

# Determining Poverty Alleviation and Supply Chain Strategy Through Increasing Absorption Capacity of Village Budget Allocation

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**Abstract-** This study was aimed to determine poverty alleviation strategy through increasing absorption capacity of Village Budget Allocation (ADG) in underdeveloped villages in Aceh Besar district by supply chain strategy. This research used qualitative descriptive analysis method. The research data consisted of primary data by interviewing the respondents such as community and village apparatus and using pre-prepared questionnaires and secondary data sourced from Central Bureau of Statistics (BPS) [1] and several institutions in Aceh Besar district. The result of the research showed that the provision of Village Budget Allocation in Aceh Besar District has been established in Aceh Besar Regent Regulation issued every year. The amount of ADG is calculated based on the gampong weight value using a certain formula, with the main variables including the number of village apparatus, the number of *tuha peut* (village supervisor), the number of orphans and the acquisition of poor family rice and other additional variables. Therefore, the use of ADG in Aceh Besar is mostly disbursed to the village apparatus or it is usually called the wages in the form of fixed income, allowances and operational activities of other village [2,3]. Only a small portion was used for orphans' assistance and distribution costs of pre-prosperous family rice. This caused that the benefits of using ADG cannot be perceived by the entire village community. Therefore, the strategy that must be done by the local government of Aceh Besar Regency is to arrange the Regulation of the Regent of Aceh Besar regarding the use of ADG with the rules that are more flexible and not standard so that the use of ADG can give benefit to the whole community of village. Determining the use of ADG should not only be allocated to the village apparatus. The community also had the right to utilize ADG funds together, so as to encourage and provide opportunities for the community to utilize ADG for the needs of the village community. With proper use of targeted ADG, it was expected to reduce poverty levels in village.

**Keyword-** *supply chain strategy, village budget allocation, poverty.*

## 1. Introduction

Supply chains and trade policy are tightly linked to each other. In dealing with poverty, especially in rural areas is not enough just to divide the aid funds, because poverty is associated with low welfare.

Basically the achievement of the welfare of the community is passed by way of life changes to a better life. To support the implementation of such activities as those listed in letter a in the Regulation of the Regent of Aceh Besar Number 4 of 2008 (PP 4/2008), which needs to be allocated grants to villages in the form of the ADG, which is a balancing fund and is expected to become the main buffer in the implementation of the development and implementation of the village community in order to improve the welfare of the village community. Based on data from the Central Bureau of Statistics (BPS) [1], most of the poor in Indonesia are accumulated in rural areas. Various poverty alleviation programs are implemented by the Government of Indonesia as an effort to alleviate the poverty that is the main target of government in achieving better economic growth. But increasing the number of poor people each year indicates that the program has not been run effectively. In the context of poverty alleviation in rural areas is not only enough to distribute the grants. Rural poverty is associated with low levels of welfare and lack of empowerment for the community. Therefore in achieving the welfare of rural people must go through various stages in order to provide life changes for people to a better life than ever before. It can be realized through the development of society that is improving economic conditions, community empowerment and sustainability of community welfare programs. So that the condition of poverty and the environment of society will run towards a better change to realize these goals the ADG Program. The implementation of the program as listed in letter a in the Regulation of Aceh Besar Regent Number 4 of 2008 (PP 4/2008), that funds need to be allocated to the village in the form of the ADG, which is a balancing fund and is expected to be a main buffer in the implementation of the development and

implementation of the village community, so as to improve the welfare of the village community in Aceh Besar District. Therefore, to carry out these duties and responsibilities needed support from various resources in order to provide services to the community, among others derived from the Village Original Income. Realization of ADG of Aceh Besar District in 2015 reached 24.9 Billion IDR. The amount of Budget allocation is not supported by the maximum absorption in the allocation of budget to the development in a village. Based on the Regent's Regulation on the Management of ADG, one of its objectives is to alleviate poverty and reduce the gap, it is expected that the ADG Program management can have a significant impact on the economic condition of the people in Aceh Besar District. Aceh Besar District is a part of Aceh Province as a legal community unit which is given special authority to organize and manage its own governmental affairs and interests of local people in accordance with laws and regulations in the system and principles of the Unitary State of the Republic of Indonesia in 1945, led by a Regent. While village is a legal community unity that has the boundaries of the territory authorized to organize and manage the interests of local communities, based on origin and local customs that are recognized and respected in the system of Government of the Unitary State of the Republic of Indonesia. Therefore, the Village Government consists of *Keuchik* (Village Head) and Village Apparatus as an element of the village government. In the Regulation of Regent of Aceh Besar Number 3 of 2016 concerning the Procedures of Management and Allocation of Village Budget in the District of Aceh Besar Fiscal Year of 2016 is intended to finance the village Government program in carrying out government activities and community empowerment. While the objectives of the ADG program are:

