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RESEARCHARTICLE

THE EFFECT OF VILLAGE FUND ALLOCATION ON THE DEVELOPING VILLAGE INDEX IN EAST SUMBA REGENCY

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Abstract

The allocation of village funds aims to support rural development, community empowerment, and to strengthen the capacity of village governance in managing resources and fostering sustainable development. The objective of this study is to examine the effect of Village Fund Allocation (ADD) on the Village Development Index (IDM). The findings of the study indicate that ADD has a positive and significant influence on the Village Development Index
Keywords: Village Fund Allocation (ADD), Village Development Index (IDM), East Sumba

Abstract

The allocation of Village Funds aims to support village development, community empowerment, and strengthen the capacity of village governance in managing resources and encouraging sustainable development. The purpose of this study is to examine the effect of Village Fund Allocation (ADD) on the Building Village Index (IDM). The results of the study showed that ADD had a positive and significant effect on the Building Village Index.
Keywords: Village Fund Allocation (ADD), Developing Village Index, East Sumba

Introduction

Regional autonomy is an important pillar in regional development as an integral part of national development. This policy gives authority to the regions to manage and utilize their potential to improve the welfare of the community. The basic principles of regional autonomy include the principle of broad, real, and responsible autonomy, which is implemented by paying attention to the values of democracy, community participation, justice, equality, and diversity between regions. This approach is designed so that each region can develop according to its local characteristics and potential.

Regional autonomy has a very important role in village development, because it gives authority to local governments to manage and regulate resources in their areas, including at the village level. In the context of village development, regional autonomy provides opportunities for villages to plan, manage, and implement development in accordance with the needs of the local community. One form of implementation of regional autonomy is fiscal policy in the form of village fund allocation (ADD), which aims to provide direct benefits to villages and their communities. Through this policy, the village government is able to carry out development in their respective areas (Abidin & Wahyuni, 2015). The village government as the closest part of the community is given the mandate to implement fiscal policy to be used as well as possible in order to build the village. According to Hastuti (2018), local governments are better able to explore funding sources, especially to meet public funding needs and improve the welfare of their communities.

According to the Regulation of the Minister of Home Affairs No. 20 of 2018, the Village Fund Allocation is a fund given by the central government (balance fund) to local governments, which then local governments allocate the funds to villages. These funds are used to support village development, community empowerment, and strengthen the capacity of village governments in managing resources and creating sustainable development. In addition, this fund aims to carry out equitable development between villages and cities, as well as improve welfare.

Funds previously received by the local government will be given to the village government. The funds allocated vary with a minimum amount of 10% of the total DAU and DBH. According to ADD, funds are sourced from the General Allocation Fund (DAU) and Revenue Sharing Fund (DBH) received by the district government and then distributed to villages with a minimum amount of 10% of the total DAU and DBH. Based on this understanding, the Village Fund Allocation (ADD) is a fund from the central government that is given to the Regional Government (balance fund), and then the Regional Government regulates the budget allocation (ADD) for each village.

East Sumba Regency, which is located in East Nusa Tenggara Province, is an area that still faces challenges in development. Although the natural and cultural potential is very large, various problems such as limited infrastructure, low level of education, and inadequate access to health services are still obstacles in improving the quality of life of the community. Therefore, the Village Fund Allocation (ADD) is one of the important instruments to respond to this problem. The following is an overview of the Village Fund Allocation (ADD) in East Sumba Regency over the past five years.

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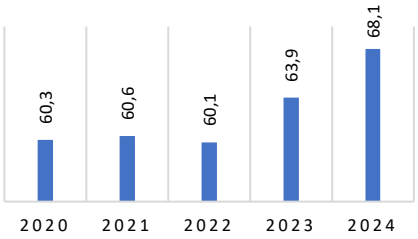

Figure 1. ADD of East Sumba Regency in 2019 – 2023 (billion rupiah)

Source: DPMD East Sumba Regency (2024)

Based on figure 1, it can be seen that the allocation of village funds in East Sumba Regency has fluctuated with an increasing trend over the past five years. In 2022, the total available add-ons are IDR 60.1 billion. There was an increase in 2023 to IDR 63.9 billion. However, in 2022 the total add decreased again, with a total add of 60.1. Furthermore, until 2024, the total add will increase again. These fluctuations show that there are dynamics in village financial management that can be influenced by various factors, such as central government policies, development priorities, and the needs of each village that continue to develop.

