

Analysis of Financial Performance of Village Fund Allocation Managers Based on Effectiveness Ratio and Growth Ratio at the Sipahutar III Village Office, Sipahutar District, North Tapanuli District

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ABSTRACT

This research aims to determine the effectiveness of financial performance growth in managing Village Fund Allocations (ADD) at the Sipahutar III Village Office, Sipahutar District, North Tapanuli Regency. The data used comes from the Village Fund Allocation Financial Report from 2020 to 2022. Data collection methods used include documentation, literature study and observation. The data analysis technique applied is descriptive statistics using effectiveness ratios and growth ratios. The research results show that the financial performance of Village Fund Allocation (ADD) at the Sipahutar III Village Office is categorized as effective or good in terms of effectiveness ratio, with an average effectiveness of 100% during the 2020-2022 period. However, in terms of income and expenditure growth, there was a decline with an average negative growth of -3%. This research provides an illustration that although the effectiveness of ADD management in Sipahutar III Village is good, the challenge lies in the growth of income and expenditure which shows a decline. The implications of this research can be used as a basis for improving financial management strategies in order to support better growth in the future

INTRODUCTION

Villages in Indonesia play an important role in government because the majority of their areas are rural. The village functions as the lowest government unit at the district level with full authority to carry out certain main tasks and functions in accordance with applicable law. This covers various aspects of development such as infrastructure, health, education, economy and socio-culture at the local level. Villages are expected to be able to carry out their authority well and be responsible towards their communities. As institutions that directly relate to the community, villages are unique in understanding and responding to local needs which may vary in each region. Thus, villages are the main focus in the government's development strategy to achieve national development goals evenly throughout Indonesia. The important role of villages is also reflected in the government's efforts to empower villages in local decision making, improve the welfare of rural communities, and strengthen regional autonomy. Through villages, the government can implement the principle of decentralization which allows for equal distribution of development and public services throughout the archipelago.

Based on Government Regulation 11 of 2019 concerning the Second Amendment to Government Regulation 43 of 2014 concerning Implementing Regulations of Law 6 of 2014 Article 81 Paragraph (2) concerning Villages regulates several matters related to village financial management in Indonesia. The Regent or Mayor has the authority to determine the amount of fixed income for the Village Head, Village Secretary and other village officials. This fixed income includes the basic salary and other allowances given to village officials in accordance with applicable policies. Village Fund Allocation is part of village finances which originates from regional tax revenue sharing and part of central and regional financial balance funds. These funds are received by the district or city and then distributed to villages proportionally. The aim of ADD is to support development at the village level, such as basic infrastructure, health services, education, and other programs that support the welfare of village communities. This regulation provides an important framework for regulating village finances, which includes managing village officials' salaries and the effective and efficient use of village funds. In this way, villages can better organize government and improve the quality of life of their residents in accordance with the principles of autonomy and equitable national development (Nurwana et al, 2023).

In the context of village financial management, Manan, Asri, and Nurlela (2022) emphasize the importance of proper management as the key to village progress. They said that village financial management not only requires reliable human resources but also support from adequate funds. This greatly influences the management of Village Funds, which have the potential to shape or limit village development potential depending on the level of financing available. In addition, financial ratios are used as a tool to measure the financial health of an entity, including villages. According to Kasmir (in Nurwana et al., 2023), financial ratios are a tool that compares the numbers contained in financial reports by dividing one number by another number. In the context of financial management at the Sipahutar Village office, North Tapanuli Regency, the author

uses the effectiveness ratio and growth ratio. The Effectiveness Ratio reflects how efficiently a village uses its financial resources to achieve development and community service goals. The Growth Ratio shows the level of growth or decline in village finances over time. By using these ratios, the Sipahutar Village office can measure their financial performance, identify areas that need improvement, and plan steps to improve the efficiency and quality of village financial management. Thus, the use of financial ratios is important in supporting transparency, accountability and sustainable development at the village level

LITERATURE REVIEW

Agency Theory

Agency Theory, as explained by Amrulloh, A. Ajeng DA (2020), describes the contractual relationship between the principal (contract giver) and the agent (contract recipient). The principal contracts an agent with the aim of achieving the principal's interests or goals. In this context, the principal gives authority to the agent to make decisions and act on behalf of the principal. Agency theory is often used to explain dynamics in organizations, especially in the relationship between management (agents) and shareholders or company owners (principals). This helps in designing appropriate incentive and monitoring systems to ensure that agents act in the interests of principals and achieve organizational goals effectively.

