THE EFFECT OF BALANCED FUNDS ON POVERTY IN BANJARNEGARA REGENCY, 2006-2022

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ABSTRACT

Poverty is a complex problem that must be overcome. Each region has a different level of poverty. Banjarnegara Regency is one of the districts with a high poverty rate. This study aims to analyze the effect of general allocation funds, special allocation funds, and profit-sharing funds on poverty. This research uses multiple regression analysis techniques. The results of the analysis show that general allocation funds and profit-sharing funds have a negative and significant effect on poverty. Meanwhile, the special allocation fund has no effect on the poverty in Banjarnegara.

Keywords: Poverty, General Allocation Fund, Special Allocation Fund, Profit Sharing Fund.

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1. Introduction

Poverty is a problem for every country, especially developing countries. Poverty is one of the macroeconomic variables where this shows that poverty is an important problem in the economy. Every country has a goal to eradicate poverty. Poverty alleviation is even the number one goal on the Sustainable Development Goal'S (SDG'S). Poverty is a condition that cannot meet primary needs (Arsyad, 2010). Poverty is an important problem that must be resolved by every country, including Indonesia. The condition of poverty in Indonesia is still an important problem that must be managed by the government as a basis for achieving the country's goal of a just and prosperous society. The following is a picture that shows poverty in Indonesia:

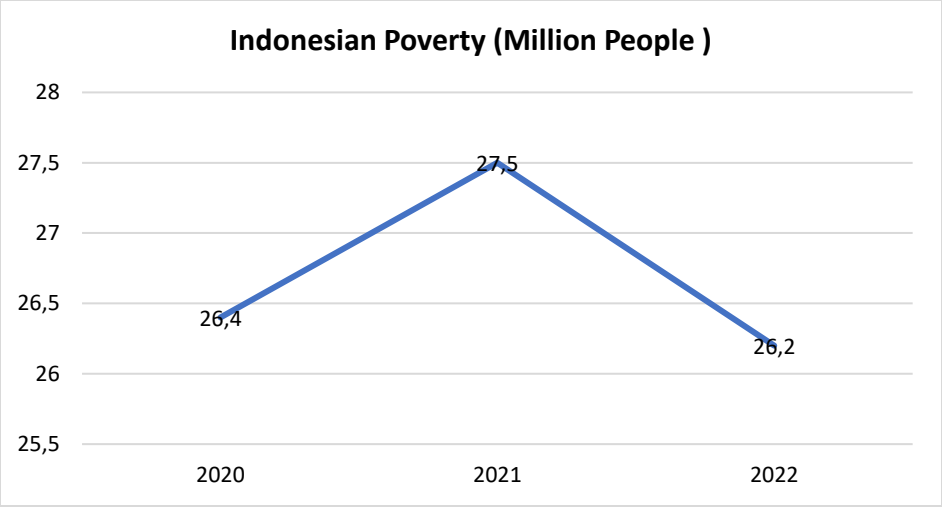

Figure 1. Poverty in Indonesia in 2020-2022
Source: Central Bureau of Statistics, 2023

Based on Figure 1. Shows that poverty will increase in 2021. In 2021 economic conditions will be in a post-pandemic recovery condition. Poverty should be suppressed. However, poverty will only decline in 2022. This shows that the handling of post-pandemic poverty has been relatively slow. This high poverty will become a problem if it is not addressed properly. Poverty management is also the responsibility of regional government authority, where local government is given the right to manage the area on the basis of the enactment of regional autonomy. This regional autonomy is a delegation of authority from the central government to regional governments. Where in its implementation it is also carried out regarding the delegation of authority in the financial sector, hereinafter referred to as fiscal decentralization. Fiscal decentralization provides flexibility in managing regional finances (Khusaini, 2014). This condition will give each region the right to manage its own area with the aim of one being poverty alleviation. The following is the condition of poverty in each province of Java Island:

