



Impacts of Village Funding on Community Empowerment and Poverty in Klungkung, Bali

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ABSTRACT

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This research aims to evaluate the impacts of village fund allocations on economic empowerment and poverty reduction among low-income populations in Klungkung Regency, Bali. Utilizing a mixed-method approach, the study engaged 259 participants across 37 villages. Methods included observations, interviews, and in-depth interviews for data gathering. Analytical techniques encompassed descriptive statistics, mean difference tests, and path analysis. Key findings reveal that: (1) village funds significantly bolster economic empowerment for low-income groups; (2) while village funds alone do not directly reduce poverty levels, economic empowerment contributes to a marked decrease in poverty; (3) economic empowerment serves as a complete mediator in the relationship between village funds and poverty reduction; (4) the program's implementation exhibits strengths, weaknesses, opportunities, and threats which collectively influence its effectiveness; (5) post-program poverty levels show a notable decline compared to pre-program figures. This study underscores the scarcity of research measuring community empowerment and poverty in relation to village funds, highlighting its potential as a policy-making reference. Contributing to regional economic development literature, this study supports the attainment of Sustainable Development Goals (SDGs) through an integrative analysis of village fund efficacy.

1. INTRODUCTION

The problem of poverty has become the concern of many countries globally, and the ultimate way to measure whether people have lived in prosperity or not is by assessing the communities' threshold for obtaining the benefits of development and a person's per capita income in each region. Unfortunately, based on the current data, more than half of the world's population still lives in poverty [1]. Due to this major issue, the government has taken action by promoting the Millennium Development Goals (MDGs) program, which is then followed by Sachs [2]. Based on studies, lower-income communities could easily be found in rural areas or among those who work in the agricultural sector. This necessitates the sincere concern and work of all stakeholder groups to ensure that the outcomes of economic development are easily accessible to each community. The inequality of sources that enable the process of development between the different communities that live in the city and village areas could be one of the aspects causing the uneven spread of the development results that both communities experience differently. The poverty level of a certain country could be assessed by using two main indicators, namely, the average national income level and the income distribution gap [3].

The Village Funding Program by the Indonesian government can be linked to the Keynesian theory, which

emphasizes the role of capital growth in creating economic growth, and the Harrod-Domar theory of capital formation is seen as an expenditure that will increase the ability of the economy to produce goods [4], as well as an expenditure that will increase the effective demands of the entire community [5]. The funds received by the community in the village can be viewed as capital formation that will be able to increase the production of goods in the next period, and the communities in the rural areas will succeed in generating economic growth if each family in these rural communities has income that will be issued in the form of purchasing power. In order to increase the purchasing power of rural communities, this funding program is directly aimed at increasing the income of residents in rural areas through various programs and projects [6]. The determinants of socio-economic development in Klungkung Regency as the study area can be seen from the structure of the gross regional domestic product, where the agricultural sector dominates. The poor population in the study area ranks third among the registries or cities in Bali Province, with a relatively low average education level of around 8 years. With this condition, various forms of assistance or empowerment are needed, especially for the poor.

While the Village Funding Program aims to increase rural prosperity and thereby reduce poverty, there is a notable gap in the systematic evaluation of its effectiveness. Specifically, there is a scarcity of detailed information and reliable

indicators to assess how well the funds are being expended and the resultant impact on socio-economic development and poverty reduction in rural areas. This gap is pronounced in regions like Klungkung Regency, where a significant portion of the population relies on the agricultural sector, and educational attainment is relatively low. The effectiveness of assistance and empowerment initiatives in such contexts is not well documented, leading to a lack of clear evidence to guide policy and program adjustments.

This research aims to fill these gaps by providing a comprehensive analysis of the Village Funding Program's impact on economic empowerment and poverty levels. Through this study, we seek to:

- (1) Analyze the effectiveness of the village funding program on the economic empowerment of low-income communities;
- (2) Study the impact of village funds and economic empowerment on poverty levels;
- (3) Investigate the mediating role of economic empowerment in the relationship between village funds and poverty levels;
- (4) Analyze internal and external factors influencing the utilization of funds;
- (5) Compare the socio-economic conditions of low-income communities before and after the implementation of the funding program in Klungkung Regency.

The research will address the current lack of empirical data and contribute to the literature on the effectiveness of rural development programs within the framework of Sustainable Development Goals (SDGs).

