



Research Paper

The Effect of Village Funds on Poverty Alleviation in Subulussalam City: A Case Study in Simpang Kiri District

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Abstract

This study analyzes the effect of Village Funds on poverty alleviation in Subulussalam City, Aceh Province, Indonesia, with a case study in Simpang Kiri District. The study was motivated by the fact that the increase in Village Fund allocations to Subulussalam City in 2024 was accompanied by an increase in the number and percentage of poor people. The study used a quantitative approach with primary data collected through questionnaires, observations, and interviews. The sample consisted of 101 poor residents of the 17 villages in Simpang Kiri District, selected by purposive sampling with the criterion of a per capita income below IDR 487,777 per month. The data were analyzed using multiple linear regression, with the use of Village Funds for village development (X1) and for community empowerment (X2) as independent variables and poverty (Y) as the dependent variable. The results show that Village Funds for development have a negative but insignificant effect on poverty (coefficient -0.031; sig. 0.673 > 0.05), whereas Village Funds for community empowerment have a negative and significant effect on poverty (coefficient -0.515; sig. 0.000 < 0.05). Simultaneously, the two variables have a significant effect on poverty ($F = 243.868$; sig. 0.000), with a coefficient of determination (R^2) of 0.834. These findings indicate that Village Funds reduce poverty mainly through community empowerment rather than through physical development. The study recommends that the government strengthen oversight of the use of Village Funds and increase the share of Village Funds allocated to community empowerment programs.

Keywords: Village Funds, Village Development, Community Empowerment, Poverty, Subulussalam

1. Introduction

The Indonesian government has implemented the third Nawacita agenda, namely building Indonesia from the periphery, by prioritizing development in lagging areas such as villages to



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achieve equitable development throughout the country. Under Law No. 3 of 2024, the second amendment to the Village Law, villages have original and traditional rights to regulate and manage the interests of local communities and must be protected and empowered so that they become strong, advanced, independent, and democratic [1]. Villages are thus at the forefront of development, which is expected to improve community welfare, and the decentralization of authority and funds to villages is expected to have a positive impact on previously lagging areas [2].

Village Funds (Dana Desa) are funds from the state budget (APBN) allocated to villages through the regency/city budget. They are intended to finance village governance, development, community guidance, and community empowerment, with the aim of improving the welfare and quality of life of village communities and reducing poverty [3]. Poverty is a multidimensional problem related not only to low income or consumption below the poverty line but also to the inability to meet other basic needs, such as access to health, education, clean water, and sanitation. Poverty can be caused by individual, social, cultural, and structural factors, and its alleviation requires inclusive economic growth, human resource development, and social safety nets [4], [5].

The government allocates a large and growing amount of Village Funds each year: IDR 72 trillion in 2021, IDR 68 trillion in 2022, IDR 70 trillion in 2023, and IDR 71 trillion in 2024. In Subulussalam City, Village Fund allocations amounted to IDR 32.4 billion in 2021 and IDR 33.4 billion in 2022, decreased to IDR 24.9 billion in 2023, and then increased to IDR 66 billion in 2024. However, the increase in Village Funds in Subulussalam City has been accompanied by an increase in the number and percentage of poor people.

Previous studies have reported mixed results on the effect of Village Funds on poverty. Several studies found that Village Funds significantly reduce poverty at the national level [6], [7], [8] and in various regions [9], [10], [11], whereas others found no significant effect [12], [13] or even a positive association with poverty [14], [15]. Most of these studies used secondary data on the total amount of Village Funds at the regency or provincial level, and only a few distinguished between the uses of Village Funds for physical development and for community empowerment [16], [17]. Studies that examine the effects of these two uses of Village Funds on poverty from the perspective of poor households remain limited, particularly in Subulussalam City. This study therefore aims to analyze the effect of Village Funds for village development and for community empowerment on poverty alleviation in Simpang Kiri District, Subulussalam City.

2. Literature Review

Village Funds

Based on the Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration No. 7 of 2023, Village Funds are funds from the state budget allocated to villages and transferred through the regency/city budget, which are used to finance village governance, development, community guidance, and community empowerment [3]. The priority use of Village Funds is for village development and community empowerment. The main objectives are to improve the welfare and quality of life of village communities, reduce poverty, improve public services and the village economy, reduce development gaps between villages, and strengthen the role of village communities as the main actors of development [2].

