

# Village Fund Allocation and Village Fund to Reduce Poverty Rate Using Good Village Governance as Moderation in East Lombok Regency

Baiq Ekayuliana<sup>1</sup>, Budi Santoso<sup>2</sup>, Siti Aisyah Hidayati<sup>3</sup>

<sup>1</sup>Management Master of Economics and Business, Mataram University, Pendidikan Road, Mataram, 83125, Indonesia

<sup>2,3</sup>Faculty of Economics and Business, Mataram University, Pendidikan Road, Mataram, 83125, Indonesia

**Abstract:** *Village Fund Allocation and Village Fund are fund transfers from the central government to assist village governments in development and operations so that rural communities can be more prosperous and reduce poverty in the village. This study aims to analyze the effect of village fund allocation and village fund on poverty rates using good village governance as moderation in East Lombok district. The results of the study indicate that the Village Fund Allocation has a positive and significant effect on the poverty rate, The Village Fund has a positive but not significant effect on the poverty rate. Good Village Governance weakens the relationship between village fund allocation and poverty rates this is due to the still not optimal implementation of Good Village Governance in the implementation of Village Fund Allocation especially on indicators of transparency and participation and strengthens the relationship between village funds and poverty rates. This is because the Village Fund is mostly used for infrastructure activities while empowerment activities are still minimal Good Village Governance is proved as homogenizer moderation on Allocation of Village Funds and Village Funds with poverty rates.*

**Keywords:** Village Fund Allocation, Village Funds, Good Village Governance, Poverty Rate.

## 1. Introduction

Poverty is an endless issue to be discussed because this phenomenon is felt by almost all developing countries including Indonesia. If viewed from the area and population, Indonesia is the country with the fourth largest population in the world, where the population reaches 265 million in 2018. Of the population there are poor people with a total of 25.95 percent. The poor population consists of poor people in the city at 7.02 percent and in rural areas at 13.20 percent. Looking at the data, it can be seen that there is a high gap between poor people in urban areas and poor people in rural areas.

For Indonesia, the big issue of poverty is a heavy burden, especially how to overcome the high poverty gap in urban and rural areas. Government efforts to alleviate poverty have been initiated since the President's instruction regarding underdeveloped villages in 1995 and implemented through Presidential Regulation No. 15 of 2010 concerning the acceleration of poverty reduction through the National Team for Accelerating Poverty Reduction (TNP2K).

TNP2K is very concerned about dealing with poverty in Indonesia, as evidenced by the Integrated Data Base (BDT) results of the 2011 social protection data submitted by the Central Bureau of Statistics in 2012. The Integrated Data Base is a system that can be used for program planning and identifying names and addresses prospective recipients of social assistance, both households, families and individuals. This Integrated Database is managed by the social department in each district throughout Indonesia based on the criteria set by the program implementer.

One of the government's efforts to overcome the disparity between regions and between villages and cities by applying the paradigm of "Building from the Suburbs" which means building underdeveloped areas and rural areas. The government believes rural-based development is very important and necessary to strengthen the country's economic foundation, accelerate poverty alleviation and reduce regional disparities. Village development is seen as a solution to socio-economic change, the village has a strategic position as a basis of change (Hendra et al.: 2017).

Kartasasmita (1996) explains that the conditions of poverty can be caused by at least four causal factors, including: Low levels of education, Low health status, Limited employment opportunities and isolated conditions. Supriatna (1997: 20) states that poverty is a limited situation that occurs not at the will of the person concerned. A population classified to be poor if it is characterized by low levels of education, work productivity, income, health and nutrition and the well-being of its life which shows powerlessness.

The problem of poverty is holistic, developed by the Multidimensional Poverty Index. The concept was first developed by the Oxford Poverty and Human Initiative (OPHI) in collaboration with the United Nations Development Programs (UNDP) in 2010. The main objective of developing the concept is to map poverty indicators more comprehensively and clearly. As a result, when adopted in Indonesia, there are three indicators used to understand poverty issues, namely health, education, and quality of life standards (Budiantoro, 2015).

