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Indonesia's Village Fund Program:

Does It Contribute to Poverty Reduction?

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Jalan MT Haryono, Malang, Indonesia ☑ novita_saragi@yahoo.com Abstract: To stimulate rural development and reduce poverty in rural areas, The

Government of Indonesia enacted the policy of Village Fund in 2014. However, a few studies have been conducted to examine this program. This study aims to describe how poverty alleviation goes following Village Fund Program in Indonesia between 2015-2019. The poverty reduction was represented by holistic data, including the number of poor and the improvement of village status through Indeks Desa Membangun (IDM). The analysis is conducted using a descriptive method by dividing the areas into six regions, Sumatera, Java & Bali, Kalimantan, Sulawesi, Maluku & NT, and Papua. The result showed that over five years, the village fund dramatically increases. Moreover, this growth is along with the slight decline in poverty. The researchers found that the decreasing number of poverty from 2015 to 2019 is about 15%. The IDM status for districts/municipalities shows that the status improved from underdeveloped villages in 2015 to developing villages in 2019. Java is the region that contributed to making the status improved either to be developing, developed, or independent. While it is the Papua region known as the region consisting of most of the least underdeveloped villages. Since the goal of this policy in poverty reduction still works slowly, it needs a lot of effort from many levels of government, from the village, regional, and national officials, to cooperatively work together.

Keywords: village fund; poverty; IDM

8 OPEN ACCESS

Citation: Saragi, N. B., Muluk, M. R. K., & Sentanu, I. G. E. P. S. (2021). Indonesia's Village Fund Program: Does It Contribute to Poverty Reduction? Jurnal Bina Praja, 13(1), 65-80. https://doi.org/10.21787

Received: February 14, 2021 Accepted: April 01, 2021 Published: April 30, 2021

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1. Introduction

Poverty is a significant and crucial problem in most developing countries. Over 40% of the world's population are in a poverty trap, living on less than \$2 per day (Todaro & Smith, 2012). Neglecting this issue from the government's priority can worsen a country's development because it will influence other development issues, such as less-educated people, malnourishment, unemployment, and inequality. Consequently, for a long time, poverty can deter the nation's goal to achieve well-being for all citizens. Thus, the government must intervene to overcome poverty by formulating policies or implementing any beneficial programs for poor people. For many years, government's programs have been directed for development and considerably are concentrated to reduce poverty in which the development aims to improve the social welfare (BPS-Statistics Indonesia, 2019a).

In Indonesia, poverty also remains a fundamental problem that needs some careful and practical actions to reduce the possible impact. According to data from Statistics Indonesia, the number of poor people had declined from 25.95 million people (about 9.82%) in March 2018 to 25.14 million people (9.41%) in March 2019 (BPS-Statistics Indonesia, 2019b). Based on the region, in 2019, the lowest percentage of poor people is located in DKI Jakarta Province, which is 3.47%. The highest proportion of poor in Papua Province accounted for 27.53% (BPS-Statistics Indonesia, 2019a). Although poverty presented a considerable decrease between 2005 and 2019 (March) (from 15.97% to 9.41%) reported by Statistics Indonesia, poverty still became a major problem in Indonesia. International Fund for Agriculture Development stated that three out of five Indonesians live in rural areas (IFAD, 2019). Additionally, poverty remains centralized in rural areas accounted for 62.7% of the population living below the poverty line (IFAD, 2016). In 2014, before the policy of village fund implemented, the percentage of poor people in rural areas is 13.76%, then slightly increases to 14.09% in 2015, and gradually went down to about 1% by 2019 at 12.85%.

Principally, the structure and functional changes in village government lead to decentralization context (administrative and political view) (Suharto, 2012), and villages become the target of the fiscal decentralization (Hermawan et al., 2019). It is believed that fiscal decentralization seems to have a reasonable impact on poverty reduction (Putra, 2017). Research in selected provinces in Java Island found that decentralization with fiscal balance affected poverty alleviation (Sandjaja et al., 2020). Since the enactment of the village law, villages are given an excellent opportunity to manage their administration and governance to improve social welfare (Susilowati et al., 2018) and finally bring new hope for the diverse indigenous village (Azwar et al., 2020). Hence, village fund is necessarily included as one of the fiscal instrument that is expected to stimulate village development (Hermawan et al., 2019).

Since poverty continues to exist for a long time and too difficult to overcome, the President initiates to provide a fund named "Village Fund" for 74,954 villages all over Indonesia. Based on The Village Law 6 of 2014 as a legal framework, the Government is mandated to allocate village fund to support the implementation of village role and function for village development in many aspects (Kementerian Keuangan Republik Indonesia, 2017). This policy became one of the government's visions initiated by the President to develop Indonesia "from the periphery." Village fund is the village transfer revenue from State Budget (APBN). This fund focuses on more marginalized and less developed regions in Indonesia and intends to close the high gap in public services between rural and urban areas and enhances social welfare in rural areas. In practice, The Government of Indonesia has made numerous fiscal policy changes to improve its rural economy; the most notable policy issue was the village fund, which has been in effect since 2015 (Sutiyono et al., 2018).

