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Economic Growth Mediates The Effect Of Village Funds And Regional Original Income On Poverty In Districts And Cities In The Province Of Bali

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ABSTRACT

This research aims to examine both the direct and indirect effects of Village Funds (VF) and Local Government Revenue (LGR or PAD) on poverty (PV) and economic growth (EG) across regencies and cities in Bali Province. The study's first objective is to analyze the direct partial impact of Village Funds and LGR on poverty levels. The second objective focuses on identifying the direct partial influence of these two variables on economic growth. The third objective seeks to evaluate the indirect effects of Village Funds and LGR on poverty through the channel of economic growth. A quantitative research design with an explanatory approach is employed. The population consists of all regencies and cities in Bali Province, using a saturated sampling technique that includes nine administrative areas observed from 2017 to 2024. Secondary data for Village Funds and LGR were obtained from the official website of the Directorate General of Fiscal Balance (DJPK), Ministry of Finance of the Republic of Indonesia, while data on poverty (measured by the number of poor individuals) and economic growth (measured by GRDP at constant prices) were collected from the Central Statistics Agency (BPS) of Bali Province. Data analysis was conducted using path analysis with the JASP 0.95.30 software. The results indicate that Village Funds have a positive and significant effect on poverty, suggesting that while these funds contribute to economic activity, they have not yet effectively reduced poverty levels. In contrast, LGR has a negative and significant relationship with poverty, meaning that an increase in LGR can lower poverty rates. Furthermore, both Village Funds and LGR demonstrate a positive and significant impact on economic growth. Economic growth is also found to mediate the relationship between Village Funds and poverty, as well as between LGR and poverty. In conclusion, Village Funds and Local Government Revenue significantly contribute to promoting economic growth across regencies and cities in Bali Province. Therefore, it is recommended that both village and regional governments maximize the efficient use of Village Funds and LGR to strengthen economic growth, as this can serve as an effective mechanism for poverty reduction.
Keywords: Village Funds, Regional Original Revenue (PAD), Poverty, and Economic Growth

INTRODUCTION

In an effort to reduce poverty, ensure fair wealth distribution, and improve the welfare of rural communities, the Indonesian government implemented the Village Fund policy. The allocation of these funds commenced in 2015, following the enactment of Law No. 6 of 2014 on Villages. The Village Fund represents the state's acknowledgment of the villages' autonomy and their right to self-governance, aiming to facilitate rural development and community empowerment. Therefore, the management of Village Funds must be carried out efficiently, transparently, and responsibly to ensure that the policy's goals are effectively realized.

The implementation of Village Funds is expected to align with the Sustainable Development Goals (SDGs) framework. Indonesia has formally adopted the global SDGs into the national agenda through Presidential Regulation Number 59 of 2017. This regulation

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outlines that the SDGs encompass global objectives and targets to be achieved between 2016 and 2030.

One of the main goals within the SDGs framework is poverty eradication. Poverty, both at national and regional levels, remains a complex and persistent issue that requires well-designed and sustainable policy strategies (Margareni et al., 2016). According to Adam Smith, as referenced by Pramitha et al. (2015), poverty is characterized not merely by the lack of resources to fulfill basic necessities but also by the restriction of human rights and inadequate access to education. According to the *Human Development Report* by UNDP (1997), poverty is measured using the Human Poverty Index (HPI), which encompasses three fundamental dimensions: standard of living, basic education, and overall economic well-being. Within the framework of social democracy, poverty is understood not as a personal shortcoming but as a systemic issue rooted in the structure of society.

Yusuf and Sumner (2015) emphasize that key contributors to rising poverty in Indonesia include increasing fuel and staple food prices, particularly rice. The escalation of these prices reduces the purchasing power of low-income households, thereby exacerbating poverty. Furthermore, poverty in Indonesia continues to reflect regional disparities, as evidenced by significant gaps in poverty levels, development achievements, access to essential services, job quality, and income across rural and urban areas, as well as among developed, underdeveloped, and border regions (Widaryatmo et al., 2020).