1. Alleviating poverty and reducing gaps;
2. Improving development planning and budgeting at village level and community empowerment;
3. Increasing the development of village infrastructure;
4. Improving the practice of religious values; social culture in order to achieve social improvement;
5. Increasing public order and peace
6. Improving services to the village community in the framework of developing social and economic activities of the people;
7. Encouraging the improvement of self-help and community cooperation;
8. Increasing village and village income through Village Owned Enterprises (BUMG).

## 2. Literature Review

### 2.1. Absorption

Since global supply chains seek to minimise transactions costs, they often operate on a regional basis. Absorption capacity that can be interpreted the ability to absorb or ability in an activity to absorb the fund (budget). At the time the budget is realized in the work unit of each village, it turns out that what will be planned is sometimes not the same as what is everyday reality or often not in accordance with the target. So that the budget absorption is lower than what has been realized in accordance with the activities of each village.

### 2.2. Village Budget Allocation (ADG)

The allocation of direct budget to village is referred to as the Village Budget Allocation Policy (ADG), which is stipulated in Local Government Regulation No. 7/1986 on Financial Guidance from the District Government to the Village Government, that the village finance must be managed effectively, efficiently, economically, transparently and responsibly taking into consideration the principle of compliance and benefit to society. The Village Budget Allocation, hereinafter abbreviated as ADG, is the budget allocated by the district government to village which is sourced from the central and regional finance balancing funds received by the District.

### 2.3. The Management of Village Fund Allocation (ADG)

Financial Management of Village Fund Allocation (ADG) is an inseparable part of the Village Finance Management in the Village, therefore in Fund Management of Village Fund Allocation (ADG) must comply with the Village Fund Allocation Management Principles as follows:

1. ADG management is an integral part of the financial management of village funds in APBG.
2. All activities to be funded by ADG are planned, implemented and evaluated openly by involving all elements of the community in village.
3. All activities must be accountable administratively, technically and legally.
4. Village Fund Allocation (ADG) is implemented by using the principles of efficient and controlled direction.

### 2.4. Poverty

Poverty is a condition of economic inability to meet the average standard of living of people in an area. The so-called poor condition of society can be

identified by the ability of income to meet the standard of living [7-9]. In principle, the standard of living in a society is not just enough food for the need, but also the need for health and education. This article will discuss how appropriate strategies for implementation of ADG management in order to have an impact on poverty alleviation in Aceh Besar District [10-12].

### 2.5. Community Participation Improvement and Community Participation Planning Strategies

Community participation will increase as society's awareness of the surrounding settlements and increased involvement in social organization. Meanwhile, according to Kristianto (2015) [4-6], the strategies to increase community participation are as follows:

1. Improving facilitator performance by increasing the number of facilitators or maintaining the quality of the facilitator
2. The government should provide funds for sustainable development stimulus
3. The government needs to be open and accountable taking into account the aspirations of the community so that the infrastructure built is the majority of the community's needs,
4. Providing non-formal education to the community as an effort to strengthen social capital by increasing community involvement in activities, gradually reducing the role of facilitator in decision making, and increasing the intensity of activities to the community
5. Strengthening the existence of social networks in the form of civic organizations. While improvements related to public participation in general can be done through training, education and stimulation of sustainable activities.

### 3. Problem Identification

How to alleviate poverty through increasing the absorptive capacity of the Village Fund Allocation (ADG) in rural villages in Aceh Besar district.

## 4. Methodology

### 4.1. Research Location

Besides divided the region into 3 (three) parts of the West, Central / Eastern Region and Northern Region and also divided the region based on the amount of ADG received. Therefore, the research sample was also divided into 3 (three) parts; the region with large, medium and small ADG.

### 4.2. Research Methods

This research uses descriptive qualitative analysis method. Research data consist of primary data and

secondary data. Primary data were obtained through interviews, questionnaires and observations.

### 4.3. Data Analysis Research

With the effort to collect data from various sources so that the necessary data can be collected optimally. The data collected through the questionnaire were processed by using descriptive statistics and presented in percentage form in order to produce indicators in each problem explained.

