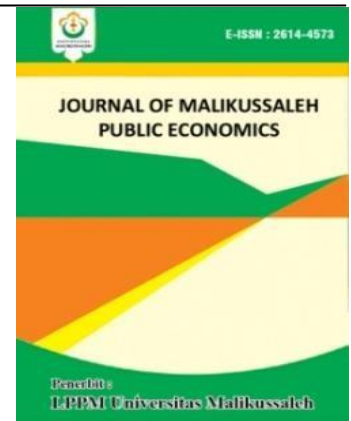


**THE EFFECT OF VILLAGE FUNDS AND VILLAGE FUND ALLOCATIONS ON POVERTY LEVELS IN PEUREULAK SUB-DISTRICT, EAST ACEH DISTRICT.**Rahmawati<sup>1</sup>, Cut Putri Mellita Sari<sup>1\*</sup>,<sup>1</sup>*Ekonomi Pembangunan Fakultas Ekonomi dan Bisnis Universitas Malikussaleh*Corresponding author: \*[cutputri.mellita@unimal.ac.id](mailto:cutputri.mellita@unimal.ac.id)[rahmawati.200430065@mhs.unimal.ac.id](mailto:rahmawati.200430065@mhs.unimal.ac.id)**ARTICLE INFORMATION****ABSTRACT****Keywords:**

*Village Fund, Village Fund Allocation, Poverty Level.*

*The reason for this study was to decide how much impact the Town Asset and Town Asset Distribution have on the Neediness Level in Peureulak Area, East Aceh Rule. Eviews 10 is utilized to consolidate Cross-Segment information with Time Series in this review. This study used panel data in five villages in the East Aceh Regency's Peureulak District from 2015 to 2022. The chosen panel model, the Random Effect Model (REM), was tested and found to have a positive, which had a significant impact on the poverty rate in five villages in the East Aceh Regency's Peureulak District, and a negative, which had no impact at all. The consequences of synchronous testing show that the factors of town assets and what they are dispersed have a huge mean for on the destitution rate in five towns in the Peureulak Subdistrict of the East Aceh Locale.*

**1. INTRODUCTION**

The context of governance cannot be separated from the issue of poverty in Indonesia. A fundamental factor that lies at the heart of the challenges the government faces is poverty. A measure of how much community development has improved people's lives is the level of poverty in a community. These improvements include increased levels of life satisfaction, income, education, and the availability of social options for both individuals and nations, as well as a more equitable distribution of basic necessities like housing, food, health care, and safety (Todaro, M.P and Smith S.C. 2011).

Aceh's poverty rate is relatively high. Aceh has the highest poverty rate in Sumatra. The poverty in Aceh is mostly concentrated in rural areas. Poor people in Aceh often have a low level of education, limited skills, and limited access to capital and information.

East Aceh District is one of Aceh Province's poorest districts; the BPS predicts a poverty rate of 13.91% in 2022. East Aceh has 24 sub-districts. Peureulak Subdistrict has the highest poverty rate in the East Aceh District.

Peureulak Subdistrict is a rural village with little natural resources. As a result, there are fewer jobs available in the area. As a result, many people are out of work or working for a poor income. Furthermore, financial disparities and a lack of quality education prevail.

The poverty rate in the five villages of the East Aceh District's Peureulak Subdistrict changed between 2015 and 2022. Paya Lipah Town saw a 7.9% development in 2021. Notwithstanding, in 2022, the neediness rate tumbled to 7.5%. In Alue Nibong Town, the highest destitution rate in 2021 was 7.6 percent, and in 2022, the rate decreased by 7.4 percent as a result of dry season, which can damage foundation and disrupt monetary activities in the town, thereby increasing the neediness rate. In Seuneubok Pidie Town, Improved access to essential services like education is improving the income and quality of life of the poorest rat villager, health care, and basic infrastructure like clean water and electricity as a result of the ongoing economic recovery. e in 2021 was 7.3%, but in 2022, the town did not experience a decrease; rather, it was still at that figure, specifically 7.3%. There are social ventures, for instance, cash moves, BLT, Dana Desa, and PKH that can help with

additional fostering the purchasing power of the poor in the town. In Lhok Dalam Town, there was a 4.02 percent increase in the year 2020 and a 3.08 percent decrease in the year 2022.