To reduce poverty in the village, the central government allocates funds transferred funds to village cash accounts to be used in accordance with the needs of the village community. The principles of accountability, transparency and participation to create good governance. The funds are integrated in the existing village budget. Village Fund Allocation according to Law Number 6 Year 2016 concerning villages is part of the balance fund received by districts / cities at least 10 percent in the regional income and expenditure budget after deducting special allocation funds

Village Fund according to Government Regulation Number 8 of 2016, providing a definition of village funds are funds originating from the State Revenue and Expenditure Budget intended for villages that are transferred through the district / city Regional Budget and used to finance government administration, implementation development, community development and community of empowerment. The provision of funds to villages that are so large, the number of diverse reports and the existence of critical points in the management of village finances must also require great responsibility by village government officials. Therefore, the village government must be able to apply the principle of accountability in the management of village finance, at the end of the activities of the village administration must be accountable to the village community according to the provisions, there are good village governance is well implemented at the village level (Oktaresa, 2015 : 17)

This study analyzes two components of village income derived from transfers, namely the Allocation of Village Funds and Village Funds as independent variables. This component has the most amount of village income for poverty alleviation. The focus of this research will be on three sub-districts, namely Terara Subdistrict, Wanasaba Sub-District and Pringgabaya Subdistrict, This research will be conducted on locations with developing and lagging rural categories. Because both categories have a high number of poverty rates.

Previous researchers have examined the influence between village fund allocation and poverty rate including among them. Dewi & Irama's (2018) study of the influence of Village Fund Allocation on poverty shows that Village Fund Allocation has an effect on reducing poverty in North Sumatra province. Gumilang's research (2017) also shows that Village Fund Allocation influences poverty reduction. However, Lalira's (2018) indicate that Village Fund Allocation does not affect the poverty level as well as the research of Azwardi and Sukanto (2014) showing that Village Fund Allocation has no significant effect on poverty reduction. Therefore there is a significant difference on the relationship between ADD and Poverty rate

Research on the effect of village funds on poverty levels among them: Malasari and Abdullah (2017) studied that the economic analysis of village funds policies on village poverty shows that village funds have a significant effect on village poverty. The Pasaribu study (2018) shows that an increase in the number of village funds affects the decrease in the number of poor people, and Setianingsih (2017)

research on the spatial impact of village funds on poverty alleviation shows that village funds have a significant effect on the population of mention that however. Different things in Lalira's research (2018) show that village funds have no significant effect on the poverty level, as well as Susilowati's research, et al. (2017) showing that village funds are not effective in reducing poverty in East Java.

Safitri and Fathah (2018) studied of the management of allocation of village funds to realize Good Governance proves that the management Village of Fund Allocation has applied the principles of Good Governance. Research by Wiyono and Susilawati (2018) the results of the study indicate that the implementation of Village Fund Allocation simultaneously for all programs has a positive and significant effect on the perceptions of the village community. While the program partially for each funding does not significantly influence good governance as an independent variable significantly influences the perceptions of rural people, but the role of Governance as a moderation in the implementation of each funding program partially does not significantly influence community perceptions. Aminudin explains that (2019) Implementation of Good Village Governance in Village Governance. The results of the study indicate that: Village financial governance is still relatively poor; and integrated and harmonious participation of village planning with regional and national planning has not been effective; in addition abuse of power and authority resulting in legal problems tends not to decrease; the quality of service to the community is still not increasing.

Purnamawati et al. (2016) explained that to ensure that village fund allocation and village funds can be in accordance with planning, implementation and targeting, it requires Good Village Governance. In accordance with Minister of Home Affairs Regulation No. 113 of 2014 concerning village financial management. "Village finance is managed based on principles of transparency, accountability, participatory and carried out in an orderly and budgetary discipline". With good village governance, it will improve the competence of the village apparatus and the proper functioning of village institutions in village financial management in accordance with principles of transparency, accountability, participation, and budget discipline.

**Table 1:** Development of funds for government transfers and poverty

Year	Allocation of village funds (Rp)	Village Fund (Rp)	Poverty rate
2015	116,750,726,068.00	73,250,763,000.00	222.190
2016	124,377,973,899.78	164,468,763,000.00	216.180
2017	124,918,756,000.00	209,358,120,000.00	215.810

From table 1 it can be seen that the provision of financial assistance to villages in the form of village fund allocation and village funds each year has increased while the poverty rate has a declining trend indicating that there is a relationship between poverty alleviation programs and poverty rates.