Table 1. Poverty in Java Island

Province	Poverty in Java Island (Percent)		
	2020	**2021**	**2022**
DKI Jakarta	4.61	4.69	4.65
West Java	8.15	8.18	8.02
Central Java	**11.62**	**11.52**	**10.95**
DI. Yogyakarta	12.54	12.35	11.41
East Java	11.27	10.99	10.43
Banten	6.27	6.58	6.2

Source: Central Bureau of Statistics, 2023

Based on Table 1, shows that the highest poverty conditions are in the DI Yogyakarta province and the second is the Central Java province. Even though Java is an island that has relatively high development, poverty conditions are still high. One of them is Central Java Province, which is the province with the second worst poverty on the island of Java. Central Java Province consists of several Regencies/Cities. Of course, each region still has the problem of poverty. The

following is the condition of poverty in three regencies, namely Cilacap, Banjarnegara and Banyumas regencies:

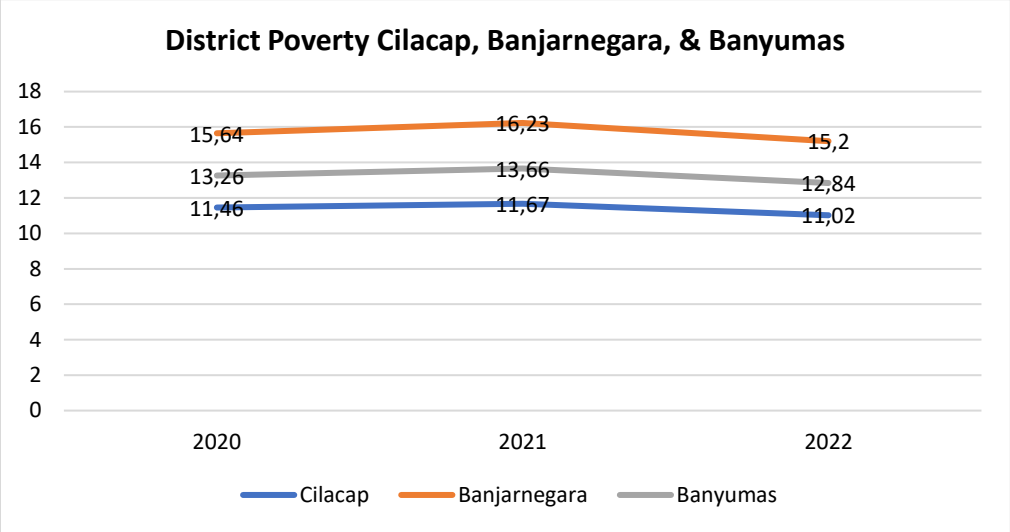

Figure 2. Poverty in Cilacap, Banjarnegara and Banyumas Regencies, Years 2020-2022

Source: Central Bureau of Statistics, 2023

Based on Figure 2, it shows that poverty among Banjarnegara, Cilacap, and Banyumas districts is the highest, namely Banjarnegara District. This shows that poverty in Banjarnegara is a higher problem among the districts of Banyumas and Cilacap, so this poverty is definitely a problem that must be handled properly. Poverty alleviation in the regions can be overcome by implementing fiscal decentralization where fiscal decentralization is the delegation of authority from the center to the regions in terms of financial affairs. One measure in the implementation of fiscal decentralization can be seen from the balancing funds provided to the regions. Balancing funds or transfers to the regions are a representation of fiscal decentralization where these balancing funds are given by the center to the regions whose implementation is delegated to the regions, one of which is for poverty alleviation. Balancing funds consist of general allocation funds , special allocation funds, and profit-sharing funds provided by the central government to the regions. The provision of this balancing fund reflects the implementation of fiscal decentralization. The following is data on balancing funds in Banjarnegara Regency.