The State Budget funds the Village Fund, which is distributed to villages. In the eight years that this program has been in place, Alue Nibong Village has received a budget of IDR 715,763,000 in 2017. In 2021, the village received a budget of IDR 851,113,000, which is the highest it has ever received. Then, in Paya Lipah Town, the most modest budget in 2015 was IDR 743,439,000, while the most significant budget in 2022 was IDR 1,273,952,000. After that, Pasir Putih Town received the lowest budget in 2015, which was IDR 736,652,000, and the highest budget in 2022, which was IDR 860,717,000, while Seuneubok Pidie Town received the highest budget in 2020, which was IDR 1,103,620,000, and then Lhok Dalam Town received the highest budget in 2022, which was IDR 973,266,000.

The Gampong Fund Allocation receives the balance fund from the Regency's or City's Revenue and Expenditure Budget. In the same year, 2022, Seuneubok Pidie Village received the lowest budget from Gampong Fund Allocation, which was Rp 149,484,000. Seuneubok Pidie Town, on the other hand, obtained the most significant financial plan in 2020, totaling Rp 202,152,000. Alue Nibong Village received the most money in 2020, Rp 190,271,000. With Rp 188,153,000, Pasir Putih Village received the most money in 2020. With Rp 271,663,000, Lhok Dalam Village received the most money in 2022. In 2022, Paya Lipah Town received the highest financial plan, totaling Rp 199,966,000.

Based specifically on the above description and problems, the researcher wants to take the research title "The Effect of Village Funds and Village Fund Allocations on Poverty Levels in Peureulak District, East Aceh Regency".

## 2. THEORETICAL REVIEW

### Poverty Rate

The dejection rate is the level of the general population that lives under the poverty line, as would be considered normal to keep a fitting individual fulfillment in a country. According to BPS (2021), poverty is measured by a person's capacity to meet basic needs. This idea can be demonstrated with the help of Worldbank's Handbook on Poverty and Inequality. Utilizing this strategy, neediness is characterized as the powerlessness to satisfy fundamental food requests financially and for non-food products concerning cost. A population that spends less

than the poverty line on average each month is considered poor.

### Village Funds

Law No. 60 of 2014 (Bender 2016) stipulates that the village fund receives funding from the State Budget and is distributed to the village through the Regency Regional Budget. According to Law No.6 of 2014, villages can administer and manage the government's budget depending on specific requirements. Village funds are used to support all village policies depending on the village fund's needs and goals. Additionally, in order to guarantee that village-based programs are carried out in an equitable and fair manner, the government in the APBN distributes village funds throughout the country each year.

### Allocation of Gampong Fund

In view of the Rule's focal and provincial monetary equilibriums and income sharing from neighborhood burdens, the Town Asset Portion is an administration given monetary arrangement to the town (Anjar, 2019). The Village sum Allocation (ADD) is a sum provided to the village from the financial balance between the central and regional governments obtained by the Regency or City, as stated in article 1 paragraph 11 of government rule Number 72 of 2005. The ADD grants the authority to request federal funding for the Special Allocation Fund (DAK) and General Allocation Fund (DAU).

## 3. RESEARCH METHODS

### Data Analysis Method

Data analysis is the process of looking at data that has already been collected and interpreting the results. Panel Data Regression was used to analyze the data in this study. Gujarati (2003) says that board information is a blend of cross-sectional and time series information used to build the amount and nature of exploration information.

### Panel Data Analysis

The panel data analysis combines cross-sectional data from five villages in the East Aceh district's Peureulak subdistrict with time series data from 2015 to 2022. This information will be used to address the issues in this study using panel data regression. One of three models can be used to deal with panel data regression:

1. Cammon Effect Model (CEM)

The Estimation known as the Common Effect Model (CEM) makes use of the OLS (ordinary wide square) method to estimate its parameters and aggregates all cross sectional and time series data.