This study aims to analysis the influence of the allocation of village funds and village funds to the poverty rate and

whether good village governance moderate the allocation of village funds and village funds to poverty rate. Research conducted in the study period in 2018.

## 2. Literature Review

### 2.1 Poverty

Suparlan (1984) poverty is a low standard of living, that is, a level of lack of material in a number or class of people compared to the standard of living that is generally applicable in the community concerned. This low standard of living directly influences the level of moral life health and self-esteem of those who are classified as poor. Badrudin (2012: 167) Poverty must also be seen as a multidimensional problem, no longer understood to be limited to economic inability, but also failure to fulfill basic rights and differences in treatment for a person or group of people in living their lives in dignity.

From the definition of poverty described above it can be concluded that a person is said to be poor not because of the inability to fulfill basic needs such as clothing, food and shelter from his income but more than that the inability to fulfill proper health, proper education and fulfillment of basic rights as a dignified human being.

Determination of poverty lines is usually done by two methods: food-energy-intake method and cost-of-basic-needs method (Ravallion, 1998). Food-energy-intake method is done by calculating the rupiah value of expenditure on a number of food commodities that meet the minimum energy consumption requirements. While cost-of-basic-needs method is done by calculating the rupiah value of a number of commodities which are considered to be the minimum basic needs.

In Indonesia both methods are used by Central of Statistics to determine the poverty line. The food-energy-intake method is done to calculate the food poverty line, where the standard used is energy consumption of at least 2100 kcal per capita per day, while the cost-of-basic-needs method is used to calculate the non-food poverty line. The food and non-food poverty lines are then summed to obtain the total poverty line (BPS, 2000).

### 2.2. Village Government Income

In carrying out village activities in the form of village operations and village programs, the village has income originating from within the village itself and originating from outside the village. Village income is all receipts of money through village accounts which are village rights in 1 (one) fiscal year that do not need to be repaid by the village. Each village has a different source of income according to the size of the village's potential. It is this village's income that is used by the village to fulfill village spending needs. Village expenditure will be adjusted to how much income the village has. The greater the village opinion, the greater the village expenditure, so also if the village income is low, the village expenditure is also low.

Village income originating from central government transfers such as village funds is transferred by the central government through the Regency / City Regional Expenditure Budget which is used to finance the administration, development, and community empowerment, and community. The amount of the budget allocation that is allocated directly to the village is determined to be 10 percent from and on top of the regional transfer funds (on top) in stages.

### 2.3 Allocation of Village Funds

In Government Regulation Number 72 of 2005 stated: Village Fund Allocation is funds allocated by Regency / City Governments for Villages, sourced from the central and regional financial balance funds received by the District / City.

Wida (2016) the implementation of Village Development must be in accordance with what was planned in the planning process and the community, together with government officials it is also the right to know and supervise the course of Village Development. Village Fund Allocation is funds sourced from the Regional Expenditures Budget which are allocated with the aim of equitable distribution of financial capacity between villages to fund village needs in the context of governance and implementation of development and community services.

### 2.4. Village Fund

Minister of Finance Regulation Number 49 of 2016 concerning the management, distribution, use, monitoring and evaluation of village funds. Village funds are funds sourced from the State Revenue and Expenditure Budget intended for villages that are transferred through the district / city Regional Revenue and Expenditure Budget and are used to finance the administration, implementation, development, community development, and empowerment of the community.

### 2.5. Good Village Governance

Good Village Governance adopts the concept of Good Governance in the stages of its implementation. Law No. 6 of 2014 concerning villages as a reference on how to implement good village governance to achieve independent, participatory and empowered villages carried out with the concept of community empowerment and institutional strengthening of rural communities through participatory strategies (Kuswandoro, 2015).