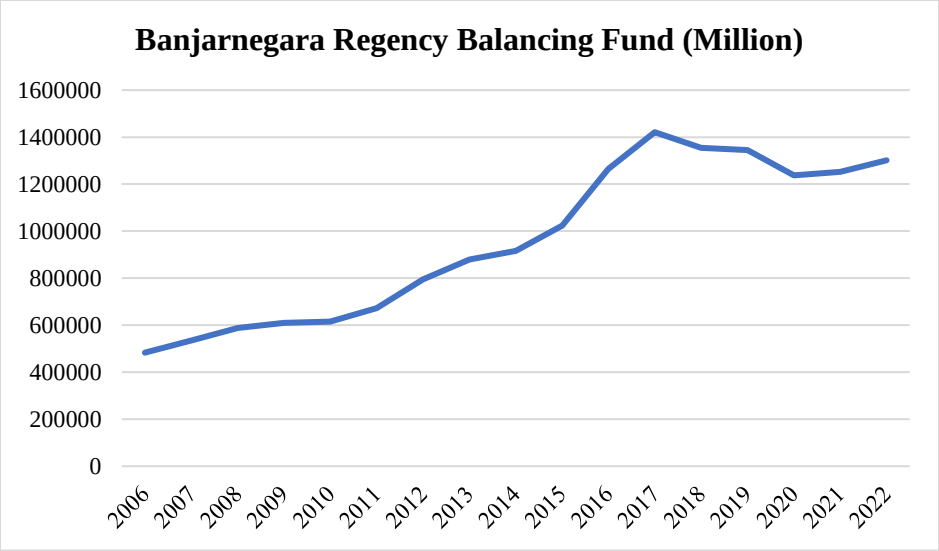

Figure 3. Banjarnegara District Balancing Fund, Million 2006-2022
Source: Central Bureau of Statistics, 2023

Based on Figure 3. shows that in general the balance fund has increased. This means that the implementation of fiscal decentralization should have flexibility and have a good impact. The local government of the Banjarnegara district can utilize the balancing funds as a source of funds from fiscal decentralization to develop the Banjarnegara district, one of which is for poverty alleviation. But in reality poverty in Banjarnegara Regency is still a problem that must be overcome where the poverty rate in Banjarnegara Regency is still above the poverty rate in Banyumas and Cilacap Regencies. Research by Krishna & Shariff (2011) shows that the implementation of funds provided to local governments can reduce poverty in India. This is shown where transfer funds to regions in India in the form of balancing funds can be effective in reducing poverty in India. In implementation in Indonesia, balancing funds are funds originating from the central government that are transferred to local governments in the context of implementing fiscal decentralization. Balancing funds are generally divided into three, namely general allocation funds (DAU), special allocation funds (DAK), and profit-sharing funds (DBH). Overall the fund should have an impact on alleviating poverty. Based on research conducted by Syahidin & Jalil (2020) DAU has a negative and significant effect on poverty in Central Aceh district. Research conducted by Gumelar, (2021) shows that DAK has a negative and significant effect on poverty in the Regency/City of Central Sulawesi. Research conducted by Nany et al., (2022) shows that DBH has a partial negative and significant effect on poverty in Central Java, this shows that balancing funds can reduce poverty. Figure 3 shows that the balance fund has increased in general. This should be able to reduce poverty in Banjarnegara Regency. But in reality poverty in Banjarnegara district is still high between Cilacap and Banyumas districts. Therefore this study aims to analyze the effect of balancing funds on poverty in Banjarnegara District

2. Literature Review

Poverty

Poverty is a problem faced by all countries, both developed and developing countries, but it is more common in developing countries, due to unstable development conditions. In general, poverty is measured by the level of income and minimum basic needs of a country. The problem of poverty is multidimensional which is caused by many factors which are not only the domain of the economic sector, but also political, social, cultural and other social systems. Poverty is multidimensional, meaning that human needs vary, so that poverty also has many aspects. The primary aspects are poor in assets, socio-political organization, and poor knowledge and skills. The secondary aspect is in the form of poor social networks, financial and information sources. These dimensions of poverty are manifested in the form of malnutrition and water, unhealthy housing, poor health care, and low levels of education (Arsyad, 2010) .

