

## Financial Performance Analysis of Fund Allocation Management Villages Based on Degree of Decentralization Ratio, Independence Ratio, Effectiveness Ratio and Ratio Growth in Adang Buom Village Alor Regency, East Nusa Tenggara Province

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### Abstract

This research aims to analyze the financial performance of village fund allocation management in terms of the degree of decentralization ratio, independence ratio, effectiveness ratio and growth ratio in Adang Buom Village, Alor Regency, East Nusa Tenggara Province. This research is quantitative research with secondary data sources. The data processed is the financial report of Village Fund Allocation in the Village Revenue and Expenditure budget from 2018 to 2022. The data collection technique used is documentation technique. The data analysis technique used in this research is descriptive statistics with the formula for degree of decentralization ratio, independence ratio, effectiveness ratio and growth ratio. The results of this research show that the ratio of the degree of decentralization and the ratio of independence is not good in managing the financial performance of village fund allocation management. while the effectiveness ratio and growth ratio are very good in managing financial performance in managing village fund allocation.

Keywords: *Financial Performance, Degree of Decentralization Ratio, Independence Ratio, Effectiveness Ratio, Growth Ratio*

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### INTRODUCTION

The village as a government that has direct contact with local communities is the main focus in government development because most of Indonesia's territory is in rural areas. In the field of economic and social governance, village communities function as the spearhead of development implementation in Indonesia. The village is one of the governments whose powers are under the Regional Government. In Law Number 6 of 2014, a village is regulated by the village government which explains that the village is a legal community unit that has territorial boundaries that has the authority to regulate and manage government affairs, development and community interests based on community initiatives, matters of origin, and traditional rights recognized and respected by the government system of the Unitary State of the Republic of Indonesia.

The Village Government must run and manage its own affairs. Programs managed by the Village Government include planning, implementation, administration, accountability and usefulness (Aria, 2019). The role of other village officials can be seen in terms of monitoring and preventing potential implementation within village government (Yusuf et al., 2022). Competent village officials can reduce fraud that can occur in managing village funds. according to (Pahlawan et al., 2022) stated that competent village officials are really needed in managing village funds considering that the funds distributed are in significant amounts. The Village Government is expected to have the option to utilize village funds appropriately and as best as possible for activities in the village. Understanding the management of village fund allocation is an important and fundamental aspect that the Village Head and Village Authority must have.

Village finances are managed based on transparent, accountable, participatory principles and carried out in an orderly and budgetary manner. If village finances are managed well, they will influence the progress of a village, but on the other hand, if village fund allocations are not managed well, they will have a bad impact. Because whether a village is able to develop or not depends on how it is managed. Village financial management not only requires good human resources but also must be supported by adequate finances. In various cases, people often do not believe in existing financial performance. Where the large budget amount is inversely proportional to the realized budget amount. The distribution of village funds as of July 21 2023 has reached IDR 1.58 trillion or 58.9% of the total allocation for 3,026 villages in East Nusa Tenggara province.

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Phase 1 of regular village funds has been distributed in full to 3,026 villages and phase 2 to 2191 villages and phase 3 has been distributed to 244 villages. For quarter 1 village fund BLT has been distributed to all villages, namely 3,026 villages and quarter 2 BLT has been distributed to 2,888 villages and quarter 3 to 1,547 villages. If you look at the distribution presentation, Alor district is in first place with a village fund distribution presentation of 92.8%, where up to July 2023 it has distributed non-BLT and stage 3 village funds to all existing villages. (<https://www.rri.co.id>). Adang Buom is one of the villages in Teluk Mutiara sub-district, Alor district, East Nusa Tenggara province, Indonesia. This village is one of 16 villages and sub-districts in Teluk Mutiara sub-district. This village has a population mostly from the Alor ethnic group. Most of the population earns a living as farmers. The main agricultural products in this village are coconut, coffee, candlenuts, cocoa, corn and others. Based on the accountability report for the realization of the Adang Buom Village APB, Alor Regency for the 2018-2022 fiscal year, village funds received in 2018 amounted to IDR 723,243,000, in 2019 amounted to IDR 834,404,000, in 2020 amounted to IDR 830,082,000, in 2021 amounted to IDR 862,516,000 and in 2022 it will be IDR 796,722,000. To find out how well and how big a village fund allocation is managed, financial performance analysis is of course necessary. This financial performance analysis is very important because it can be used as a guide to achieve targets, evaluate financial performance, and can also help solve existing problems.