2. LITERATURE REVIEW

2.1 Theoretical background

Agency theory arises because of the existence of a relationship between the agent and the principal. The agent is contracted to perform certain tasks for the principal and has responsibility for the tasks assigned by the principal. The principal has an obligation to reward the agent for the services provided by the agent. The existence of differences in interests between the agent and the principal is what causes agency conflicts. Principals and agents both want the maximum profit [7]. Principals and agents are equally trying to avoid risk [8]. Agency theory in local government has begun to be practiced, especially since the implementation of regional autonomy in 1999. The application of agency theory can be studied from two perspectives, namely the relationship between the executive and legislature, the legislature, and the people, the implications of which can be positive in the form of efficiency, but more often negative in the form of opportunistic behavior [9]. The responsibility shown by the local government as the executive is not only in the form of presenting complete and fair financial reports but also in how they are able to open access for users of financial statements (stakeholders) [10-12]. The local government as an agent will avoid the risk of distrust of stakeholders in their performance. Therefore, local governments will try to show that their performance has been good and accountable in managing regional finances. The relationship between agency theory and this research is that the government acts as an agent (government manager) who must determine certain strategies in order to provide the best service to the public as the principal. The principal certainly wants good performance results from the agent, and one of

these performances can be seen in the financial statements and good service, while the financial reports and good service depend on the strategy implemented by the government. If the government's performance is good, the people will trust the government. In conclusion, the choice of strategy will affect the public's trust as the principal to the government as an agent.

The village funding program is an integral part of national development, and is an effort to improve the quality of rural human resources and the community as a whole that is carried out in a sustainable manner based on the potential and capabilities of the village. In the implementation of the village funding program, it should refer to achieving the goals of development, namely, realizing the lives of rural communities that are independent, advanced, and prosperous. The village funding program has a very important role in the context of national development because it covers the largest part of the country's territory. The village funding program must be improved to support village development. A village funding program can be implemented by developing human resource capabilities in rural areas, allowing for the development of creativity and activities, as well as increased environmental awareness [13]. The village government has a very influential role, especially in efforts to create a climate that encourages the growth of community initiatives and self-help in rural areas, which is carried out through delivering development messages, directing the community to participate in development, and channeling community aspirations. Village community participation is realized in the form of mobilizing and utilizing existing funds and resources in the community to increase development activities in rural areas [14].

2.2 The village fund and the development of the marginal areas

The village fund is purposefully directed to provide funds for the management of development supervised by the government [15]. This development program covers a number of implementations, such as basic services, environmental services, and village community empowerment activities [16]. The program is funded by the APBN (national income and expenditure budget), which is transferred through the district or city APBD (regional income and expenditure budget), and is prioritized for the implementation of village community development and empowerment [14]. The village fund supports the development program of the peripheral areas by the Indonesian government, known as the Nawa Cita program, and this provides immense priority to the development of the periphery. There are two main goals covered in the Nawa Cita program, namely: (1) growing the economic activities in the rural areas; and (2) constructing connectivity between the central institutions and peripheral areas. Based on several previous studies, there are a few obstacles to the implementation of the village funding program to alleviate poverty.

- The expenditure of the village fund has not yet reached the target due to the lack of proficiency of the community officials, unreliable administrative requirements, and conflicted integration of the development plans between the region and rural institutions [9];

- The implementation of the village fund also lacks the public's involvement and the incompetence of the community officials, as well as the integration between the public and the village government in developing their areas [17];

- The fund allocation to the low-income communities

could increase the community's welfare and independence. This is the result of the wide opportunities provided for the communities to develop their agriculture sectors, utilizing the village fund transferred continuously [18];

- The utilization of the village fund should be in accordance with the needs of the communities, and this could only be done by two-way discussion on a community forum that would be impactful to build public participation. The outcome of the discussion can be reported on the information board in each area, making it available to all villagers [13];

The expenditure of the village fund must be distributed equally and truthfully to the families that only live in poverty and to those who live in extreme poverty. This must be ensured in order for these communities to increase their income and avoid living in the worst possible living conditions [19].

2.3 Capital theory, empowerment, and poverty

Schumpeter's theory suggests that capital is one of the important input factors of production in economic development [20, 21]. Whereas an increase in output amongst communities can occur only when the additional production factors, such as an increase in output caused by an increase in capital stock, are not altered by previous technology production [22, 23]. In this case, village funds are then considered capital, assuming that if the capital is added, consequently, the community empowerment program could be improved as well as the economic growth. In this case, village funds can be defined as input capital and empowerment, whereas poverty is the resulted output [24]. If the input provided in this case is capital in the form of village funds, it will increase community productivity through empowerment activities and also be able to reduce poverty that occurs in rural communities. As a result of sufficient capital input, the investment can be provided to implement empowerment programs that are able to improve the skills and competitiveness of the community as well as increase individual income, which will ultimately have an impact on poverty.

