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# The Impact of Special Allocation Funds and General Allocation Funds on Poverty Levels through Per Capita Income as a Mediating Variable in Sabang City

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## ABSTRACT

This study aims to analyze the impact of Special Allocation Funds (DAK) and General Allocation Funds (DAU) on poverty levels in Sabang City, with per capita income serving as a mediating variable. The research employs a quantitative approach using Structural Equation Modeling (SEM) with AMOS 24, involving 105 households that benefit from regional development programs. The findings reveal that DAK exerts a positive and significant effect on per capita income, yet paradoxically also increases poverty levels. In contrast, DAU shows no significant influence on either per capita income or poverty levels. Per capita income itself demonstrates a positive and significant effect on poverty, indicating the presence of a poverty trap in Sabang City. Mediation analysis using the Sobel Test confirms that per cap ita income does not mediate the relationship between DAU and poverty, but functions as a partial mediator in the relationship between DAK and poverty. These results underscore that the effectiveness of fiscal instruments in reducing poverty is highly dependent on allocation mechanisms and equitable distribution. Consequently, more inclusive, equity-based, and sustainability-oriented fiscal policies are required to ensure that increases in per capita income genuinely contribute to poverty alleviation at the regional level.

***Keywords***: *Special Allocation Funds (DAK); General Allocation Funds (DAU); Per Capita Income; Poverty Levels; Mediation; Poverty Trap*

## INTODUCTION

The grand theory of this study is grounded in the concepts of the poverty trap (Ghatak, 2015) and spatial poverty traps (Dupont & Roy, 2024), which emphasize that poverty is structural in nature and perpetuates itself through self-reinforcing mechanisms. Without appropriate and sustained fiscal interventions, disadvantaged regions will remain marginalized in the development process. In the Indonesian context, uneven regional development illustrates that national economic growth does not automatically reduce poverty levels. The stark contrast between advanced regions such as Jakarta and lagging regions such as Aceh demonstrates that fiscal policy and economic decentralization have not yet proven fully effective as instruments of equitable welfare distribution.

Indonesia is currently classified as a middle-

income country, with an average economic growth rate of 5.03% and a Gross Domestic Product (GDP) amounting to IDR 22,139 trillion, equivalent to USD 4,960 per capita (BPS, 2024). While this achievement reflects notable progress, poverty remains a persistent structural issue. Since the implementation of economic decentralization in 1999, the policy has not fully succeeded, as pockets of poverty continue to exist across various regions (Hutahaean, 2020).

Data from BPS (2024) indicate that per capita income in Aceh is only about USD 2,800, far behind Jakarta, which reaches USD 21,706. This disparity underscores that uneven regional development remains a major challenge, and fiscal transfers such as DAU and DAK are not always effective in reducing poverty (BPS Aceh, 2024; BPS DKI Jakarta, 2024). The persistence of this gap highlights that inequality in development continues to be a central issue. The phenomenon of development stagnation is believed to be a consequence of the poverty trap, a condition in which current poverty perpetuates future poverty (Fernández et al., 2023). The situation in Aceh is further complicated by limited infrastructure, poor quality of public services, and weak regional connectivity (BPS Aceh, 2023). These conditions can be categorized as spatial poverty traps, although studies in Indonesia have predominantly focused on economic factors alone (Sugiharti et al., 2023).

Within the framework of regional autonomy, fiscal instruments such as the General Allocation Fund (DAU) and the Special Allocation Fund (DAK) serve as the primary mechanisms for promoting equitable development. DAU functions to ensure fiscal capacity across regions, while DAK is directed toward infrastructure development, education, and health. In 2024, DAU allocations reached IDR 427.69 trillion, utilized for civil servant salaries and to support the education sector (Kompas.com, 2023). Both instruments are expected to enhance community welfare while sustainably reducing poverty levels.

Sabang City, as an island region in Aceh, receives allocations from the General Allocation Fund (DAU) and the Special Allocation Fund (DAK) to support development programs across various sectors, including education, workforce training, social assistance, and basic infrastructure. However, the realization of DAU and DAK disbursements has fluctuated from year to year, influenced by national development priorities as well as the capacity of local government to manage these funds effectively.

The novelty of this study lies in several key aspects. First, it integrates the poverty trap theory and spatial poverty trap theory with the theory of fiscal decentralization-an approach rarely undertaken in previous literature. This integration produces a comprehensive analytical framework to explain poverty as a structural phenomenon while simultaneously assessing the effectiveness of fiscal instruments. Second, the analysis focuses specifically on the General Allocation Fund (DAU) and the Special Allocation Fund (DAK), rather than aggregate fiscal variables, thereby providing sharper insights into the effectiveness of fiscal transfer policies. Third, the methodological approach emphasizes the use of per capita income as a mediating variable, which enables the identification of indirect mechanisms through which central fiscal transfers can enhance community welfare. Fourth, the local context of Sabang City, as an island and border region, adds significant originality, since such areas are rarely examined in the literature on regional fiscal policy.

**Research Objectives:**

1. To examine the impact of the Special Allocation Fund (DAK) on per capita income in Sabang City.
2. To analyze the effect of the General Allocation Fund (DAU) on per capita income in Sabang City.
3. To assess the influence of the Special Allocation Fund (DAK) on poverty levels in Sabang City.

4. To evaluate the effect of the General Allocation Fund (DAU) on poverty levels in Sabang City.
5. To identify the relationship between per capita income and poverty levels in Sabang City.
6. To test the role of per capita income as a mediating variable in the relationship between the Special Allocation Fund (DAK) and poverty levels in Sabang City.
7. To investigate the role of per capita income as a mediating variable in the relationship between the General Allocation Fund (DAU) and poverty levels in Sabang City.