3. Research Methodology

This research is a quantitative research that uses numbers as material for analysis. The data used is secondary data obtained from the central statistics agency for the period 2006-2022. This study has a dependent variable, namely poverty, and an independent variable, namely balancing funds consisting of profit-sharing funds, general allocation funds, and special allocation funds. This study will analyze the effect of balancing funds on poverty in Banjarnegara district. This study will use multiple regression analysis techniques.

Multiple Regression

The analysis technique used in this research is multiple regression method. Multiple regression is a technical analysis to see the effect of the independent variable consisting of balance funds on the dependent variable, namely poverty. The following is the econometric model of this study:

$$\boldsymbol{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e}$$

Information:

Y : Poverty
β_0 : Regression coefficient
β_1 : Regression coefficient (General Allocation Fund)
β_2 : Regression coefficient (Special Allocation Fund)
β_3 : Regression coefficient (Profit Sharing Fund)
X_1 : General Allocation Fund
X_2 : Balancing Fund
X_3 : Financing Fund
e : *Error*

3.1 Classic Assumption

3.1.1 Normality test

The normality test is performed to analyze whether the data is normally distributed or not. At this stage it will be analyzed using the Kolmogrov-Smirnov test, this test uses the criteria for significance values that must be greater than 0.05 . If the value indicates this, the data can be expressed as normally distributed data.

3.1.2 Multicollinearity Test

The multicollinearity test aims to determine whether multicollinearity does not occur in the independent variables in a model, meaning that the independent variables in the model have a perfect relationship. The multicollinearity test criteria use a VIF value <10, so it can be said that the model has no symptoms of multicollinearity (Ghozali, 2018) .

3.1.3 Heteroscedasticity Test

The Heteroscedasticity Test is used to determine the occurrence of model deviations due to interference variances between one observation. This study will use a splatterplot as a material for heteroscedasticity analysis. If the dots are scattered and do not form a pattern, it can be said that the model is free from heteroscedasticity.

3.1.4 Autocorrelation Test

The autocorrelation test aims to test whether in a model there is a correlation between the confounding errors in period t and the interfering errors in the t-1 (previous) period. Autocorrelation testing will use the Durbin Watson test.

3.2 Statistic test

The statistical test is a series of tests in multiple regression to analyze the effect partially and simultaneously. Partial effect testing is done by t test while simultaneous testing is done by F test. An analysis will be carried out by assessing the significance, when the significance value is <0.05 it can be said to have a significant effect.

3.3 Coefficient of Determination

The coefficient of determination is a series of tests to analyze the contribution of the independent variable to the dependent variable. The coefficient of determination will use Adjusted R-Square which has a value of 0-1.

4. Results

Multiple Regression

Based on the results of the analysis of the effect of general allocation funds, special allocation funds, profit-sharing funds on poverty in Banjarnegara Regency. The following are the results of multiple regression analysis:

Table 2. Multiple Regression Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	std. Error	Betas		
(Constant)	17026	1937		8,788	0.000
LNDAU	-0.411	0.089	-0.789	-4,627	0.000
LNDAK	-0.039	0.030	-0.217	-1,297	0.217
LNDBH	-0.161	0.062	-0.221	-2,607	0.022

Source: SPSS, processed in 2023

$$\boldsymbol{POVERTY = 17.026 - 0,411DAU - 0,039DAK + 0,161DBH + e}$$

The following is an explanation of the results of multiple regression analysis:

1. The beta coefficient of 17,026 means that when the general allocation funds, special allocation funds, profit-sharing funds are zero, then poverty is 17,026 percent.
2. The general allocation fund coefficient is -0.411 and shows a significant effect. This means that when the general allocation fund increases by 1 percent, poverty will decrease by 0.411 percent.
3. Special allocation funds have no effect on poverty.
4. The coefficient of profit sharing is -0.161 and shows a significant effect. This means that when revenue-sharing funds increase by 1 percent, poverty will decrease by 0.161 percent.