Table 1: Number of Poor Residents in Regencies and Cities in Bali Province, 2017-2024

Year	Number of Poor People in Bali Province								
	Badung	Bangli	Buleleng	Gianyar	Jembrana	Karang-asem	Klung-kung	Tabanan	Denpasar City
2017	13.160	11.760	37.480	22.420	14.780	27.020	11.150	21.660	20.700
2018	12.970	11.050	35.200	21.260	14.350	26.020	10.430	19.770	20.720
2019	11.890	10.080	34.260	19.850	13.550	25.990	9.660	18.740	19.830
2020	19.110	9.560	35.250	21.010	12.600	24.690	8.760	19.110	20.480
2021	18.520	11.680	40.920	25.360	14.240	28.520	10.190	23.110	29.410
2022	18.280	12.170	41.680	24.740	27.690	29.450	10.890	23.460	30.020
2023	17.010	12.240	39.520	23.760	14.120	27.830	10.220	21.420	27.690
2024	16.870	11.790	36.550	21.450	12.900	27.760	9.680	20.160	27.270

Source: BPS Bali Province, 2025

Table 1 illustrates the poverty rates across regencies and cities in Bali Province. After the emergence of the COVID-19 pandemic, the number of people living in poverty rose by an average of 4.1% between 2019 and 2020, rising further by 18.4% from 2020 to 2021, and 8.14% from 2021 to 2022. However, a decline was observed in 2022–2023, amounting to -22.23%, before increasing again by 4.84% in the 2023–2024 period.

In an effort to strengthen regional self-sufficiency, local governments aim to enhance Local Government Revenue (LGR or PAD) as a means of funding regional development initiatives. The level of Local Government Revenue (LGR) indicates the degree of fiscal autonomy possessed by a region. Based on Law No. 1 of 2022, LGR is derived from various sources, including regional taxes, service charges, proceeds from the management of separated regional assets, and other legitimate forms of locally generated income.

Economic growth serves as one of the key indicators of development progress. According to Hasyim (2016), economic growth refers to a continuous process of improving a country's economic condition toward a more advanced and prosperous state over a specified period. Consequently, Village Funds and LGR play essential roles as major financial sources in promoting regional development, equitable resource distribution, and poverty alleviation. When effectively and transparently managed, these funds can stimulate local economic activity and contribute significantly to reducing poverty levels.

Considering the background described above, this research aims to answer the following questions:

1. Do Village Funds and Local Government Revenue (LGR) have direct, partial, and indirect impacts on poverty rates across the regencies and cities within Bali Province?
2. Do Village Funds and LGR directly, partially, and indirectly affect economic growth in these regions?
3. Do Village Funds and LGR indirectly affect poverty levels through the mediation of economic growth in the regencies of Bali Province?

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Agency Theory

Agency theory, originally proposed by Jensen and Meckling in 1976, emphasizes addressing potential conflicts that arise within principal–agent relationships as a result of differing goals or variations in risk preferences. In essence, the theory describes a contractual relationship in which the principal delegates authority or tasks to the agent to act on their behalf (Jensen & Meckling, 1976).

In the context of local and village governance, this theory explains that the community, as the principal, entrusts the government—acting as the agent—to manage public financial resources. Consequently, the government is obligated to demonstrate accountability, transparency, and efficiency in utilizing public funds in order to meet the community's expectations. The relationship between both parties can thus be viewed as a social contract requiring responsible and trustworthy governance practices.

Poverty

As stated by the Central Statistics Agency (BPS, 2025), poverty is defined as a condition in which individuals lack the economic ability to fulfill their basic food and non-food requirements, measured through the Cost of Basic Needs (CBN) approach. The Poverty Line represents the minimum expenditure level required to fulfill these basic needs. Therefore, individuals or households whose spending falls below this threshold are categorized as poor. This measurement framework allows policymakers to monitor and evaluate the extent of poverty based on both food and non-food consumption capabilities.

Village Funds

Pursuant to the Minister of Home Affairs Regulation No. 113 of 2014, Village Funds are monetary allocations derived from the State Revenue and Expenditure Budget (APBN) and distributed through the Regional Revenue and Expenditure Budgets (APBD) at the

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regency or city level. These funds are designated to support the administration of village governance, local development, community empowerment, and social capacity building. In principle, Village Funds are intended to strengthen village autonomy, enhance public services, and promote equitable rural development.

Local Government Revenue (LGR or PAD)

Local Government Revenue (LGR or PAD) is defined as income earned by regional administrations based on local regulations that align with national legislation, as stipulated in Law No. 33 of 2004. PAD mainly comprises regional taxes, service charges, returns from the management of separated regional assets, and other lawful sources of local income. Furthermore, Law No. 1 of 2022 specifies that district and municipal governments collect various types of taxes, such as the Land and Building Tax (PBB-P2), the Land and Building Rights Acquisition Fee (BPHTB), Advertising Tax, and several other local charges.

