

Factors Affecting Extreme Poverty In Lampung Province

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Abstract. Lampung Province is inseparable from this extreme poverty trap. This is because there are at least five regencies in Lampung province which are trapped in extreme poverty, including Pesawaran, South Lampung, North Lampung, East Lampung, Central Lampung, West Lampung, West Coast and Mesuji. The Provincial Government of Lampung directs the acceleration of extreme poverty reduction to continue in order to achieve the target of extreme poverty reaching zero percent in 2024. This research will analyze how extreme poverty is related to related variables within the Regency/City scope. This research will look further at how the interactions between variables are related to extreme poverty alleviation in the Lampung Province area. This research is expected to provide insight into the importance of how village funds, village economic institutions (BUMDES, Farmer Groups) influence extreme poverty alleviation. It is hoped that this research can add to the literature review for future researchers and become a reference in subsequent studies by other academics. This research is also expected to help the Lampung Provincial government to decide on policy considerations that can reduce poverty levels based on related variables. This study uses panel data analysis with the help of an analysis tool, namely Eviews 12. The results of the test show that the number of farmer groups and BUMDes has not had a significant effect on lag-2. Meanwhile, the Village Fund has a significant effect on lag-3.

Keywords: Extreme Poverty, BUMDes, Farmer Groups, Village Funds

1 Introduction

Extreme poverty, defined to the United Nations (UN), is the inability to meet basic necessities including having access to food, clean water to drink, sanitary facilities, health care, shelter, education, and information. The implication is that poverty is now seen to go beyond a person's ability to pay their bills. According to Sutter, Bruton, and Chen (2019), more than 705 million people globally are living in extreme poverty. Currently, this limit is fixed at PPP (purchasing power parity) USD 1.9.or IDR 10,739 per person per day if it is converted to rupiah. Through the use of a "absolute poverty measure" that remains constant across nations and throughout time, PPP is determined. Internationally accepted benchmarks for extreme poverty are determined by agreement among United Nations member nations, and the World Bank quantifies them. The Central Bureau of Statistics (BPS) determines what constitutes extreme poverty in Indonesia.

In 2024, the Indonesian government wants to eradicate all extreme poverty. Even while Indonesia has a relatively modest number of extremely poor people—10.86 million or 4% of

the country's population in 2021, less than the country's 10.14 percent poverty rate—this is nonetheless a very serious concern. That small number doesn't mean it's easier to deal with. Precisely extreme poverty is the bottom layer of poverty so it requires a bigger *effort to eliminate it, let alone to zero percent.*

