



Village Income and Economic Growth for Poverty Reduction on South Sumatra Province

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Abstract. Village community welfare research is urgently needed, particularly in the areas of village funds (VF), village fund allocations (VFA), village original income (VOI), and economic growth (EG). Samples taken from fourteen districts and cities in South Sumatra for five years (in 2016–2020). It was found that the poverty rate is influenced by VF, VFA, and VOI. Economic growth partially does not affect poverty. Subsequent findings, simultaneously all independent variables can affect poverty. It is recommended for future researchers to increase the quantity of data, increase the observation period, and further explore the variables to be studied. Regency and city government of South Sumatra should continue to increase the rate of economic growth in order to promote people's prosperity by using village spending.

Keywords: Village Fund · Village Original Income · Economic Growth · Poverty

1 Introduction

The Central Statistics Agency, Republic of Indonesia (CSA) revealed that in 2021 in South Sumatra there will be an increase in the poverty rate of 12.84%. This condition places this province in tenth place in Indonesia, and for the island of Sumatra it is in third position. CSA also released that the poor population is more dominant in villages. The Government of Indonesia has implemented various policies to address these societal problems, including by launching a village fund program and village fund allocations. The increase in VF and VFA is expected to reduce the poverty rate.

One of the village developments carried out is in the form of efforts to improve people's welfare. Rural poverty is expected to decrease with an increase in VOI. VOI aims to generate income for village prosperity. Findings [1–3] result that poverty is influenced by VF and VFA significantly. On the other hand [4, 5] proves that VFA does not affect poverty. VOI has a significant effect on poverty. Other findings partially [1, 6] reveal that the poverty rate is affected by VFA. Economic growth can affect poverty variables [7]. In this study, the independent variable was added, namely economic growth.

VF [8] is intended to organize government, village development, coaching, and community empowerment. The State Revenue and Expenditure Budget determines these

funds, which are then allocated to the district or city Regional Revenue and Expenditure Budget. The village fund allocation is worth ten percent of the balanced fund after special funds have been allocated [9]. Furthermore, VOI [9] is obtained from various village government efforts to collect the funding needed to finance routine activities or development activities. Economic growth [10] is the development of various economic activities that can increase the goods and services produced by society which ultimately lead to an increase in their welfare. Poverty indicates the condition of individuals or communities who are unable to experience various alternatives and opportunities to fulfill their primary needs. These needs include health, eligibility, freedom, and self-confidence [11].

In this research, four hypotheses will be tested. Hypothesis testing will be carried out on the four research variables, either partially or simultaneously. Test symbols are denoted as: VF affects poverty (H_1); VFA has an effect on poverty (H_2); VOI affects poverty (H_3); Economic growth affects poverty (H_4); and Poverty rate can be influenced by VF, VFA, VOI, and economic growth together (H_5).

2 Research Methodology

For this study, data from reports published by the local government were used. The village revenue and expense budget's budget realization report is where the information is found. The research study covers all seventeen regencies and cities in the province of South Sumatra. Based on certain considerations, data samples were taken from fourteen districts and cities.

Poverty (Pv), village funds (VF), village fund allocation (VFA), village original income (VOI), and economic growth were the four variables examined (EG). Several linear analysis equation are used to test hypotheses.

When the variables studied are examined separately or together, the coefficient of determination serves as a measure of how well the variable can influence or cause change for the factor being measured. The decision to test F is based on the significance point that is bigger than 0.05. Furthermore, if the calculated F_{count} exceeds F_{table} , the decision H_0 is not accepted and H_1 is accepted.

The t test was conducted to obtain the magnitude of the relationship between each explanatory factor in describing its various influence values. The decision making is seen from the value of t_{count} which is smaller than t_{table} , so it is decided that H_0 will be accepted and H_1 will be rejected.