In addition, regional levies are payments imposed for services or specific permits provided by local authorities. The most recent legal framework seeks to simplify and standardize these levies into three principal categories: General Service Levies, Business Service Levies, and Specific Licensing Levies. Overall, PAD functions as a crucial measure of a region's fiscal autonomy and reflects the government's capacity to finance local development programs.

Economic Growth

Based on the explanation from BPS (2023), economic growth represents the rise in the production of goods and services generated by various economic sectors within a region over a certain period, which is assessed through the annual percentage change in Gross Domestic Product (GDP) at constant prices. At the regional scale, economic growth can also be understood as an improvement in residents' purchasing power and an increase in Gross Regional Domestic Product (GRDP). Furthermore, GRDP per capita is often utilized as a key indicator for evaluating the success of economic development in a region (Mulia & Putri, 2022).

Hypothesis Development

The disbursement of Village Funds, which commenced in 2015 in accordance with Law No. 6 of 2014, is intended to serve as a catalyst for accelerating poverty alleviation efforts, promote equitable development, and improve rural welfare. Village Funds must be managed according to the priorities outlined in the Sustainable Development Goals (SDGs), emphasizing efficiency, effectiveness, and target accuracy.

Empirical evidence presents varying results concerning the influence of Village Funds on poverty. A number of studies (Sunu & Utama, 2019; Arfiansyah, 2020; Bukhari, 2021; Abdullah, 2022) indicate that Village Funds have a significant negative relationship with poverty levels, implying that higher allocations contribute to poverty reduction. However, other studies (Dewi & Irama, 2018; Wibisono et al., 2024) report that Village Funds have a positive and significant effect on poverty, or even no significant correlation at all (Gusti et al., 2020).

In an effort to improve regional fiscal capacity, local governments strive to increase their Locally-Generated Revenue (PAD), which acts as a key financial foundation for regional development and poverty reduction. The level of PAD reflects how independent a region is financially. Earlier research has also revealed that PAD has a positive and significant relationship with poverty (Wibisono et al., 2024).

Economic growth is widely recognized as a crucial measure of regional development success. As stated by Hasyim (2016), economic growth represents the continuous improvement of a nation's economic condition over time. When Village Funds and PAD are managed effectively, they are expected to stimulate economic activity and improve community welfare. Nevertheless, prior studies have reported inconsistent findings some indicate that Village Funds do not have a significant effect on economic growth (Panggabean et al., 2022; Wibisono et al., 2024). Some researchers have found that PAD has a positive and significant effect on economic growth (Dini et al., 2021; Yunas & Siregar, 2019; Pradana & Mun'im, 2022; Wibisono et al., 2024). In contrast, other studies report that there is no significant association between PAD and economic growth (Panggabean et al., 2022).

In terms of mediation effects, previous empirical studies indicate that economic growth acts as an intermediary variable linking Village Funds and poverty, as well as PAD and poverty (Wibisono et al., 2024). Drawing on the theoretical framework and prior research, the study formulates the following hypotheses:

H1: Village Funds are expected to have an effect on poverty in the regencies and cities of Bali Province.
H2: Locally-Generated Revenue (PAD) is expected to have an effect on poverty in the regencies and cities of Bali Province.
H3: Village Funds are expected to affect economic growth in the regencies and cities of Bali Province.
H4: Locally-Generated Revenue (PAD) is expected to affect economic growth in the regencies and cities of Bali Province.
H5: Economic growth is expected to mediate the relationship between Village Funds and poverty in the regencies and cities of Bali Province.
H6: Economic growth is expected to mediate the relationship between PAD and poverty in the regencies and cities of Bali Province.

METHODS

This research adopts a quantitative design with an explanatory approach, aiming to describe and analyze causal relationships between variables. The study applies a saturated sampling method, including all administrative areas in Bali Province, comprising eight regencies and one city, covering the 2017–2024 period. Secondary data for Village Funds (VF) and Local Government Revenue (LGR or PAD) were collected from the official website of the Directorate General of Fiscal Balance (DJPK), Ministry of Finance of the Republic of Indonesia. Meanwhile, data on poverty (PV), represented by the number of poor individuals, and economic growth (EG), represented by the Gross Regional Domestic Product (GRDP) at constant prices, were sourced from the Central Statistics Agency (BPS) of Bali Province.

The data were then processed and examined using path analysis with the help of JASP 0.95.30 software. Prior to analysis, the variables were transformed using the natural logarithm (ln) to stabilize data variance and improve normality.