According to WP (2015, 17) village governments that have embodied Good Village Governance have indicators including:

- 1) Good village financial governance.
- 2) Particular village planning, integrated and aligned with regional and national planning.
- 3) Reduced abuse of power and authority which results in legal problems.
- 4) The quality of service to the community increases:

## 2.6. Stewardship Theory

Stewardship theory explains the situation in which managers are not motivated by individual goals but are motivated by organizational interests as the main goal (Donaldson, 1991). The philosophical assumption of this theory is based on human traits in the form of being trustworthy, having integrity, being responsible for every action, and being honest with all parties. Stewardship theory illustrates that management can behave well in the interests of many parties, thus creating a strong relationship between organizational satisfaction and success. Organizational success can be achieved by maximizing management utilities and principals.

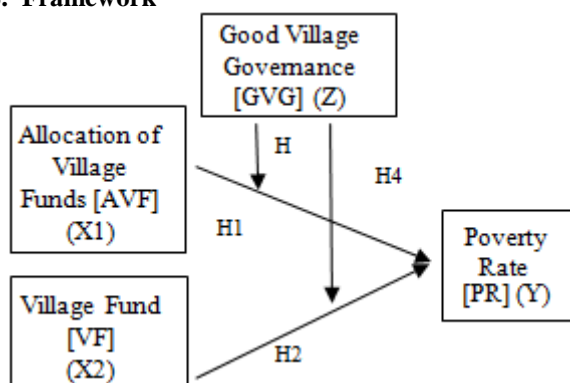
The implication of Stewardship theory in this research is to describe the existence of village government as a public sector organization that can be trusted, accommodating the aspirations of its people, providing good service, and being able to account for what is entrusted to it. So that organizational goals for the welfare of the community can be achieved optimally. Good governance can be seen from whether performance accountability is good or not (Mahsun, 2012).

## 2.7. Signaling Theory

Signaling theory was first introduced by Spence in his research entitled job market signaling. According to Spence (1973) that a signal or signal provides a signal, the sender (the information owner) tries to provide a piece of relevant information that the recipient can use. The recipient will then adjust his behavior according to his understanding of the signal.

In relation to village finance in this case the allocation of village funds and village funds, the financial statements must be known by the community. Financial reports show how much village income and village expenditure are used for any activity. This is important as part of the manifestation of village government transparency to the community while providing a good image of ongoing village government leadership. So that the ideals of Law 6 of 2014 concerning Good Village Governance can be implemented.

## 2.8. Framework



## 2.9. Hypothesis

- H1: The greater the allocation of village funds, the poverty Rate will decrease
- H2: The higher the Village Fund, the poverty rate will decrease
- H3: Good Village Governance strengthens the influence of Village Fund Allocation on Poverty rates
- H4: Good Village Governance strengthen the influence of village funds on poverty rates.

## 3. Methodology

### 3.1 Types of Research

This type of research is associative research. The research model used is a survey sample. The population of this study is villages in East Lombok district. The sample in this study villages in 3 sub-districts in East Lombok regency, namely villages in the Districts of Terara, Wanasaba and Pringgabaya through a purposive sampling techniques. Criteria for sample villages are underdeveloped villages and developing villages.

### 3.2 Operational Definition of Variable

#### Data Analysis Procedure

Data analysis is to explain analytical procedures that will be used so that data is easy to understand and to test hypotheses. Analysis of the data used in this study are:

- 1) Descriptive statistical analysis in this study using GRETL Software
- 2) Inferential Statistical Analysis In this study using PLS software ver.3

## 4. Data Analysis and Result

### 4.1 Descriptive Statistics Analysis

Descriptive statistics function to describe or give an overview of the object under study.