## LITERATURE REVIEW

### Special Allocation Fund (DAK)

Previous studies have produced mixed findings regarding the impact of the Special Allocation Fund (DAK) on welfare indicators and poverty levels. Hamdani et al. (2025) found that DAK has a negative relationship with poverty, although the effect was not statistically significant. In contrast, Arifin & Setiawati (2023) demonstrated that DAK has a significant influence on the Human Development Index (HDI). Meanwhile, Pangestu et al. (2025) reported that DAK does not significantly affect per capita income in Jambi City. However, when analyzed jointly with the General Allocation Fund (DAU) and Regional Own-Source Revenue (PAD), these variables collectively exert a significant effect on per capita income.

Additional findings by Sinarwati & Sihombing (2024) emphasize that thematic DAK allocations in the water and sanitation sectors do not have a significant effect on poverty. However, DAK allocations in the housing sector were found to be significant in reducing rural poverty. Similarly, Ninu (2024) reported that DAK does not exert a significant influence on poverty, whereas Jumarnis et al. (2025) discovered that DAK has a positive and significant impact on per capita income.

In contrast to previous findings, this study demonstrates that the Special Allocation Fund (DAK) has a positive and significant effect on per capita income, yet paradoxically also exerts a positive influence on poverty levels. This indicates that rising income does not automatically reduce poverty; instead, it reveals persistent inequality in income distribution. Such divergence underscores an important research gap and highlights the structural complexity of DAK's effectiveness, particularly within the context of island regions such as Sabang City.

### General Allocation Fund (DAU)

Previous studies have reported inconsistent findings regarding the impact of the General Allocation Fund (DAU) on welfare indicators and poverty levels. In addition, Ninu (2024) emphasized that DAU alone does not have a significant effect; however, when combined with the Special Allocation Fund (DAK), it can contribute to poverty reduction. Similarly, Pangestu et al. (2025) found that DAU, together with DAK and PAD, significantly influences poverty alleviation through per capita income.

Arifin & Setiawati (2023) also found that DAU has no significant influence on the Human Development Index (HDI). In contrast, Hamdani et al. (2025) and Ninu (2024) reported that DAU exerts a statistically significant negative effect on poverty levels.

In addition, Pangestu et al. (2025) reported that DAU, together with Regional Own-Source Revenue (PAD), has a significant effect on per capita income in Jambi City. In contrast, Aliya et al. (2023) found that DAU exerts a negative and statistically significant effect on per capita income in South Sumatra, while Alvaro (2022) reported that DAU has a positive and statistically significant impact on per capita income in underdeveloped regions of Indonesia.

In contrast to these previous findings, the results of this study indicate that the General Allocation Fund (DAU) does not

have a significant effect on either per capita income or poverty levels in Sabang City. This gap underscores that the effectiveness of DAU in Sabang is relatively weak compared to evidence from other regions, thereby reinforcing the novelty of the research.

**Per Capita Income (PCI)**

Most previous studies consistently demonstrate that per capita income has a negative and statistically significant effect on poverty levels. Salong et al. (2024), and Alene & Coulibaly (2009) affirm that increases in per capita income are associated with reductions in poverty. In other words, the higher the per capita income, the lower the poverty experienced by society.

However, the results of this study differ markedly from the existing literature. The findings reveal that per capita income has a positive and statistically significant effect on poverty levels in Sabang City. This paradoxical condition indicates the presence of a poverty trap, in which rising income does not automatically reduce poverty. On the contrary, unequal income distribution exacerbates the situation of low-income groups, leaving them trapped in limited access to basic needs.

Accordingly, the findings of this study reveal an important research gap in the development economics literature. The evidence from Sabang City underscores that increases in per capita income are not always synonymous with improvements in welfare; rather, they can reinforce socio-economic inequality when income distribution remains uneven.

**Poverty Levels**

Research conducted by Pangestu et al. (2025) found that DAK, DAU, Regional Own-Source Revenue (PAD), and per capita income collectively have a significant impact on poverty in Jambi City. However, the results of this study diverge sharply from those findings. DAK is shown to have a positive effect on poverty levels, DAU does not exhibit a significant influence, and per capita income paradoxically increases poverty. These differences underscore an important research gap and highlight the unique conditions in Sabang City, which do not align with the general patterns observed in other regions. This reinforces the novelty of the study.

Previous literature on the Special Allocation Fund (DAK) has produced mixed results—positive, negative, and statistically insignificant. However, this study identifies a paradox: while DAK significantly increases per capita income, it simultaneously raises poverty levels. In the case of the General Allocation Fund (DAU), several earlier studies reported a statistically significant negative effect on poverty, yet the findings of this study reveal that DAU has no significant impact at all. Moreover, although the literature consistently suggests that per capita income (PCI) plays a role in reducing poverty, this study demonstrates that PCI paradoxically increases poverty.

Another distinctive feature emerges from the local context of Sabang as an island region, where the results indicate the presence of a poverty trap that differs from patterns observed elsewhere. This reinforces the novelty of the study and provides an important contribution to the development economics literature, particularly regarding the effectiveness of fiscal instruments in reducing poverty under structural constraints.

**Hypotheses**

Based on the research objectives, the following hypotheses are proposed:

H1: The Special Allocation Fund (DAK) has a significant effect on per capita income in Sabang City.

H2: The General Allocation Fund (DAU) has a significant effect on per capita income in Sabang City.

H3: The Special Allocation Fund (DAK) has a significant effect on poverty levels in Sabang City.

H4: The General Allocation Fund (DAU) has a significant effect on poverty levels in Sabang City.

H5: Per capita income has a significant effect on poverty levels in Sabang City.
H6: Per capita income acts as a mediating variable in the relationship between the Special Allocation Fund (DAK) and poverty levels in Sabang City.
H7: Per capita income acts as a mediating variable in the relationship between the General Allocation Fund (DAU) and poverty levels in Sabang City.