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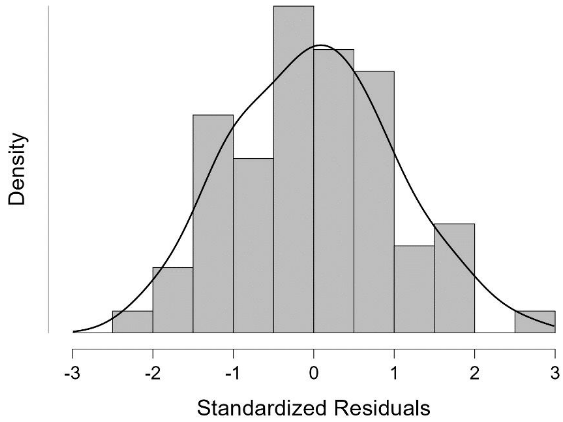
Data Analysis Techniques

1. Classical Assumption Tests
   a. Normality Test. The normality test was carried out to examine whether the distribution of data for each variable follows a normal distribution. This step is essential to meet the assumptions of regression analysis (Ghozali, 2016).
   b. Linearity Test. The purpose of the linearity test is to assess whether the association between the independent and dependent variables follows a linear pattern. In the JASP software, this linear relationship can be identified using a partial regression plot (Ubaidillah et al., 2022).
   c. Homoscedasticity Test. A good regression model should demonstrate homoscedasticity, meaning that the variance of residuals is consistent across observations. The objective of this test is to examine whether the residual variance remains consistent or differs among various observations. Ghozali, 2016).
   d. Autocorrelation Test. The autocorrelation test aims to identify whether there is a correlation between the residuals of the current observation period (t) and those of the preceding period (t–1). This analysis utilizes the Durbin–Watson (DW) statistic at a 5% significance level. As explained by Yordan et al. (2023), the interpretation criteria are: 1) A DW value less than –2 suggests the presence of positive autocorrelation. 2) A DW value ranging from –2 to +2 indicates the absence of autocorrelation. 2) A DW value greater than +2 reflects negative autocorrelation.
   e. Multicollinearity Test. The multicollinearity test is performed to assess whether intercorrelations exist among the independent variables in a regression model. A robust regression model should be free from multicollinearity issues. This condition is considered satisfied when the Variance Inflation Factor (VIF) value lies between greater than 0.10 and less than 10 (Ghozali, 2016).
2. Direct Effect Test. If the P-value is ≤ 0.05, it means variable X has an effect on Y.
3. Indirect Effect Test
4. Total Effect Test
5. Hypothesis Test
6. Coefficient of Determination Test

RESULTS

1. **Classical Assumption Test**
   a. Normality Test

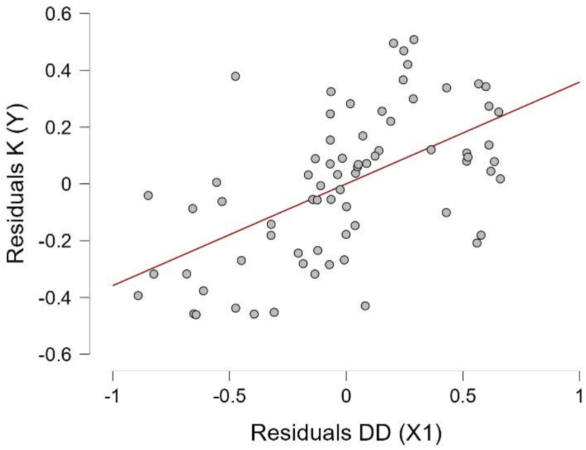
      Referring to Figure 1, the data distribution appears to follow a normal pattern, as indicated by the bell-shaped curve that peaks at the center and gradually tapers off symmetrically on both sides.