2. Fixed Effect Model

The panel data estimation method known as the fixed effect model (FEM) regression model makes use of dummy variables to explain intercept differences. Intercept variations across cross sections and time series serve as the foundation for this approach.

### 3. Random Effect Model

The random effects model (REM) regression model is a variant of the generalized least squares (GLS) estimation method. In order to deal with adapting to errors in board information, REM employs the least squares method. By considering imperfections in both worldly and cross-sectional series, this approach works on the viability of the least squares technique.

### Panel Data Regression Model

Ordinary Least Squares (OLS) regression analysis can be used to examine the effect of independent variables on the dependent variable. This technique, also known as OLS pool regression, uses panel data to estimate efficiency while ignoring the dimensions of people (companies) and time (years).

### Model Selection Technique

There are three ways to deal with assessing the model with board information: pooling least squares (Normal Impact), fixed impacts (Fixed Impact), and irregular impacts. The Common Effect Model (CEM), FixedEffect Model (FEM), and Random Effect Model (REM) are three models that can be used to evaluate parameter estimates in panel data.

### Chow Test

The Fixed Effect model or the Random Effect model that is more suitable for estimating panel data is determined by the Chow test. As per (Widarjono, 2017), the Chow test speculation is as per the following: The speculation produced during the Chow test is as per the following:

H<sub>0</sub> : Common Effect Model

H<sub>1</sub> : Fixed Effect Model

### Husman Test (Hausman Test)

This Hausmant test compares FEM with REM to evaluate which model is better for panel data regression (Gujarati and Proter 2009). The Hausmant test also employs the Eviews help software. The hypothesis for the Hausman test is as follows:

H<sub>0</sub>: random effect model

H<sub>1</sub>: fixed effect model

### Lagrange Multiplier (LM) Test

The Langrage Multiplier test is an analysis carried out with the objective of selecting or finding the optimal way of regressing panel data, using the Common or Random Effect (Baltagi, 2005).

### Classical Assumption Test

Equations that satisfy classical assumptions are only those that employ the Generalized Least Squares (GLS) technique. In eviews, the estimating model that employs the GLS approach is just the Cammon Effect Model, whereas the Common Effect and Fixed Effect use Ordinary Least Squares (OLS), according to Gujarati and Porter (2009).

### Normality Test

The normality test determines if the data utilized has a normal or atypical distribution. The standard normality assumption test posits that the disturbance t's probability distribution is uncorrelated, with an anticipated average of zero and a constant variance. Under this assumption, the estimator will have the appropriate statistical features and a low variance (Gujarati, 2003). To determine normality, use the Jarquare-Berra (JB) test. If the computed JB is less than the (Chis-Square) table value, the residual value is normal.

### Heteroscedasticity Test

The inequality in variance between the residuals of one observation and another is determined by this test. To determine whether the test results for the independent variable are larger than 0.05, it is free of heteroscedasticity.

### Multicollinearity Test

According to Gujarati (2003), the multicollinearity test recognizes the presence of a solid straight association between some or the relapse model's all's free factors.

### Autocorrelation Test

Autocorrelation refers to the link between residuals (Gujarati, 2003, pp 469-470; Gujarati & Porter, 2009, pp 434-437). The autocorrelation of the regression model can be determined using the Durbin-Watson (DW) test.

### Hypothesis Testing

In this study, the hypothesis test was done to see how the independent variables (Village Fund and Gampong Fund Allocation) affected the dependent variable, poverty level.

**Partial Test (t-test)**

To determine the influence of each independent variable, a one-way t-test is required. Measurements The free factor's significance in relation to the reliant variable is determined by the t-measurement test (Gujarati, 2003).

**Simultaneous Test (F Test)**

The F test shows how each independent variable affects the dependent variable. If the F test statistic has a significance level of, the F test hypothesis is rejected, indicating a significant influence of all independent variables (Gujarati & Porter, 2009).

