third lowest. The opposite condition is shown in the Tulang Bawang Barat District, which only received VF around Rp 246 billion, but the achievement of the VDI score reached 64.77 or the fifth highest compared to other regions (details in appendix 1).

Furthermore, in terms of poverty alleviation, data shows that the poverty rate of rural Lampung Province is still higher than urban. Based on data from CBS, the percentage of poor people in rural areas in March 2019 was 14.27% or 5.35% higher compared to the percentage of poor people in urban areas (BPS, 2019). Meanwhile, philosophically the presence of VF is expected as part of a pro-poor budget policy and as a tool to overcome poverty (Sigit & Kosasih, 2020). Furthermore, due to unemployment, the Tingkat Pengangguran Terbuka (Open Unemployment Rate/OUR) in Lampung Province precisely increased in the first year of distribution of VF. In 2015, the level of OUR was 5.14%, which means there was an increase in OUR up to 0.35% from the previous year. Meanwhile, VF is actually also aimed at reducing unemployment, with its various labor incentives programs such as Padat Karya Tunai Desa or Cash for Work (CfW) Program (Gusti, Agustar, & Osmet, 2020).

However, the results of previous studies showed that there were some research gaps to be found related to the effectiveness of VF. Due to the development, Maulana & Suryaningrum (2019) stated that VF in Hulu Sungai Tengah District was effective to encourage rural development. Then, due to the poverty, Ritonga, Handra & Andrianus (2021) showed that VF was able to reduce poverty in West Sumatra Province. Wahyuddin, Ramly Djalil & Indriani (2020) in testing the effectiveness of VF on poverty in Kuala Subdistrict, Nagan Raya Regency, shows that the fund also had a positive and significant effect reducing poverty levels. Research by Sari & Abdullah (2017) on the effect of VF for poverty in Tulungagung District shows that VF was able to reduce poverty higher than VFA. Moreover, on the similar scheme of VF in Thailand, namely Thailand Village Fund (TVF), brought a positive impact as pro-poor program (Boonperm, Haughton, & Khandker, 2013).

On the other hand, other studies reveal, VF is still ineffective to reach those goals. Due to poverty, a study by Maulana & Suryaningrum (2019) stated that VF is still ineffective at reducing poverty levels significantly. Setiawan (2019) shows that there is no significant
reduction in poverty levels, before and after the VF. Furthermore, implementation of TVF by different methods and different periods shows it does not have a positive impact on alleviating a country's poverty (Chandoevwit & Ashakul, 2008). Then, due to the unemployment, it was also ineffective since there still were some problems such as nepotism and miscategorized assigned workers (Badaruddin & Tanjung, 2021). Furthermore, similar rural funding in Nigeria shows that the programs are still ineffective to encourage rural development, because of inadequate budgetary allocation and corruption (Eze, et al., 2010).

Therefore, the problem in this research could be formulated: How effective is the VF to encourage rural development, reduce poverty and unemployment of rural-areas in Lampung Province? So, the research objective is to identify the effectiveness of VF to encourage rural development, reduce poverty and unemployment in Lampung Province. Moreover, there is still a lack of prior research which simultaneously-analyzes the effectiveness of VF to those three aspects, also becoming a novelty of this research. However, the urgency to analyze the effectiveness of VF in Lampung Province is based on a contradiction between the high-number of VF allocated, and the achievement of VDI which is notably still low, as well as the high rate of poverty and unemployment.

LITERATURE REVIEW

Effectiveness of VF. Mardiasmo (2018) stated that effectiveness is a measure to assess the success or failure of an organization or program to achieve the goals that have been set. McKevitt (2015) stated that effectiveness is the achievement of the planned goals, or the relationship between output and outcomes. Mahsun in Khuriyah, Rahayu & Saifi (2014) also mentioned that effectiveness is the relationship between output and the goals or targets. Based on the three definitions above, it can be concluded that effectiveness is an indicator to measure the succession rate of a program to its objectives. Related to VF, actually those funds are financial support from the central government to the village government, in order to establish the village development, reduce poverty and unemployment.

Village Development. VF is a financial support from the central government to the village government, in order to establish the village development (Suharyono, 2020). Moreover, development is an effort of development agents to expand social conditions, then to achieve the predetermined goals (Saefulrahman, 2015). Elfindri, Ekwarso & Zamzami (2019) stated that in the development process, there are priorities which consist of economic growth, human development and infrastructure development. All those three cannot be executed together at the same time, with the same level of weight and speed.