## MATERIALS & METHODS

This study employs a quantitative approach utilizing Structural Equation Modeling (SEM) with the support of AMOS 24 software. SEM was selected because it enables the testing of complex causal relationships among variables, including the role of mediating variables within the research framework (Ferdinand, 2002; Santoso, 2021; Pamungkas et al., 2025).

### Population and Sample

The study population consists of households in Sabang City that benefit from regional development programs. The sample was determined using purposive sampling, a technique that selects respondents relevant to the research variables. A total of 105 household heads were included, in line with established SEM sample size guidelines (Ferdinand, 2002; Hair et al., 2019).

### Sampling Considerations

The sample size was determined based on several methodological considerations:
Slovin's formula with a 10% margin of error for a population of approximately 43,000 households produced a respondent count close to the minimum threshold required for SEM analysis (Krejcie & Morgan, 1970).
SEM standards in AMOS as outlined by Ferdinand (2002) require a minimum of 100 respondents, while Hair et al. (2019) recommend 5–10 respondents per indicator. With 15 indicators multiplied by 7 respondents per indicator, the ideal sample size was calculated as 105 respondents.
Sampling technique employed purposive sampling, targeting household heads who are beneficiaries of government programs in social assistance, education, and health. If the study covered multiple subdistricts, proportional random sampling was applied according to the distribution of households in each subdistrict (Santoso, 2021; Pamungkas et al., 2025).
Accordingly, the total of 105 respondents satisfies the minimum requirements for SEM analysis and is considered valid and representative of the household population in Sabang City.

### Questionnaire Distribution

The survey instrument was distributed to several target groups, namely:
Household heads benefiting directly from local government development programs, particularly those affected by fiscal policy interventions.
Community leaders (RT/RW) with in-depth knowledge of the socio-economic conditions in their respective neighborhoods.
Small business owners and local MSMEs, who are impacted by regional fiscal policies.
Representatives of low-income households in both urban and rural areas, serving as proxies for vulnerable groups within the study population.

### Research Instrument

The research instrument consisted of a structured questionnaire employing a five-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree). The questionnaire was designed based on the following variable indicators:
Special Allocation Fund (DAK): amount allocated to priority sectors, realization in relation to capital expenditure, contribution to public service delivery, and impact on the Human Development Index (HDI) (Pemerintah Republik Indonesia, 2022; Sulaeman & Andriyanto, 2021; Simanjuntak et al., 2024; BPS, 2022).
General Allocation Fund (DAU): total DAU received, proportion allocated to capital expenditure, impact on basic infrastructure development, and effect on HDI (BPS, 2023;

Azzahra et al., 2025; Azizah, 2022; Widodo, 2018; Hayuningtyas, 2025).

Per Capita Income (PCI): average household expenditure, total household income, per capita consumption, and access to basic needs such as food, education, and health services (Susanto & Handajani, 2020; Jumarnis et al., 2025; Maharani & Boedirochminarni, 2024; Aisyah & Nurtrohmah, 2025).

Poverty Level: ability to meet basic needs, access to education and health services, and household economic conditions (BPS, 2024; BPS, 2025).

**Structural Model**

The research model is formulated into two sub-structures as follows:

Sub-Structure 1

$$PCI = \beta_1 DAK + \beta_2 DAU + z_1$$

Sub-Structure 2

$$PRL = \beta_1 DAK + \beta_2 DAU + \beta_3 PCI + z_2$$

Where:

- DAK = Special Allocation Fund
- DAU = General Allocation Fund
- PCI = Per Capita Income
- PRL = Poverty Rate
- z1–z2 = Residual terms

Accordingly, the structural model formulated in this study integrates fiscal transfer variables (DAK and DAU), per capita income (PCI), and poverty rate (PRL) into a causal framework, as illustrated below.

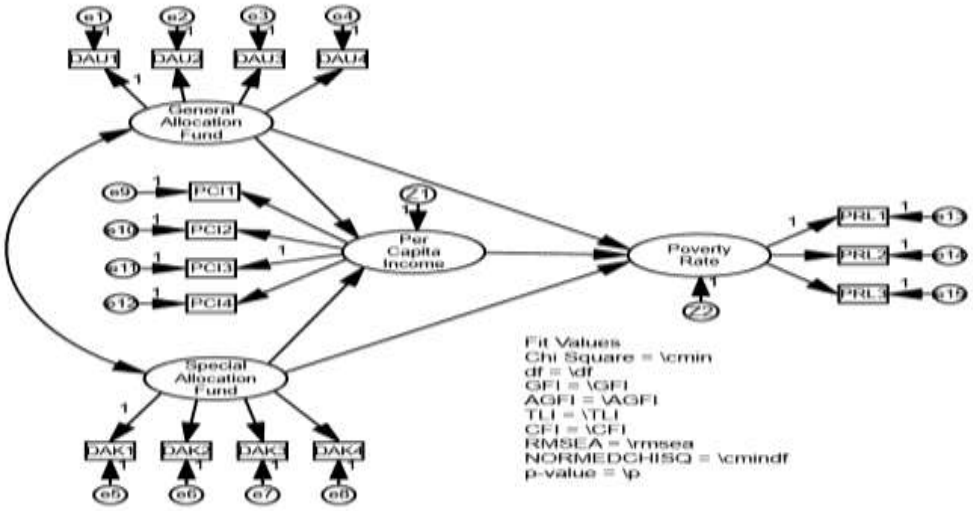


***Figure 1: Full Model Path Analysis***

## RESULTS AND DISCUSSION

**SEM Analysis**

This study employed Confirmatory Factor Analysis (CFA) to assess the construct validity of both exogenous and endogenous variables. The results indicate that all indicators achieved factor loadings that met the validity threshold. Accordingly, an indicator is considered valid when its factor loading exceeds 0.60. Based on the SEM Amos output, all CFA values successfully passed the validity and reliability tests.