**RESEARCH METHOD**

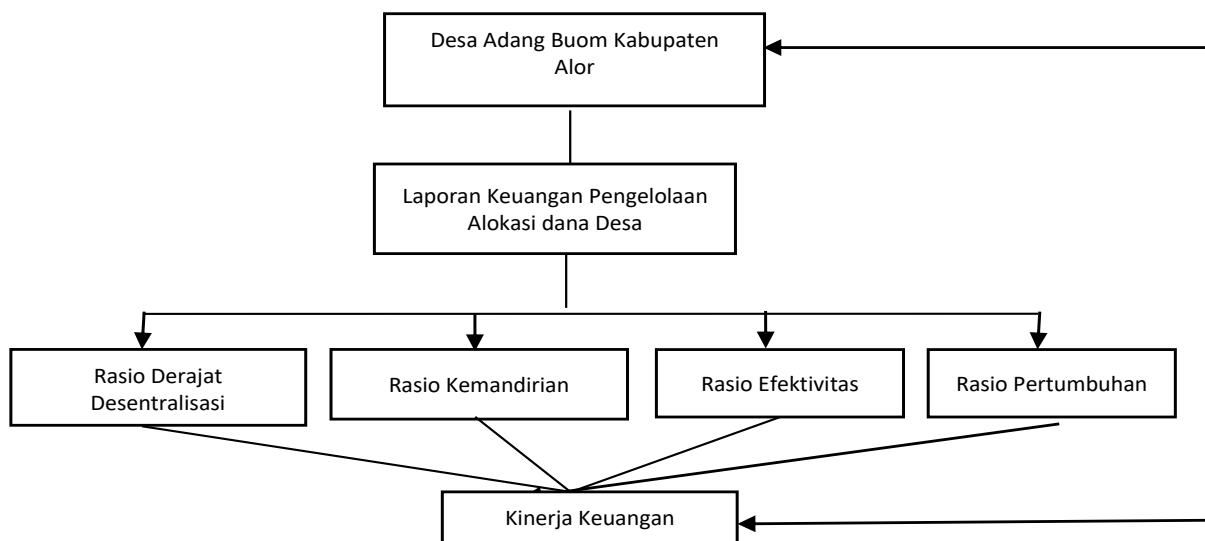
**Research sites**

The objects of this research are financial report of Village Fund Allocation (ADD) in the Village Revenue and Expenditure Budget (APBDes) in 2018-2022. The location of this research is Adang Buom Village, Alor Regency, East Nusa Tenggara Province

**Data Analysis Method**

The data analysis method is a method used to carry out research results in order to obtain conclusions (Ghozali, 2019). The data analysis technique in research uses descriptive statistics, namely statistics used to analyze data by describing or illustrating the data that has been collected as it is without the intention of making general conclusions or generalizations (Sugyono, 2019). The stages carried out in analyzing this data are as follows:

1. Calculate the degree of decentralization ratio, independence ratio, effectiveness ratio and growth ratio from the APBDes financial report.
2. Make a table of each calculation result of the degree of decentralization ratio, independence ratio, effectiveness ratio and growth ratio.



**Conceptual Framework**

The research hypothesis is a temporary answer to a temporary problem because it still has to be proven true. Until proven through the data collected and must be tested empirically. Based on the conceptual framework above, the research hypothesis is as follows:

"It is suspected that the greater the degree of decentralization ratio, independence ratio, effectiveness ratio and growth ratio, the better the financial performance of managing village fund allocation in Adang Buom village, Alor district."

## RESULTS AND DISCUSSION

Tahun	APBDes		
	Village Original Income	Total Income	Transfer Income
2018	5.000.000	723.243.000	723.243.000
2019	5.000.000	1.233.516.869	1.228.516.869
2020	5.000.000	1.192.081.640	1.187.081.640
2021	5.000.000	1.277.236.972	1.222.236.972
2022	5.000.000	1.141.703.599	1.141.703.599

Based on table above, it shows that the 2018-2022 period, Adang Buom Village government is not significant because the village's original income has the same amount of IDR 5,000,000.00. The original village income in Adang Buom village is the monthly village water fee for the village people who use it. Remote, frontier or underdeveloped areas in Indonesia often face challenges in terms of infrastructure, access to resources and development opportunities. The government and various organizations often focus on initiatives to support these areas and improve their living conditions so that the amount of income provided by the central government to each non-independent village is quite large.