Community empowerment is essentially an activity that assists in the authentic and integral human development of the weak, poor, marginalized, and small groups of people [25, 26], as well as the socioeconomic empowerment of these community groups so that they can be more independent and meet their basic needs of life while also participating in community development [6]. Empowerment is not just providing training and assistance but also making the community competitive with good quality. Poverty is a condition of being unable, from an economic point of view, to meet basic food and non-food needs measured in terms of expenditure, while the poor are residents who have an average monthly per capita expenditure below the poverty line [27].

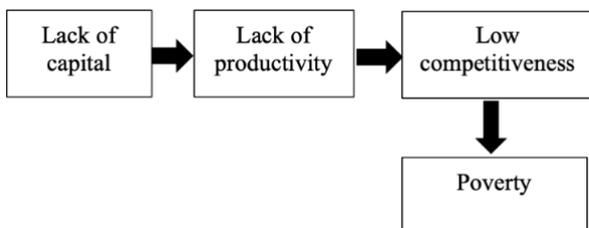


Figure 1. The relation of village fund (Capital) with empowerment (Productivity) and poverty

The village funding program can fully support empowerment programs as well as effective poverty prevention [28]. The poverty prevention program that can be executed effectively is through empowerment [19]. Through an empowerment program with the support of the village fund as a stock of capital to carry out a number of development programs (see Figure 1), there will be the possibility of productivity improvement in the rural communities [29]. Finally, improving the community's productivity will accelerate the opportunities to generate income and decrease the poverty level. Additionally, sufficient capital to achieve the empowerment programs in the targeted communities will accordingly improve the overall community capital, and this leads to the independence of the community members. In fact, each area has distinct financial capability, and as a consequence of this circumstance, the prosperity level can be identified differently [30]. Another study also found that the village funding program for targeted communities, by providing various empowerment activities, will directly lead to the enhancement of productivity and will enable the community members to build their small and medium businesses as the source of their income. If the empowerment program is successfully executed, the targeted communities will be independent and utilize the capability obtained throughout the program to build a business, and it can be confirmed that this will influence not only individuals but also the region's development [31].

3. RESEARCH DESIGN

In the era of Sustainable Development Goals (SDGs), the Data Revolution, Big Data, and Nawacita (the nine priority agendas for the government programs of President Joko Widodo and Vice President Yusuf Kalla) as it is today, information on development achievements is the main data source for policymakers in planning national development. This research conducted by BPS is one source of information to obtain an overview of the socio-economic conditions of the community. Regional autonomy creates the need for data up to the district or city level. These data are needed by district and city governments as the basis for policy formulation and the evaluation of development programs. Responding to this need, starting in 2015, data collection was carried out in March with a sample of 300,000 households, thus enabling estimation up to the district or city level. In addition, in 2021, the number of samples from March will increase to 345,000 households.

This study generates a variety of cross-sectoral statistics, including: school participation, reading and writing skills, NER, GER, and NER for education; health problems, health insurance utilization, smoking behavior, immunization for toddlers and breastfeeding for under-fives, birthing places and birth attendants, as well as family planning participation in the fields of health, fertility, and family planning; living conditions, water sources for bathing and washing.

This study also collects data on household consumption and expenditure for both food and non-food commodities. From these data, the average household consumption and expenditure as well as the average consumption of calories and protein per capita are obtained. Consumption and expenditure data broken down by commodity group can provide an overview of the consumption patterns of the population in a region. This publication presents statistics that are considered sufficient to represent various fields and socio-economic

conditions of the community by considering the eligibility requirements for estimation at the district/city level, as indicated by the Relative Standard Error (RSE).

This study was carried out in all 37 villages in three Klungkung Daratan districts in Klungkung Regency. This study was conducted in Klungkung Regency with 259 participants, and the number of villages sampled was 37. The number of respondents in each village is determined by a quota of 7 people, consisting of 3 village officials and 4 members of the community with low incomes. The total number of respondents amounted to 259 people. The areas that were taken as samples were located on the mainland, and there were 7 respondents from each village, specifically identified as 3 officials, 3 community members, and 1 community leader. According to the existing data, Klungkung regency was chosen as the research location because this location has the highest inequality based on the per capita income of 40% of the population group, which is around 18.99%, and this is the lowest percentage in all districts or cities in Bali province [32]. This data shows that income inequality in Klungkung Regency is the highest among all the regions or cities in Bali Province. The Village Fund Program is aimed at more equitable development between urban and rural areas. In addition, based on the existing data on the poverty level of the population, Klungkung regency also has the second highest poverty level, namely 5.86%, after Karangasem regency, which is around 6.28% [33].