Subsequently, statistical testing was conducted by examining the significance of relationships among variables, as reflected in the Critical Ratio (C.R.), which is analogous to the t-test in regression analysis, and the associated probability value (p-value). A relationship is deemed statistically significant when the C.R. exceeds 1.96 and

the p-value is less than 0.05 (Ferdinand, 2002).

To evaluate the magnitude of influence exerted by the exogenous variables—namely the General Allocation Fund (DAU) and the Special Allocation Fund (DAK)—on the endogenous variables, Per Capita Income (PCI) and the Poverty Rate, the results are presented in Figure 2 and Table 1.

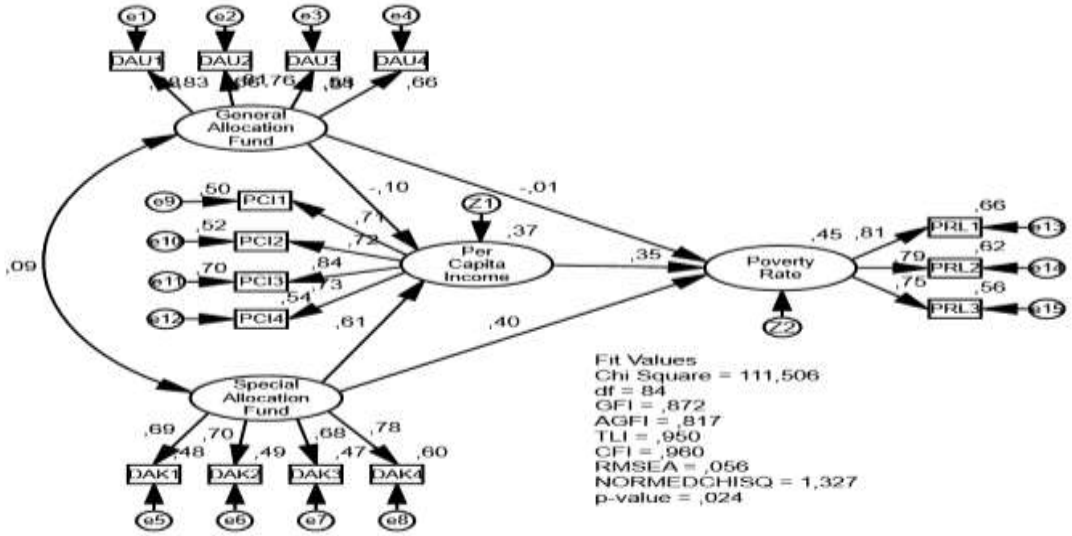


**Figure 2. Structural Model Results**
**Source:** Output of SEM Amos, 2026.

**Table 1 Goodness-of-Fit Indices for the Full Model Before Modification**

| *Goodness of Fit Index* | *Cut-off* Value | Analysis Result | Model Evaluation |
|---|---|---|---|
| $\chi^2$ *Chi-Square* | Expected small | 111.506 | Good |
| Probability (p-value) | ≥0.05 | 0.024 | Marginal |
| CMIN/DF | ≤2.00 | 1.327 | Good |
| GFI (Goodness of Fit Index) | ≥0.90 | 0.872 | Marginal |
| AGFI (Adjusted GFI) | ≥0.90 | 0.817 | Marginal |
| TLI (Tucker-Lewis Index) | ≥0.95 | 0.950 | Good |
| CFI (Comparative Fit Index) | ≥0.95 | 0.960 | Good |
| RMSEA (Root Mean Square Error of Approximation) | ≤0.08 | 0.056 | Good |

The results of the goodness-of-fit analysis indicate that the overall model evaluation meets the established criteria, except for the Probability, GFI, and AGFI values, which remain marginal. To improve the goodness-of-fit indices, modifications were carried out by correlating error terms as recommended by Amos through the modification indices (Ghozali, 2013). Figure 3 presents the full structural model of the study after these modifications, as shown below.

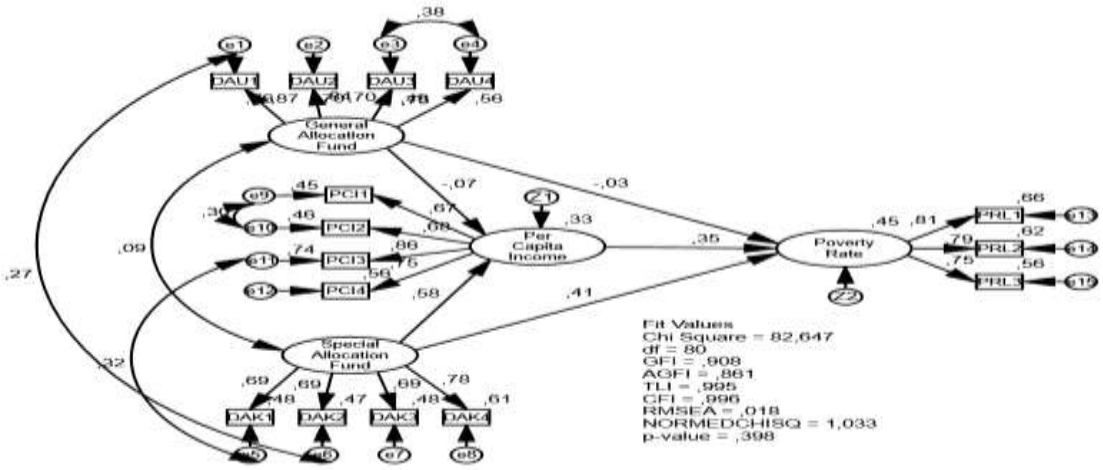


**Figure 3: Full Model After Modification**

The results of the goodness-of-fit tests are presented in Table 2:

**Table 2 Goodness-of-Fit Indices for the Full Model After Modification**

| *Goodness of Fit Index* | *Cut-off* Value | Analysis Result | Model Evaluation |
|---|---|---|---|
| $\chi^2$ *Chi-Square* | Expected small | 82.647 | Good |
| Probability (p-value) | ≥0.05 | 0.398 | Good |
| CMIN/DF | ≤2.00 | 1.033 | Good |
| GFI (Goodness of Fit Index) | ≥0.90 | 0.908 | Good |
| AGFI (Adjusted GFI) | ≥0.90 | 0.861 | Marginal |
| TLI (Tucker-Lewis Index) | ≥0.95 | 0.995 | Good |
| CFI (Comparative Fit Index) | ≥0.95 | 0.996 | Good |
| RMSEA (Root Mean Square Error of Approximation) | ≤0.08 | 0.018 | Good |

The goodness-of-fit analysis demonstrates that, following model modifications, all established criteria show improvement compared to the initial results, with the exception of the AGFI value, which remains marginal. Overall, the structural model can therefore be considered fit and appropriate for empirical testing within the framework of Development Economics research.