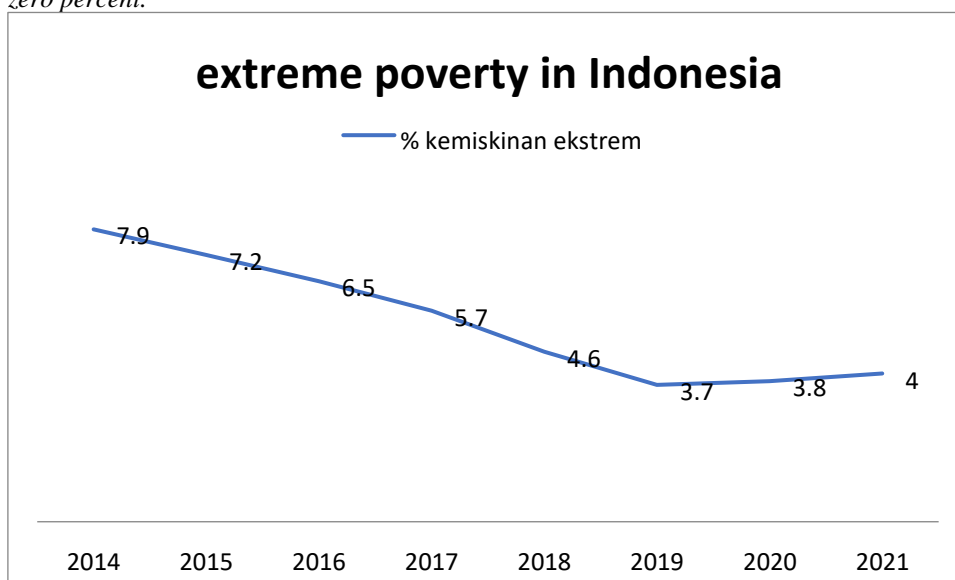


Figure 1 . Percentage of extreme poverty in Indonesia in 2014-2021

The rate of extreme poverty in Indonesia has varied between 2014 and 2021. Extreme poverty in Indonesia decreased between 2014 and 2019 before rising once more in 2020 and 2021. The global Covid-19 pandemic, which has afflicted many other nations in addition to Indonesia, is thought to be the cause of the reported increase.

As part of its efforts to reduce poverty, the government has created a number of national initiatives aimed at empowering communities, which are carried out by several ministries and agencies. The village fund program, which started in 2015 in compliance with Government Regulation Number 6 of 2014 concerning Villages, is one of many initiatives aimed at reducing poverty and empowering local communities.

The majority of people in Lampung Province, particularly in the countryside, rely on agriculture for their livelihood. The sentence above implies that the majority of the labor force is employed in agricultural pursuits, but the farming community experiences poverty due to the subpar level of living. This claim is supported by the farmer's exchange rate, which is less than 100 in 2021 and remains suboptimal. This implies that farmers experience a shortage since their production costs are less than what their consumption-related commodity prices have increased.

The execution of policies aiming at enhancing farmer welfare and reducing severe poverty locally can be facilitated by cooperation between village-level economic and social institutions, such as BUMDES and Farmers' Groups. Through Micro Finance Institutions

(LKM), which in turn serve as channels of agricultural assistance to farmers and promote the purchase of agricultural products from them, the two institutions act as mediators for providing credit capital to farmers. As a result, this study will examine how, within the district/city scope, extreme poverty links to associated characteristics. In-depth examination of the relationships between variables and the reduction of extreme poverty in the Lampung Province will be the focus of this study.

2 Literature Reviews

When a person's expenditure for meeting basic requirements falls below the extreme poverty line of USD 1.9 PPP (Purchasing Power Parity), they are considered to be very poor demographically. To be clear, if a person's daily expenses are less than Rp. 10,739 per person, per day, they are said to be living in extreme poverty. A different price is IDR 322,170 per person per month. In order to define extreme poverty, the United Nations and the World Bank have mutually agreed upon benchmarks. In Indonesia, the definition of extreme poverty is determined by the Central Bureau of Statistics (BPS).

The State Revenue and Expenditure Budget is a source of funding for the Village Fund. These funds are administered through the District/City Revenue and Expenditure Budget and are designated exclusively for villages. This fund's primary goals are to aid in the administration of government, make it easier to carry out development initiatives, offer direction, and strengthen towns and their residents. According to Government Regulation Number 60 of 2014, this is done.

According to PP Number 11 of 2021, BUM Desa is a separate commercial and/or public service business organization that is run by BUM Desa. Assets in BUM Desa, which comprise both tangible and intangible things with monetary values, are seen as economic resources that are anticipated to help the village and its residents.

Farmer Groups are groupings of farmers, breeders, and planters who come together over shared interests, similar socioeconomic circumstances, access to the same natural resources, and experience with similar commodities in order to advance and improve their own companies. This definition complies with the guidelines set forth in Minister of Agriculture Order No. 67 of 2016.

3 Methodology

The primary data source for this study is panel data, which is used in a descriptive quantitative methodology. The official website of the relevant agency provided the secondary data for this study. Data quality and quantity could be improved by combining time series and cross-section, which is a feat that cannot be accomplished by relying solely on one of these dimensions (Gujarati, 2012). Testing the model specifications using the Chow, Hausman, and LM-tests is a part of the study. Following that, the panel data regression is proceeded using the

R-squared test, Individual Effect, and traditional assumption testing as well as simultaneous and partial significance testing.