The types of data in this study are quantitative and qualitative. The quantitative data is related to poverty data before and after the funds were distributed to the targeted communities, whereas the qualitative data is collected by utilizing the respondents' perceptions, followed by scoring, and is then processed using statistical tools. The data resources used by the researchers are divided into two categories: primary and secondary data [34]. The primary data is acquired from the interview results and in-depth interviews with respondents and informants. And the secondary data is obtained from the Central Statistics Bureau (BPS), such as data on the number of villages and inequality and poverty levels. The sample selection technique was carried out using simple random sampling for village apparatus respondents, accidental sampling and snowball sampling for village community respondents, and purposive sampling for village community leader informants. The data were collected using data collection methods, namely behavioral observation and non-behavioral observation [35], the interview results and in-depth interviews with respondents and informants.

The data analysis techniques that can be used by researchers are descriptive, comparative, and associative statistics [35]. Descriptive statistics include the mean, frequency table, and percentage, while comparative statistics are the average difference test, and for associative statistics, path analysis is used. The t test will be applied to answer the research objectives based on the results of the comparative and associative statistics [36]. The regression equation for each structure is formulated as follows:

$$Y1 = \beta_1 X1 + e1$$

$$Y2 = \beta_2 X1 + \beta_3 Y1 + e2$$

where, Y1=community empowerment; X1=village fund; Y2=poverty level.

In order to test the significant discrepancy in the poverty level in the rural areas of the data before and after the funding

program is executed, this is tested using at test by formulating the average difference test.

4. RESULT AND DISCUSSION

4.1 Presentation of the Studied Klungkung Regency

Klungkung Regency is one of the unique regencies in the province of Bali (see Figure 2), because its territory is separated by the ocean. Some of them merge with the mainland of the island of Bali, which is famous for its exoticism, while the other part lies within the cluster of Nusa Penida Island, which is often dubbed Bali's New Paradise. It's no exaggeration to call it that because tourists from various walks of life began to arrive one after another (both domestic and foreign tourists) to satisfy their curiosity. Of the total area of 315 km², almost two thirds are in Nusa Penida (202.84 km²). This regency has so much potential that this archipelago has.



Figure 2. Klungkung Regency in Bali Province maps

The local government, through its staff, has optimized various programs that are able to respond to these challenges through various innovations and flagship programs, including the Village Funding Program. The government uses several calculations to measure the level of welfare in an area, such as the average monthly expenditure per capita, which is the cost incurred for the consumption of all household members for a month divided by the number of household members. Expenditure for food consumption is calculated during the last week, while non-food consumption is calculated for the last month and year. Both food and non-food consumption are then converted into monthly average expenditures. The average consumption and expenditure figure per capita presented in this publication is obtained from the quotient of the total consumption of all households (whether consuming food or not) to the total population. The consumption of calories and protein is calculated by multiplying the quantity of each food consumed by the value of the calorie and protein content of each type of food based on the list of nutrient conversions (see Table 1).

4.2 Capital theory, empowerment, and poverty

Individuals' education and income levels are comparable. For instance, an individual who is highly educated has the tendency to have a higher income than those who lack an educational background. Those with low income, on the other hand, have few opportunities to pursue higher education [37]. This issue has become a main concern due to gender inequality in reaching higher education, and this is impacting the low

professional qualification of a certain gender, especially women, in the job market. Finally, this indicates that women receive a lower income than men [38]. The data on opportunity inequality in education in Bali are presented in Figure 3. This

graph shows that in 8 districts or cities in Bali Province, women have a shorter average schooling duration (in years) than men.

Table 1. Consumption and expenditure

| Commodity Group | Expenditure Group | | | Calorie Consumption |
|---|-------------------|-----------------|-----------------|---------------------|
| | Bottom 40% | Middle 40% | Top 20% | |
| 1. Grains | 1 050.20 | 1 196.71 | 1 129.71 | 1 124.68 |
| 2. Tubers | 49.03 | 56.16 | 49.05 | 51.88 |
| 3. Fish/shrimp/ squid/scallop | 19.54 | 34.00 | 73.00 | 36.05 |
| 4. Meat | 55.28 | 103.93 | 131.44 | 90.01 |
| 5. Eggs and milk | 23.39 | 46.90 | 45.67 | 37.25 |
| 6. Vegetables | 47.78 | 65.15 | 64.49 | 58.07 |
| 7. Nuts | 49.32 | 53.76 | 72.03 | 55.66 |
| 8. Fruits | 48.95 | 98.22 | 134.94 | 85.90 |
| 9. Oil and coconut | 201.11 | 279.30 | 317.21 | 255.65 |
| 10. Drink ingredients | 68.48 | 83.36 | 123.97 | 85.57 |
| 11. Spices | 4.22 | 6.14 | 10.74 | 6.30 |
| 12. Other consumption | 26.43 | 42.34 | 44.03 | 36.32 |
| 13. Prepared food and drinks | 230.02 | 352.89 | 465.71 | 326.42 |
| 14. Prepared food and drinks | 0.00 | 0.00 | 0.00 | 0.00 |
| Average Consumption of Klungkung Regency | 1 873.75 | 2 418.86 | 2 661.99 | 2 249.76 |