**Table 2:** Descriptive Statistics

	PR	AVF	VF	GVG
Mean	588.68	514,840,000	1,047,500,000	4.1819
Median	482.00	478,400,000	1,019,800,000	4.2083
Minimum	73.00	392,440,000	769,840,000	3.4167
Maximum	1617.00	751,100,000	1,459,600,000	4.9583
Std. Dev	400.33	92,404,000	170,610,000	0.35192

Table 2 shows Poverty has an average value of 588.68 people and a standard deviation of 400.33 increases in the average consumption of individuals greater than the income owned. Allocation of village funds has an average value of 514,840,000 rupiah and a standard deviation of 92,404,000. Such as the permanent income of the village head and village apparatus, BPD allowances, household incentives, minimum Village Government Income and proportional Village Government Income are allocated with the highest value of 751,100,000 rupiahs and the lowest is 392,440,000 rupiah. Village funds have an average value of 1,047,500,000 rupiahs and a standard deviation of

170,610,000 rupiahs. The average value approaches the maximum value, which means that the allocation for DD such as basic allocation affirmation allocation and formula allocation is allocated with the highest value of 1,459,600,000 rupiah and the lowest is 769,840,000 rupiah. Good village governance average value 4.1819 and standard deviation value 0.35192. Maximum value approaches the maximum value of 4.9583, which means that most respondents answered agree and minimum value 3.4167 which means disagree.

4.2. Inferential Statistical Analysis

1) Outer Model

a) Convergent validity

Convergent validity of the measurement model with a reflective assessment indicator that is based on an assessment of the score / component score estimated Size for each reflective indicator is high if cross loading  $\geq 0.7$  with a measured construct. However, according to Chin, (1998) in Ghozali, (2008) for the initial research stage the development of the rating scale containing 0.5 to 0.6 was considered sufficient. In this study, the crossing will use 0.5. So for items that are worth cross loading below 0.5 will be removed from the next analysis, the following picture calculates counting.

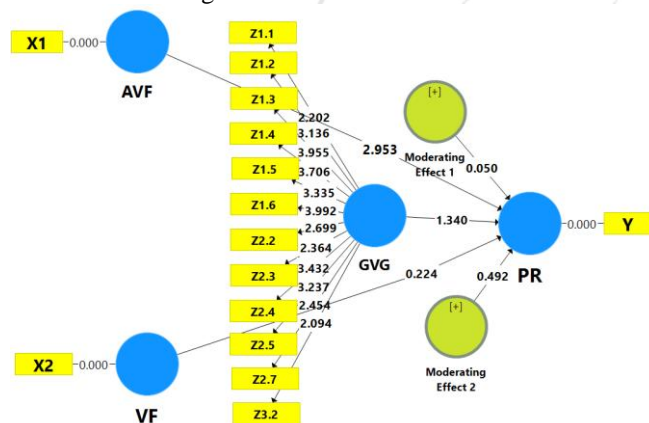


Figure 3

The Result of Outer Loadings after Re-Estimation

The outer loading value that is greater than 0.5 is 12 questions. This means that there are 12 questions that are from the measurement of stage I paths, it turns out that the results of testing the validity and reliability of questionnaire filling by village secretaries from 24 questions, declared valid while the outer loading values below 0.5 are eliminated. The highest outer loading value is 0.845 in the indicator of accountability. While the lowest outer loading is in the participation indicator which is equal to 0.521.

b) Average Variance Extracted (AVE)

In confirmatory factor analysis, the average percentage of AVE values between items or indicators of a set of latent constructs is a summary of convergent indicators. A good contract if the AVE value is  $\geq 0.5$

Table.3  
Average Variance Extracted

Construct	Average Variance Extracted (AVE)
GVG	0.517

The AVE value for each contract in the Good Village Governance (GVG) has a value of  $0.517 > 0.5$ . The minimum AVE value is 0.5 above which means that one indicator variable is able to explain more than a few variations of the indicators for the average

c) Composite Reliability

Construct reliability is to assess reliability with composite reliability values greater than 0.6. Also measured from the cronbach's Alpha results, results can be seen from the following table. The following are the results is :

Table 4.  
Composite Reliability

Constructs	Composite Reliability
GVG	0.926

Based on the table above, it can be seen that all latent variables have composite reliability values of more than 0.60. So, all of these variables can be declared reliable or have a fairly high level of accuracy.

2) Inner Model

Evaluation of the structural model (Inner Model) is done to see the relationship between variables, significance values and R-Square of the research model. The following are the values of R-Square and R-Square Adjusted.