The Village Fund disbursement by the Ministry of Finance showed a considerable amount and cannot be overlooked over five years from 2015 to 2019. The distribution of village funds experienced a significant rise from the first year of its implementation. In 2015, the Government had allocated Rp20.7 trillion, which subsequently went up to Rp46.9 trillion in 2016. In the following years, between 2017 and 2018,

Government raised the fund to Rp60 Trillion. This indicated that each village received approximately Rp800 Million growing by 185.7% from the first allocation of Rp280 Million. The growth of village fund is in line with the mandate of the National Long-Term Development Plan 2005—2025 and the vision and mission of the President to reduce the poverty rate to 7.0—8.0 percent by 2019 (Handra et al., 2017).

However, the village fund has been mostly spent on infrastructure development (Sutiyono et al., 2018). Research conducted in Bintan District and Lingga District found that most village funds are used for physical development (Adhayanto et al., 2019). Using Village Fund considerably to build infrastructure will only have a little impact on poverty alleviation. In addition, some international institutions also claim to have successfully reduced the poverty rate by allocating aid. Unfortunately, the impact can result in bringing back to poverty (Prastyanti & Subejo, 2018). These researches found that if the village fund is mostly used for infrastructure development, the village fund's goal is not sufficiently targeted to poor people. Within four years, the Ministry of Village reported that by 2018, the infrastructure that was built included 38,259 km of village roads; 136.21 km of village bridges; 2,407 village markets; 1,813 village embung units; 1,813 irrigation units; and many other village developments (Kementerian Desa PDTT, 2019). Consequently, the program of Village Fund and Village Fund Allocation still cannot optimally contribute to poverty reduction since the utilization of Village Fund is still directed to infrastructure development or physical potential (Ramly et al., 2018).

Furthermore, human factors can deter the process of implementation. Community participation and supervision are still limited and can inhibit achieving the ultimate goal (Ramly et al., 2018). Another problem also appeared in the implementation of the village fund. The corruption issues frequently occurred since the village fund is massively allocated. After enacting Village Law and Village Autonomy in Indonesia, the Village Fund's usage and management continue leading to corruption problems (Ash-shidiqq & Wibisono, 2018). The underlying cause of corruption in Village Fund is the less involvement of community role in planning and supervising the village fund application and limited competence and ability of the village head (Warsito & Maerani, 2018). As a result, misuse of a fund can lead to inadequate implementation. For this reason, it is imperative to outline the extent of the village fund program compared with the number of poor people to prevent the misuse of village fund and finally to maximize the performance of the policy.

The implementation of village funds should be programmed for both physical development and human empowerment. In the long term, the Government expects the village society to reach prosperity and be an independent village. Independent village represents developed villages that can implement village development to improve the quality of life and the welfare of village community through social resilience, economic resilience, and sustainable ecology resilience (Kementerian Desa, Pembangunan Daerah Tertinggal, 2016). Thus, to achieve either independent village or developed village, the Ministry of Village developed an indicator as a sustainable development framework named Indeks Desa Membangun (IDM) (Kementerian Desa, Pembangunan Daerah Tertinggal, 2020).

This study aims to describe how the poverty alleviation goes following Village Fund Program in Indonesia between 2015—2019. This research will analyze how the village fund influences the number of poor in Indonesia and explore the other related impact by reviewing the IDM released by the Ministry of Village. Finally, the findings can bring some alternative recommendations to achieve a better outcome of the village fund implementation. Hopefully, those policy alternatives can be delivered to policymakers in reconsidering the following policy decisions.

2. Methods

This study uses a descriptive method to analyze village fund implementation between 2015 and 2019 in Indonesia. The goal of descriptive research is to describe the phenomenon and its characteristics (Nassaji, 2015). It is about describing how the

reality is (Lans & van der Voordt, 2002). Descriptive research is increasing in value if it is about description and contains initiations to interpretation and evaluation of its (Lans & van der Voordt, 2002). Hence, to describe the factual implementation of village funds, this study uses secondary data obtained from the Statistics Indonesia (BPS), Ministry of Finance (Kemenkeu), and Ministry of Village (Kemendes PDTT). The data descriptively analyzed at a national scope from 34 provinces in Indonesia. The data is analyzed quantitatively using frequencies, percentages, averages, or other statistical analyses to determine the relationship (Nassaji, 2015). Subsequently, the results were interpreted to give a comprehensive discussion.