Financial Performance Analysis

According to Gunawan in Abid (2020), financial performance analysis is a process for determining certain measures used to measure the success of an organization in generating profits. It includes various financial metrics and ratios used to evaluate a company's financial health and operational performance. Financial performance analysis provides a comprehensive view of a company's financial condition, helping management and investors make the right strategic decisions. It is also important in ensuring that the company operates efficiently and is able to achieve its long-term financial goals.

Fund Allocation

According to Supriati, D. (2021), Village Fund Allocation (ADD) is funds allocated from the district/city government to the village government. These funds come from part of the Central and Regional Financial Balance Funds received by districts/cities. The aim of ADD is to strengthen village communities and support independent regional management within the framework of village autonomy. Apart from ADD, Supriati also mentioned Compensation Funds from the APBN allocated to regions to cover regional needs as part of the implementation of decentralization. These funds help regions meet basic needs and support the broader government decentralization process. With the existence of ADD and compensation funds, it is hoped that village communities can improve their welfare through the development of infrastructure, health services, education and other development programs that are in accordance with local needs and existing potential.

Financial Report Analysis

Financial report analysis, as explained by Harahap in Nasution, MS (2023), is an important process in breaking down financial report items into smaller information units. The main aim of this process is to examine the relationship between quantitative data (such as numbers in financial reports) and non-quantitative data (such as the company's economic, industrial and strategic context) in order to reveal a more comprehensive financial condition.

Financial Ratios

According to Harahap in Nasution, MS (2023), financial ratios are numbers or measures obtained from comparisons between one financial report account and other accounts that have a relevant and significant relationship. Financial ratios are used to provide an overview or indicator of the financial performance of an entity, be it a company, organization or individual. Financial ratios help analysts and management understand the company's financial performance in more depth. They provide a comparative perspective and make it possible to identify trends, potential problems, and opportunities for improvement. By monitoring and analyzing financial ratios regularly, companies can take more appropriate strategic steps to improve financial performance and achieve their long-term goals.

Based on the explanation from Supriati, D. (2021), in his research on government financial ratio analysis, there are two types of ratios used:

1. Effectiveness Ratio

The effectiveness ratio is used to measure the village government's ability to realize the planned Village Fund Allocation (ADD) compared to the budget that should be implemented. The formula is as follows:

$$\text{Effectiveness Ratio} = \frac{\text{Realization of ADD}}{\text{ADD Budget}} \times 100\%$$

2. Growth Ratio

The growth ratio is used to measure the government's ability to maintain its position in economic or industrial growth. There are two types of growth ratios described:

$$\text{Growth Ratio Formula} = \frac{\text{Revenue Realization } X_n - X_{n-1}}{\text{Revenue Realization } X_{n-1}} \times 100\%$$

$$\text{Expenditure Growth Ratio} = \frac{\text{Shopping Realization } X_n - X_{n-1}}{\text{Shopping Realization } X_{n-1}} \times 100\%$$

METHODOLOGY

This research uses a quantitative approach with a focus on data collected in the form of figures from the Village Fund Allocation (ADD) financial report in the Village Revenue and Expenditure Budget (APBDesa) in Sipahutar III Village, Sipahutar District, North Tapanuli Regency. The research population is the financial report of Village Fund Allocation (ADD) in the Village APBDes in Sipahutar III Village, Sipahutar District, North Tapanuli Regency. This population includes all available financial data from the village in the period studied. The research sample is the financial report of Village Fund Allocation (ADD) in the Village APBDes at the Sipahutar III Village office, Sipahutar District, during 2020-2022. This sample was chosen to represent the population and for further analysis of the village's financial condition in that time period. The data sources used are secondary and primary. Secondary data was obtained from existing financial reports and is available at the Sipahutar III Village office. Primary data may be obtained through direct observation or interviews with related parties to understand the context and implementation of the secondary data used. Data collection techniques used include documentation (collecting financial reports), literature study (to understand theory and related research), and observation (to directly examine implementation or situations in the field if necessary). Data analysis techniques were carried out using descriptive statistics. This technique is used to summarize and interpret collected financial data, such as creating summary statistics, graphs, or tables that explain the characteristics and patterns of the data. With this approach, the research aims to provide a deeper understanding of the financial management of Sipahutar III Village, especially related to the use and effectiveness of Village Fund Allocation (ADD) in the Village APBDes during the period studied.