4 Results and Discussion

Table 5. Chow test results

Effect Test	Statistics	df	Prob.	Decision
Cross-section F	170.65 (12.10)	0.00		FEM
Chi-square cross-sections		138.50 12	0.00	

Table 6. Hausman Test Results

Test Summary	Chi-Sq. Statistics	Chi-Sq. df	Prob.	decision
Cross-Section Random	24,007 3	0.00		FEM

Table 7. Panel Data Regression Results

Variables	Coefficient	Std. Error	t-Statistic	Prob
C	91.08	27.53	3.31	0.01
LNKT(-2)	-8.10	4.11	-1.97	0.07
BD(-2)	-0.002	0.003	-0.73	0.48
LNDD(-3)	-3.23	1.01	-3.19	0.00
Effects Spesification				
Cross-section fixed (dummy variables)				
R-squared	0.99	Mean dependent var		12.11
Adjusted R-squared	0.99	SD dependent var		3.20
SE of regression	0.29	Schwarz criterion		1.42
F-stistic	201.48	Durbin Watson stst		3.71
Prob(F-statsistic)	0.00			

Source: Eviews output, data is processed

The results of the regression estimation show the magnitude of the constants and coefficients, where each has a meaning that can be used as a tool for analysis. At a significance level of 5% the function of the *Fixed Effect Model regression equation* in this study is as follows:

$$KE_{it} = 91.08 - 8.10LNKT_{it} - 0.002BD_{it} - 3.23LNDD_{it} + ez \dots \dots \dots (2)$$

As can be seen from Equation 2 above, during the 2019-2023 research period, Farmer Groups, BUMDes and Village Funds all had a negative impact on extreme poverty rates in Lampung

Province. These results are in accordance with the theories and hypotheses that have been prepared.

Table 8. Multicollinearity Test Results

	LNDD	LNEDU	LNHLT
LNKT	1.00	0.54	0.80
BD	0.54	1.00	0.65
LNDD	0.80	0.65	1.00

Based on the results of the multicollinearity test above, it can be seen that in the two study periods there were no variables that had a correlation value greater than 0.85. This means that in the FEM model regression model there is no deviation from the classical assumption, namely multicollinearity.

Table 9. Heteroscedasticity Test Results

Variables	coefficient	std. Error	t-Statistics	Prob
C	116.94	131.14	0.89	0.39
LNKT(-2)	-18.51	19.57	-0.95	0.37
BD(-2)	-0.01	0.02	0.57	0.58
LNDD(-3)	-5.08	4.82	1.05	0.32

Based on the regression results using the *Glesjer test* above, it can be concluded that the FEM model in the two periods of this study did not find heteroscedasticity problems which can be seen from the probability value of each independent variable which is greater than $\alpha = 0.05$.

Table 10. Partial Significance Test Results

Variables	t-Statistics	t-Table	Prob.	Decision
LNKT(-2)	3.31	1.67	0.07	Not significant
BD(-2)	-1.97	1.67	0.48	Not significant
LNDD(-3)	-0.73	1.67	0.00	Significant

1. T test, Farmer Group Variables

Based on table 10, the t-statistic is 3.31 and the probability is 0.07. then with a *degree of freedom* (nk-1) 61 with a significance level of 5% the t-table value obtained is 1.67. With this value it can be concluded that the t-statistic value is $3.31 > t\text{-table } 1.66$ and a probability value of $0.07 > a$ significance level of 0.05 then H_0 is rejected. Thus the number of Farmer Groups has not had a significant impact on reducing extreme poverty in Lampung Province in 2019-2023.

2. T test, BUMDes variable

Based on table 10, a t-statistic of $|-|$ is obtained 1.97 and a probability of 0.48. then with a *degree of freedom* (nk-1) 61 with a significance level of 5% the t-table value obtained is 1.67. With this value it can be concluded that the t-statistic value $|-| 1.97 > t\text{-table } 1.66$ and a probability value of $0.48 > a$ significance level of 0.05, then H_0 is rejected. Thus the number of

BUMDes has not had a significant impact on reducing extreme poverty in Lampung Province in 2019-2023.