The data include the poverty and village fund indicators. Poverty indicators are provided by Statistics Indonesia using the number and the percentage of poor people. In addition, to explore more about the poverty level, this study will use the Indeks Desa Membangun (IDM) obtained from the Ministry of Village (this index will be clarified in the following section). Meanwhile, to analyze the village fund, this study will highlight the allocation of village fund obtained from the Ministry of Finance.

Village Development Index is the Composite Index formed from the Social Index including social capital, health, education, settlement, Economic Index including economic dimensions, and Village Ecology Index including ecology dimensions (Kementerian Desa, Pembangunan Daerah Tertinggal, 2020). Based on the Ministry of Village regulation, developing the village index aims to determine the progress and independence status of the village and provide data and basic information for village development. The classification of village status was formulated with a threshold as follow:

- 1) Extremely Underdeveloped Villages: IDM ≤ 0.4907
- 2) Underdeveloped Villages: 0.4907 < IDM ≤ 0.5989
- 3) Developing Villages: 0.5989 < IDM ≤ 0.7072
- 4) Developed Villages: 0.7072 < IDM ≤ 0.8155
- 5) Independent Villages: IDM > 0.8155

3. Results and Discussion

This study will analyze the implementation of village funds from the allocation, and then it will be identified based on the regions. According to the Ministry of Finance (2018), there are 74,958 villages all over Indonesia which come from 434 districts and 33 Provinces. In order to produce a representative implementation of village funds, this study compiles a report into six regions according to their position:

- 1) Sumatera;
- 2) Java:
- 3) Kalimantan;
- 4) Sulawesi;
- 5) Maluku & NT;
- 6) Papua;

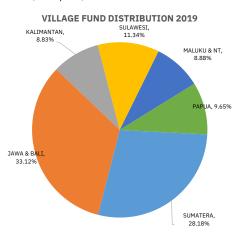


Figure 1. Regional Distribution of Village Fund 2019

The expenditure of village fund showed an increasing number for five-year implementation. In 2014, the Regional Transfer and Village Fund (TKDD) significantly increased by 45.1% over five years (Fatoni, 2020). Moreover, two regions have received more than 50% of the total allocation between 2015 and 2019. Those regions are Sumatera and Java & Bali. There are around 23 thousand villages placed in these regions. Sumatera has 23,044 villages, while Java and Bali consist of 23,111 villages, having slightly more than Sumatera. Therefore, villages in Sumatera obtained 28.18% of the total village fund, and 33% of the total was distributed for villages in Java and Bali.

In detail, the allocation of village funds is mostly spent in Java and Bali over five years between 2015 and 2019, accounting for a third of total funds. Meanwhile, in general, Kalimantan received the least amount of funds, around 8% of the total, followed by Maluku and Papua. From this perspective, it can be assumed that Java received the most of village fund because it also has the highest population among other regions.

Table 1. Village Fund Distribution Per Regions 2015–2019

*in billion	2015	2016	2017	2018	2019
SUMATERA	6,257.05	14,093.21	17,997.27	17,266.85	19,722.76
JAWA & BALI	6,698.64	15,035.20	19,186.85	19,699.21	23,187.12
KALIMANTAN	1,811.95	4,103.08	5,258.36	5,287.35	6,179.44
SULAWESI	2,376.26	5,355.84	6,872.79	6,845.66	7,940.32
MALUKU & NT	1,739.75	3,934.94	5,019.38	5,280.06	6,215.95
PAPUA	1,882.55	4,459.81	5,665.36	5,620.86	6,754.42
TOTAL	20,766.20	46,982.08	60,000.00	60,000.00	70,000.00

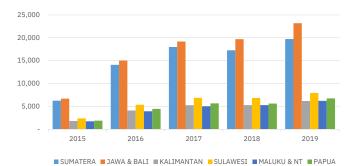


Figure 2. Village Fund Distribution 2015–2019

The village fund grew over twice from 2015 to 2016 and increased gradually for the following years until 2019. In line with the Village Law 6/2014, the village fund distribution is based on four elements: population, poverty rate, total area, geographic constraint level of each village (UU/6, 2014). Village Fund's formula emphasizes more weight on basic allocation, indicating almost equal allocation for the entire villages (Arifin et al., 2020). From 2015 to 2017, the village fund's formula allocation is only accounted for 10% of the total fund. The rest fund, which is 90%, is the primary allocation, disbursed by the Government equally for all Indonesia villages. A transfer program with poor-targeted methods, either based on consumption or based on poverty level, moderately contributes (not large) to reducing Indonesia's poverty rate (Bergstrom & Dodds, 2021). However, the imperfect targeting using various proxy measures for income leads to giving the transfer to those who are not poor and failing to deliver the transfer to poor (Hanna & Olken, 2018).