Table 5: R-Square and R-Square Adjusted

Constructs	R-Square	R-Square Adjusted
Y	0.596	0.538

The poverty rate is 0.538. This means that the Village Fund Allocation and Village Funds have an influence on the poverty rate in East Lombok district by 53.8 percent and the remaining 46.2 percent of the poverty rate is influenced by other factors not discussed in this study.

Table 6: Final Results

Hipotesis	Coefficient Value	Sample Mean	Standard Deviation	T Statistics	P Values
X1 → Y	0.708	0.714	0.240	2.953	0.003
X2 → Y	0.053	0.049	0.238	0.224	0.823
Z → Y	0.231	0.208	0.173	1.340	0.181
X1 → Z → Y	-0.016	-0.025	0.318	0.050	0.960
X2 → Z → Y	0.157	0.093	0.319	0.492	0.623

From figure 3 and table 6, there are six statistical equations will be analyzed which will be analyzed as follows:

Equation I:

$$Y = 2.953X1$$

The regression coefficient of 2.953 means that if the Village Fund Allocation increases by 1 percent, the poverty rate will decrease by 2,953. The value of p-value (F) which explain the feasibility of the regression model of 0.003 of less than 0.05 so that the regression model is declared feasible.

**Equation II:**

$$Y = 0.224X2$$

The regression coefficient number 0.224 means that if the Village Fund rises by 1 percent, the poverty rate will decrease by 0.224. The value of p-value (F) which explain the feasibility of the regression model of 0.834 greater than 0.05 so that the regression model is declared not feasible.

**Equation III:**

$$Y = 2.953X1 + 1.340Z$$

The regression coefficient number 2.953 means if the Village Fund Allocation rises 1 percent then the poverty rate will increase by 2,953 and the coefficient number 1,340 means if the Good Village Governance rises 1 percent then the poverty rate will increase by 1,340. The value of p-value (F) which explain the feasibility of the regression model of 0.960 greater than 0.05 so that the regression model is declared not feasible. The moderation is included in the type of homogenizer moderation.

**Equation IV:**

$$Y = 0.224X2 + 1.340Z$$

The regression coefficient number 0.224 means if the Village Fund rises 1 percent then the poverty rate will decrease by 0.224 and the coefficient number 1.340 means if the Good Village Governance rises 1 percent then the poverty rate will decrease by 1.340. The value of p-value (F) which explain the feasibility of the regression model of 0.623 greater than 0.05 so that the regression model is declared not feasible. The moderation is included in the type of homogenizer moderation.

**Equation V:**

$$Y = 2.953X1 + 1.340Z + 0.050X1.Z$$

The regression coefficient of 2.953 means that if the Village Fund Allocation rises 1 percent, the poverty rate will decrease by 2,953. The coefficient number 1.340 means that if the Good Village Governance rises 1 percent then the poverty rate will decrease by 1,340 and the coefficient number of 0.051 means that if the interaction variable (Village Allocation Funds \* Good Village Governance) increases by 1 percent, poverty will decrease by 0.050. The value of p-value (F) which explain the feasibility of the regression model of 0.960 greater than 0.05 so that the regression model is declared not feasible.

**Equation VI:**

$$Y = 0.224X2 + 1.340Z + 0.492X2.Z$$

The regression coefficient number 0.224 means that if the Village Fund rises 1 percent then the poverty rate will decrease by 0.224. The coefficient number 1,340 means that if the Good Village Governance rises 1 percent then the poverty rate will decrease by 1,340 and the coefficient number 0.492 means that if the interaction variable (Village Fund \* Good Village Governance) increases by 1 percent then poverty will decrease by 0.492. The value of p-value (F) which explain the feasibility of the regression model of

0.623 greater than 0.05 so that the regression model is declared not feasible.

**4.3 Result****a) Effect of Village Fund Allocation on Poverty Rates**

The hypothesis in this study is that the greater the allocation of village funds, the poverty rate will decrease. The results showed that the increase in Village Fund Allocation had a positive and significant effect on poverty rates. So that the first hypothesis proved (Rejected H01 and accept H1).