**Table 3 The Effect of Exogenous Variables on Endogenous Variables**

| | | | Estimate | S.E. | C.R. | P |
|---|---|---|---|---|---|---|
| Per Capita Income | <--- | Special Allocation Fund | 0.581 | 0.153 | 4.940 | 0.001 |
| Per Capita Income | <--- | General Allocation Fund | -0.065 | 0.078 | -0.656 | 0.512 |
| Poverty Rate | <--- | Special Allocation Fund | 0.409 | 0.201 | 2.920 | 0.004 |
| Poverty Rate | <--- | General Allocation Fund | -0.029 | 0.082 | -0.302 | 0.762 |
| Poverty Rate | <--- | Per Capita Income | 0.351 | 0.145 | 2.667 | 0.008 |

**Direct, Indirect, and Total Effects**

To examine the role of mediation, it is first necessary to assess the magnitude of the direct effect, the indirect effect, and the overall total effect. Based on the statistical testing conducted with Amos, the results are presented in Table 3.

**Table 3** ***Standardized Direct, Indirect & Total Effects***

| | General Allocation Fund | Special Allocation Fund | Per Capita Income | Poverty Rate |
|---|---|---|---|---|
| **Direct Effects** | | | | |
| Per Capita Income | -0,065 | 0,581 | 0 | 0 |
| Poverty Rate | -0,029 | 0,409 | 0,351 | 0 |
| **Indirect Effects** | | | | |
| Per Capita Income | 0 | 0 | 0 | 0 |
| Poverty Rate | -0,023 | 0,204 | 0 | 0 |
| **Total Effects** | | | | |
| Per Capita Income | -0,065 | 0,581 | 0 | 0 |
| Poverty Rate | -0,052 | 0,613 | 0,351 | 0 |

Based on the numerical results reported in Table 3, the findings can be explained as follows:

**1. Direct Effects**

- General Allocation Fund → Per Capita Income: a negative effect of −0.065 (−6.5%), though statistically insignificant.
- Special Allocation Fund → Per Capita Income: a significant positive effect of 0.581 (58.1%).
- General Allocation Fund → Poverty Rate: a negative effect of −0.029 (−2.9%), not statistically significant.
- Special Allocation Fund → Poverty Rate: a significant positive effect of 0.409 (40.9%).
- Per Capita Income → Poverty Rate: a significant positive effect of 0.351 (35.1%).

**2. Indirect Effects**

- General Allocation Fund → Poverty Rate through Per Capita Income: −0.023 (−2.3%).
- Special Allocation Fund → Poverty Rate through Per Capita Income: 0.204 (20.4%).
- The mediation effect was tested using the Sobel Test to confirm the significance of the mediation coefficients.

**3. Total Effects**

- General Allocation Fund → Per Capita Income: total negative effect of −0.065 (−6.5%).
- Special Allocation Fund → Per Capita Income: total significant positive effect of 0.581 (58.1%).
- General Allocation Fund → Poverty Rate: total negative effect of −0.052 (−5.2%).
- Special Allocation Fund → Poverty Rate: total significant positive effect of 0.613 (61.3%).
- Per Capita Income → Poverty Rate: total significant positive effect of 0.351 (35.1%).

**Intervening (Mediation) Test**

The results of the mediation analysis, in which Per Capita Income serves as a mediating variable between the exogenous and endogenous constructs, are summarized and illustrated in Figure 2. The significance of path C′ was calculated using the Sobel Test through the Interactive Calculation Tool for Mediation Tests developed by Preacher and Hayes (2004, 2008), with the following findings:

**1. Mediation of Per Capita Income**

- Per Capita Income mediates the relationship between the Special Allocation Fund and the Poverty Rate in Sabang City.

The mediation effects of the relationship between the Special Allocation Fund and the Poverty Rate, with Per Capita Income as the intervening variable, are presented in Figures 3 and 4. To determine the significance of path C′ in this mediation test, the Sobel Test was applied using the interactive calculation tool developed by Preacher and Hayes (2004, 2008). This tool produces three outputs: the Sobel Test, the Aroian Test, and the Goodman Test. In this study, the Sobel Test values were used as the primary reference. Based on the online software results, the significance level of path C′ is reported in Figure 3

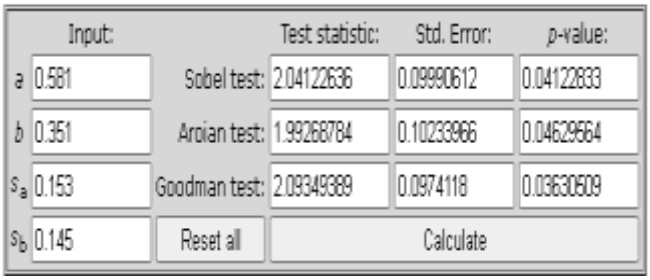


**Figure 3.** Results of the Sobel Test An interactive calculation tool for mediation tests Special Allocation Fund – Per Capita Income – Poverty Rate

Figure 3 presents the results of the Sobel Test conducted using the Interactive Calculation Tool for Mediation Tests. The obtained test statistic (equivalent to the critical ratio/CR) is 2.041, which exceeds the minimum threshold of 1.96. In addition, the p-value (probability) is 0.041, which is lower than the significance level (α = 0.05). These findings indicate that the examined path is statistically significant. The corresponding standard error is 0.099.