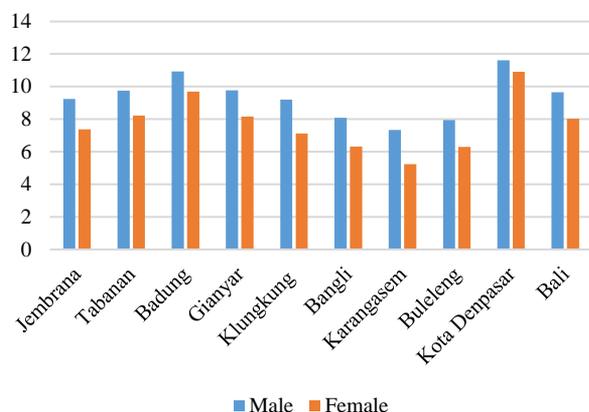


Figure 3. The average of school duration of a certain period (Year) according to gender and area (Regency/City) in Bali Province year 2019

The educational data and records of the respondents are very significant for the researchers in order to complete the data collection related to education in the field. It is discovered that nearly one-fourth of the respondents are primary school graduates or lower. The data also shows that more than half of the overall number of respondents in this study are graduates of high schools, and almost 22% of the total respondents are graduates of higher education institutions, such as diplomas and even bachelor's degrees. There are 67% of the total respondents, and this percentage is higher than the previous year's percentage in 2019, as can be seen in Figure 3. According to the average study requirement in Bali Province that has to be fulfilled over a 9-year period, the respondents to this study are dominated by individuals who have graduated from junior high to high school. Moreover, more than half of the respondents are village officials, and the minimum educational background is high school. The educational background of this study's respondents is displayed in Figure 4 below.

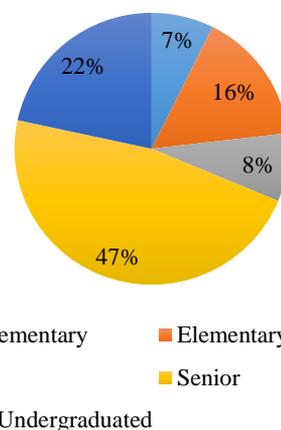


Figure 4. Respondents' education data chart in Klungkung Regency

Based on the data analysis, this research results respond the study purposes and the specific explanation upon the study purposes is described as follows.

4.3 The effectiveness of the village funding program on the economic empowerment of the low-income communities

One of the benefits of the village funding program is that it helps rural communities develop, and by improving economic empowerment, community members will be able to increase their income or acquire income from an extreme poverty situation. This program has the strong purpose of increasing the income per capita in the rural areas; hence, the discrepancy between the economic conditions in the city and village areas would be able to be reduced if mainly related to the income that each member obtains. According to the study completed by Diatmika [39], A research study entitled "The Effect of the Utilization of the Village Fund on the Family's Prosperity in Buleleng Regency, Bali Province" found that the most direct and meaningful participation that the communities could make was to actively participate in the empowerment programs. The

participation contributed by the community members had a significant influence on the village's economic performance and the prosperity level of the families in the targeted areas. Besides, the community empowerment program is able to support the long-term qualification of the community members to acquire their individual income independently and to avoid poverty, hence growing the economy of the village areas.

Another study was also completed [40]. In 2019, a study entitled "The Effect of Village Funds Towards the Poverty and Prosperity Rates of Communities in Regencies/Cities in Bali Province" found that village funds have a significant influence on poverty in the targeted communities, indicating that the more village funds distributed to rural empowerment programs, the lower the poverty level in these areas. This fund distribution contributes to positive changes in targeted areas, and it is important to the communities' prosperity because it shows that the higher the village fund, the greater the level of prosperity in rural areas. It is recognizable that poverty levels have a negative, significant influence on communities' prosperity, and this indicates that a high poverty level may lead to a decrease in prosperity in certain communities. The poverty level was the intervening variable in this study of the relationship between the village fund and community prosperity in the Bali province. In conclusion, the village funding program is highly recommended to be maintained by the government with the goal of increasing the human development index as well as to resolve the poverty issues and help the communities avoid being in poverty. The influence of the village funding program is displayed in the Figure 5 below.