Source: JASP 095.30 Output

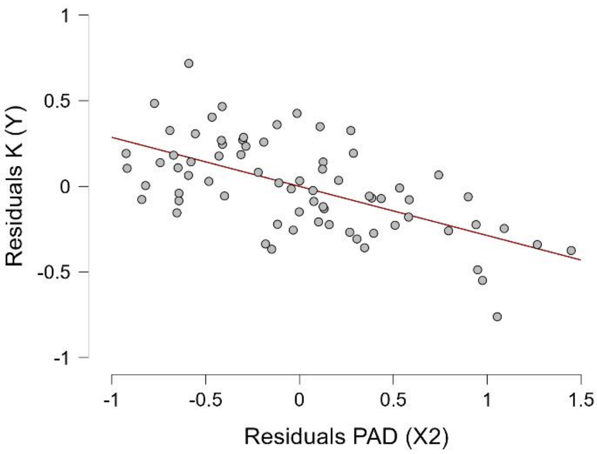
Figure 1. Histogram of Normality Test

b. Linearity Test



Source: JASP 095.30 Output

Figure 2. Residual Plot of Poverty with Village Funds



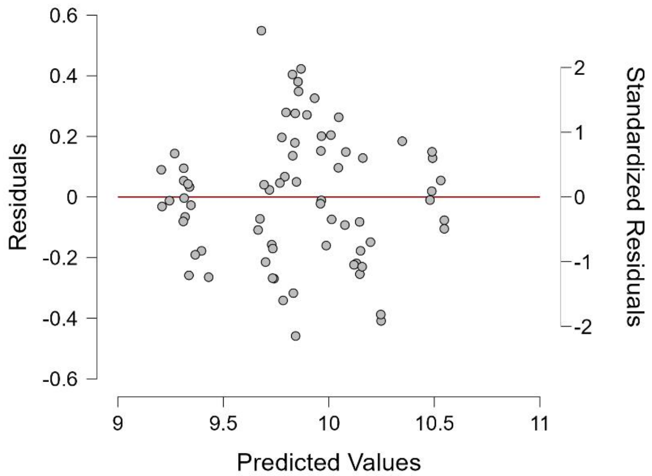
Source: JASP 095.30 Output

Figure 3. Linearity Test of Poverty with LGR or PAD

Figure 2 presents a partial residual plot illustrating the relationship between poverty and Village Funds, which forms a straight line, indicating a linear relationship between the two variables. Similarly, Figure 3 displays a partial residual plot between poverty and Local Government Revenue (LGR), which also forms a straight line, suggesting that poverty has a linear association with LGR.

c. Homoscedasticity Test

In Figure 4**,** the data points are scattered randomly across the range of predicted values without forming any specific pattern, indicating an even distribution of residuals. Therefore, it can be concluded that the assumption of homoscedasticity is satisfied.



Source: JASP 095.30 Output

Figure 4. Heteroscedasticity Test

d. Autocorrelation Test

Table 2. Durbin-Watson Autocorrelation Test

Autocorrelation	Statistic	p
0.531	0.910	< .001

Source: JASP 095.30 Output

Based on Table 2, the Durbin-Watson statistic is 0.910, which falls within the range of -2 to +2. This indicates that the regression model does not exhibit autocorrelation**.**

e. Multicollinearity Test

Table 3. Multicollinearity Test

Variable	Tolerance	VIF
DD (X1)	0.913	1.095
PAD (X2)	0.294	3.398
PE (X3)	0.304	3.286

Source: JASP 095.30 Output

As shown in Table 3, the Village Funds (X1) variable records a tolerance value of 0.913 with a VIF of 1.095. The Local Government Revenue (PAD or X2) variable has a tolerance value of 0.294 and a VIF of 3.398, while the Economic Growth variable presents a tolerance value of 0.304 with a VIF of 3.286. Since all tolerance values exceed 0.10 and all VIF values are below 10, it can be concluded that multicollinearity is not present, indicating that there is no strong interdependence among the independent variables.

2. Uji Direct Effect

Table 4. Direct Effect

Hipotesis	Estimate	Std. error	z-value	p	95% Confidence Interval	
					Lower	Upper
VF (X1) → PV (Y)	0.358	0.062	5.797	< .001	0.237	0.480
LGR (X2) → PV (Y)	-0.287	0.044	-6.504	< .001	-0.373	-0.200

Source: JASP 095.30 Output

Based on Table 4, the P-value of 0.001, which is below the 0.05 threshold, signifies that Village Funds have a significant direct impact on poverty levels across the regencies and cities of Bali Province from 2015 to 2022. Similarly, the P-value of 0.001 < 0.05 indicates that Local Government Revenue (PAD) also has a significant direct effect on poverty within the same regions and period.

3. Uji Indirect Effect

Referring to Table 5, the P-value of 0.044, being below 0.05, indicates that economic growth functions as a mediating variable between Village Funds and poverty in the regencies and cities of Bali Province during the 2015–2022 period. In contrast, the P-value of 0.001, which exceeds 0.05, implies that economic growth does not mediate the relationship between Local Government Revenue (PAD) and poverty within the same regions and timeframe.