In 2018, Government consider other essential factors to enhance the effective allocation of this fund. The government assumed that the formula 90:10 does not represent justice for poverty and underdeveloped villages (Ministry of Finance, 2017). Therefore in 2018, the formula was revised with a proportion of 77:3:20, which

77% is the basic allocation, 3% is allocated for affirmative villages, and 20% is the formula allocation. The significant change in this distribution is due to additional budget for affirmative villages, which are all underdeveloped villages and the least underdeveloped villages which the number of poor is still high.

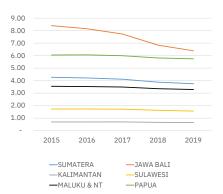


Figure 3. Number of Poor in Indonesia 2015–2019

Since rural areas' development remains less-developed, village fund transfer is expected to contribute to poverty alleviation (Arham & Rauf, 2020). This study then considers the number of poor in rural areas as one of the related elements to look at the implementation of village funds. The poverty rate reached the lowest level ever in March 2018, reported by Statistics Indonesia, while the poverty rate in rural areas decreased from 13.10% in September 218 to 12.85% in March 2019 (Fatonie, 2020). The line graph explained that poor people are mainly in Java and Bali, then followed by Papua and Sumatera. These numbers of poor tend to have a slight downward trend. For example, regions like Kalimantan, Sulawesi, Maluku and NT, and Sumatera only have a tiny decline from 2015 to 2019. However, the number of poor in Java and Bali decrease significantly. Regarding the description of village funds related to poverty, this study will provide an overview of trends between village funds and the number of poor people in the six regions in the following section.

3.1. Sumatera

In Sumatera, the total fund allocated is about Rp19.723 billion for ten provinces in 2019 and has increased two times from 2015 to 2019. Sumatra is also represented as the second-highest region receiving the village fund. To further analyze, Aceh receives the highest amount of funds, while Kepulauan Riau receives the least. On the other hand, the number of poor only slightly goes down between 2015 and 2019, approximately 12.05% accounted for 514,220, from 4,268,870 to 3,754,650. In Sumatera, the number of poor was 17.5% of Indonesia's total poor, the third-highest one. Although there is a decreasing number of poor, the other aspects should be considered. In this region, the highest number of poor people is in Lampung, but Aceh gets the highest fund because there are 2,435 villages in Aceh, the most one. It shows that the allocation of village fund depends on the total of villages.

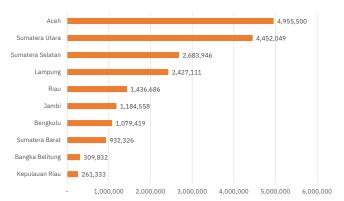


Figure 4. Village Fund Distribution in Sumatera in 2019

In terms of village development, poverty also can be depicted from the IDM. Based on the data obtained, in 2015, IDM Status for district/municipalities showed that Sumatera IDM Status was underdeveloped villages, accounted for 82.44%. Whereas the rest districts/municipalities, about 14.50% were classified as developing and 0.76% developed villages. However, in 2019 there is a considerable change of IDM Status in Sumatera. Developed and Developing villages grew by 6.11% & 72.52%, while the underdeveloped villages declined to 20.61%.

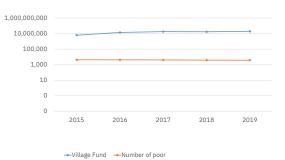


Figure 5. Trend of Village Fund and Number of Poor in Sumatera Between 2015–2019

In detail, the poverty level also can be seen from the development village. Overall, from the IDM Status table in Sumatera, village status increased from underdeveloped to developing from 2015 to 2019. However, Sumatera Utara remains an underdeveloped village on average. Although 50% of villages reported as developing villages in 2019, the number of underdeveloped and the least underdeveloped still dominated.

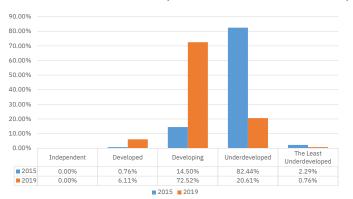


Figure 6. Sumatera IDM Status 2015–2019

In 2015, IDM Status for districts/municipalities was 89.29% at underdeveloped villages, then it declines to 46.43% in 2019. Meanwhile the least underdeveloped villages decrease by 7.14% to 3.57% in 2019. Overall, in Sumatra, the underdeveloped villages significantly decreased over 50% over five years and the status shifted from underdeveloped villages in 2015 to developing villages in 2019.