Success in the management and utilization of village funds in East Sumba Regency is essential to address the various challenges faced by villages, such as limited infrastructure, improvement of public services, and community empowerment. One way to measure the extent of success is to use the Building Village Index (IDM), which is the main indicator in assessing the extent to which village development progress has been achieved. IDM covers various dimensions, such as economic, social, and environmental, which reflect the improvement of the quality of life of rural communities. Therefore, the effective and efficient use of village funds has a great effect on the achievement of sustainable village development goals.

Based on Permendesa Number 2 of 2016 concerning the Developing Village Index, IDM is a tool used to measure the level of development progress in each village, taking into account various aspects such as infrastructure, economy, social, and environment. IDM is here to support the achievement of development priority goals listed in the 2015-2019 National Medium-Term Development Plan (RPJMN), namely reducing the number of disadvantaged villages and increasing the number of independent villages. IDM is also designed to provide a clear picture of the extent to which villages can improve the quality of life of their citizens. Therefore, the allocation of village funds that is on target and managed well can have a significant impact on increasing the Village Development Index in East Sumba Regency. The following is an overview of the IDM situation in East Sumba Regency in recent years.

Table 1 IDM East Sumba Regency 2020-2024

Year	Average IDM	Status
2020	0,5817	Left behind
2021	0,5877	Left behind
2022	0,6066	Flower
2023	0,6291	Flower
2024	0,6526	Flower

Source: Ministry of Villages (2024)

Based on table 1, it can be seen that IDM in East Sumba Regency has experienced positive development, with the status of the village development index that has continued to increase every year for the past five years. Since 2022, the status of East Sumba Regency has shifted to "developing". This increase in IDM is the result of optimizing the use of good Village Fund Allocation (ADD). There is a close relationship between ADD and IDM, as both focus on efforts to improve development at the village level. However, in East Sumba Regency, it is difficult to ensure that the allocation of village funds can have a significant impact on IDM. Based on data from the Ministry of Villages, several villages in East Sumba are still classified as developing villages, while the number of independent villages is still relatively low compared to the national average. This shows that there are challenges in optimizing the use of village funds to achieve the desired social, economic, and ecological resilience. As stated by Kusuma & Purwanti (2018), the effective use of village funds policy must be based on the real needs of the local community and involve active participation in the planning and monitoring process

Various studies have been conducted to analyze the impact of the Village Fund Allocation (ADD) on the Building Village Index (IDM). Research conducted by (Arina et al., 2021) shows that the allocation of targeted village funds can significantly increase IDM. The findings (Sandag et al., 2022) also show that ADD has a significant effect on IDM. However, different results were found by (Iftitah & Wibowo, 2022) which stated that the allocation of village funds had no effect on IDM. Similar results were also found by (Seliman et al., 2023) that when the ADD received on average decreased, the average IDM increased. Given the inconsistency of previous research results and the limited research conducted in East Nusa Tenggara Province, especially in East Sumba Regency, the researcher is interested in conducting this study to analyze the influence of ADD on IDM in East Sumba Regency.

LITERATURE REVIEW

Village Fund Allocation (ADD)

According to the Regulation of the Minister of Home Affairs No. 20 of 2018, the Village Fund Allocation is a fund given by the central government (balance fund) to local governments, which then local governments allocate the funds to villages. According to Setiawan et al (2023), ADD is a fund sourced from the General Allocation Fund (DAU) and Revenue Sharing Fund (DBH) received by the district government and then distributed to villages with a minimum amount of 10% of the total DAU and DBH. According to Minang et al (2021), the purpose of the Village Fund Allocation is to provide support to the village government in the implementation of village government programs, which includes the following:

1. Supporting the implementation of village government duties in the aspects of public services, development, and community empowerment.
2. Increasing the capacity of village community institutions in planning, implementing, and controlling development in a participatory manner in accordance with their potential.
3. Increase the distribution of income, job opportunities, and business opportunities for the village community.
4. Encourage increased participation and a sense of togetherness through self-help mutual cooperation among the community.

Development Village Index (IDM)

In October 2016, the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration (PDTT) launched the Building Village Index (IDM). Marwan Jafar stated that IDM can be used as a reference to reduce the number of disadvantaged villages in Indonesia and increase the number of independent villages. The state's recognition of villages, resource redistribution, and the granting of full authority in development in accordance with the mandate of Law No. 6 of 2014 show that villages are the main focus of Indonesia's development. The determination of IDM places community initiatives and strengths as the foundation in the process of village progress and empowerment.