Tabel 5. Indirect Effect

Hipotesis	Estimate	Std. error	z-value	p	95% Confidence Interval	
					Lower	Upper
VF (X1) → EG → PV (Y)	0.162	0.080	2.016	.044	0.004	0.319
LGR (X2) → EG → PV (Y)	0.409	0.049	8.410	< .001	0.314	0.505

Source: JASP 095.30 Output

4. Uji Total Effect

Based on Table 6, the total impact of Village Funds on poverty is positive and statistically significant, with a p-value of 0.001 (<0.05) and an estimated coefficient of 0.520. Since both the direct and indirect effects are positive and significant, this finding indicates the presence of partial mediation. Similarly, the total influence of Local Government Revenue (LGR) on poverty is also positive and significant, with a p-value of 0.002 (<0.05) and an estimate of 0.520. Given that both effects show significance, the relationship is likewise categorized as partial mediation.

Tabel 6. Total Effect

Hipotesis	Estimate	Std. error	z-value	p	95% Confidence Interval	
					Lower	Upper
VF (X1) → PV (Y)	0.520	0.099	5.244	< .001	0.326	0.714
LGR (X2) → PV (Y)	0.123	0.040	3.060	.002	0.044	0.201

Source: JASP 095.30 Output

5. Hypothesis Test

Table 7. Hypothesis Thes and Path Coefficients

Hypothesis	Estimate	Std. error	z-value	p	95% Confidence Interval	
					Lower	Upper
VF (X1) → PV (Y)	0.358	0.062	5.797	< .001	0.237	0.480
LGR (X2) → PV (Y)	-0.287	0.044	-6.504	< .001	-0.373	-0.200
VF (X1) → EG (Z)	0.219	0.107	2.049	.040	0.010	0.429
LGR (X2) → EG (Z)	0.556	0.043	12.825	< .001	0.471	0.641

Source: JASP 095.30 Output

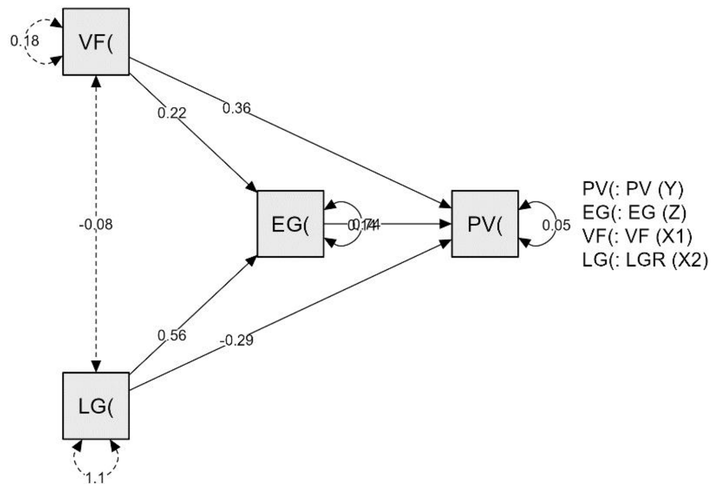
The direct and indirect hypothesis testing results in Table 7 and Table 5.

a. Village Funds have a positive and statistically significant effect on poverty levels in the regencies and cities of Bali Province over the 2015–2022 period, with a p-value of 0.001 (<0.05) and an estimated coefficient of 0.358. This implies that an increase of one unit in Village Funds leads to a 0.358 reduction in poverty levels. Consequently, Hypothesis 1 is supported. The direct effect of Village Funds on poverty has a confidence interval spanning from 0.237 to 0.480.
b. Local Government Revenue (LGR or PAD) has a negative and statistically significant impact on poverty in the regencies and cities of Bali from 2015 to 2022, with a p-value of 0.001 (<0.05) and an estimated effect of -0.287. This indicates that each one-unit increase in PAD leads to a 0.287 reduction in poverty. Thus, Hypothesis 2 is supported. The confidence interval for this direct effect ranges from -0.373 to -0.480.
c. Village Funds exhibit a positive and significant relationship with economic growth in Bali's regencies and cities during the 2015–2022 period, as evidenced by a p-value of 0.040 (<0.05) and an estimated coefficient of 0.219. This implies that a one-unit increase in Village Funds contributes to a 0.219 rise in economic growth. Therefore, Hypothesis 3 is accepted, with a confidence interval spanning from 0.010 to 0.429.
d. Local Government Revenue (PAD) also positively and significantly affects economic growth in Bali's regencies and cities between 2015 and 2022, with a p-value of 0.001 (<0.05) and an estimated impact of 0.556. This means that a one-unit increase in PAD results in a 0.556 increase in economic growth. Accordingly, Hypothesis 4 is confirmed, with a confidence interval for this effect ranging from 0.471 to 0.641.

e. Economic growth is found to mediate the relationship between Village Funds and poverty in the regencies and cities of Bali Province for the years 2015–2022, supported by a p-value of 0.044 (<0.05) as shown in Table 5. Thus, Hypothesis 5 is accepted, with a confidence interval ranging from 0.004 to 0.319 for the indirect mediation effect.

f. Similarly, economic growth also mediates the relationship between Regional Original Revenue (PAD) and poverty across Bali's regencies and cities from 2015 to 2022, with a p-value of 0.001 (<0.05) (Table 5). Hence, hypothesis 6 is supported, with the confidence interval for the indirect effect of economic growth in this relationship ranging from 0.314 to 0.505.