Table 2. Sumatera IDM Status 2015–2019

	IDM 2015	IDM 2019	Status 2015	Status 2019
Aceh	0.567	0.621	Underdeveloped	Developing
Sumatera Utara	0.546	0.592	Underdeveloped	Under-developed
Sumatera Barat	0.622	0.683	Developing	Developing
Riau	0.533	0.631	Underdeveloped	Developing
Jambi	0.559	0.653	Underdeveloped	Developing
Sumatera Selatan	0.558	0.614	Underdeveloped	Developing
Bengkulu	0.566	0.624	Underdeveloped	Developing
Lampung	0.582	0.638	Underdeveloped	Developing
	IDM 2015	IDM 2019	Status 2015	Status 2019
Bangka Belitung	0.594	0.689	Underdeveloped	Developing
Kepulauan Riau	0.561	0.636	Underdeveloped	Developing

3.2. Java & Bali

Allocation of village fund in Java is the highest among other regions. The total fund is about Rp23.187 billion for five provinces in Java, and Bali. For 5 years implementation, Java received about a third of the total fund, and 33.12% in 2019. Central Java and East Java are the regions which receive the highest amount of fund. This is assumed since both provinces has the most villages among other provinces, accounted for more than 7 thousand villages.

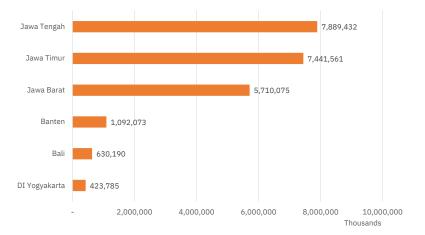


Figure 7. Village Fund Distribution in Java & Bali in 2019

To compare, the number of poor in Java is almost a third of Indonesia's poor, about 29.87%. The poor rate in Java also declined between 2015 and 2019, with 7.16% on average each year. Nevertheless, the poor gap is still high in Java. For example, in 2019, there were 2,662,980 of poor people in East Java, 2,109,260 in Central Java, while the least one in DI Yogyakarta and Bali, 143,810 and 65,870 respectively.

Like Sumatera, Java poverty trend by the number of poor experiences a slow decline. However, the village development in terms of IDM Status in Java was the highest among Indonesia's regions. Java is classified as the developing village status by IDM from 2015 to 2019. In 2015, 87.37% of village status in this region was developing. Then the number went down to 78.95% in 2019. For five years, there was a noticeable growth of both developed and independent villages. Developed villages grew by 9.47% from 2015 to 2019.

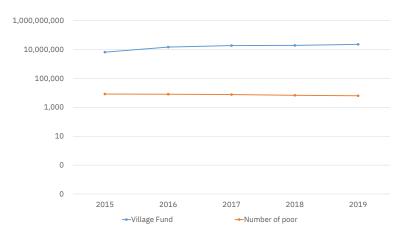


Figure 8. Trend of Village Fund and Number of Poor in Java & Bali Between 2015–2019

The significant difference in this region because Bali contributes to having independent villages. Bali gained its first development by having two independent villages from 2015 to 2019. This province also contributed to making developed villages. It can be seen from 2015, the developed status was 55.56%, and it increased

to 77.78% in 2019. The essential factor leading Bali to have this improvement is because its village development focused on tourism. Bali Tourism is known for the remarkable natural beauty, so that enables to boost the economy growth (Imron, 2015).

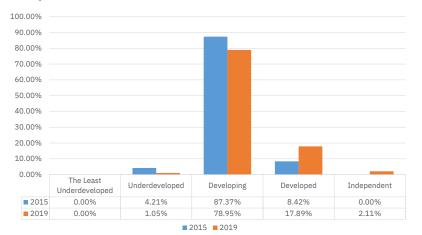


Figure 9. Java & NT IDM Status 2015–2019

On the other hand, no districts/municipalities have the least underdeveloped villages between 2015—2019 in Java and Bali. It is only Banten Province with underdeveloped village status in 2015, but it increased in 2019 to be developing villages.

Table 3. Java & Bali IDM Status 2015–2019

	IDM 2015	IDM 2019	Status 2015	Status 2019
Jawa Barat	0.643	0.675	Developing	Developing
Jawa Tengah	0.632	0.671	Developing	Developing
D I Yogyakarta	0.701	0.755	Developing	Developed
Jawa Timur	0.638	0.630	Developing	Developing
Banten	0.583	0.630	Underdeveloped	Developing
Bali	0.695	0.778	Developing	Developed

3.3. Kalimantan

In 2019, Kalimantan received Rp6.18 billion for village transfer. This fund is for five provinces with 8,635 villages. The highest fund was allocated in Kalimantan Barat Province, and the least is for Kalimantan Utara. Based on the data obtained, Kalimantan Utara has the least total of the village, 447, while Kalimantan Barat has the most villages among other provinces, 2031. From 2015 to 2019, the village fund allocated in this region is about 8% of total transfer all over Indonesia.