RESEARCH METHODS

The type of research used in this study is quantitative research, which aims to describe or explain the influence of Village Fund Allocation on the Building Village Index. In this study, the type of data used is quantitative data sourced from secondary data, obtained from two main sources, namely the same Ministry publication, namely data covering 140 villages in East Sumba Regency.

This study uses the Simple Linear Regression Analysis method to analyze the relationship between one bound variable and one independent variable. The analysis process begins with the selection of the best estimation model among the three main models, namely Common Effect Models (CEM), Fixed Effect Models (FEM), and Random Effect Models (REM). The selection of the best model can be the basis for testing classical assumptions as well as data analysis. Once the appropriate model is determined, the next step is the classical assumption test consisting of the Normality Test and the Heterokedasticity Test. After passing the classical assumption test, a hypothesis was carried out that included several types of tests, namely Partial Test (t), Simultaneous Test (F) and Cointegration Test (R^2). Finally, the interpretation of multiple linear regression estimates is carried out to understand the existing relationships and draw conclusions from the analysis that has been carried out. Village and Village Community Empowerment Office (DPMD) of East Sumba Regency. The data used in this study is in the form of panel data, which combines two types of data, namely time series data and cross section data. The time series data includes information collected from 2020 - 2024, which makes it possible to analyze changes over time. Meanwhile, cross-section data consists of information obtained at a specified point in time.

RESULTS AND DISCUSSION

This study uses data analysis, including estimation model selection, normality test, heteroscedasticity test, simple linear regression analysis, t-test, f test, and determination coefficient using Eviews software12. The following are the results of the tests that have been carried out,

Classic Assumption Test

Table 2 Estimation Model Selection

Test	Estimation	Prob.	Result
Chow	(P <) => FEM∝ (P >) => EMC∝	0,000	FEM
Hausman	(P <) => FEM∝ (P >) => REM∝	0,000	FEM
LM	(P <) => REM∝ (P >) => EMC∝	0,000	BRAKE

Source: Data processed, Eviews

Based on table 2, it can be concluded that the best model that is most suitable in this study is the Fixed Effect Model (FEM). With FEM being selected as the best model, the next tests are based on the FEM model.

The normality test functions to find out whether the data used in the regression model, the free variable and the non-free variable or both have contributed normally or not. A regression model is said to be good if it already has a distribution that is normal or close to normal data. Ghozali (2017:145) states that the normality test aims to test whether in the regression model, the disruptive or residual variables have a normal distribution. To see whether the regression model is normal or not, it can be found through a residual histogram graph which is usually bell-shaped if it has a normal distribution and performs the Jarque-Bera test.

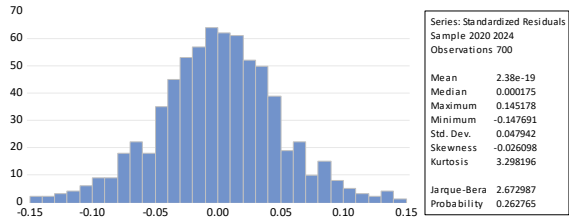

Figure 2 Normality Test

Source: Data processed, Eviews

Based on Figure 2, it can be seen that the probability value of the Jarque-Bera test after data transformation is 0.262765, which is greater than the significance level of 5% (0.2628 > 0.05). This shows that the data used in the study has been distributed normally. Normal distribution is one of the important assumptions in classical linear regression, as it ensures that the residuals of the model have a random and symmetrical pattern. When the data has met the assumption of normality, then the results of regression estimates can be considered valid for inferential purposes, such as hypothesis testing and drawing statistical conclusions. The data transformation carried out succeeded in improving the residual distribution so that it corresponds to the characteristics of the normal distribution, which is characterized by a statistically insignificant Jarque-Bera probability value. Thus, the regression model used is worthy of further analysis because it has met the assumption of normality.

The heteroscedasticity test aims to test whether in the regression model there is an inequality of variance from one residual observation to another (Ghozali, 2018:120). In this study, heterokedasticity testing was carried out with the Glejser test. In the glaxer test, if the probability value of the independent variable is more than 0.05, heteroscedasticity does not occur, on the other hand, if the probability value is less than 0.05, heterokedasticity occurs. The test results showed that the probability value (p-value) of the independent variable was 0.5289, which is greater than the significance level of 5% (0.05). Thus, it can be concluded that the regression model does not experience heteroscedasticity problems, or in other words, the data is declared to have passed the heteroscedasticity test. Heteroscedasticity is a condition in regression in which the variance of the residual or error is not constant across all independent variable values. If this condition occurs, then the estimation results become inefficient and can lead to errors in drawing statistical conclusions. The results of this test show that the regression model used has met one of the classic assumptions of linear regression that strengthens the validity and reliability of the estimated results obtained.