3. T test, Village Fund Variable

Based on table 10, a t-statistic of $|t|$ is obtained 1.97 and a probability of 0.48. then with a *degree of freedom* (nk-1) 61 with a significance level of 5% the t-table value obtained is 1.67. With this value it can be concluded that the t-statistic value $|t| 0.73 < t\text{-table } 1.66$ and a probability value of $0.00 < \alpha = 0.05$, then H_0 is rejected. Thus the Village Fund has a significant effect on reducing extreme poverty, in Lampung Province in 2019-2023.

Table 11. Simultaneous Significance Test Results

F-Statistics	F-Table	Prob.	Decision
201.48	2.76	0.00	Significant

Based on the results of the F-test in table 11, the F-statistics value is 201.48 where this value is greater than the F-table of 2.76, besides that it can also be seen from the probability value of $0.00 < \alpha = 0.05$. So it can be concluded that H_0 is rejected, meaning that all independent variables simultaneously have a significant effect on reducing extreme poverty in 2019-2023.

4.1 Individual Effect Value Table

12. Individual Effect Value

Regency	effects	Individual Effects
East Lampung	10.66	101.74
North Lampung	8.12	99.20
central Lampung	6.99	98.07
South Lampung	6.79	97.87
Way Right	2.20	93.28
offer	0.78	91.86
Tanggamus	-0.37	90.71
West Lampung	-0.67	90.41
Onion Bone	-3.61	87.48
West Coast	-4.43	86.65
Mesuji	-7.98	83.10
Pringsewu	-8.80	82.28
Western Onions	-9.68	81.40

individual effect values were obtained in 13 regencies in Lampung Province in 2015-2019 with different values for each district. This difference in value is because each district in this study has different characteristics from one another. *Individual effect* values also show differences in behavior from each district. Overall there are three districts that have the greatest *individual effect* on all indicators of extreme poverty, these districts are East Lampung, North Lampung and Central Lampung. Meanwhile, the three districts with the lowest *individual effect* on all indicators of extreme poverty are Mesuji, Pringsewu and Tulang Bawang Barat.

4.2 Discussion of Research Results

The results of the regression estimation in table 7 form a regression equation model for the effect of the number of farmer groups, the number of BUMDes and Village Funds on extreme poverty in Lampung Province in 2019-2023 as follows:

$$YPOV_{it} = 91.08 - 8.10LNKT(-2)_{it} - 0.002BD(-2)_{it} - 3.23LNDD(-$$

3) $_{it}$ The regression equation can be interpreted as follows:

1. A constant of 91.08 indicates that if the independent variables (Number of Farmer Groups, Number of BUMDes and Village Funds) are considered constant or equal to zero, then Extreme Poverty in Lampung Province is 91.08 percent.
2. The variable coefficient value of the Number of Farmer Groups is -8.10 which means that if the number of Farmer Groups increases by 1 unit it will reduce Extreme Poverty in Lampung Province by 8.10/100 or the equivalent of 0.081 percent. The relationship or influence between the Number of Farmer Groups and Extreme poverty in Lampung Province in 2019-2023 is negative.
3. The variable coefficient value of the Number of BUMDes is 0.002, which means that if the number of BUMDes increases by 1 unit, it will reduce Extreme Poverty in Lampung Province by 0.002 percent. The relationship or influence between the Number of BUMDes and Extreme Poverty in Lampung Province in 2019-2023 is negative.
4. The coefficient value of the Village Fund variable is -3.23, which means that if the number of farmer groups increases by 1 billion, it will reduce Extreme Poverty in Lampung Province by 3.23/100 or the equivalent of 0.0323 percent. The relationship or influence between village funds and Extreme Poverty in Lampung Province in 2019-2023 is negative.