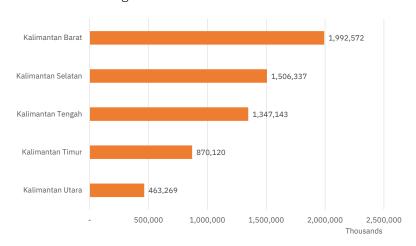


Figure 10. Village Fund Distribution in Kalimantan in 2019

Village fund distribution shows a small proportion compared to the number of poor, around 3% of total poor in Indonesia located in this region. The number of poor declined from 69,213 people to 642,930 people in 2019. Although there is a tiny decrease of the poor number around 7.82% for five years, Kalimantan is the region that has the least number of poor among other regions.

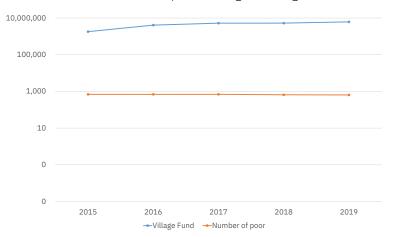


Figure 11. Trend of Village Fund and Number of Poor in Kalimantan Between 2015–2019

Specifically, the IDM status in Kalimantan can explain the village development to represent the poverty. In 2015 IDM Status for district/municipalities showed that Kalimantan IDM Status is underdeveloped villages, accounted for 72.34%. Whereas the rest districts/municipalities, about 21.28% were classified as the least underdeveloped and 6.38% as developing villages.

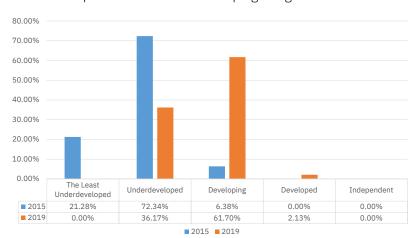


Figure 12. Kalimantan IDM Status 2015–2019

However, in 2019 there is a considerable change of IDM Status in Kalimantan. The IDM status turned to be developing villages in 2019, around 61.70%. Furthermore, the least underdeveloped villages no longer reported in Kalimantan, and only one province stated the status of underdeveloped villages. It is South Kalimantan that has the highest status score as a developing village.

Table 4. Kalimantan IDM Status 2015–2019

	IDM 2015	IDM 2019	Status 2015	Status 2019
West Kalimantan	0.518	0.620	Underdeveloped	Developing
Central Kalimantan	0.506	0.597	Underdeveloped	Underdeveloped
South Kalimantan	0.572	0.635	Underdeveloped	Developing
East Kalimantan	0.532	0.626	Underdeveloped	Developing
North Kalimantan	0.495	0.606	Underdeveloped	Developing

3.4. Sulawesi

In 2019, Sulawesi allocated Rp7.940 billion for six provinces, where a third of that fund is in South Sulawesi. South Sulawesi receives about four times village fund in West Sulawesi. Between 2015 and 2019, 10% of the total village fund distributed in Sulawesi. Moreover, village fund in this region grew almost three times from 2015 to 2019, from Rp2.376 billion to Rp7.940 billion.

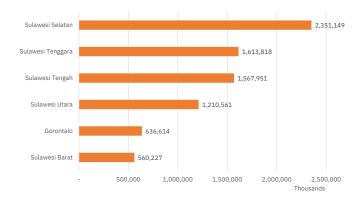
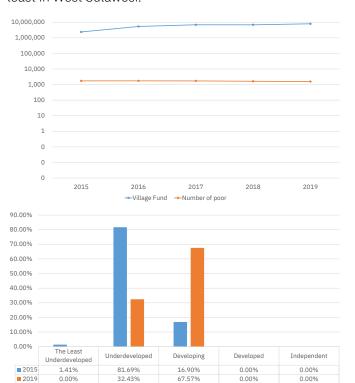


Figure 13. Village Fund Distribution in Sulawesi in 2019

In addition, Sulawesi has 8,752 villages, and the number of poor is quite high in this region, in which around 7.3% of poor people. The number of poor only slightly goes down between 2015 and 2019; approximately 10.35% accounted for 1,565,150 poor in 2019. In this region, the highest number of poor people is in South Sulawesi and the least in West Sulawesi.



2015 2019

Figure 14. Trend of Village Fund and Number of Poor in Sulawesi Between 2015–2019

Figure 15. Sulawesi IDM Status 2015–2019

The IDM status in Sulawesi for district/municipalities is underdeveloped villages, accounted for 81.69%. There was 1.41% classified as the least underdeveloped and 16.90% as developing villages. In 2019 there are no longer the least underdeveloped villages in Sulawesi. The IDM status becomes developing villages in 2019 since around 67.57% is reported in this region. Additionally, two provinces, Southeast Sulawesi and West Sulawesi is still classified as underdeveloped villages.