In addition, horizontal development coordination between villages is also expected, in order to create mutual-advantages, people empowerment, and strengthening village institutionalism (Nasfi, 2020). Therefore, it can be formulated that rural development is a combination of development between villages within a region (Febrian, 2016). Furthermore, Sumenge in Zainudin & Sutjiatmi (2018) revealed that there are at least 5 (five) priority categories of rural development, which include: a) Improved access and quality of basic services; b) Construction, development and maintenance of infrastructure; c) Development of agrarian-based productive economy; d) Technology development; and e) Increase order and peace in the village. Those five categories are actually in line with the dimensions of VDI, which are: a) Basic Service; b)
Infrastructure Condition; c) Accessibility/Transportation; d) Public Service; and e) Administration of Government (BPS, 2019). Nevertheless, the prior report such as the Badan Pemeriksa Keuangan (BPK) stated that there were still many problems of village development, such as unintegrated-planning process of village development programs, whether on village or rural level (BPK, 2019). Besides that, prior research shows that VF is still ineffective to encourage development of villages (Eze, et al., 2010).

**Hypothesis:** There is no increase in rural development in Lampung Province, before and after the VF was transferred (H₀).

**Poverty alleviation.** Suliswanto (2010) defines poverty as a low standard of living which indicates lack of financial ability compared to generally accepted standard of living. Spicker on Cahyawan & Machdum (2019) stated that poverty is related to the concept of resources, which means that one’s become poor if they are unable to fulfill their own basic needs, since they lack resources. This definition is also linier with the concept of poverty of CBS, which also uses the concept of people’s ability to fulfill their basic needs, here it means that poverty is an ability to fulfill people’s basic needs, such as foods and non-foods, which measure through the expenditure indicator (Sigit & Kosasih, 2020). Furthermore, the government established so many programs in order to reduce the number of poverty, including the VF program, through the Law No.6/2014 (Bukhari, 2021). The existence of VF is also should be addressed as pro-poor program or scheme of budgeting which helps the peoples of village to reduce poverty (Sigit & Kosasih, 2020). Meanwhile, the percentage of rural poverty in Lampung Province actually tends to decrease since 2015 (as the first year of village fund program), but it is actually already suppressing from 2014, which notably as the period before the VF transferred, indeed. Besides that, prior research shows that VF is still ineffective to alleviate poverty (Maulana & Suryaningrum, 2019), (Setiawan, 2019) and (Chandoevwit & Ashakul, 2008).

**Hypothesis:** There is no decrease in the percentage of rural poverty in Lampung Province, before and after the VF was transferred (H₀).

**Unemployment alleviation.** Unemployment is defined as a person categorized as the workforce, actively looking for work at some level certain wages, but not getting a job which desired (Muslim, 2014). Meanwhile, one of indicators to determine the unemployment aspect is through OUR, which means the percentage or ratio of unemployment to the workforce. Workforce here means the working age population (more than 15 years old) which is working, or partial job, and unemployment (BPS, 2022). Actually, VF is also intended as a tool to reduce unemployment in the village. These goals could be seen in the Surat Keputusan Bersama or Joint Decree of 4 (four) Ministers in 2017 which brings the scheme of CfW Program, which addressed to reduce the number of unemployment rate in the village (Kurnia & Widhiasthini, 2021). So that, the rural development policy should be directed to suppress the number of unemployment and accessibility to job-markets (Abidin, 2015).

However, the level of OUR in Lampung Province actually re-increase in 2015 for 0.35%, which actually was the first year of VF was transferred, even though it actually suppressed in the previous year. Besides that, previous research shows VF is still ineffective to alleviate unemployment (Badaruddin & Tanjung, 2021).

**Hypothesis:** There is no decrease in the percentage of OUR in Lampung Province, before and after the VF was transferred (H₀).

So that, the conceptual framework could be illustrated, as follows:
METHOD

The type of data used in this study is the secondary data which is obtained from the VDI, to analyze the first objective to measure rural development through each dimension of development indicators. Then, the data whether the provincial-level analysis or regional-level will be conducted. The VDI was compiled by CBS 2 (two) times, which is an index of 2014 and 2018. Then, the index of 2014 was compiled based on the 2014 database of Potensi Desa (Podes), which identify as the period before the VF was transferred. While the index of 2018 was compiled based on the database Podes 2018, which identify as the period after VF was transferred since 2015. Meanwhile, for the second and third objectives, the data related to poverty and unemployment rates were obtained from the bureau’s website, such as the report of ‘Lampung Province in Numbers’. Those data showed the level of poverty and OUR-aggregated into the regional levels, so that the analysis also held into the regional level.