Figure 5 illustrates the research model along with the estimated direct effects derived from the analysis.



Information: VF: Village Fund; LGR (PAD): Local Government Revenue;
EG: Economics Growth; and PV: Poverty
Source: JASP 095.30 Output
Gambar 5. Research Model and Estimated Direct Effect

6. Coefficient of Determination Test

Table 8. Coefficient of Determination

Variable	R^2
EG (Z)	0.696
PV (Y)	0.746

Source: JASP 095.30 Output

Referring to Table 8, the coefficient of determination (R^2) for economic growth is 0.696, suggesting that 69.6% of the variation in economic growth (serving as the mediating variable) is accounted for by the independent variables, namely Village Funds and Local Government Revenue (LGR or PAD). In contrast, the R^2 value for poverty is 0.746, indicating that 74.6% of the variation in poverty levels can be explained by the independent variables (Village Funds and LGR or PAD) along with the mediating effect of economic growth.

DISCUSSION

1. **The Effect of Village Funds on Poverty**

The findings of research indicate that Village Funds have a positive and significant affect on poverty levels in the regencies of Bali Province during 2017–2024. The positive coefficient suggests that there has not been a substantial decline in poverty. The COVID-19 pandemic, which occurred between 2020 and 2022, caused a notable increase in poverty across regencies and cities in Bali, and the impact persisted in the subsequent years compared to the pre-pandemic period. A large portion of Village Funds was redirected toward COVID-19 mitigation efforts, limiting their effectiveness in reducing poverty.

These findings align with earlier research indicating that Village Funds exert a positive and significant effect on poverty reduction (Wibisono et al., 2024) and that Village Fund Allocations significantly affect poverty levels (Dewi & Irama, 2018). Conversely, some studies have reported a negative and significant association between Village Funds and poverty (Sunu & Utama, 2019; Arfiansyah, 2020; Bukhari, 2021; Abdullah, 2022), while some studies concluded that Village Funds do not significantly correlate with reductions in poor households, meaning that increased funds do not necessarily lead to lower poverty rates (Gusti et al., 2020).

The Village Fund program is designed to accelerate poverty reduction, enhance community welfare, and minimize development inequality between regions and rural areas. Therefore, the village government's role in delivering public services and improving residents' well-being must continue to be strengthened. Village administrations play a crucial part in ensuring equitable development outcomes. As emphasized by Wibisono et al. (2025), strengthening the capacity of the Village Development Planning Agency (PPKD) in financial management should not only prioritize administrative compliance and reporting accuracy but also emphasize work quality and the prevention of corrupt practices.

2. **The Effect of Local Government Revenue (PAD) on Poverty**

The findings of this study show that Local Government Revenue (PAD) significantly reduces poverty, suggesting that higher PAD is associated with lower poverty rates. This result differs from earlier research, which found that PAD had a positive and significant effect on poverty levels (Wibisono et al., 2024).

Overall, the regency and city governments in Bali Province have allocated PAD toward development programs aimed at reducing poverty. Local Government Revenue (PAD), derived from regional taxes and levies, functions as a primary financial resource for governmental operations and development projects. The magnitude of PAD indicates the extent of a region's fiscal autonomy. Therefore, it is essential for local governments to continue maximizing the utilization of PAD to support poverty reduction initiatives effectively.

3. **The Effect of Village Funds on Economic Growth**

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The findings of this research reveal that Village Funds have a positive and significant influence on economic growth across regencies and cities in Bali Province during 2015–2022. This result differs from earlier studies, which concluded that Village Funds did not exhibit a positive or significant influence on economic growth (Panggabean et al., 2022; Wibisono et al., 2024).

The COVID-19 pandemic that occurred between 2020 and 2022 severely disrupted the Balinese economy. Economic activities slowed down significantly as communities faced limitations on social mobility and business operations, resulting in declining income and productivity. Despite these challenges, Village Funds played a role in revitalizing local economic conditions. Following the pandemic, communities gradually resumed their economic endeavors, contributing to recovery and growth. Since economic growth serves as a fundamental driver of community welfare, the effective management and allocation of Village Funds should focus on stimulating productive economic activities that support sustainable development and improve the standard of living in rural areas.