Based on the Sobel Test results in Figure 3, it can be concluded that path C' is significant. Furthermore, the significance values for all paths (A, B, C, and C') are comprehensively displayed in Figure 4.

The calculation of the significance value for path C', as shown in Figure 3, confirms that the significance levels for all paths (A, B, C, and C') can be observed in Figure 4.

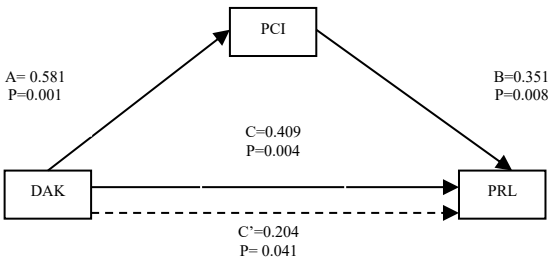


**Figure 4 – Mediation Effect Test Results (1)**

Notes:
DAK = *Special Allocation Fund* (Predictor Variable)
PCI = *Per Capita Income* (Mediator Variable)
PRL = *Poverty Rate* (Outcome Variable)
A = Coefficient of the effect of *Special Allocation Fund → Per Capita Income*
B = Coefficient of the effect of *Per Capita Income → Poverty Rate*
P = Probability or *significance value*

Figure 4 illustrates that the coefficients for path A, path B, and path C are statistically significant, and the significance value for path C' is also confirmed. The findings indicate that the mediator variable (M) functions as a case of

partial mediation. In mediation analysis, partial mediation occurs when, after introducing the mediator variable (M), the direct effect of the predictor variable (X) on the outcome variable (Y) is reduced but not eliminated (C' ≠ 0). In other words, the effect of X on Y remains significant both before and after including M in the regression model.

The results of this study show that the probability value for path C' is significant. Therefore, it can be concluded that a partial mediation relationship exists. Specifically, Per Capita Income (PCI) partially mediates the relationship between the Special Allocation Fund (DAK) and the Poverty Rate (PRL) in the context of poverty levels in Sabang City.

1. Per Capita Income as a Mediator between the General Allocation Fund and the Poverty Rate in Sabang City

The results of the mediation effect test (intervening analysis) examining the relationship between the General Allocation Fund (GAF) and the Poverty Rate (PRL), with Per Capita Income (PCI) serving as the mediating variable, are presented in Figure 5.

This analysis demonstrates how fiscal transfers in the form of the General Allocation Fund indirectly influence poverty outcomes through their impact on household income levels. By incorporating PCI as a mediator, the model provides evidence of the transmission mechanism by which intergovernmental transfers affect poverty reduction in Sabang City.

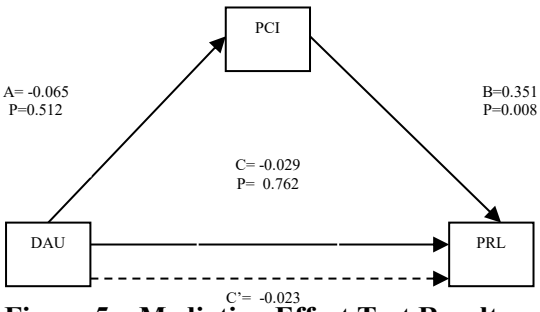


**Figure 5 – Mediation Effect Test Results**

**Notes:**

**DAU** = *General Allocation Fund* (Predictor Variable)

**PCI** = *Per Capita Income* (Mediator Variable)

**PRL** = *Poverty Rate* (Outcome Variable)

**A** = Coefficient of the effect of *General Allocation Fund → Per Capita Income*

**B** = Coefficient of the effect of *Per Capita Income → Poverty Rate*

**P** = Probability or *significance value*

Figure 5 shows that the coefficient for path A is not significant, while path B is significant, and path C is not significant. The findings indicate that the mediating variable (M) cannot serve as a valid mediator in the relationship between the predictor variable (X) and the outcome variable (Y). Specifically, because path A is not significant, path B is significant, and path C is not significant, the mediation role cannot be tested using the Sobel calculator.

According to the standard regression-based procedure for mediation analysis, a variable can be considered a mediator only if the following conditions are met:

1. Path c1 is significant.
2. Path a is significant.
3. Path b is significant.
4. Path c' is significant.

In this study, both path a and path c are not significant. Therefore, *Per Capita Income (PCI)* does not mediate the relationship between the *General Allocation Fund (DAU)* and the *Poverty Rate (PRL)* in Sabang City. The mediation requirements are not satisfied, and thus PCI cannot be classified as a mediating variable in this context.

## DISCUSSION

**1. The Effect of the Special Allocation Fund on Per Capita Income in Sabang City**

The results of this study indicate that the Special Allocation Fund (DAK) has a positive and statistically significant effect on Per Capita Income (PCI) in Sabang City. This is evidenced by the standardized estimate coefficient of 0.581, with a critical ratio (CR) of 4.940,

which exceeds the minimum threshold of 1.96. In addition, the p-value is < 0.001, which is lower than the significance level (α = 0.05). These findings confirm that the effect of DAK on PCI is statistically significant.

This result supports the findings of Sulaeman & Andriyanto (2021), who showed that sector-specific DAK allocations positively influence regional development. It is also consistent with Paulina & Adiawaty (2025), who emphasized that DAK contributes to improvements in economic indicators and community welfare.

Nevertheless, the findings of this study reveal a paradox: while DAK increases per capita income, it simultaneously worsens poverty levels. This condition reflects the poverty trap concept described by Ghatak (2015), which argues that rising income does not automatically reduce poverty when income distribution remains unequal. In the case of Sabang City, fiscal transfers appear to raise aggregate income but fail to alleviate poverty due to structural inequality in resource distribution.