**Determination test (R2)**

As per (Gujarati, 2003), The amount of variation that the free factor can apply to the dependent variable in the model is determined by the coefficient of assurance (R2) The degree to which the independent variable can explain the dependent variable is shown by the R2 value in regression.

**4. RESEARCH RESULTS AND DISCUSSION**

**Analysis Of Research Data Description**

This is a quantitative study with secondary data from Peureulak District, East Aceh Regency. In analyzing with eviews 10. The research area included five communities in Peureulak District, East Aceh Regency. The Destitution Level is utilized as the reliant variable, with the Town Asset and Gampoang Asset Allotment filling in as free factors.

**Chow Test**

**Table 1  
Chow Test**

Effects Test	Statistic	d.f.	Prob.
Cross-section F	13.478471	(4,33)	0.0000
Cross-section Chi-square	38.736410	4	0.0000

Source: Data Processed (2024)

The Chow test findings show a cross-section F and Chi-square probability value of  $< \alpha$  5%, or  $0.0000 < 0.05$ .

H<sub>0</sub> : Common Effect Model rejected

H<sub>1</sub> : Fixed Effect Model accepted

Consequently, the Fixed Effect Model is superior to the Common Effect Model in terms of its applicability.

**Hausman Test**

**Table 2  
Hausman Test**

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	2.966055	2	0.2269

Source: Data processed from Eviews output (2024)

As per Table 4.2, the p-an incentive for irregular cross-area is 0.2269, demonstrating that H<sub>0</sub> is acknowledged and H<sub>1</sub> is dismissed, and consequently the Arbitrary Impact Model (REM) is the ideal model to take on.

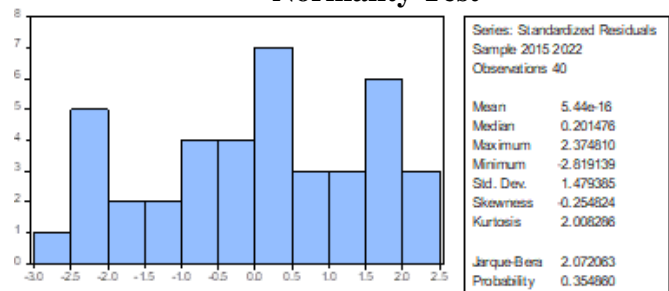
**Classical Assumption Test**

The chosen model is REM. As a result, the conventional assumption tests of normality and multicollinearity must be performed. Not all panel data regression tests make use of classical assumptions.

**Normality Test**

The relapse model's typical circulation is determined by applying the ordinarieness test. The Jarque-Bera Test, or J-B Test, was used for this study's normalcy test. The discoveries from this study are as per the following:

**Diagram 1  
Normality Test**



Source: Data Processing Results, 2024

It is evident from Diagram 4.3 above that the Jarque Bera value is 2.072063 and that the probability is greater than the significant threshold of 5%, namely  $(0.354 > 0.05)$ , indicating that the research data were regularly distributed.

**Muticollinearity Test**

The purpose of this test is to ascertain whether or not all of the independent variables are significantly correlated with one another. A good model is one that is not subjected to multicollinearity testing. To determine whether or not the multicollinearity test is evident in the respective coefficients. If the partial

correlation coefficient of the variables exceeds 0.90, there are signs of multicollinearity. If  $<0.90$ , there are no signs of multicollinearity (Gujarati & Proter 2009).

**Table 3**  
**Multicollinerity Test**

	LOG(DD)	LOG(ADG)
LOG(DD)	1.000000	0.576179
LOG(ADG)	0.576179	1.000000

Source: Data Processing Results, 2024

Table 3 shows that there is no multicollinearity. Multicollinearity test findings show a low correlation value between independent variables, not exceeding 0.90 (Gujarati and Proter, 2009).

Table 3 shows a correlation value of  $0.576179 < 0.90$  between DD and ADG, indicating that this model does not rely on multicollinearity assumptions.