Classic Assumption

1. Normality test

The following is an analysis of the normality test with Kolmogrof Smirnov :

Table 3. Normality Test

Test Statistics	0.131
asymp. Sig. (2-tailed)	0.200

Source: SPSS, processed

Based on Table 3 it shows that the value of Asymp, Sig is 0.200 where this value is> 0.05. So it can be said that the model has normally distributed data.

2. Multicollinearity Test

The following is a multicollinearity test analysis:

Table 4. Multicollinearity Test

Collinearity Statistics	
tolerance	VIF
0.228	4,382
0.238	4,206
0.920	1,087

Source: SPSS, processed

Based on Table 4, it shows that each variable has a VIF value <10. So it can be said that the model is free from multicollinearity symptoms.

3. Heteroscedasticity Test

The following is an analysis of the heteroscedasticity test:

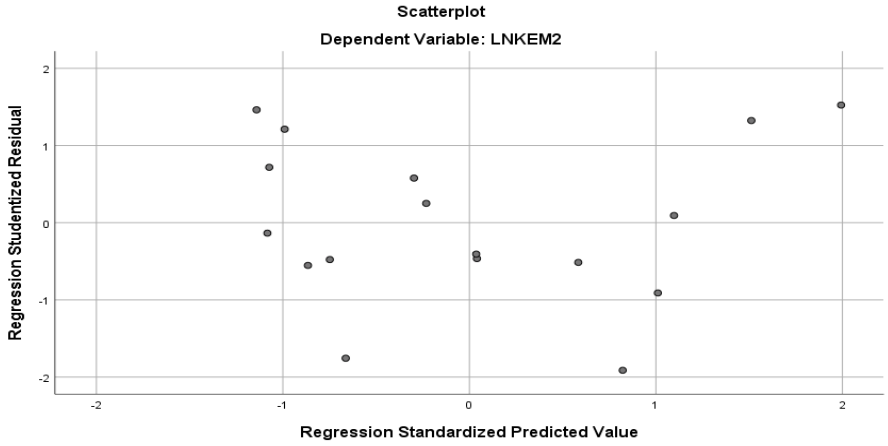

Figure 4 Heteroscedasticity Test

Source: SPSS, processed

Based on Figure 4 the results of the analysis show that the points are spread randomly and do not form a pattern. Therefore, it can be said that the model is free from heteroscedasticity symptoms.

4. Autocorrelation Test

The following is an autocorrelation test:

Table 5 Autocorrelation Test

R	R Square	Adjusted R Square	std. Error of the Estimate	Durbin-Watson
0.956	0.914	0.894	0.0523	1.039

Source: SPSS, processed

Based on Table 5 shows that the DW value is 1.770. Based on the Durbin Watson table, it is known that the value of DL is 0.8140 and DU is 1.7501. Based on this, autocorrelation can be concluded in the condition DL < D < DU or there is no positive autocorrelation and there is no decision.

F test

The following is the F test table:

Table 6. F test

ANOVA [a]						
Model		Sum of Squares	df	MeanSquare	F	Sig.
1	Regressin	0.377	3	0.126	45,880	0.000
	residual	0.036	13	0.003		
	Total	0.413	16			

Source: SPSS, processed

Based on Table 6 shows that the significance value is 0.000. Where this value is <0.05, the data is said as a whole, general allocation funds, special allocation funds, and profit-sharing funds have a significant effect on poverty in Banjarnegara

T test

The following is a t test table:

Table 7. T test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	std. Error	Betas		
(Constant)	17026	1937		8,788	0.000
LNDAU	-0.411	0.089	-0.789	-4,627	0.000
LNDAK	-0.039	0.030	-0.217	-1,297	0.217
LNDBH	-0.161	0.062	-0.221	-2,607	0.022

Source: SPSS, processed

Based on Table 7, the following is an explanation of the t test:

1. General allocation funds have a negative and significant impact on poverty in Banjarnegara District.
2. Special allocation funds have no effect on poverty in Banjarnegara District.
3. Profit-sharing funds have a negative and significant impact on poverty in Banjarnegara District.