**2. The Effect of the General Allocation Fund on Per Capita Income in Sabang City**

The results of this study reveal that the General Allocation Fund (DAU) exerts a negative but statistically insignificant effect on Per Capita Income (PCI) in Sabang City. This is evidenced by the standardized estimate coefficient of −0.065, with a critical ratio (CR) of −0.656, which falls below the minimum threshold of 1.96. Moreover, the p-value of 0.512 is greater than the significance level (α = 0.05). Accordingly, the effect of DAU on PCI is not statistically significant.

These findings contradict the initial hypothesis that DAU would have a positive effect on PCI. Instead, the results are consistent with Paulina & Adiawaty (2025), who argue that the effectiveness of DAU is limited due to allocation formulas and the fiscal capacity of local governments. The findings also align with Ridho & Wijayanti (2020), who demonstrated that DAU does not necessarily increase per capita income, even though it may influence income distribution.

Taken together, the evidence suggests that DAU in Sabang City lacks the capacity to directly enhance household income levels. This outcome underscores the structural limitations of intergovernmental fiscal transfers when allocation formulas are not sufficiently responsive to local economic conditions.

**3. The Effect of the Special Allocation Fund on the Poverty Rate in Sabang City**

The findings of this study indicate that the Special Allocation Fund (DAK) has a positive and statistically significant effect on the Poverty Rate (PRL) in Sabang City. This is evidenced by the standardized estimate coefficient of 0.409, with a critical ratio (CR) of 2.920, which exceeds the minimum threshold of 1.96. In addition, the p-value of 0.004 is lower than the significance level (α = 0.05). These results confirm that the effect of DAK on the Poverty Rate is statistically significant.

This finding supports the research hypothesis that DAK exerts a positive and significant influence on poverty levels. In practical terms, increased allocations of DAK paradoxically contribute to rising poverty, suggesting structural inefficiencies in the use of these funds. The results are consistent with Nugroho et al. (2021), who found that DAK can have a positive effect on poverty rates, and align with Nasrudin (2016), who demonstrated that the distribution of DAK is closely linked to regional poverty levels. Furthermore, the effectiveness of DAK is highly dependent on the recipient sector and the

level of budget absorption, as highlighted by Nofianti, et al. (2023).

Taken together, these findings underscore the paradoxical nature of fiscal transfers in Sabang City: while DAK is intended to improve welfare, its structural implementation may exacerbate poverty when allocation and absorption mechanisms are inefficient. This outcome reflects broader challenges in poverty alleviation policy and highlights the importance of addressing distributional inequality in the design of intergovernmental transfers.

**4. The Effect of the General Allocation Fund on the Poverty Rate in Sabang City**

The results of this study show that the General Allocation Fund (DAU) has a negative but statistically insignificant effect on the Poverty Rate (PRL) in Sabang City. This is evidenced by the standardized estimate coefficient of −0.029, with a critical ratio (CR) of −0.302, which is below the minimum threshold of 1.96. Furthermore, the p-value of 0.762 is greater than the significance level (α = 0.05). Thus, the effect of DAU on the Poverty Rate is not statistically significant.

These findings contradict the hypothesis that DAU would have a positive and significant effect on poverty reduction. In practice, increased DAU allocations do not automatically lead to either a reduction or an increase in poverty levels in Sabang City.

This outcome diverges from the findings of Sinring & Hamid (2020), who reported that DAU had a significant positive effect on the Human Development Index (HDI) in Indonesia. However, it is consistent with Ardiyanti et al. (2023), who found that DAU does not exert a direct influence on poverty rates at the national level.

Taken together, these results highlight the limited role of DAU in addressing poverty in Sabang City. The evidence suggests that while DAU may contribute to broader development indicators such as HDI, its direct impact on poverty reduction remains weak. This underscores the importance of evaluating the effectiveness of fiscal transfers and the need for more targeted allocation mechanisms to ensure that intergovernmental transfers translate into meaningful poverty alleviation outcomes.

**5. The Effect of Per Capita Income on the Poverty Rate in Sabang City**

The findings of this study demonstrate that Per Capita Income (PCI) has a positive and statistically significant effect on the Poverty Rate (PRL) in Sabang City. This is evidenced by the standardized estimate coefficient of 0.351, with a critical ratio (CR) of 2.667, which exceeds the minimum threshold of 1.96. In addition, the p-value of 0.008 is lower than the significance level (α = 0.05). These results confirm that the effect of PCI on the Poverty Rate is statistically significant.

This finding supports the fifth hypothesis, which posits that PCI exerts a positive and significant influence on poverty levels. In practical terms, rising per capita income paradoxically contributes to higher poverty rates. This outcome reflects structural dynamics in income distribution, whereby increases in income are disproportionately captured by certain groups, while poorer households continue to face limited access to basic needs. Moreover, higher income levels are accompanied by rising living costs and local inflation, which erode the purchasing power of low-income groups.

Such conditions illustrate the phenomenon of a poverty trap and a spatial poverty trap, in which income growth intensifies inequality and reinforces relative poverty. These findings are consistent with Imantria (2024), who reported that PCI

significantly affects poverty, and align with Nugroho et al. (2021), who emphasized that PCI plays a critical role in poverty dynamics, although the direction of its effect may vary depending on income distribution and regional context.

Thus, this study underscores that increases in PCI are not always synonymous with poverty reduction. Instead, they may reveal structural complexities unique to island regions such as Sabang City, where uneven distribution and localized inflationary pressures undermine the potential welfare gains of rising income.