### Panel Data Analysis

In this review, information is overseen utilizing board information relapse, which combines cross-segment and time series data. Board data backslide incorporates different advances, including the Typical Effect Model, Fixed Effect Model, and Unpredictable Effect Model. The Random Effect model estimate of the study produced the following outcomes:

**Table 4**  
**Regression Equation**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-26.25255	10.64026	-2.467285	0.0184
LOG(DD)	5.461572	1.773579	3.079407	0.0039
LOG(ADG)	-0.929284	2.304845	-0.403187	0.6891

Source: Data processed from Eviews output (2024)

Based on Table 4, the Random Effect Model technique produced the following panel data regression equation:

$$TKit = -26.25255 + 5.461572 \text{ DDit} - 0.929284 \text{ ADGit}$$

Constant ( $\beta_0$ ) = -26.25255, is if village funds, allocation of village funds are constant (fixed), then the poverty rate will also be constant at 26.25255%.

Parameter ( $\beta_1$ ) = 5.461572, is if village funds increase by 1%, then the poverty rate will increase by 5.461572% assuming the allocation of gampong funds is constant (= 0).

Parameter ( $\beta_2$ ) = -0.929284, is if the allocation of gampong funds increases by 1%, the poverty rate will decrease by 0.929284% assuming the village fund is constant (= 0).

### Coefficient Results for Each Village

**Table 5**  
**Coefficients of Each Village**

Desa Peureulak	Nilai Intersep	Konstanta Intersep
Alue Nibong-C	0.562066	-25,690484
Lhok Dalam-C	-1.971581	-28,224131
Pasir Putih-C	0.210072	-26,042478
Paya Lipah-C	1.172352	-25,080198
Seuneubok Pidie-C	0.027090	-26,22546

Source: Data Processing Results, 2024

According to Table 5, the value of each village's constant coefficient may be described by the value of the coefficient (C) characterizing the high and low levels of poverty, assuming local fund factors and allocation.

In Alue Nibong village - C, the Intercept / constant value of 26.25255 is obtained  $(-26.25255 + 0.562066) = -25.690484$ , implying that if the variable level of village funds and the allocation of village funds is constant (zero), the poverty rate in Alue Nibong village will also be constant at -25.690484.

In Lhok Dalam village - C, the Intercept / constant value of -26.25255 is obtained  $(-26.25255 - 1.971581) = -28.224131$ , implying that if the level of village funds variables and the allocation of village funds are constant (zero), the poverty rate in Lhok Dalam village will also be constant at -28.224131.

In Pasir Putih Village - C, the Intercept / constant value is -26.25255  $(-26.25255 + 0.210072) = -26.042478$ . This suggests that if the level of the danadesa variable and the distribution of village funds are both constant (zero), the poverty rate in Lhok Dalam Village will also be constant at -26.042478.

In the village of Paya Lipah - C, the Intercept / constant value of -26.25255 is obtained  $(-26.25255 + 1.172352) = -25.080198$ , which means that if the village funds' variable level and allocation are both constant (zero), the poverty rate in Lhok Dalam village will also be constant at -25.080198.

In the village of Seuneubok Pidie - C, the Intercept / constant value is  $(-26.25255 + 0.027090) = -26.22546$ , implying that, if the village funds' variable level and allocation are both constant (zero), the poverty rate in Lhok Dalam village will also be constant at -26.254.

### Hypothesis Test

#### Partial Test (t-test)

The t-statistic test determines the significance of the independent variable's influence on the dependent variable while holding the other variables constant.

**Table 6**  
**T-test**

Variabel bebas	t-Statistik	t-Tabel	Alpha	Probabilitas	Keterangan
DD	3.079407	1.687	0,01	0,0039	Signifikan
ADG	-0,403187		0,10	0,6891	Tidak Signifikan

Source: Data Processing Results, 2024

The t test results for DD yielded a t value of 3.079407, which is more than the t table and sig value of 1.68700. If  $0.0039 < 0.01$ , the null hypothesis is rejected. The hypothesis is accepted, indicating that the DD variable significantly affects the TK variable.