RESULTS

Effectiveness Ratio

Table 1. Financial Report of Fund Allocation for Sipahutar III Village, Sipahutar District, North Tapanuli Regency for 2020-2022

Year	ADD Budget	Realization of ADD
2020	251,468,802	251,468,802
2021	267,788,700	267,788,700
2022	258,845,600	258,845,600
Min	251,468,802	251,468,802
Max	267,788,700	267,788,700
Average	259,367,701	259,367,701

Source: Processed Data (2024)

The calculation of the effectiveness ratio for the Sipahutar III Village Office, Sipahutar District, North Tapanuli Regency for 2020-2022 is as follows:

Year 2020 = $251,468,802 \times 100\% = 100\%$
 = 251,468,802

Year 2021 = $267,788,700 \times 100\% = 100\%$
 = 267,788,700

Year 2022 = $258,845,600 \times 100\% = 100\%$
 = 258,845,600

Table 2. Effectiveness Ratio of the Sipahutar III Village Office, Sipahutar District, North Tapanuli Regency, 2020-2022

Year	ADD Budget	Realization of ADD	Effectiveness Ratio (%)	Criteria
2020	251,468,802	251,468,802	100%	Effective
2021	267,788,700	267,788,700	100%	Effective
2022	258,845,600	258,845,600	100%	Effective

Source: Processed Data (2024)

Based on the table above, it can be seen that the financial performance of Sipahutar III Village, Sipahutar District, North Tapanuli Regency during 2020-2022 shows the same value for each year, namely 100%. This indicates that the budget (plan) and realization (implementation) values of the Village Fund Allocation (ADD) in the Village Revenue and Expenditure Budget (APBDesa) are in perfect harmony every year. Village financial performance can be categorized as effective. The effective category in this case indicates that the village has succeeded in realizing or spending the budget that has been determined according to the plan each year. This means that there is no difference between the planned and realized budget, which is often an indicator of good financial management and program implementation at the village level.

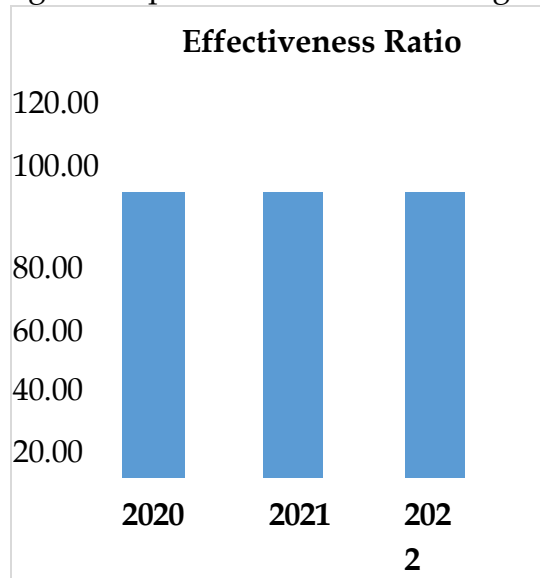


Figure 1. Effectiveness Ratio for 2020-2021
 Source: Processed Data, 2021

Percentage of the effectiveness ratio of the financial performance of Sipahutar III Village, Sipahutar District, North Tapanuli Regency in 2020-2022, if the effectiveness ratio shows 100% and is categorized as effective, this indicates that the realization or implementation of the Village Fund Allocation (ADD) budget is appropriate or even exceeds than planned. Concretely, the figure of 100% in the effectiveness ratio means there is no difference between the budget planned for ADD and what was realized during that period. This shows that the village has been able to manage ADD funds well and utilize them efficiently for development purposes and community services in accordance with predetermined plans.