1. The Effect of the Number of Farmer Groups on Extreme Poverty in Lampung Province.

Based on the findings of panel data regression using the FEM model, it can be concluded from this study that while the number of farmer groups has a negative association, it will not significantly affect the reduction of extreme poverty in Lampung Province between 2019 and 2023. Since this variable has a lag of 2, the two prior periods have an impact on the relationship between the number of farmer groups and extreme poverty. Khotimah and Laila (2021) Farmer groups play a variety of roles in motivating its members to actively use excellent farming practices, making it relatively simple to increase the wellbeing of farmer group members. Productivity will rise in a successful community, which will ultimately reduce poverty.

Indonesia is an agricultural country, meaning that most of its citizens work as farmers. The agricultural sector should be the main focus in improving the economy, but in reality the role of farmer groups has not been able to have a significant impact on reducing poverty, especially extreme poverty in Lampung Province. According to Laila and Khotimah (2021) there are several factors inhibiting farmer groups in their efforts to improve economic welfare and reduce poverty, including:

1. Participation and cohesiveness of members is still low
2. Farmers are still half-hearted in farming
3. Yields that have not been maximized

In this aspect, government intervention is absolutely essential. Taking into account the potential that this nation possesses, the government should implement the growth of the agricultural sector. Akbar (2017) The administration at the time believed it was time for the nation to move on to the take-off phase, meaning to become an industrial country, but with the development of technology and information, Indonesia developed into an industrial country. But as we are all aware, the bureaucratic red tape and unfavorable investment environment have limited the growth of the Indonesian sector.

Therefore, it is important to maintain technical advancements in agriculture since they will help farmers increase their agricultural productivity even if there is a growing shortage of agricultural land. Additionally, farmer group members will greatly benefit from agricultural instruction and counseling. So that eventually it will contribute to lowering poverty, particularly extreme poverty. Additionally, farmer group members will greatly benefit from agricultural instruction and counseling. In order to eventually contribute to alleviating poverty, especially extreme poverty

2. The Effect of Number of BUMDes on Extreme Poverty in Lampung Province.

In this study, based on the results of panel data regression using the FEM model, the number of BUMDes has a negative relationship but has not been able to have a significant impact on reducing extreme poverty in Lampung Province in 2019-2023. This variable uses lag 2 which means that the relationship between the number of farmer groups and extreme poverty is influenced by the two previous periods. (Wance, 2022) Villages are the spearhead of Indonesia's development. Therefore, the government continues to strive to encourage the village economy by channeling Village Funds and the Village Development program for Business Under Management Deses.

The community is better organized thanks to the BUMDes in terms of the regular money that is obtained and allocated to it as it should be. According to law number 6 of 2014, paragraph 1, the goal of village management is to realize the effectiveness of village administration, accelerate the improvement of the quality of public services, accelerate the welfare of the village community, and improve the quality of village administration governance, as well as increase village competitiveness (Kawulur et al., 2019).

It is not simple to achieve the goal of decreasing the population of extremely impoverished people. The ability of the government to select relevant and efficient poverty reduction initiatives is just as crucial as confirming and updating data on extremely poor families to avoid program interventions being misdirected. By building up its assets and growing a number of enterprises, BUMDes is able to raise its annual revenue, which in turn helps the organization prosper while also boosting the local economy and reducing poverty.

Yuliati *et al.* (2021) Apart from having an impact on poverty, village-owned enterprises also have a positive impact on people's welfare. According to the observations of researchers, Peunaga Pasi village is classified as an advanced village and the community is also relatively well off with adequate income and housing conditions and assets. Thus it can be concluded that in general the Peunaga Pasi community lives a prosperous and fulfilled life.