3 Result and Discussion

3.1 Result

Hypothesis testing is carried out to produce an overview of the relationships and influences shown in this equation:

$$Pv = 9.693 + 0.00000015VF + 0.00000019VFA + 0.00000356VOI + 0.802EG + e \quad (1)$$

The regression model illustrates that VF, VFA, VOI, and EG are positively related to poverty. It was found that VF had a $t_{\text{count}} > t_{\text{table}}$ ($4.223 > 1.997$) and a sig value < 0.05 , which partially affected poverty. The VFA variable has a $t_{\text{count}} > t_{\text{table}}$ ($4.151 > 1.997$) and is significant, and it is concluded that it is partially influential. VOI shows $t_{\text{count}} > t_{\text{table}}$ ($5.263 > 1.997$) and is significant, the conclusion is also influential. The EG variable has a $t_{\text{count}} < t_{\text{table}}$ ($0.867 < 1.997$) with a significant value of more than 0.05 ($0.389 > 0.05$). The conclusion obtained partially that economic growth has no effect.

Based on the F test, the calculated F results are 44.984. The results obtained for F_{table} are 2.51. Because $F_{\text{count}} > F_{\text{table}}$, then H_5 can be accepted. This significance shows a value of 0.000 and a calculated F value of $44.984 > 2.51$. So, VF, VFA, VOI, and economic growth will affect poverty.

Adjusted R Square, which is the outcome determination value, is 0.718. This implies that these independent variables have an influence contribution of 71.8% for the dependent variable.

3.2 Discussion

Synergized results were obtained for the function of rural funds, namely increasing village prosperity and increasing the standard of living of village communities and reducing village poverty. There is a positive and significant relationship where it is expected that village funds will affect the reduction of district and city poverty rates in this province. This finding also supports [2, 5, 12] which states that the condition of prosperity or poverty alleviation in districts or cities is highly dependent on the availability of village funding. Village funds can explain rural poverty [3]. This means that village funds that are increasingly optimal will affect the level of welfare of the community.

Villages are funded from appropriations and transferred by the central government is aimed at alleviating poverty and inequality as well as for the prosperity of rural communities. In reality, the purpose of allocating village funds has been achieved by the district and city governments in the autonomous region of South Sumatra province. In conclusion, determination of funds for villages contributes to poverty reduction. If the allocation of village funds increases, it will affect the district and city poverty rates in this province. The results of research [1] are also evidence that village fund allocations have a strong effect in a positive direction to reduce poverty. Village funds allocated optimally function to increase village prosperity. Likewise [2] revealed that the allocation of funds in a village will affect the district or city poverty rate. Research findings [4] differ in that the position of poverty is not affected by village fund allocations. The probability that the results of an observation will occur differs from the amount of data and the time of observation.

Village original income, namely as a source of strengthening village finances to build and manage, among other things, related to its welfare. There is a reciprocal relationship between the original income sourced from the village and poverty alleviation. These conditions support [6] which proves that income originating from a village has a strong influence in a positive direction. The implication is that the more optimal the village income, the more optimal the welfare of the community.

This study's findings demonstrate that economic expansion has little impact on poverty levels. Economic growth should be able to greatly contribute to reducing the poverty rate in regencies/cities, namely if economic growth in previous years was high and the growth rate of Gross Domestic Product was higher, the poverty rate would fall faster. Practically speaking the economic growth of the South Sumatra regional government has not been able to contribute to poverty alleviation. Theoretically it should be stated that [7, 14–16] economic growth will affect the position of district/city poverty levels.

4 Conclusion

The research findings indicate that poverty is positively and significantly influenced by VF, VFA, and VOI. However, economic growth partially has no effect on poverty. Period. If taken simultaneously, the VF, VFA, VOI, and economic growth show a strong influence on alleviating poverty in district and city governments within the province of South Sumatra.

To get more comprehensive evidence related to this phenomenon. Future research can extend the observation time period. The findings in this study are only limited from observations during 2016–2020.

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