4. The Effect of Local Government Revenue (LGR) on Economic Growth (EG)

This research find that Local Government Revenue exerts a positive and significant affect on EG across regencies/cities in Bali Province. These results are consistent with prior studies showing that PAD contributes positively and significantly to regional economic growth (Dini et al., 2021; Yunas & Siregar, 2019; Pradana & Mun'im, 2022; Wibisono et al., 2024). However, in contrast to these findings, Panggabean et al. (2022) reported that PAD does not significantly affect economic growth.

PAD represents a region's ability to generate revenue from its own economic resources, which in turn lessens dependence on financial support from the central government. The level of PAD also serves as an indicator of a region's overall economic performance and self-sufficiency. To optimize its impact, the revenue obtained through PAD should be strategically reinvested and efficiently managed to strengthen local economic activities and stimulate sustainable community growth.

5. **Economic Growth Mediates the Effect of Village Funds on Poverty**

This study's findings indicate that Village Funds exert a significant positive indirect effect on poverty alleviation through economic growth (GRDP) in the regencies of Bali Province from 2017 to 2024. These results align with previous research showing that economic growth mediates the relationship between Village Funds and poverty (Wibisono et al., 2024).

Beyond their role in poverty reduction, Village Funds are also instrumental in promoting local economic growth. This research confirms that economic growth can act as an intermediary variable linking Village Funds to poverty alleviation. The use of Village Funds for economic development can be observed through various initiatives such as the construction of village markets and infrastructure, capacity-building for MSMEs through training, and facilitation of accessible financing schemes, among others. The Indonesian government's commitment to the Sustainable Development Goals (SDGs) is reflected in the integration of SDG principles within the implementation of Law Number 6 of 2014 on Villages, which emphasizes village-level development. The Village Fund policy demonstrates a strong governmental effort to accelerate local development through community empowerment, poverty reduction, and improvement of public welfare in line with the SDGs agenda.

6. Economic growth mediates the influence of Local Government Revenue on poverty

The results of this study show that Local Own-Source Revenue (PAD) exerts a positive and significant indirect effect on poverty reduction through economic growth in the regencies and cities of Bali Province during 2017–2024. These findings are consistent with previous research indicating that economic growth functions as a mediating factor between PAD and poverty levels (Wibisono et al., 2024).

As a measure of regional fiscal autonomy, PAD has been demonstrated to play a crucial role in promoting both poverty alleviation and regional economic development within Bali's local governments. The efforts to alleviate poverty and stimulate economic growth are inherently related and should be pursued in an integrated manner. Therefore, the allocation of PAD needs to be prioritized for programs that enhance economic productivity, such as developing infrastructure and local markets, protecting MSMEs from imported products, and strengthening local entrepreneurs. Strong and sustainable economic growth is expected to create new employment opportunities, thereby contributing to the reduction of poverty levels in the region.

CONCLUSION

The study's findings indicate that Village Funds have a positive and significant effect on poverty levels. The positive coefficient suggests that while Village Funds influence poverty, they have not yet led to a substantial decrease in poverty rates. The COVID-19 pandemic, which affected regencies and cities in Bali Province from 2020 to 2022, contributed to a significant rise in poverty levels. In contrast, Local Own-Source Revenue (PAD) shows a significant negative impact on poverty, meaning that higher PAD is associated with lower poverty rates.

Both Village Funds and PAD also exhibit a partial positive and significant effect on economic growth signifying their role in stimulating local economies. Furthermore, economic growth partially mediates the relationship between Village Funds, PAD, and poverty, highlighting its function as a transmission channel. Consequently, regional and village governments, as the main agents of development, must effectively promote economic growth to accelerate poverty reduction, ensure equitable development, and enhance community welfare.

One limitation of this study lies in its reliance on secondary data covering the period 2015–2022, during which the COVID-19 pandemic (2020–2021) caused a substantial economic downturn—particularly within the tourism sector—and a sharp rise in poverty across Bali. Therefore, future studies are recommended to incorporate primary data using both qualitative and quantitative approaches to provide deeper insights.

To maximize the impact of Village Funds and PAD, local and village governments should prioritize their effective utilization for poverty reduction and economic recovery. It is anticipated that Village Funds can accelerate post-pandemic recovery by empowering communities economically. The government must strengthen supervision and guidance to ensure that the management of Village Funds is efficient, transparent, and aligned with the Sustainable Development Goals (SDGs).

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