3. The Influence of Village Funds on Extreme Poverty in Lampung Province.

It has a negative and significant association to the decline in extreme poverty in Lampung Province in 2019–2023, according to the findings of this study's panel data regression using the FEM Village Fund model. According to the theory and hypothesis, since the rise in village

finances is seen as promoting the execution of village development in the area of development and empowering rural communities that can lower poverty levels, notably lowering extreme poverty. If village monies are not used wisely and efficiently to empower village communities and develop villages in accordance with their objectives, they have a detrimental impact on poverty. The reduction of poverty in the area will be impacted by the utilization of funds in accordance with its aims, as can be shown. Based on the results of the tests conducted, it can be said that the implementation of village fund policies in 13 regencies in Lampung Province has been carried out well. The implications of village fund policies for poverty depend on how they are allocated and implemented. If the allocation of funds is not on target, poor rural communities may not receive the benefits they should. Therefore, the government must ensure that village funds are properly implemented and take into account the needs of the village community and apply the principles of transparency, accountability and community participation. In this way, village fund policies will make a major contribution to reducing poverty in rural areas.

Considering that the Village Fund is inversely proportional to the poverty rate, the greater the Village Fund, the lower the poverty rate in an area. Sigit & Kosasih (2020) There are at least three aspects that can be continuously improved in efforts to improve village budgeting and distribution of funds. The first aspect is an increase in formulating village funds to make it better. The second aspect is increasing supervision of the distribution of village funds. And the third aspect is increasing innovation in the use of village funds. With improvements in these three aspects, it is hoped that more balanced budgeting of funds, innovations in their use and supervision can be carried out effectively as well as efficiently. Furthermore, village funds are able to increase regional fiscal capacity so that the impact can stimulate economic growth and in the end can reduce the percentage of poor people in the region.

5 Conclusion

5.1 Conclusion

Based on the results of data analysis and discussion, the following conclusions are obtained:

1. The test results using the FEM model and partial significance test show that the number of farmer groups has a negative effect but has not had a significant impact on reducing extreme poverty in Lampung Province in 2019-2023. Increasing the number of farmer groups can reduce extreme poverty rates, *ceteris paribus*. Farmer groups have many roles in encouraging their members to actively implement good farming practices. With a prosperous society will increase productivity so that in the end it will reduce poverty.
2. The test results using the FEM model and partial significance test show that the number of BUMDes has a negative influence but has not had a significant impact on reducing extreme poverty in Lampung Province in 2019-2023. The increasing number of BUMDes can reduce the extreme poverty rate, *ceteris paribus*. Village-Owned Enterprises besides having an impact on poverty also have a positive influence on community welfare.
3. The test results using the FEM model and partial significance test show that the Village Fund has a negative and significant effect on reducing extreme poverty in Lampung Province in 2019-2023. Increasing village funds can reduce extreme poverty rates, *ceteris paribus*. The Village Fund is a significant fund in its role in reducing poverty in the regions because it is basically aimed at improving the welfare of rural communities,

public services, the village economy and strengthening rural communities so that they are not only objects but also subjects of development.

4. The test results using the FEM model and simultaneous significance test show that the number of farmer groups, the number of Bumdes and village funds simultaneously have a significant influence on reducing extreme poverty in Lampung Province in 2019-2023.

5.2 Suggestion

1. it is necessary to hold the development of technology in agriculture because it will greatly assist farmers in increasing their agricultural production even though agricultural land is increasingly limited. In addition, agricultural training and counseling for farmer groups will be very beneficial for members of farmer groups. So that in time it will have an impact on reducing poverty, especially extreme poverty.
2. Recommendations going forward for the central government to further increase Funds for BUMDes so that BUMDes activities are maximized and more developed for village progress. The village government also needs to pay special attention to maximizing BUMDes development such as providing training, coaching and development to administrators related to managing funds, so that the benefits can be equally felt by the village community.
3. The role of Farmer Groups needs to be examined in more detail with a number of other increasingly complex observations and a longer observation time as well as an approach by socializing with the community so that the results are more in-depth.
4. It is hoped that future research will not only focus on farmer groups and BUMDes, but can add other variables such as APBD funds budgeted for farmer groups and BUMDes as well as even more varied variables.

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