### 3.1 Decentralization Degree Ratio

In calculating the decentralization degree ratio describes the village's ability to realize the planned original village income compared to the total village income. The higher the village's original income, the higher the village government's ability to implement decentralization. Village financial performance is said to be very good if the ratio produced or achieved is more than 50% and the value of the decentralization ratio is calculated using the following formula:

$$\text{Decentralization Ratio} = \frac{\text{Village Original Income}}{\text{Total Village Income}} \times 100\%$$

Years	Village Original Income	Total Village Income		Criteria
		Total Income	Decentralization Degree Ratio	
2018	5.000.000	723.243.000	1%	sangat Kurang
2019	5.000.000	1.228.516.869	0%	sangat Kurang
2020	5.000.000	1.187.081.640	0%	sangat Kurang
2021	5.000.000	1.222.236.972	0%	sangat Kurang
2022	5.000.000	1.141.703.599	0%	sangat Kurang

Based on the table above, it can be seen that the ratio of the degree of decentralization in Adang Buom Village is not significant from year to year. In 2018, the village's original income was IDR 5,000,000 with total income of IDR 723,243.00. However, after calculating the degree of decentralization ratio, it is 0.01%. In 2019, the village's original income was IDR 5,000,000 and total income was IDR 1,233,516,869 with a calculated ratio of 0.00%. In 2020, the village's original income was IDR 5,000,000 and total income was IDR 1,192,081,640 and after calculating the degree of decentralization ratio it was 0.00%. In 2021 and 2022, the amount of original village

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income is the same as in previous years, namely IDR 5,000,000 and the total income per year is IDR 1,277,236,972 and IDR 1,141,703,599, respectively. and after carrying out calculations using a decentralization degree ratio of 0.00%.

**3.2 Independence Ratio**

Village financial independence shows that the village government has the ability to be responsible for its own profits and losses and provide government activities, development and services. The independence ratio is calculated by comparing the amount of original village income divided by the amount of transfer income from the central and provincial governments and village loans. Independence ratio is calculated using the following Formula:

$$\text{Independence Ratio} = \frac{\text{Village Original Income}}{\text{Central Transfer}} \times 100\%$$

Years	Village Original Income	Transfer Income	Independence Rasio	Criteria
2018	5.000.000	723.243.000	1%	sangat Kurang
2019	5.000.000	1.228.516.869	0%	sangat Kurang
2020	5.000.000	1.187.081.640	0%	sangat Kurang
2021	5.000.000	1.222.236.972	0%	sangat Kurang
2022	5.000.000	1.141.703.599	0%	sangat Kurang

Based on the table above, it can be seen that the independence ratio of Adang Buom Village is not significant from year to year. In 2018, the village's original income was IDR 5,000,000 with total transfer income of IDR 723,243.00. However, after calculating the independence ratio, it is 1%. In 2019, the village's original income was IDR 5,000,000 and total transfer income was IDR 1,228,516,869 with a calculated ratio of 0%. In 2020, the village's original income was IDR 5,000,000 and total income was IDR 1,187,081,640 and after calculating the independence ratio it was 0%. In 2021 and 2022, the amount of original village income is the same as in previous years, namely IDR 5,000,000 and the total annual transfer income is IDR 1,222,236,972 and IDR 1,141,703,599, respectively. and after carrying out calculations using a decentralization degree ratio of 0%.

**3.3 Effectiveness Ratio**

The effectiveness ratio is a ratio that shows how the village's ability to organize the village's original income is calculated by comparing the realization of the village's original income with the village's original income revenue target. The formula for this ratio is as follows:

$$\text{Effectiveness Ratio} = \frac{\text{Realized PADes Revenue}}{\text{Village Original Income}} \times 100\%$$

Years	Village original income	Realization of village original income	Effectiveness rasio	Criteria
2018	5.000.000	5.000.000	100%	sangat efektif
2019	5.000.000	5.000.000	100%	sangat efektif
2020	5.000.000	5.000.000	100%	sangat efektif
2021	5.000.000	5.000.000	100%	sangat efektif
2022	5.000.000	5.000.000	100%	sangat efektif

Based on the table above, it can be seen that the effectiveness ratio of Adang Buom Village is very

effective from year to year. In 2018-2022, the village's original income was IDR 5,000,0000 with a total realization of village original income of IDR 5,000,000. and after calculating the effectiveness ratio it is 100%.