Figure 5. The effectiveness of the village funding program on the economic empowerment of the communities

Table 2. ANOVA (Village fund)

| Model | B | t | Sig |
|-----------------|------|---------|-------|
| Constanta | .983 | 4.608 | 0.000 |
| SF Village Fund | .567 | 10.230 | 0.000 |
| ANOVA | | | |
| F | | 104.650 | |
| Sig | | 0.000 | |

The model used is the F test, and this type of test model also shows a significant result that indicates that village funds enable the research to predict the communities' empowerment in the study area. Furthermore, the results obtained from the regression analysis showed that village funds had a significant positive effect on the economic empowerment of low-income people. These findings indicate that the village fund's goal is to increase the income of poor or low-income people living in rural areas so that they can improve their well-being and escape poverty. This result (see Table 2) is in accordance with the objectives and expectations of the village fund program, which was launched primarily to increase the economic empowerment of rural communities. The results of the following output show the positive effect of village funds on the economic empowerment of rural communities in Klungkung Regency.

4.4 The effect of the village funds and the economic empowerment of the low-income communities towards the poverty level

The economic empowerment of low-income communities in rural areas can be identified as an intermediate variable or a mediating variable in that this empowerment program will be able to increase the income of the community members in rural areas, especially those with low income. Increasing the income of the population is also the main purpose, so people can avoid living in poverty. The results of the data analysis are displayed in the output Table 3 results.

Table 3. Model partial test

| Model | B | t | Sig |
|-----------------|-------|--------|-------|
| Constanta | 1.538 | 4.619 | 0.000 |
| SF Empowerment | -.325 | -3.469 | 0.001 |
| SF Village Fund | .280 | 2.841 | 0.005 |

The village funds in the equation above are also linked to poverty levels and empowerment variables. The regression coefficient in the table above shows that the poverty level (Y2) is a function of village funds and the economic empowerment of low-income communities or $Y2 = a + b1X1 + b2Y1$, where Y2 = poverty level, X1 is village funds, and Y1 is economic empowerment of low-income community. The equation resulted from the regression process of statistical techniques is as follows:

$$Y2 = 1.538 + 0.280 X1 - 0.325 Y1$$

The equation above is generated in accordance with the data analysis result, and this indicates that the village fund is unable to show a direct effect on the decreasing of poverty levels as targeted. This fund that the government provides has very little direct significance for reducing the poverty level in Klungkung Regency. On the other hand, the variable of low-income community economic empowerment has a significant negative effect on poverty levels directly. This implies that if efforts are made to increase the number of community members earning low income, these targeted communities will be able to increase their income, with the ultimate goal of preventing them from falling into poverty. A study completed by Attribizi et al. [41] The study, titled "The Influence of Economic Growth on Poverty and its Relationship to the Pro Poor in Indonesia," discovered that economic empowerment for the poor, specifically low-income people, will be able to accelerate poverty reduction because these communities can increase their income by developing their skills through various government empowerment projects. The model utilized to prototype how poverty levels can be affected by village funds and empowerment is supported by the model test results from the following ANOVA test results in Table 4. The ANOVA test results indicate that village funds and community empowerment can predict variations in the level of poverty that occur in the study area.

Table 4. ANOVA (Village fund and empowerment)

| ANOVA | |
|--------------|-------|
| F | 6.686 |
| Sig | 0.001 |

4.5 The role of the economic empowerment of the low-income communities to mediate the village funding program on the poverty level

It is found that the village funds do not directly improve community welfare or reduce poverty, but through an intervening variable or a mediating variable, namely community economic empowerment, this will lead to a more effective result. Thus, village funds that are channelled by the government will be able to improve the welfare of rural communities or reduce poverty through the mediating variable of community economic empowerment (see Figure 6).

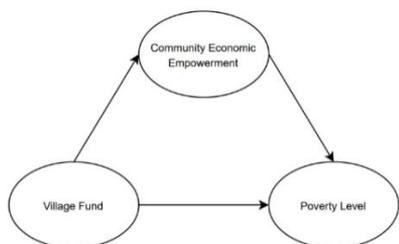


Figure 6. The role of the economic empowerment of the low-income communities to mediate the village funding program on the poverty level

By paying attention to the direction of the influence of village funds on the economic empowerment of rural communities, which is a significant positive sign, then the economic empowerment of rural communities has a significant negative effect on the poverty level, and on the other hand, village funds do not have a significant direct effect on poverty levels, it can be concluded that empowerment variables village community economy, fully mediating the influence of village funds on poverty levels [40]. This indicates that the community economic empowerment variable plays an important role in mediating the effect of village funds on poverty levels in Klungkung Regency. Village communities must improve their economic empowerment with village funds obtained in order to improve their welfare so that poverty can be eliminated. In a study in

Thailand entitled, “Does the Village Fund Matter in Thailand?” [18], it was concluded that the program of providing revolving funds for villages, especially those aimed at the poor, could improve welfare, reduce poverty, and increase farmer independence, so the research in Thailand supports the results of this study.