Regression Analysis

In this study, the following simple linear regression equations were obtained:

$$yit = 0.337484 + 0.644947Xit + eit$$

Based on the regression equation, several explanations were obtained, including:

The constant of 0.337484 means that when the variable of Village Fund Allocation (X1) does not change or is considered to be zero, then the Building Village Index (Y) is estimated at 0.337484 or equivalent to 33.74%. This constant value describes the basic value of the Building Village Index without the influence of the Village Fund Allocation. This shows that there are other factors outside of ADD that also affect the level of village development. In regression analysis, the constant serves to show the estimated value of the dependent variable (Y) when all independent variables are zero.

The regression coefficient of the Village Fund Allocation (X1) of 0.644947 shows that every increase in the Village Fund Allocation of 1% will increase the Building Village Index (Y) by 0.644947 or around 64.49%. This shows that there is a positive relationship between the Village Fund Allocation and village development. The larger the funds allocated to the village, the higher the level of development that can be achieved, as reflected in the value of IDM. This coefficient also reflects the effectiveness of the use of village funds in encouraging sustainable development at the local level. In other words, the increase in the allocation of village funds makes a significant contribution to improving village development indicators.

Partial Test (t)

The t-test is performed to find out specifically the extent to which each variable is free to contribute to the change in the bound variable. This test is carried out by paying attention to the probability value and also the t-statistical value. The probability value is used to determine whether or not the variable x is significant or not to y, while the statistical t-value is used to determine whether the variable x has a negative or positive effect on the variable y. If the probability value is less than 5%, then the variable has a significant effect on the y variable.

Table 3 T test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0,337484	0,485326	0,695376	0,4871
LOG(X)	0,644947	0,037375	17,25595	0,0000

Based on Table 4, it can be seen that the probability value (p-value) of the Village Fund Allocation (ADD) variable of 0.000 is smaller than the significance level of 5% (0.05). In addition, the t-statistical value of 17.25595 far exceeds the t-table value at the same level of significance. These values indicate that the ADD variable has a positive and significant effect on the Development Village Index (IDM). In other words, statistically it can be concluded that the Village Fund Allocation has a real contribution to improving village development. This significance shows that the results obtained did not occur by chance, but rather showed a consistent and strong relationship between ADD and IDM. The larger the village funds allocated, the more likely it is to be followed by an increase in the village development index, which reflects progress in social, economic, and environmental aspects at the village level.

Simultaneous Test (T)

The F test aims to find out whether independent variables simultaneously affect dependent variables. The F test is performed to see the effect of all independent variables together on the bound variables. The measurement used is 0.5 or 5%, if the significant value of F < 0.05, it can be interpreted that the independent variable simultaneously affects the dependent variable or vice versa (Ghozali, 2016).

Table 4 T Test and Coefficient of Determination

R-squared	0.819571
Adjusted R-squared	0.774383
S.E. of regression	0.053610
Sum squared resid	1.606582
Log likelihood	1133.683
F-statistic	18.13695
Prob(F-statistic)	0.000000

Based on Table 4, it can be seen that the F-statistical probability value of 0.000000 is smaller than the significance value at the level of 5% (0.05). This shows that the regression model used as a whole is significant, which means that the Village Fund Allocation (ADD) variable simultaneously affects the dependent variable, namely the Building Village Index (IDM). In other words, the ADD variables together can explain the variations that occur in IDM. These results corroborate the previous finding that ADD has an important role in determining the level of village development. The significance of this F-statistic also indicates that the constructed model is suitable for predictive and analytical purposes, as the relationship between independent and dependent variables does not occur by chance. In the context of East Sumba Regency, this finding confirms that the village fund allocation policy has a real impact on improving the quality of overall village development.

Coefficient of Determination

Based on Table 4, it can be seen that the value of Adjusted R-squared is 0.774383. This value shows that the independent variable, namely the Village Fund Allocation (ADD), is able to explain the variation that occurs in the dependent variable, namely the Building Village Index (IDM), by 77.44%. This means that the regression model used has quite strong explanatory capabilities. Meanwhile, the remaining 22.56% is explained by other variables outside this model. These variables can include social factors, culture, human resource capacity, local government policies, community participation, and other external influences such as access to infrastructure, geographical conditions, and support from development partner institutions. This shows that although ADD has a significant influence on village development, a more comprehensive approach is still needed by considering various other factors to increase the effectiveness of village development as a whole and sustainably.