The t test on the ADG variable yielded a t value of  $-0.403187 < t$  table, namely 1.68700, and a sig value of  $0.6891 > 0.10$ .  $H_0$  is therefore accepted. The fact that  $H_a$  is rejected suggests that the TK variable is only marginally affected by the ADG variable.

#### Simultaneous Test (F-test)

If  $F\text{-count} < F\text{-table}$ , we will recognize  $H_0$  and reject  $H_a$ , indicating that each independent variable (village funds and distribution of village money) has an equal effect on the dependent variable (poverty level).

**Table 7**  
**F-test**

F Tabel	F Tabel	Alpha	Probabilitas	Keterangan
6.241962	3.25	0.01	0.004615	Signifikan

Source: Data Processing Results, 2024

The variables of village funds and the allocation of village funds have a significant and positive effect on the poverty rate in Peureulak District Village, East Aceh Regency, as shown in Table 7. If  $F\text{ count} > F\text{ table}$  or  $F\text{ statistics} > 3.25$ , then  $H_a$  is accepted and  $H_0$  is rejected. The p-value of 0.004615, which is less than 0.05, supports this.

#### Determination Coefficient Test (R2)

The independent variable's impact on the dependent variable is evaluated using the Adjusted R-Squared coefficient. The determination coefficient can be anywhere from 0 to 1.

**Table 8**  
**Determination (R2)**

R-squared	0.252282	Mean dependent var	1.626363
Adjusted R-squared	0.211865	S.D. dependent var	1.112510

Source: Data processed from Eviews output (2024)

The adjusted R2 value is 0.211865 for panel data regression testing using the Random effect model. This indicates that the village fund allocation and influence of the regression model on poverty levels are 21.18 percent, and  $1 - 0.211865 = 0.788135$  indicates that the remaining 78.81 percent is influenced outside of this variable.

## 4. DISCUSSION

The Arbitrary impact model (REM) was chosen. Using partial and simultaneous tests, the following provides an explanation of the independent and dependent variables.

#### The Effect of Village Funds on Poverty Levels

The information handling investigation discovered that neediness levels in Peureulak Locale, East Aceh Rule, are altogether impacted by the Town Asset variable. Flagging that assuming the town cash develops, the destitution level ascents.

#### The Effect of Village Fund Allocation on Poverty Levels

The Village Fund Allocation variable has a small but negative impact on poverty levels in Peureulak District, East Aceh Regency, according to data processing research findings. Signaling that an increase in the Village Fund Allocation has no effect on the Poverty Level.

#### The Effect of Village Funds and Village Fund Allocations on Poverty Levels

According to the findings of data processing study, the Village Fund and Village Fund Allocation variables collectively have a considerable influence on the Poverty Level. The F statistic value of 6.241962 is more than 3.25 with a probability of 0.004615, which is less than 0.05.

The findings of this study are consistent with research conducted by Fitriah, Sari, Fahlia, and Rafil (2019), who found that village finances and their allocation had a simultaneous effect on poverty rates.

## CONCLUSIONS AND SUGGESTIONS

### Conclusion

The analysis can be used to draw the following inferences:

1. The Village Fund has a positive and significant impact on poverty rates in the East Aceh Regency's Peureulak District. Poverty levels rise when the Village Fund is raised.
2. The Village Fund Allocation has a negative and insignificant impact on poverty levels in the Peureulak District of the East Aceh Regency. However, the poverty rate is unaffected by an increase in the Village Fund Allocation.



3. The distribution of the Village Fund has a significant impact on poverty rates in the Peureulak District of the East Aceh Regency.

### Suggestion

In view of the discoveries of the review and ends, the creator could make the accompanying ideas:

1. Increase the allocation of village grants to alleviate poverty in the Peureulak District of the East Aceh Regency.
2. Enhance agency coordination, focus on economic empowerment, and village governance. The Peureulak Local Government, East Aceh Regency, should successfully oversee Town Assets and Portions to help the economy and local area government assistance.
3. For future research on poverty, this study can be used as a reference. The Poverty Level is influenced by a number of factors. Specialists accept that future investigations will incorporate more qualities that might biggerly affect the neediness rate.

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