This research is quantitative research using the paired sample t-test/Wilcoxon test (in case the data does not meet the normality). Paired sample t-test is a hypothetical tool when the data is not independent or in pairs, or if an object of research has two kinds of sample data, which are data from the first treatment and data from the second treatment (Nuryadi, Astuti, Utami, & Budiantara, 2017). The paired sample t-test is used to answer the first hypothesis of the study, because the paired sample t-test can determine rural development through the differences of the average of two paired samples, which means the score of VDI of 2014 and 2018. Meanwhile, the independent sample t-test is conducted to answer the second and third hypotheses, because it can determine whether the two sample groups have the same average (Nuryadi, Astuti, Utami, & Budiantara, 2017). Then, the unit of analysis in the second phase is the percentage of poverty and OUR. Furthermore, the first-step was clustering the poverty and OUR into the 2011-2014 period (before the VF transferred), and 2015-2018 period (after the VF transferred). The paired sample t-test is parametric statistics, so that the data must be normally distributed, so that the ‘Kolmogorov-Smirnov Normality Test’ was also conducted. The Kolmogorov-Smirnov test was carried out because the data contained above 30% of the population (Mandenhall, 1987). The results of a good paired sample t-test and independent sample t-test are when the significance value is < 0,05 (Nuryadi, Astuti, Utami, & Budiantara, 2017). So that, based on significant value of 5%, the decision making of analysis are:
1. Significance results $>0.05$ then $H_0$ is accepted and $H_1$ is rejected, means that there is no difference in the level of rural development, poverty reduction and unemployment, in the period before and after VF transferred; 
2. The result of significance $<0.05$ means that $H_0$ is rejected and $H_1$ is accepted, which means that there has been an increase in the level of rural development, and decrease in poverty reduction and unemployment, in the period before and after VF transferred.

**RESULTS AND DISCUSSION**

1. **Overview of VF in Lampung Province**

   Based on the Report of Village Government Financial Statistics of CBS, it could be seen that the distribution of VF continues to increase from year to year (details in appendix 2). Furthermore, based on the report, it is also known that in the 2017-2020 period, village fund expenditure was dominated by the Development Sector (generally spent on infrastructure), reaching 77.74% in all regions (details in appendix 3).

2. **Overview of Rural Development and Provincial Poverty**

   a. Rural Development Development According to VDI

   The number of villages in Lampung Province has increased between the VDI of 2014 and 2018. In 2014, it is known that the number of villages was 2,435, while in 2018 the number of villages was 2,446, or there was an increase for 11 villages (0.44%). Based on the index, the development status of rural development in Lampung Province could be illustrated as follows:

   ![Figure 2 Rural Development Status in Lampung Province (%)](http://dx.doi.org/10.22441/jurnal_mix.2022.v12i1.004)

   **Source:** Processed from 2014 and 2018 Index, CBS

   Based on the picture above, it could be seen that the percentage of desa tertinggal (underdeveloped village) decreased from the index of 2014 to 2018 by 11.31%. Meanwhile, the percentage of villages categorized as berkembang (developing) and mandiri (independent), both increased in the index of 2018. This certainly shows good conditions for the general picture of rural development in Lampung Province. Furthermore, the average value of rural development based on the index has increased from 59.30 in 2014 to 64.05 in 2018. Furthermore, the developments per dimension presented below:
Based on the picture above, it shows that all dimensions of development increased. The highest was the Governance for 9.94, and the lowest was the Basic Service for 2.18.

b. Poverty Rate

Based on data of CBS, for the period of 2013-2020, the poverty rate in rural areas was fluctuated, but generally shown to decrease, as following figure:

Based on the figure above, it is shown that in 2013, the average rural poverty rate reached 15.81%, and it was 14.03% in 2020 or decreased by 1.78%. However, the general trend is that since VF began to be distributed in 2015, the percentage of poverty has continued to decline steadily. The interesting thing is actually the poverty rate also had already decreased gently from 2013 to 2014, during which actually the period of VF did not exist.

3. Open Unemployment Rate

Based on bureau data, for the period of 2013-2019, the level of OUR, generally fluctuated. There was also a fact which shown an increase of OUR in the first year of distribution of VF in 2015, which shown in the following figure:
Based on the picture above, it could be concluded that in 2013, the percentage of OUR reached 5.69%, then it was successfully suppressed to 0.90% in 2014. However, in 2015, there was a re-increase in the percentage around 0.35% which actually was the first year of VF was transferred.