Village Funds for Development and Community Empowerment

Village Funds for development are used to build and maintain village infrastructure, such as roads, bridges, irrigation, clean water, and other public facilities. In practice, most Village Funds have been spent on infrastructure, while the share allocated to community empowerment has remained small [2]. Infrastructure spending can support economic activity, but its effect on poverty

is often small or insignificant in the short term [12], [18]. Village Funds for community empowerment, in contrast, finance activities that increase the capacity of villagers to develop entrepreneurship, increase their income, and expand the economic scale of individuals, groups, and villages, including through village-owned enterprises (BUMDes) [11], [19]. Community-based programs of this kind can deliver public goods and modest economic returns, although their long-term effect on empowering the poor depends on local institutions [20].

Poverty

Poverty is a condition in which a person or household is unable to meet basic needs, including food, clothing, housing, health, and education. Village Funds are expected to reduce poverty by creating employment, increasing income, and improving access to basic services [5], [6]. Studies in Aceh found that development, empowerment, and guidance programs funded by Village Funds significantly affect community welfare [17], and the effective management of Village Funds has also been found to improve community welfare in other regions [21].

Hypotheses

Based on the theory and previous studies, the hypotheses of this study are as follows: H1, Village Funds for development have a significant effect on poverty in Simpang Kiri District; H2, Village Funds for community empowerment have a significant effect on poverty in Simpang Kiri District; and H3, Village Funds for development and for community empowerment simultaneously have a significant effect on poverty in Simpang Kiri District.

3. Method

Research Design and Sample

This study used a quantitative approach. The research was conducted in the 17 villages of Simpang Kiri District, Subulussalam City, Aceh Province. The sample consisted of 101 poor residents, selected by purposive sampling with the criterion of a per capita income below IDR 487,777 per month.

Data and Variables

The study used primary data collected through questionnaires with a Likert scale, supported by observations and interviews. The independent variables were Village Funds for development (X1), measured by 10 items (P1–P10), and Village Funds for community empowerment (X2), measured by 15 items (M1–M15). The dependent variable was poverty (Y), measured by 9 items (K1–K9).

Data Analysis

The validity of the instrument was tested by comparing the calculated r-value of each item with the r-table value, and its reliability was tested using Cronbach's alpha with a threshold of 0.60. Heteroscedasticity was tested using the Glejser test. The effects of the independent variables on poverty were analyzed using multiple linear regression with the following equation:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$$

where Y is poverty, α is the constant, β_1 and β_2 are the regression coefficients, X1 is Village Funds for development, X2 is Village Funds for community empowerment, and e is the error term. The hypotheses were tested using t-tests (partial) and an F-test (simultaneous) at a 5% significance level, and the coefficient of determination (R^2) was used to measure the explanatory power of the model.

4. Result and Discussion

Validity and Reliability

The results of the validity and reliability tests are summarized in Table 1.

Table 1. Results of the validity and reliability tests

Variable	Items	Calculated r	r-table	Cronbach's alpha	Result
Village Funds for development (X1)	P1–P10	0.697–0.867	0.196	0.936	Valid, reliable
Village Funds for empowerment (X2)	M1–M15	0.656–0.914	0.196	0.952	Valid, reliable
Poverty (Y)	K1–K9	0.663–0.877	0.196	0.924	Valid, reliable

Source: Primary data processed with SPSS, 2025.

All items have calculated r-values higher than the r-table value (0.196), so all items are valid. The Cronbach's alpha values of all variables exceed 0.60, so the instrument is reliable and is expected to produce consistent findings if the study were repeated under different conditions.

Heteroscedasticity Test

The Glejser test produced a significance value of 0.222 for X1 ($t = 1.230$), which is greater than 0.05, indicating no heteroscedasticity for this variable. For X2 ($t = -2.550$), the significance value is below 0.05, indicating possible heteroscedasticity; therefore, the standard error and significance of X2 should be interpreted with caution.

Multiple Linear Regression

The results of the multiple linear regression analysis are presented in Table 2.

Table 2. Results of multiple linear regression

Variable	B	Std. Error	Beta	t	Sig.
(Constant)	3.410	1.505		2.266	0.026
Village Funds for development (X1)	-0.031	0.072	-0.036	-0.424	0.673
Village Funds for empowerment (X2)	-0.515	0.049	-0.882	-10.463	0.000

Dependent variable: poverty (Y). Source: Primary data processed with SPSS, 2025.

Based on Table 2, the regression equation is as follows:

$$Y = 3.410 - 0.031X_1 - 0.515X_2 + e$$

The constant of 3.410 indicates the value of poverty when Village Funds for development and for community empowerment are zero. The coefficient of Village Funds for development (X1) is -0.031, meaning that a one-unit increase in X1 is associated with a decrease in poverty of 0.031 units, assuming X2 is constant. The coefficient of Village Funds for community empowerment (X2) is -0.515, meaning that a one-unit increase in X2 is associated with a decrease in poverty of 0.515 units, assuming X1 is constant.