## 5. Village Budget Allocation (ADG) in Aceh Besar District

### 5.1. Overview of Aceh Besar Area Geographically

Aceh Besar District consists of 23 Sub-districts, 68 residents, and 604 villages. The distance between sub-district centres and district centres is varied. Lhoong sub-district is the furthest area, which is 106 km with the centre of the district capital located in the district of Jantho. This research took sample of sub-district by dividing region into 3 (three) part those are West, Central / East and North region. Based on the sub-district division, the name of the districts and the areas can be seen in table 1:

**Table1.** Regional Division, Districts' name, Total of ADG and the Landmass of Research Sample

Region	District	Total of ADG (Rp)	Landmass (Km <sup>2</sup> )
West	Darul Imarah	2.050.751.000	24,34
	Peukan Bada	1.548.217.000	36,25
	Darul Kamal	820.598.000	23,04
Central/East	Indrapuri	2.980.357.000	197,03
	Inginjaya	2.916.037.000	24,33
	Simpang Tiga	1.002.705.000	27,59
North	Kuta Malaka	870.004.000	22,81
	Kuta Baro	2.717.952.000	61,07
	Darussalam	1.726.468.000	38,43
	Baitussalam	841.912.000	20,84

Source: Central Bureau of Statistics Aceh 2016 (processed)

### 5.2. Absorption Ability of ADG in Aceh Besar District

The absorption capacity of Village Budget in Aceh Besar District is very varied. It can be seen in table 2.

**Table2.** Division of Sub-district Area of Research Sites by the Number of total ADG in Aceh Besar District 2015

Area	Group of Big Budget		Group of Medium Budget		Group of Small Budget	
	Sub-district	Total ADG	Sub-district	Total ADG	Sub-district	Total ADG
West	Darul Imarah	2.050.751.000	Peukan Bada	1.548.217.000	Darul Kamal	820.598.000
	Indrapuri	2.980.357.000	Simpang Tiga	1.002.705.000	Kuta Malaka	870.004.000
North	Kuta Baro	2.717.952.000	Darussalam	1.726.468.000	Baitussalam	841.912.000

Source: Central Bureau of Statistics (BPS) [1] Aceh 2016 (processed)

In accordance with table 1 above, it can be seen that each sub-district in Aceh Besar District receives

different amounts of funds in the Village Budget Allocation (ADG). The use of village budget was also used for Keuchik's (Village head) allowances, Village Apparatus, Tuha Peut Gampong (Village Supervisor) and other village apparatus. In this case, village's budget was also used as an aid for orphans and transports of pre-prosperous family rice and other expenditures, namely the increase of the capacity of the village apparatus in order to support the implementation of village government and for the operational costs of keuchik (village head) and if there is any remaining budget from the entire village budget then it will be used for other village office's operational cost.

### 5.3. Poverty Alleviation through Increasing the Absorption Ability of ADG In Underdeveloped Villages in Aceh Besar District

The numbers of poor people in Aceh Besar district from year to year has decreased relatively tend to be satisfactory. This can be seen in the following table (Table 3)

Year	Number of Poor People (Thousand people)
2014	62.37
2015	62.27
2016	62.03

Source: Central Bureau of Statistics (BPS) Aceh 2017

In 2016, the Central Government allocated Village Budget or *Gampong* Budget amounting to 3.8 trillion IDR for Aceh. This number has increased more than 100%, when compared with fiscal year of 2015, which only amounted to Rp1, 7 trillion. The district government of Aceh Besar received a budget allocation for village funds from the central government in 2016 was 350 billion IDR. However, for this year, ADG Aceh of Besar is almost entirely absorbed for apparatus expenditure in order to fulfil the mandate of regulation that the income of the village apparatus should be 70% and 50% of *keuchik's* (Village Head) income. The distribution of ADG Funds and their use are regulated in the Regulation of Regent of Aceh Besar Number 3 of 2016. The provision of direct assistance in the form of Village Budget Allocation (ADG) originating from APBN (National Budget) and Village Budget Allocation (ADG) and sourced from APBK (District Budget) becomes a concrete manifestation of government policy in developing village by supporting the improvement of physical infrastructure and non-physical villages. Local governments are expected to develop more flexible

and non-standard ADG regulatory rules so that ADG can benefit the entire community. Establishing the use of ADG should not only be allocated to the village apparatus. The community also has the right to utilize ADG funds together, so as to encourage the community to utilize ADG for the needs of the community, with proper use of targeted ADG is expected to reduce poverty levels in village.