Coefficient of Determination

Based on the results of the following analysis is a table of the coefficient of determination:

Table 8 Coefficient of Determination

R	R Square	Adjusted R Square	std. Error of the Estimate	Durbin-Watson
0.956	0.914	0.894	0.0523	1.039

Source: SPSS, processed

Based on Table 8 it shows that the Adjusted R-Square value is 0.894 or 89.4 percent. This means that together the variables of general allocation funds, special allocation funds, and profit-sharing funds contribute to poverty while the remaining 10.6 percent is explained by other variables outside the research.

5. Discussion

5.1 THE EFFECT OF GENERAL ALLOCATION FUNDS ON POVERTY IN BANJARNEGARA DISTRICT

The general allocation fund is one of the transfer funds to the regions in fulfilling fiscal decentralization which will be used by the regional government in carrying out regional development. The results of the analysis show that the betta coefficient value of general allocation funds is -0.411 and the significance value is 0.000. This shows that the general allocation fund has a negative and significant effect on poverty. It can be said that if the general allocation fund is increased, it will reduce poverty. This research is in line with research conducted by Syahidin & Jalil (2020) that DAU has a negative and significant effect on poverty in Central Aceh district. In addition, research by Paseki et al., (2014) shows the same thing where general allocation funds have a negative and significant effect on poverty in Manado City. It can be said that general allocation funds are effective in reducing poverty.

5.2 THE EFFECT OF SPECIAL ALLOCATION FUNDS ON POVERTY IN BANJARNEGARA DISTRICT

In the balancing fund there is a special allocation fund. Special allocation funds are allocated to certain regions to fund special activities which are part of a program that is a national priority which is regional affairs. Special allocation funds are known as funds that are used more for physical activities or in this case for infrastructure. This study shows that special allocation funds have no effect on poverty in Banjarnegara District. This could be because the special allocation funds received were not used for activities directly related to poverty. Special allocation funds in Banjarnegara Regency are prioritized for the infrastructure sector, this is because the infrastructure in Banjarnegara Regency is still relatively underdeveloped. This research is in line with research by Rasu et al., (2019) which shows that special allocation funds have no effect on poverty in Manado. In addition, this research is in line with Fikri et al., (2019) showing the same thing, namely that special allocation funds do not affect poverty in Indragiri Hulu Regency. It can be said that special allocation funds are not directly related to poverty alleviation, so they do not affect poverty.

5.3 THE EFFECT OF PROFIT-SHARING FUNDS ON POVERTY IN BANJARNEGARA DISTRICT

Profit-sharing funds are funds originating from the government which are transferred to the regions for their rights from tax-sharing and non-tax profit-sharing. This profit-sharing fund is an implementation of fiscal decentralization. The results of the analysis show that the value of the beta coefficient of profit sharing funds is -0.161 and a significance value of 0.022. This shows that profit-sharing funds have a negative and significant effect on poverty in Banjarnegara Regency. When revenue-sharing funds are increased, poverty in Banjarnegara can be suppressed. This research is in line with the research of Isramiwarti et al., (2017) which shows that profit-sharing funds have a negative and significant effect on poverty in Riau Province. In addition,

research conducted by Nany et al., (2022) shows the same thing that DBH has a partial negative and significant effect on poverty in Central Java. It can be said that profit-sharing funds are effective in reducing poverty.

6. Conclusion

6.1 The general allocation fund has a negative and significant effect on poverty in Banjarnegara District

6.2 The general allocation fund has a negative and significant effect on poverty in Banjarnegara District.

6.3 Special allocation funds have no effect on poverty in Banjarnegara District.

6.4 Profit-sharing funds have a negative and significant effect on poverty in Banjarnegara District

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