Hypothesis Testing

Partially, Village Funds for development (X1) have a significance value of 0.673, which is greater than 0.05, so H1 is rejected: Village Funds for development do not have a significant effect on poverty. Village Funds for community empowerment (X2) have a significance value of 0.000, which

is less than 0.05, so H2 is accepted: Village Funds for community empowerment have a negative and significant effect on poverty. Simultaneously, the calculated F-value is 243.868, which is greater than the F-table value of 3.09 ($df_1 = 2$; $df_2 = 97$), with a significance of $0.000 < 0.05$, so H3 is accepted: the two variables simultaneously have a significant effect on poverty. The R^2 value of 0.834 (adjusted $R^2 = 0.831$) indicates that 83.4% of the variation in poverty is explained by Village Funds for development and for community empowerment, while the remaining 16.6% is explained by other factors outside the model.

Discussion

The finding that Village Funds for development do not significantly affect poverty is consistent with Muliza [12], who found that Village Funds had no significant effect on poverty in Aceh because the funds were largely directed toward infrastructure, and with Ernita and Sari [13], who found that village physical development did not affect poverty in Jangka District, Bireuen. It is also consistent with Tamam and Iskandar [18], who found that Village Fund road investments had only marginal short-term effects on poverty, and with Adam *et al.* [2], who found that villagers often do not perceive infrastructure as creating economic opportunities. Physical development benefits the whole community and is not targeted at poor households, so its effect on their income is indirect and takes time. This finding differs from Agusta and Khoirunurrofik [16], who found that village development spending was negatively associated with the number of poor households at the national level, which suggests that the effect of development spending depends on the type of projects and how well they reach the poor.

The finding that Village Funds for community empowerment significantly reduce poverty is consistent with Putra *et al.* [17], who found that the empowerment program funded by Village Funds significantly affects community welfare in Southeast Aceh, and with Azhari *et al.* [11], who found that Village Funds and village-owned enterprises reduce the number of poor people in Aceh. Empowerment programs, such as skills training, business capital, and support for productive economic activities, directly increase the capacity of poor households to earn income. This finding supports recommendations to shift Village Fund spending from physical infrastructure toward human capacity and economic empowerment [2], [8], [18]. The fact that poverty in Subulussalam City increased despite the increase in Village Funds can therefore be explained by the dominance of physical development in the use of Village Funds and the relatively small share allocated to community empowerment.

Limitations

This study has several limitations. The variables are measured using respondents' perceptions rather than actual Village Fund expenditures and household income, and the data are cross-sectional and limited to one district, so the results cannot be generalized to other regions or used to infer causality. In addition, the Glejser test indicated possible heteroscedasticity for X2, so further research should use robust standard errors, longer periods, and secondary data on actual Village Fund allocations.

5. Conclusion

Village Funds for development have a negative but insignificant effect on poverty in Simpang Kiri District, Subulussalam City (coefficient -0.031 ; sig. 0.673), whereas Village Funds for community empowerment have a negative and significant effect on poverty (coefficient -0.515 ; sig. 0.000). Simultaneously, the two variables have a significant effect on poverty ($F = 243.868$; sig. 0.000) and explain 83.4% of its variation. Village Funds therefore reduce poverty mainly through community empowerment rather than through physical development.

The government, particularly the Regional Development Planning Agency (BAPPEDA) of Subulussalam City, is advised to strengthen oversight of the use of Village Funds so that they more effectively support poverty alleviation. The government should also strengthen assistance to villages, especially in disbursing funds, and actively monitor the activities planned in the village budget (APBG), particularly in community empowerment, so that empowerment programs are transparent, equitable, and in line with the needs and potential of local communities. Future research should use secondary data on actual Village Fund allocations, cover more districts, and include other determinants of poverty.

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Authors' contributions and responsibilities

Silvia Ulantika Sari: conceptualization, data collection, formal analysis, writing – original draft. Irwan Safwadi: supervision, methodology, writing – review & editing. Yuliana: supervision, validation, writing – review & editing.

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Availability of data and materials

All data are available from the authors upon reasonable request.

Competing interests

The authors declare no competing interest.

Ethical approval

This study involved questionnaires and interviews with adult residents. All respondents participated voluntarily after being informed of the purpose of the study, and their identities are not disclosed in this article.

Additional information

No additional information from the authors.

Declaration of Generative AI and AI-Assisted Technologies

During the preparation of this manuscript, Claude (Anthropic) was used to improve the language and readability of the English text and to format the manuscript, tables, equations, and references according to the journal template. The tool was not used to generate research data, perform the analysis, or draw conclusions. The authors reviewed and edited the content as needed and take full responsibility for the content of the publication.

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