Discussion

The Village Fund Allocation (ADD) is a fund sourced from the State Revenue and Expenditure Budget (APBN) which is distributed by the central government to local governments, then distributed to each village through a transfer mechanism. This fund aims to accelerate village development through the financing of priority programs, both in the aspects of infrastructure, basic social services, community empowerment, and strengthening village institutional capacity. The use of ADD is expected to improve the quality of life of rural communities, reduce development gaps between regions, and encourage the creation of inclusive and

sustainable development. Therefore, an increase in the amount of ADD can directly have a positive impact on the improvement of the Developing Village Index (IDM), which reflects village progress in three main dimensions: social resilience, economic resilience, and environmental resilience. In other words, ADD is an important instrument in the national development strategy that is oriented towards strengthening villages as independent units of government and development.

Based on the results of the analysis, it is shown that ADD has a positive and significant influence on the IDM Building Village Index. This means that the larger the allocation of Village Funds received by the village, the higher the development index achieved in the village. Statistically, this positive and significant relationship shows that the allocation of Village Funds is an important factor in increasing IDM. The results of the t-test or regression test showing a significance value (p-value < 0.05) confirm that the Village Fund has a very significant role in determining the level of village progress. In this context, the allocation of Village Funds not only serves as a financial resource, but also as a catalyst in improving various aspects of village development. Thus, a more efficient and targeted Village Fund allocation policy will greatly affect the government's efforts to achieve equitable development goals throughout Indonesia, especially in villages that are still underdeveloped. The allocation of Village Funds is a dominant factor in influencing village development, and efforts to increase the allocation of funds can be an important strategy to accelerate village development. Nevertheless, although the allocation of the Village Fund makes a very significant contribution to the increase in IDM, it is also important to consider other factors that cannot be explained by this variable. For example, even if funds are available, the effectiveness of their use depends heavily on the quality of fund management and community participation in the development process. Thus, in addition to increasing the allocation of Village Funds, the government also needs to pay attention to management aspects and transparency in the use of funds in order to maximize their impact on village development.

These findings are in line with the results of research by Arina et al (2021) which stated that the increase in Village Fund Allocation (ADD) has a direct positive impact on the increase in the Developing Village Index (IDM). If the village government's planning and budgeting process involves the village community represented by the Village Consultative Body (BPD), then the work programs and activities prepared can accommodate the interests and needs of the village community and in accordance with the capabilities possessed by the village. This is similar to the findings of Kusuma & Purwanti (2018) that the involvement of village communities is able to make a positive contribution in encouraging one of the IDM indicators. According to Minang et al (2021), the Village Fund Allocation (ADD) is managed independently, providing a positive impact on both the village government and the village community. In addition, the presence of ADD also provides flexibility from Caturtunggal Village to manage the village government, development and social community autonomously. However, the results of this study are not in line with the findings of Iftitah & Wibowo (2022) who stated that ADD does not have a significant effect on IDM, the value of IDM continues to increase even though the value of ADD income decreases. Similar results were also found by Seliman et al (2023) who concluded that ADD does not have a significant effect on IDM. This difference in results is suspected to be caused by budget management that is not on target, where the allocation of village funds is not focused on strengthening the main dimensions in IDM such as basic services, infrastructure, accessibility, and environmental and social sustainability. Therefore, the effectiveness of the use of ADD is highly dependent on the planning, implementation, and supervision of programs that refer to the real needs of the village and development indicators that have been determined nationally.

CONCLUSION

Based on the results of the analysis and discussion, it can be concluded that the allocation of village funds has a positive and significant influence on the development village index. This means that any increase in the amount of Village Fund Allocation will increase the value of the Village Development Index in East Sumba Regency which serves as a financial resource, and also a catalyst in improving various aspects of village development. As for suggestions that can be submitted to the village government, it is hoped that the village government can continue to formulate village programs that prioritize the components in the Developing Village Index, so that the management of village funds can be carried out effectively in the process of improving the IDM components. Furthermore, the suggestion for further research is for researchers to conduct research related to effectiveness in IDM management, in order to optimize village development in East Sumba district.

Describe the background of the problem, the objective and

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