4.6 The internal restrictions (Strengths and weaknesses) and external conditions (Opportunities and threats) of the applied areas and community officials on the utilization of the funds

In this study, based on the descriptive data analysis technique, the internal condition can be classified as the strengths and weaknesses, as well as the opportunity and threat to the utilization of the village funding program. The following Table 5 represents the strengths and weaknesses of the village funding program based on the responses of respondents using a questionnaire.

The respondents stated that the village officials have sufficient capabilities to plan the operation of the village fund and are also capable to execute the programs in the field. This condition positively offers strong belief for the officials in the areas to complete their duty in utilizing the village fund. Moreover, the support is fully delivered by the community members in the targeted area and is optimistic in obtaining the benefits from the fund in purpose of increasing their welfare.

The village does not yet have adequate roads (see Table 6), so it does not have the opportunity to utilize village funds. This statement was conveyed by around 94% of the respondents, meaning that they still consider their village to not have ample village roads. Thus, the village funds obtained can be used to improve infrastructure, especially the roads in the village. Likewise, related to agricultural irrigation that also needs improvement, it is also highly recommended by around 95% of the respondents to be fixed. This condition is also an opportunity for villages to use village funds to improve their irrigation as part of infrastructure support in the agricultural sector. The existing regulations for utilizing funds are clearly available, so the community, or in this case, the village, has a high chance of fully operating the village funds.

Table 5. Strengths and weaknesses of the applied areas and community officials on the utilization of the funds

| No. | Description | Alternative Answers | | | |
|-----|---|---------------------|------------|------------|---------|
| | | AA | A | SA | D |
| 1 | The village officials have the adequate ability to create a clear plan of the village fund operation. | 13 (5.0) | 144 (55.6) | 100 (38.6) | 2 (0.8) |
| 2 | The village officials have the adequate ability to create a clear plan of the village fund operation for the significance of the community. | 13 (5.0) | 143 (55.2) | 103 (39.8) | - |
| 3 | The community is optimistic about the utilization of the village fund in order to develop their prosperity. | 18 (6.9) | 143 (55.2) | 98 (37.8) | - |
| 4 | The community officials are supported by additional human resources that are beneficial for conducting the operation of the village fund. | 15 (5.8) | 143 (55.2) | 101 (39.0) | - |
| 5 | The community fully support the village funding program given by the government and is willing to implement the fund in their communities. | 11 (4.2) | 146 (56.4) | 102 (39.4) | - |
| 6 | The village stakeholders are potential economically to implement the funding program in purpose of increasing the poverty of the community. | 13 (5.0) | 150 (57.9) | 94 (36.3) | 2 (0.8) |
| 7 | The rural areas have sufficient economic potency that are supported by the skills of the community members to exploit the potencies mentioned previously in accordance with the purpose to develop communities' prosperity level. | 16 (6.2) | 153 (59.1) | 89 (34.4) | 1 (0.4) |

Note: Numbers in brackets show the percentage while the rests are the frequency of responses made by the respondents (Averagely Agree (AA); Agree (A); Strongly Agree (SA); Disagree (D)).

Table 6. Opportunities and threats for the village areas and officials in benefiting the village fund

| No. | Description | Alternative Answers | | | | |
|-----|---|---------------------|------------|------------|----------|----------|
| | | AA | A | SA | D | SD |
| 1 | The targeted villages are not prepared with the adequate roads therefore these areas have the opportunity to the advantage of the village fund. | 19 (7.3) | 137 (52.9) | 88 (34.0) | 10 (3.9) | 5 (1.9) |
| 2 | The targeted areas have irrigations issues that need to be fixed therefore these provide opportunity to get the benefit from the village funding program in purpose of community welfare. | 18 (6.9) | 141 (54.4) | 88 (34.0) | 8 (3.1) | 4 (1.5) |
| 3 | The government has clear and transparent regulations regarding the use of village funds, hence the communities in the targeted rural areas have the prospect to be benefited from the funding program in accordance with the regulations. | 8 (3.1) | 142 (54.8) | 109 (42.1) | - | - |
| 4 | The possibility of price fluctuation of goods and services due to inflation that can influence the well-planned utilization of the village fund. | 12 (4.6) | 158 (61.0) | 87 (33.6) | 2 (0.8) | - |
| 5 | The morality supervision of village fund that has minus integrity in managing the village funds thus this fund is susceptible to be corrupted and or the former plan is manipulated. | 12 (4.7) | 148 (57.2) | 77 (29.7) | 11 (4.2) | 11 (4.2) |

Note: Numbers in brackets show the percentage, while the rests are the frequency of responses made by the respondents (Averagely Agree (AA); Agree (A); Strongly Agree (SA); Disagree (D); Strongly Disagree (SD)).