Table 5. Sulawesi IDM Status 2015-2019

	IDM 2015	IDM 2019	Status 2015	Status 2019
Sulawesi Utara	0.586	0.646	Underdeveloped	Developing
Sulawesi Tengah	0.563	0.611	Underdeveloped	Developing
Sulawesi Selatan	0.588	0.633	Underdeveloped	Developing
Sulawesi Tenggara	0.545	0.591	Underdeveloped	Underdeveloped
Gorontalo	0.590	0.635	Underdeveloped	Developing
Sulawesi Barat	0.557	0.585		Underdeveloped

3.5. Maluku and NT

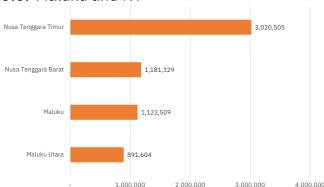


Figure 16. Village Fund Distribution in Maluku & NT in 2019

In total, Maluku and Nusa Tenggara (NT) received Rp6.215 billion for 4 provinces in 2019. The increasing amount of funds in this region is very significant. The first disbursement of village fund in 2015 is Rp1.739, growing four times to Rp6.215 in 2019. East Nusa Tenggara receives the highest village fund, Rp3.020 billion, which is almost half of the total fund in this region. This province has 3,026 villages, the most one among other provinces. The number of poor in Maluku and Nusa Tenggara (NT) is 15% of Indonesia's total poverty. This number is contributed by poverty in Nusa Tenggara (NT), which accounted for 1.032 million people, about 30%. Overall, the number of poverties declined from 3.55 million people in 2015 to 3.29 million people in 2019.

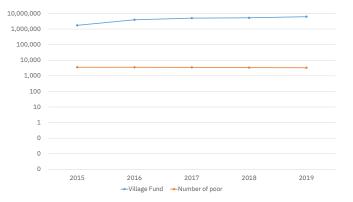


Figure 17. Trend of Village Fund and Number of Poor in Maluku & NT Between 2015–2019

Moreover, the village development in terms of IDM Status on average in Maluku and Nusa Tenggara (NT) is relatively low. Maluku and Nusa Tenggara (NT) are classified as underdeveloped villages stated by IDM from 2015 to 2019. In 2015, 75.00% of village status in this region is still underdeveloped; then the number went down to 65.31% in 2019. The significant improvement in 2019 showed no longer the least underdeveloped villages for districts/municipalities in Maluku and NT. There are 2.04% of IDM status growing to be developed villages and 32.65% of IDM Status being developing villages in 2019. Nevertheless, it is only West Nusa Tenggara Province that achieves the developing status of IDM in 2015 and 2019. Whereas the rest three provinces still stated as underdeveloped villages.

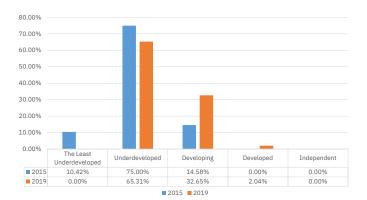


Figure 18. Maluku & NT IDM Status 2015-2019

Table 6. Maluku & NT IDM Status 2015–2019

	IDM 2015	IDM 2019	Status 2015	Status 2019
Maluku	0.517	0.584	Underdeveloped	Underdeveloped
Maluku Utara	0.526	0.586	Underdeveloped	Underdeveloped
Nusa Tenggara Barat	0.622	0.669	Developing	Developing
Nusa Tenggara Timur	0.538	0.562	Underdeveloped	Underdeveloped

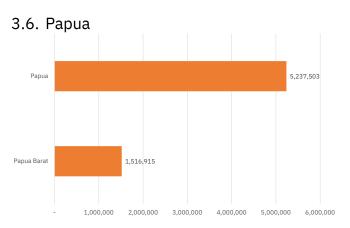


Figure 19. Village Fund Distribution in Papua in 2019

Papua was the province becoming the government target to reduce poverty. It is Rp6.754 billion of village fund allocated in this region, both Papua and Papua Barat, which is around 9.6% of total village fund in Indonesia in 2019. Moreover, mostly of fund allocated was in Papua Province, almost 80% of fund. While the rest is distributed for Papua Barat. The village fund went up more than twice from Rp1.882 billion in 2015 to Rp6.754 billion. In addition, Papua represented as region with high number of poor people. In 2015 the number of poor people is 1,027,910 then it slowly declined to 1,074,230 in 2019, about 5% from over 5 years.

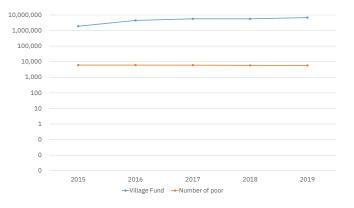


Figure 20. Trend of Village Fund and Number of Poor in Papua Between 2015-2019

Although poverty does not drastically decrease in Papua and seems not critical, the IDM status shows a crucial thing. Based on the data obtained, in general, Papua IDM Status is the Least Under developed Village from 2015—2019. The status does not change for five years, even though the number has slightly increased. In 2015, 80.49% was stated as the Least Underdeveloped, while 19.51% is Underdeveloped. To compare, in 2019, the IDM Status of the least underdeveloped went down marginally, only 19.51% to 60.98%, then the Underdeveloped IDM Status increased to 39.02%.