Growth Ratio

Table 3. Financial Report of Fund Allocation for Sipahutar III Village, Sipahutar District, North Tapanuli Regency for 2020-2022

Year	Income Realization	Shopping Realization
2019	0	0
2020	1,045,745,215	1,062,410,483
2021	1,051,092,476	1,060,681,429
2022	996.418.125	974,053,437

Source: Processed Data (2024)

The calculation of the income growth ratio at the Sipahutar III Village Office, Sipahutar District, North Tapanuli Regency for 2020-2022 is as follows:

$$\text{Year 2020} = 1,045,745,215 - 0 \times 100\% = 0\% \\ = 0$$

$$\text{Year 2021} = 1,051,092,476 - 1,045,745,215 \times 100\% = 0.52\% \\ = 1,045,745,215$$

$$\text{Year 2022} = 996,418,125 - 1,051,092,476 \times 100\% = -8.06\% \\ = 1,051,092,476$$

Table 4. Income Growth Ratio of Sipahutar III Village Office, Sipahutar District, North Tapanuli Regency 2020-2022

Year	Income Realization ADD Xn	Income Realization ADD Xn-1	Revenue Growth Ratio	Criteria
2020	1,045,745,215	0	0%	Low
2021	1,051,092,476	1,045,745,215	0.52%	Low
2022	996.418.125	1,051,092,476	-8.06%	Low

Source: Processed Data (2024)

From the table above it can be seen that the financial income growth ratio of Sipahutar III Village shows significant changes during the 2020-2022 period. In 2020 the financial income growth ratio showed 0%. This indicates that there is no significant change in financial income this year, or perhaps income is almost the same as the previous year. In 2021, there will be an increase in the income growth ratio of 0.52%. This shows that there is a small increase in financial income in 2021 compared to the previous year. Year 2022: Revenue growth ratio shows a decline of -8.06%. This indicates that financial income will experience a significant decline in 2022 compared to the previous year.

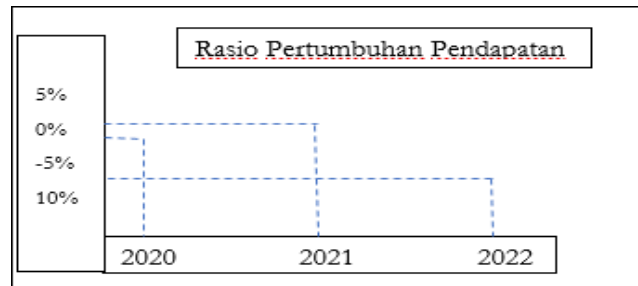


Figure 2. Village Fund Income Growth Ratio 2020-2022
Source: Processed Data (2024)

The graph above shows the income growth trend of Sipahutar III Village during the 2020-2022 period. Year 202 There was no change in revenue, which showed 0% growth. This indicates that income in 2020 is stable or almost the same as the previous year. In 2021, there will be an increase in revenue growth of 0.52%. This shows that village income experienced a small increase in 2021 compared to the previous year. In 2022 there will be a significant decline in revenue growth, namely -8.06%. This shows that village income will experience a fairly large decline in 2022 compared to the previous year.

The calculation of the spending growth ratio at the Sipahutar III Village Office, Sipahutar District, North Tapanuli Regency for 2020-2022 is as follows:

$$\begin{aligned} \text{Year 2020} &= 1,062,410,483 - 0 \times 100\% = 0\% \\ &= 0 \end{aligned}$$

$$\begin{aligned} \text{Year 2021} &= 1,060,681,429 - 1,062,410,483 \times 100\% = -0.16\% \\ &= 1,062,410,483 \end{aligned}$$

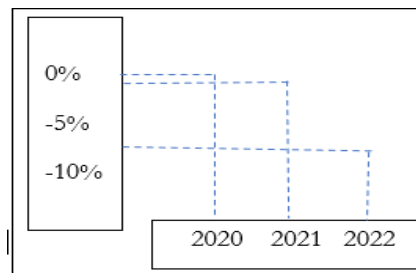
$$\begin{aligned} \text{Year 2022} &= 974,053,437 - 1,060,681,429 \times 100\% = -8.16\% \\ &= 1,060,681,429 \end{aligned}$$

Table 5. Growth Ratio of Sipahutar III Village Office Expenditures, Sipahutar District, North Tapanuli Regency 2020-2022