### 5.4. Community Participation to Increase Absorption of Village Fund Allocation (ADG) in Aceh Besar District

Based on the information obtained in the field, this research tried to get in-depth information about the level of community participation that has been involved for the absorption of ADG so that it can have an effective impact on poverty. The information is obtained from community sampling based on the number of households per sub-district. In the interviews conducted to find out the strategy of increasing community participation can be concluded that in improving the suggested strategy participation is the technical guidance is needed in order to gives direction for all parties interested in participating. Community participation can be measured through interactions and relationships between communities that will be affected by such participation as well as their relationship to the welfare of the people. In Aceh Besar district, it can be seen from the participation of the community, but the participation is very low and even some people do not understand well about the concept of the Village Fund Allocation (ADG) which is a process where the community is enabled to become active and involved in the ADG impact on people's lives and can even be one of the strategies in poverty alleviation and the community is given the opportunity to take action to achieve changes.

### 5.5. Strategy to Enhance Public Participation to Increase Absorption of ADG in Poverty Alleviation in Underdeveloped Villages in Aceh Besar District

Based on the above analysis, several strategies can be formulated in enhancing community participation to increase ADG absorptive capacity so as to reduce poverty level in underdeveloped villages in Aceh Besar District. In the *Qanun* in the form of a Regulation of the Regent of Aceh Besar on the Procedures for Management and Allocation of Village Funds in the District of Aceh Besar, set out very clearly in article 12 of the third section on the Use of ADG. So the regulation is considered

inflexible for the community, so all the allocation of funds only absorbed into the use of ADG funds has been established by the government and the region. It can be assumed that ADG is DAU / DAK for villages, and for most villages, ADG is the main source of financing because of the limited PAG. Therefore, it is expected that the Regent's Regulation on ADG Management and allocation is expected to encourage the village apparatus, particularly village head in order to put ADG as a stimulant for community empowerment and not only for the income and allowance of the village apparatus, but also to focus on the development of beneficial physical infrastructure for the long term and great contribution to community empowerment. Lack of ADG impact for the community so far can be seen from the reality that the regulation only allocate ADG budget for the income and allowance of village apparatus and only a few allocation for improvement of physical and non-physical facilities so that its contribution is very low in encouraging community empowerment.

## 6. Conclusion

Based on the results of the research, it shows the form of supply chain strategy in increasing the community participation to increase the ADG absorption so that it can reduce the poverty level in the underdeveloped villages in Aceh Besar District. In *Qanun* in the form of a Regulation of the Regent of Aceh Besar on the Procedures for Management and Allocation of Village Funds in the District of Aceh Besar, set out very clearly in article 12 of the third section on the Use of ADG. The article states that ADG received by the Village Government is used to:

- 1) Permanent Income of Village Head and Village Apparatus
- 2) Village Head allowance and Village Apparatus allowance
- 3) Village Advisor allowance
- 4) Other Village apparatus allowance
- 5) Assistance for Orphans and Pre-prosperous family rice transport
- 6) Other expenditure

This is in accordance with the information provided by the respondent (community), where the respondents justify the involvement of local communities in the procurement of goods / services in village. Such community involvement is limited only if needed and in accordance with the community's expertise. Therefore, it can be concluded that the actors involved in ADG participation are only at the level of the village apparatus only, while the community is not used as

supporting actors in the participation of ADG management. The inflexible allocation of funds that has been established in regulation, short implementation times, and actors dominated by village government officials cause the level of public participation in the ADG program very low. Based on several theories of participation approaches, in this study the allocation of Village funds (ADG) in Aceh Besar District as a whole only meets the information participation approach. This can be seen from the results of field research where public participation in ADG is limited to get information from village apparatus on what has been planned in the management of ADG. The basic and principles of ADG management are transparent, accountable, and participatory. This means that ADG must be managed by promoting openness, being carried out responsibly, and must also involve the active participation of all local communities. ADG is an integral part of the Aceh Regional Development Budget - APBD (Village Development Budget-Aceh Government) starting from planning, implementation, accountability and reporting. It is expected that there will be strategic changes in the use of the ADG budget. The use of ADG should not be restricted in the Regent's Regulations. So the community should be involved so they can participate in managing ADG. The use of ADG budgets can be managed by village apparatus and community for a common purpose. So that in the use of ADG is not expected to be spent entirely for village apparatus only. Infrastructure development is expected to be further improved so that the impacts on society are also evident. So the purpose of ADG which is clearly illustrated in regulation can be realized. Then it will become an independent village and able to manage optimally by utilizing various potentials such as: human resources, natural resources, buyers (market) as well as local institutional and culture. In an effort to make the independent/autonomous village, it is expected that the use of ADG budget can be implemented with careful planning and transparent so that the results can be experienced sustainably by the people now and in the future.

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