6. **The Mediating Role of Per Capita Income in the Relationship between the Special Allocation Fund and the Poverty Rate in Sabang City**

In addition to its direct effect, the Special Allocation Fund (DAK) may influence poverty levels through Per Capita Income (PCI) as a mediating variable. The question of whether PCI mediates the relationship between DAK and the Poverty Rate (PRL) in Sabang City was examined using the Sobel Test developed by Preacher and Hayes (2004).

According to the framework of Baron and Kenny (1986), perfect mediation occurs when path C' is statistically significant. In other words, if the probability value for path C' is less than 0.05, the mediating variable plays a partial role in explaining the relationship between the exogenous and endogenous variables.

The Sobel Test results show that the probability value for path C' is 0.041, which is lower than the error threshold ($\alpha = 0.05$). Thus, path C' is statistically significant. This confirms that PCI functions as a partial mediator in the relationship between DAK and the Poverty Rate in Sabang City.

These findings support the results of Nugroho et al. (2021), who demonstrated that PCI can serve as a significant mediating variable in the relationship between structural factors and poverty. They are also consistent with Mailyn & Kartika (2025), who emphasized the importance of PCI in explaining the linkage between DAK and poverty outcomes. This analysis aligns with the methodological framework of Preacher & Hayes (2004) through the Sobel Test, which validates the presence of partial mediation, as outlined in the mediation model of Baron & Kenny (1986).

7. **The Mediating Role of Per Capita Income in the Relationship between the General Allocation Fund and the Poverty Rate in Sabang City**

The path analysis results indicate that the coefficient for path A is not significant, path B is significant, and path C is not significant. This condition demonstrates that Per Capita Income (PCI) cannot serve as a mediator in the relationship between the General Allocation Fund (DAU) and the Poverty Rate (PRL). Specifically, because path A is not significant, path B is significant, and path C is not significant, the mediation role cannot be tested using the Sobel Test calculator.

According to the mediation analysis framework proposed by Baron and Kenny (1986), a variable can be considered a mediator only if the following conditions are met:

Path c is significant.
Path a is significant.
Path b is significant.
Path c' is significant.

The findings of this study reveal that some of these conditions are not satisfied, as both path A and path C are not significant. Consequently, PCI cannot be classified as a mediating variable in the relationship between DAU and the Poverty Rate in Sabang City.

**Theoretical Discussion on the Paradox of PCI → Poverty**

From a theoretical perspective, an increase in Per Capita Income (PCI) is generally expected to reduce poverty, as higher income levels enhance household purchasing power and improve access to basic needs. This expectation is supported by prior studies that consistently report a negative relationship between PCI and poverty (Salsabila et al., 2023; Budiasih et al., 2024).

However, the empirical findings in Sabang City reveal a paradox: PCI exerts a positive and statistically significant effect on the Poverty Rate (PRL). This counterintuitive outcome can be explained through the lens of the poverty trap (Ghatak, 2015) and spatial poverty traps (Dupont & Roy, 2024). These frameworks highlight situations in which income growth is unevenly distributed, leaving disadvantaged groups trapped in persistent deprivation due to limited access to education, healthcare, and basic infrastructure.

Thus, while conventional theory emphasizes PCI as an instrument for poverty alleviation, the empirical evidence from Sabang underscores a critical research gap. It demonstrates that rising PCI does not automatically translate into poverty reduction when structural inequality and geographic isolation constrain equitable distribution. This paradox reinforces the need for inclusive and equity-based fiscal policies, ensuring that income growth contributes meaningfully to poverty reduction rather than exacerbating socioeconomic disparities.

## CONCLUSION

The findings of this study confirm that the dynamics of the Special Allocation Fund (DAK) and the General Allocation Fund (DAU) in relation to Per Capita Income (PCI) and the Poverty Rate (PRL) in Sabang City are complex and non-linear. The analysis shows that DAU has no significant effect on either PCI or PRL, leading to the rejection of the related hypotheses. By contrast, DAK exerts a positive and statistically significant effect on PCI, but paradoxically also has a positive effect on PRL. This outcome suggests the presence of structural inefficiencies in the use of DAK.

Furthermore, PCI itself has a positive and significant effect on PRL, indicating that rising income levels are correlated with higher poverty rates due to unequal income distribution. This paradox highlights the existence of a poverty trap in Sabang City.

In terms of mediation, the Sobel Test results reveal that PCI does not mediate the relationship between DAU and PRL. However, PCI functions as a partial mediator in the relationship between DAK and PRL. This suggests that the mediating role is weaker compared to the direct effect of the exogenous variable on the endogenous variable.

Overall, the phenomenon observed in Sabang can be categorized as a spatial poverty trap, where poverty perpetuates itself due to geographic isolation and infrastructural constraints. As emphasized by Dupont & Roy (2024), island and remote regions are more vulnerable to poverty traps because of limited access to markets and public services.

### Limitations and Future Research

This study has several limitations that should be acknowledged. First, the relatively small sample size (105 households) restricts the generalizability of the findings, underscoring the need for future studies with broader respondent coverage. Second, the goodness-of-fit value for the AGFI indicator remains marginal, suggesting the necessity of developing a more comprehensive structural model. Third, the paradoxical finding that Per Capita Income (PCI) increases poverty has not been fully explained through variables such as income distribution and local inflation, highlighting the need for further analysis of socio-economic inequality. Fourth, the study focuses on the local context of Sabang City as an island region, meaning the results cannot be directly generalized to other areas with different characteristics.

**Future research directions may include:**
Expanding the sample across multiple regions to compare the effectiveness of Special Allocation Fund (DAK) and General Allocation Fund (DAU) in diverse regional contexts.
Integrating variables such as income distribution, inflation, and the quality of public spending as additional explanatory factors.
Employing longitudinal approaches to assess the dynamics of poverty traps over time.
Strengthening theoretical analysis by linking the findings to international literature on inequality and the Kuznets curve.
By pursuing these directions, subsequent studies are expected to provide a more comprehensive understanding of the effectiveness of fiscal instruments in reducing poverty in Indonesia.

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