Year	Realization Shop ADD X _n	Realization Shop ADD X _{n-1}	Expenditure Growth Ratio	Criteria
2020	1,062,410,483	0	0%	Low
2021	1,060,681,429	1,062,410,483	-0.16%	Low
2022	974,053,437	1,060,681,429	-8.16%	Low

Source: Processed Data (2024)

The table above shows the calculation of the expenditure growth ratio for Sipahutar III Village during the 2020-2022 period. In 2020 the spending growth ratio shows 0%. This indicates that there will be no significant changes in village spending in 2020 compared to the previous year. In 2021, there will be a decrease in spending growth of -0.16%. This indicates that village spending experienced a small decline in 2021 compared to the previous year. In 2022 there will be a further decline in spending growth, namely -8.16%. This shows that village spending will experience a more significant decline in 2022 compared to previous years.



Graph 3. Growth Ratio of Village Fund Expenditures 2020-2022

Source: Processed Data (2024)

The graph above shows the trend in the expenditure growth ratio of Sipahutar III Village during the 2020-2022 period. In 2020 there was no significant change in spending growth, which showed 0% growth. This indicates that village spending is stable or almost the same as the previous year. In 2021 there will be a decline in spending growth of -0.16%. This shows that village spending experienced a small decline in 2021 compared to the previous year. In 2022, there will be a more significant decline in spending growth, namely -8.16%. This indicates that village spending will experience a greater decline in 2022 compared to previous years.

DISCUSSION

Effectiveness Ratio

Calculation of the effectiveness ratio for fund allocation in Sipahutar III Village, Sipahutar District, North Tapanuli Regency during the 2020-2022 period:

Year 2020:

- Village Fund Allocation Budget (ADD): Rp. 251,468,802
- Realization of ADD: Rp. 251,468,802
- Effectiveness Ratio = (Actual ADD / Budget ADD) x 100%
= (251,468,802 / 251,468,802) x 100%
= 100%

Year 2021:

- ADD budget: Rp. 267,788,700
- Realization of ADD: Rp. 267,788,700
- Effectiveness Ratio = (Actual ADD / Budget ADD) x 100%
= (267,788,700 / 267,788,700) x 100%
= 100%

Year 2022:

- ADD budget: Rp. 258,845,600
- Realization of ADD: Rp. 258,845,600
- Effectiveness Ratio = (Actual ADD / Budget ADD) x 100%
= (258,845,600 / 258,845,600) x 100%
= 100%

Based on the calculations above, the effectiveness ratio of Sipahutar III Village fund allocation for three consecutive years is 100%. This shows that the village office has succeeded in realizing the entire Village Fund Allocation budget as planned each year. The effective category with a ratio of 100% indicates that the village uses and manages ADD funds optimally, in accordance with the stated objectives. This is a positive indication of village financial management, showing transparency and accountability in the use of public funds for development and community services.

Income and Expenditure Growth Ratio

The results of calculating the income growth ratio for Sipahutar III Village, Sipahutar District, North Tapanuli Regency show that in 2020 Realized Income was IDR. 1,045,745,215 and revenue growth is 0%. In 2021 Realized Revenue will be IDR. 1,051,092,476 and there was an increase in income of 0.52%. In 2022 Realized Revenue will be IDR. 996,418,125 and there was a decrease in income of -8.06%. The significant decline in 2022 shows challenges in village income management that need to be understood more deeply to identify the causes. However, positive growth in 2021 shows that there are efforts or factors that support an increase in income that year.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of the research and discussion that have been described, it can be concluded regarding the financial performance of the Village Fund Allocation (ADD) of the Sipahutar III Village Office, Sipahutar District, North Tapanuli Regency for 2020-2022 as follows:

1. The Effectiveness Ratio shows that the financial performance of the ADD Sipahutar III Village Office can be categorized as effective or good because the effectiveness ratio from 2020 to 2022 reached 100%. This shows that the realization of ADD has succeeded in reaching or approaching the planned budget each year.
2. The Revenue Growth Ratio shows the average revenue growth from 2020-2022 is -3%. This means that revenue from ADD has decreased by an average of 3% every year. This decline reflects the challenges in increasing or maintaining village income from existing sources.

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