4.7 The final condition of the community’s poverty level after the village funds are distributed in Klungkung Regency

The data analyzed was sourced from the villages in the study area, which conveyed information on the poor population before and after the village funding program was executed. The data also shows that there were villages that did not experience a change in the number of poor people between before and after the village fund. However, there were those who claimed that the number of poor people had decreased between before and after the village fund. After the data is averaged using the difference between before and after village funds, there is a decrease.

Table 7. The average of poor population before and after the village funding program

| No. | TNPP | AIP | TNS | DS | TAES |
|-----|----------------|-----|-----|--------|--------|
| 1 | Before program | 140 | 30 | 87.000 | 15.884 |
| 2 | After program | 133 | 30 | 83.579 | 15.259 |

Note: The Number of Poor Population (TNPP); Average in Person (AIP); The Number of Sample (TNS); Deviation Standard (DS); The Average Error Standard (TAES).

Table 8. The difference test result in poverty level between before and after the program

| AV | DS | TAES | t | df | Sig. (2-tailed) |
|-------|--------|-------|-------|----|-----------------|
| 6.833 | 20.131 | 3.675 | 1.859 | 29 | 0.073 |

Note: The Poor Population (TPP); Average (AV); Deviation Standard (DS); Deviation Standard (DS); The Average Error Standard (TAES).

The output data in Table 7 shows that there is a difference in the average number of poor people between before and after the village funding program was distributed. Before the village fund was provided, the average number of poor people was 140, whereas after the village fund program, there was a slight difference in the average number of poor people at 133, with an average difference of 7 people between before and after obtaining the fund. When viewed statistically from the results of the analysis, it can be seen that there is a significant difference in the average of the poor between before and after the village funding program at a significance level of 7.3%. The Village Funding Program can be interpreted as beneficial

in hastening the decline of the poor, particularly in rural areas. The results of the significance of differences in the average number of poor people situated before and after the village funding program are presented in Table 8.

5. CONCLUSIONS

The village funding program has a significant positive effect on economic empowerment for low-income communities. The results can be stated to be in accordance with one of the objectives or priorities of the village funding program, which is to increase not only economic development but also physical development in rural areas. The village funds do not have a significant effect on poverty levels as was formerly expected, and this statement leads to the conclusion that village funds are not able to reduce poverty levels directly. On the other hand, economic empowerment for low-income community members has a significant negative effect on poverty levels. Economic empowerment of people with low income fully mediates the effect of village funds on poverty levels. This condition shows that village funds will be able to reduce poverty levels only through economic empowerment activities that can be completed by low-income community members. In other words, village funds are not able to directly reduce poverty levels.

This is in accordance with the priority program of providing village funds, namely increasing the empowerment of village communities so that their income can be increased. The village's strength in implementing village funds can be seen in various dimensions, such as the size of the village apparatus. The village apparatus needs to have sufficient capacity to manage village funds; therefore, they become the strength of the village funding program. Apart from that, the support of the village community, the role of village assistants, and the potential of the village would construct the strength in the framework for implementing village funds. Aside from the strengths, there are also weaknesses in the implementation of village funds, such as the fact that the community has not been fully able to participate, which leads to the inability of the village's human resources to implement the village funding program.

There are several opportunities that can be taken for the

utilization of village funds, such as in the many villages that do not have adequate roads, so that there is an opportunity to use the funds; likewise, irrigation needs to be improved as an opportunity. Moreover, there are clear rules that can also be an opportunity for the utilization of village funds. The challenges related to the implementation of village funds include inflation, namely price increases that can affect the achievement of goals, and the vulnerability of these funds to being misused by irresponsible people. The average number of poor people after the village funding program is lower than before the program was completed. Although there are also some that have increased poverty data, the average result remains lower after the village funding program.

6. IMPLICATION, LIMITATION, AND SUGGESTION

This study is one of several collaborations with the Klungkung Regency government, and the findings will be used as input for government policy making in order to achieve long-term goals, particularly Sustainable Development Goals and poverty alleviation in Klungkung Regency. The research has a limitation in that it only uses one regional object, such as Klungkung Regency, because the area has very little data and the data collected is very limited for further analysis. The approach is only carried out with a quantitative approach; it is hoped that the next research can use various methods to analyze huge amounts of data and use a qualitative approach.

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