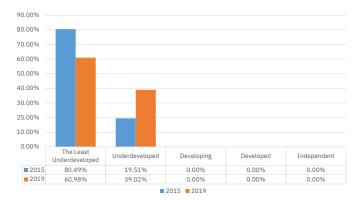


Figure 21. Papua IDM Status 2015–2019

Tabel 7. Papua IDM Status 2015–2019

	IDM 2015	IDM 2019	Status 2015	Status 2019
Papua	0.432	0.584	The Least Underdeveloped	The Least Underdeveloped
West Papua	0.462	0.586	The Least Underdeveloped	The Least Underdeveloped

This study has been thoroughly analyzed with a wide range of data, and it has potential limitations. The research uses a descriptive method, representing how the data is interpreted with less practical evidence than field research. Even though this research uses a descriptive method, it provides comprehensive information and an interesting and informative picture regarding the link between the village fund program and poverty alleviation. Thus, the descriptions in this study eventually can bring beneficial information for further research to prove whether this program can truly and successfully reduce poverty or not.

4. Conclusion

Village Fund Program is a vital instrument of the Central Government to stimulate economic development and to reduce inequality as well as poverty in villages in Indonesia. Due to the complex and sensitive nature of rural poverty, more engaged, personal, and flexible approaches to conduct research on rural poverty need to be adopted (Halseth & Ryser, 2012). As a result; in 2014, the Government of Indonesia enacted this policy in order to give a great opportunity for all villages in Indonesia to manage their own administration and improve their quality of life.

In this study, data describe that over five years, the distribution of village funds increased significantly, more than two times from the first disbursement in 2015 until 2019. According to data reported by the Statistics Indonesia, in general, all regions in Indonesia, including Sumatera, Java & Bali, Kalimantan, Sulawesi, Maluku & NT, and Papua, show a slight decline in the number of poor.

Even though the increasing amount of village fund allocation is not as significant as the declining number of poor, IDM status experienced a noticeable improvement, and it can be considered a better chance. The most critical is the status of IDM for districts/municipalities in Indonesia, improving from underdeveloped villages in 2015 to be developing villages in 2019. Java is the region that contributed to making the status improved either to be developing, developed, or independent. While it is Papua region known as the region consisting of most of the least underdeveloped villages.

As the IDM status of Indonesia's village is noted as a developing village, it means that Indonesia is still in an ongoing process. It is fair to recognize and accept village development in terms of infrastructure over the five years. Village communities are enjoying their autonomy and village funds, including building infrastructure (road, irrigation, health care, etc.) (Fatonie, 2020). Although there is only a little decreasing number of poor and improvement of village development showed by IDM status, Village Fund has a relationship to poverty alleviation. Some countries found that the infrastructure, non-farm employment, entrepreneurship, bottom-up partnership, sustainability of agricultural development have positive effects on village economic development (Hanna & Olken, 2018). For this reason, it is important to reconsider maximizing the utilization of village funds, especially focusing on the least underdeveloped and underdeveloped villages in Indonesia. If the underdeveloped villages received a larger number of the fund than the developed ones, the underdeveloped villages might be able to catch up (Paellorisky & Solikin, 2019).

It is also essential to strengthen clear and comprehensive guidelines for village officials, persistent supervision by the government, and human resources capability. The certainty of law can ensure an accountable village management (Nadeak et al., 2015). Moreover, poverty reduction can be a reality if there is a combination of upward solid accountability to empower people to get involved in their village (Antlöv et al., 2016). To stimulate village development, all related parties should perform their roles (Suharyanto & Sofianto, 2012). Government, regional, and local governments should be consistent and targeted in policy formulation, program design, implementation, and integrated monitoring and evaluation (Suharyanto & Sofianto, 2012). On the other hand, the inhibiting factors existing due to village fund implementation, including less competent village official, limited supervision, and lack of community participation in every phase of Village Fund application, requires concern to be focused. Because the village fund's scope and size increase, serious and constant scrutiny should follow (Watts et al., 2019); Therefore, this needs a lot of effort from many levels of government, from the village, regional, and national officials, to cooperatively work together to achieve poverty alleviation in rural areas.

Acknowledgment

The researchers would like to thank the Public Administration Program, Brawijaya University, which facilitates this study, and the Ministry of Finance, Statistics Indonesia, and Ministry of Village for providing the data. Special thanks to Mr. Sujarwoto for guiding and assisting this study to the completion. Finally, the researchers are also grateful to all reviewers who have provided comments regarding this research.

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