### 3.4 Growth Ratio

The growth ratio is used to measure the village government's ability to maintain and improve its successes that have been achieved from one period to the next. The greater the growth ratio or realization of the village's original income, the better the performance of the village government.

$$\text{Growth Rasio} = \frac{\text{Village Original Income calculated in the previous year}}{\text{Village Original Income calculated in the previous year}} \times 100\%$$

Years	Previous year's PADes realization	village original income	Growth Rasio	Criteria
2018	0	5.000.000	50%	sedang
2019	5.000.000	5.000.000	50%	sedang
2020	5.000.000	5.000.000	50%	sedang
2021	5.000.000	5.000.000	50%	sedang
2022	5.000.000	5.000.000	50%	sedang

The results of the growth ratio in 2018-2022, after the calculations were carried out, the result obtained was 50. To make it easier to understand, a table is attached below which is presented as an assessment of financial capability on the growth ratio

## DISCUSSION

### Financial Performance Analysis of Village Fund Allocation Management Based on the Degree Rasio

Based on the calculations above, The decentralization degree ratio to measure the financial performance of Adang Buom Village for the 2018-2022 period is very low because it is at a percentage of 0.00-10%. The reason for this lack of decentralization is because centralized decision making tends to occur at higher levels such as districts or provinces. In order for the degree of decentralization to increase, income sources must be empowered by focusing on infrastructure development or activities that can increase the village's original income potential, such as building markets, tourism facilities or plantation projects that increase plantation yields.

### Financial Performance Analysis of Village Fund Allocation Management Based on Independence Ratio

The independence ratio to measure the financial performance of Adang Buom Village for the 2018-2022 period is very less independent because it is at a percentage of 0.00-25%. The cause of this lack of independence is due to the lack of local sources of income.

### Financial Performance Analysis of Village Fund Allocation Management Based on Growth Ratio

Based on the table above, it can be seen that the effectiveness ratio of Adang Buom Village is very effective from year to year. In 2018-2022, the village's original income was IDR 5,000,0000 with a total realization of village original income of IDR 5,000,000. and after calculating the effectiveness ratio it is 100%. So it can be concluded that the effectiveness ratio measuring the financial performance of Adang Buom Village for the 2018-2022 period is very effective because it is at a percentage of 100%.

### Financial Performance Analysis of Village Fund Allocation Management Based on Growth Ratio

On the table above, it can be seen that the growth ratio of Adang Buom Village from year to year is . In 2018-2022, the village's original income was IDR 5,000,0000 with a total realization of village original income of IDR 5,000,000. and after calculating the growth ratio of 50%. So it can be concluded that the growth ratio

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measuring the financial performance of Adang Buom Village for the 2018-2022 period has moderate criteria because it is at a percentage of 50%.

**CONCLUSIONS AND SUGGESTIONS**

The research results show that the three regression coefficients have positive and negative signs and are significant for the dependent variable. so the following conclusions can be drawn::

1. Financial performance, when viewed from the decentralization degree ratio during 2018-2022, can generally be said to be very poor. This is shown by the village's original income being very small.
2. Financial performance, when viewed from the independence ratio during 2018-2022, can generally be said to be very low. This is shown by the financial performance of the Adang Buom Village Government which has not been able and independent in carrying out Village finances.
3. Financial performance, when viewed from the effectiveness ratio during 2018-2022, can generally be said to be very effective. This is shown by the financial performance of the Adang Buom Village Government which is very effective in managing its financial performance
4. Financial performance, when viewed from the growth ratio during 2018-2022, can generally be said to be moderate. This is demonstrated by the financial performance of the Adang Buom Village Government in the growth process in maintaining and increasing the success that has been achieved from one period to the next.

**The suggestions that can be given in this research are:**

1. For Adang Buom Village Government, It is necessary to improve supervision and control of APBDes funds in a correct and sustainable manner to avoid irregularities
2. For further research, they can adding more periods to be more accurate in analyzing financial performance.

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