This is in accordance with the Minister of Home Affairs Regulation No. 37 of 2007 in article 19 stated that the objectives of the Village Fund Allocation as follows:

- a) Reducing poverty and reducing inequality;
- b) Improve development planning and budgeting at the village level and community empowerment;
- c) Increasing rural infrastructure development;
- d) Enhancing the experience of religious values, socio-culture in order to realize social improvement;
- e) Increasing peace and public order;
- f) Improve services to village communities in the context of developing social and economic activities of the community;
- g) Encouraging increased self-reliance and community cooperation;
- h) Increasing village and village community income through village-owned enterprises

The hypothesis in this study is in accordance with the Dewi & Irama (2018) study of the influence of Village Fund Allocation on poverty shows that Village Fund Allocation has an effect on reducing poverty in North Sumatra province. Gumilang (2017) also shows that Village Fund Allocation influences poverty reduction. However the results of the study prove that village allocation funds are effective in reducing poverty so that government policies to provide funds to rural communities are appropriate.

**b) Effect of Village Funds on Poverty Figures**

The hypothesis in this study is that the higher the Village Fund, the poverty rate will decrease. The results of the study show that the Village Fund has a positive effect on the poverty rate, but has no significant effect on the poverty rate. The second Hypothesis is not proven which states that the Village Fund has a poverty rate so that (accepted H02 and Rejected H2)

In accordance with Law Number 6 of 2014 concerning villages, the objectives of the Village Fund are:

- 1) Improve public services in the village,
- 2) Alleviating poverty,
- 3) Advancing the village economy,
- 4) Overcoming the gap between villages, as well as
- 5) Strengthening rural communities as subjects of development

The hypothesis in this study is in accordance with Lalira (2018) show that village funds have no significant effect on the poverty level, as well as Susilowati's research, et al. (2017) showing that village funds are not effective in

reducing poverty in East Java. The results of the study show that government policy of providing village funds to be ineffective in reducing poverty is because the use of village funds does not follow the rules set by the central government where the use of funds for infrastructure is higher than the use for community empowerment.

**c) Effect of Village Fund Allocation on poverty rates with Good Village Governance as a moderating variable**

The hypothesis in this study is that Good Village Governance strengthens the influence Village Fund Allocation on poverty rates. The results of the study point to moderating effects which weaken the influence of the Village Fund Allocation on poverty rates. From the results of the study, the third hypothesis is not proven (accept H03 and rejects H3).

Stewardship theory explains the situation in which managers are not motivated by individual goals but are motivated by organizational interests as the main goal (Donaldson, 1991). The philosophical assumption of this theory is based on human traits in the form of being trustworthy, having integrity, being responsible for every action, and being honest with all parties. In accordance with this theory is describe the existence of village government as a public sector organization that can be trusted, accommodating the aspirations of its people, providing good service, and being able to account for what is entrusted to it.

Research by Wiyono and Susilawati (2018) explain that the Community Perception to the Good Governance Implementation of the Village Funds in Bantul Regency. The results of the study indicate that the implementation of Village Fund Allocation simultaneously for all programs has a positive and significant effect on the perceptions of the village community. While the program partially for each funding does not significantly influence good governance as an independent variable significantly influences the perceptions of rural people, but the role of Governance as a moderation in the implementation of each funding program partially does not significantly influence community perceptions.

Is study also shows that good village governance weakens the relationship between village fund allocation and poverty rates because two of the indicators of a good village government regarding not implementation. The indicators of transparency and community participation in decision-making in determining village programs

**d) Effect of Village Fund on poverty rates with Good Village Governance as a moderating variable**

The research hypothesis is that Good Village Governance strengthens the influence of the Village Fund on poverty rates. The results of the study indicate that Good Village Governance strengthens the relationship of Village Funds with poverty rates but is not significant. This means that even though Good Village Governance strengthens the relationship between Village Funds and poverty rates, there are some things that have not been optimal in implementing Village Funds in East Lombok District. From the results of

the study, the fourth hypothesis is not proven (accepts H04 and rejects H4).