4. Testing the Effectiveness of VF to Increase Rural Development

a. Provincial Level Analysis

Results of Kolmogorov Smirnov's test, shows a significance value of 0.20 or greater than 0.05, which means that the data is normally distributed, so that it can be continued to the paired t-test phase. Then, the results of the paired sample t-test test show a significance result of 0.00 or < 0.05, or there was a significant difference between Index of 2014 and 2018. This means that rural development in Lampung Province in general has increased from 2014 (before the distribution of VF) to 2018 (after distribution of VF). These results also show that \( H_0 \) is rejected and \( H_1 \) is accepted. The results linier with the previous studies by (Maulana & Suryaningrum, 2019). Result also linier with the VDI score which generally shows an increasing trend in each dimension.

b. Regency Level Analysis

Furthermore, the regency level analysis was also conducted, and shows the result in each regency as below:

<table>
<thead>
<tr>
<th>No</th>
<th>Regency</th>
<th>Sig. Normality</th>
<th>Score Paired sample t-test</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td></td>
<td>Kologorov Smirnov Test</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Tanggamus</td>
<td>0.20</td>
<td>0.011</td>
</tr>
<tr>
<td>2.</td>
<td>Lampung Selatan</td>
<td>0.20</td>
<td>0.012</td>
</tr>
<tr>
<td>3.</td>
<td>Lampung Barat</td>
<td>0.20</td>
<td>0.05</td>
</tr>
<tr>
<td>4.</td>
<td>Lampung Tengah</td>
<td>0.20</td>
<td>0.022</td>
</tr>
<tr>
<td>5.</td>
<td>Lampung Utara</td>
<td>0.20</td>
<td>0.036</td>
</tr>
<tr>
<td>6.</td>
<td>Way Kanan</td>
<td>0.20</td>
<td>0.049</td>
</tr>
<tr>
<td>7.</td>
<td>Pesawaran</td>
<td>0.20</td>
<td>0.041</td>
</tr>
<tr>
<td>B</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Tulang Bawang</td>
<td>0.20</td>
<td>0.091</td>
</tr>
<tr>
<td>2.</td>
<td>Pringsewu</td>
<td>0.20</td>
<td>0.105</td>
</tr>
<tr>
<td>3.</td>
<td>Mesuji</td>
<td>0.20</td>
<td>0.054</td>
</tr>
<tr>
<td>4.</td>
<td>Tubaba</td>
<td>0.20</td>
<td>0.131</td>
</tr>
</tbody>
</table>
Based on the table above, it shows that the entire normality value of each region is 0.20, or greater than 0.05, which means that the data was normally distributed. Then, the results of the paired sample t-test above show that there are 6 (six) regions with the value of $>0.05$, and 7 (three) regions with the value $<0.05$. This means that in these 6 (six) regions, there is no real difference between the index of 2014 and 2018, or could be said that the rural development in those areas did not increase from 2014 (before the distribution of VF) to 2018 (after the distribution of VF). The aspect of financial management could burden the goals of development, stated in the previous study by (Eze, et al., 2010). Meanwhile, in 7 (seven) other districts the results of $<0.05$. This means that in these 7 (seven) regions, there is significant difference between the index of 2014 and 2018, or could be said that the rural development in those areas increased from 2014 to 2018. This is also linier with the results of previous studies such as that conducted by (Maulana & Suryaningrum, 2019).

5. Testing the Effectiveness of VF to Reduce Poverty and Unemployment

Based on Figure 4, it is known that the percentage of rural poverty has fluctuated and tends to experience a stable decline since 2016. On the other hand, actually the poverty rate tends to decrease in 2013 and 2014, which actually were two years before VF was distributed. Based on the test results, the significance value is 0.992, or $>0.05$, which means not enough evidence to state that VF has effectively contributed to reducing the poverty levels in Lampung Province in those periods. These results showed that $H_0$ is accepted and $H_1$ is rejected. This is also linier with the previous studies conducted by (Maulana & Suryaningrum, 2019), (Setiawan, 2019) and (Chandoevwit & Ashakul, 2008).

Due to the unemployment, based on Figure 5, it is shown that the percentage of OUR generally tends to decrease since 2016. However, in 2015 which was the first year of distribution of VF, the percentage of OUR had already increased. Based on the test results, it is known that the significance value is 0.183, or $>0.05$, which means not enough evidence to state that VF has effectively contributed to reducing the percentage of OUR in Lampung Province. These results showed that $H_0$ is accepted and $H_1$ is rejected. This is also linier with the previous results of study conducted (Badaruddin & Tanjung, 2021).

CONCLUSION

Based on the results of this study in Lampung Province, it could be concluded that for the provincial level, VF is effective to encourage rural development, from 2014 to 2018. This means that government policy for the expenditure of VF, in general, is already in line with the people's needs. Nevertheless, for each regional level analysis, it shows that VF is still ineffective for some other regions. Moreover, due to the effectiveness of VF in order to reduce poverty and unemployment, it shows that VF is still ineffective. So, the improvement of financial management of VF actually should be considered to encourage the development. Besides that, a good allocation policy of VF to spend the fund into the kind of activities which more-related
to reducing poverty and employment, also should be considered. Finally, the further studies to execute the concept of smart, and sustainable rural development also should be considered as alternative ways in developing the villages.

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