Signaling theory was first introduced by Spence in his research entitled job market signaling. According to Spence (1973) that a signal or signal provides a signal, the sender (the information owner) tries to provide a piece of relevant information that the recipient can use. The recipient will then adjust his behavior according to his understanding of the signal. In relation to village finance in this case village funds, the financial statements must be known by the community. Financial reports show how much village income and village expenditure are used for any activity. This is important as part of the manifestation of village government transparency to the community while providing a good image of the ongoing village government leadership. So that the ideals of Law No. 6 of 2014 concerning Good Village Governance can be realized

Research by Aminudin (2019) explains that Implementation of Good Village Governance in Village Governance. The results of the study indicate that: Village financial governance is still relatively poor; integrated and harmonious participation of village planning with regional and national planning has not been effective; abuse of power and authority resulting in legal problems tends not to decrease; the quality of service to the community is still not increasing.

The results of the study explain that government policy of providing village funds to villages is in line with the government's goal of reducing poverty but in its implementation the establishment of village programs has not fully paid attention to the priority needs of the village community. Determination of development that does not have a multiplier effect for improving the village economy.

## 5. Conclusions and Suggestions

### 5.1. Conclusions

Based on the results of the discussion, it can be concluded that:

- 1) The increase in Village Fund Allocation has a positive and significant effect on poverty rates. This means allocation of village funds is effective in reducing poverty so that government policies to provide funds to rural communities are appropriate.
- 2) The Village Fund has a positive effect on the poverty rate, but has no significant effect on the poverty rate. This means government policy of providing village funds to be ineffective in reducing poverty is because the use of village funds does not follow the rules set by the central government where the use of funds for infrastructure is higher than the use for community empowerment.
- 3) The moderating effect of Good Village Governance has a negative and not significant effect on the Village Fund Allocation variable with poverty rates. This means that Good Village Governance weakens the relationship between Village Fund Allocation variables and poverty

rates. Good village governance weakens the relationship between village fund allocation and poverty rates because one of the indicators of a good village government is not implemented, namely indicators of transparency and community participation in decision-making in determining village programs.

- 4) The moderating effect of the Good Village Governance variable is positive and not significant towards the Village Fund with poverty rates. This means that Good Village Governance strengthens the variable relationship between Village Funds and poverty rates. Although Good Village Governance strengthens the relationship between Village Funds and poverty rates, there are some things that have not been optimal in implementing Village Funds in East Lombok District. That government policy of providing village funds to villages is in line with the government's goal of reducing poverty but in its implementation the establishment of village programs has not fully paid attention to the priority needs of the village community. Determination of development that does not have a multiplier effect for improving the village economy.

## 5.2 Suggestions

Based on the results of the research and the conclusions that have been given, it was found several things that were the focus and were the basis for the submission of several suggestions. These suggestions include the following:

- 1) In establishing village programs funded by Village Fund Allocation, the village head involves the community in decision making starting from the planning, implementation and evaluation process through village discussion forums so that the community knows and is actively involved in village programs as an embodiment of accountability and participation society. To realize transparency, the village should always publish village programs and their results to the community through media information such as village information boards and social media in the village.
- 2) In determining village activities funded by the Village Fund, the portion of village expenditure for empowerment activities should be higher than for infrastructure activities, because empowerment activities directly touch the target of the poor so that they can reduce poverty.
- 3) In deciding the target of poverty alleviation program activities so that the results can be more optimal, the village should use a reference to the Integrated Data Base because the integrated database contains information about the data on the existing security in each village based on the name and address of the poor population

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**Budi Santoso**, was born on July 12<sup>th</sup>, 1960. He has received the bachelor's degree (Drs) from Mataram University in 1985, the master's degree (M.Com) from University of South Australia, and doctoral degree (Ph.D) from La Trobe in University. He work as a lecturer at Faculty of Economics and Business Mataram University.

**Siti Aisyah Hidayati**, was born in Kotaraja on May 25<sup>th</sup>, 1973. She has received the bachelor's degree (Drs) from Mataram University in 1996, the master's degree (M.Si) and doctoral degree (Dr.) from Brawijaya University. She work as a lecturer at Mataram University.

## Author Profile

**Baiq Ekayuliana**, was born in Mataram on June 30<sup>th</sup>, 1973. Has Received bachelors degree (S.E.) from The Faculty of Economics, Mataram University (1997), her study at Master of Management Economics and Business, Mataram University to date.