



Analysis of Financial Performance of Village Fund Allocation Management Based on The Effectiveness Ratio and Growth Ratio at the Village Office Klambir District Hamparan Perak

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ABSTRACT

This study aims to analyze the financial performance of village fund allocation management at the Village Office Klambir district Hamparan Perak based on the effectiveness ratio and growth ratio during the period 2020 to 2023. The method used in this research is descriptive quantitative, with the use of data through library studies and documentation of financial statements of the village. The result of this study indicate that the financial performance of the village categorized effective, with the average effectiveness ratio reached 98,71%. However, the growth ratio for both revenue and expenditure exhibit fluctuations, with an average revenue growth ratio of 13,00% and an expenditure growth ratio of 6,40%. This study recommends enhancing financial management, providing training for village officials, and diversifying revenue sources to improve the independence and sustainability of village finances. The result of this research are expected to contribute to the development of knowledge in the field of village finance and serve as a reference for future studies

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1. INTRODUCTION

Implementation of village fund allocation is regulated by the government in government regulation No. 72 of 2005 on the village [1]. Regulation on village fund allocation followed by circular letter of domestic minister number 140/640/SJ of 2005 on village fund allocation guidelines from the district/city government head of the village government which essentially contains procedures implementation of village fund allocation. PP N0. 72 year 2005 about village Circular Letter of home Affairs Minister number 140/640/SJ about village fund allocation guidelines one of them regulates the use of village fund allocation namely the allocation of village funds received by the village government of 30% is used for the operational costs of the village government. Then the allocation of village funds received by the village government of 70% is used for physical development and empowerment of rural

communities [2]. That the village government should quickly utilize the funds to give a real impact to the village community. Understanding of village fund allocation management becomes an important aspect that must be owned by village heads and village devices. The basic principles of village fund allocation management start from planning phase to village financial reporting and accountability as well as the duties and responsibilities of the managers [3]. Village is the forerunner of the formation of political society, the village as the lowest government institution in the Indonesia government structure, village as a government directly in contact with the community becomes the main focus in the development of the government, this is because most of Indonesia is rural [4].

The allocation of village funds (ADD) is funds sourced from local income and expenditure (APBD) the district is allocated with the purpose of equalization of financial capabilities between villages to fund the needs of villages in the framework of government implementation and implementation of development and community services [5]. The regional revenue and expenditure budget (APBD) according to is the basis of regional financial management in one year of budget. The regional revenue and expenditure budget (APBD) is the implementation plan of the overall regional income and regional expenditure in the framework of the implementation of decentralization in a certain budget year [6].

Financial performance assessment is a method used to determine the value of an object through a patent measurement tool by using the corresponding number units. Analysis of regional financial ratios is a method in measuring regional financial performance. This is done to determine how much local government responsibility for the management of local finance, showing how the fund are used economically, efficiently and effectively [7]. Financial performance analysis is a systematic process of evaluation and assessment of the financial performance of an organization to determine how well the financial performance in achieving the goals set. With the aim of being able to assess financial performance, identify repair opportunities, define development strategies and improve financial performance [8].

Financial statements are the result of the accounting process and can be used to meet the needs of the company and can describe the financial performance in good condition or not [9]. Performance measurement can also be done by analyzing financial statements using financial ratios analysis tools. Financial ratios in an activity of comparing the figures contained in the financial statements by dividing one number with another. To measure the financial performance of the village ratio used by researchers at the village office Klambir district Hamparan Perak is the effectiveness ratio and growth ratio. Effectiveness ratio is the ratio that indicates the success of local government to realize income to be achieved, the next one will be adjusted and compared with the target rules that have been set which are seen from the potential of the village concerned. If the level of effectiveness of a region increases, it shows that the region's capabilities are getting better [10]. Growth ratio was the ratio used to measure as large as the country's governing ability in defending and increasing its revenues achieved from period to subsequent periods, this growth ratio measurement aims to know the growth of rural native income [11].

That to know how good a village fund allocation management it is necessary to analyze financial performance. Financial performance analysis is very important because it can be used as a guideline for future improvement of financial performance, showing achievement of performance targets that have been set, evaluating financial performance, helping to disclose and solve existing problems in the village. And we can see the financial of the village in the Village Klambir period 2020-2023 can be seen in chart as follows:

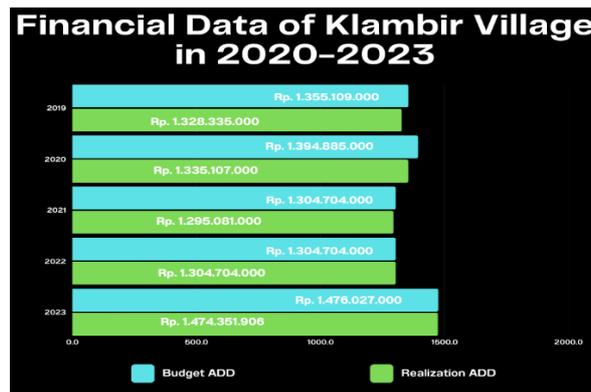


Figure 1. Financial Data of Klambir Village

Know that the amount of budget in Klambir village in 2020 during the budget covid-19 of Rp. 1.394.885.000 then in 2021-2022 which is worth the same Rp. 1.304.704.000 and followed in 2023 the budget increased Rp. 1.476.027.000. Budget and realization in Klambir village in 2020 is high and decreased when entering in 2021-2022 even in realization in 2021 decreased as much as Rp. 1.295.081.00. This is the reason that researchers are interested in making research at the Office of Klambir Village includes the village that has the most assets among several other villages [4]. The purpose of this study was to determine the financial performance of village fund allocation management based on the effectiveness ratio and growth ratio in the village office Klambir district Hampan Perak [6].

2. METHOD

This research uses a quantitative approach with descriptive method. data collection techniques include library research and documentation for financial performance measurement. Data was obtained from Klambir Village Office by reviewing financial reports on village fund allocation management. This research covers the period 2020-2023 to describe financial performance measurement by analyzing the calculation results of the effectiveness ratio and growth ratio. Quantitative with descriptive method is collecting, managing, and interpreting the data obtained so as to give a clear picture of the state under study [12]. To find the results of the effectiveness ratio and growth ratio so, the formula that can be used to calculate the level of effectiveness ratio and growth ratio as follows:

The formula of the Effectiveness Ratio:

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

Table 1. Effectiveness Assessment Criteria

Effectiveness Criteria	Effectiveness %
Very effective	>100%
Effective	90-100%
Quite Effective	80-90%
Less Effective	60-80%
Ineffective	≤60%

The formula of the Growth Ratio:

$$\text{Income Growth Ratio} = \frac{\text{Income Realization } x_n - x_{n-1}}{\text{Income Realization } x_{n-1}} \times 100\%$$

$$\text{Expenditure Growth Ratio} = \frac{\text{Actual Spending } x_n - x_{n-1}}{\text{Actual Spending } x_{n-1}} \times 100\%$$

Table 2. Growth Floor Assessment Criteria

Growth Criteria	Growth %
High	50-100%
Currently	25-5-%
Low	0-25%

3. RESULTS AND DISCUSSION

3.1 Effectiveness Ratio

Financial performance at the village office Klambir district Hamparan Perak overlay is said to be effective if the ratio produced or achieved is worth 90-100%. The higher the effectiveness ratio, the better the performance of the village government. The following is the calculation of the effectiveness ratio for Klambir village:

$$\text{Tahun 2020} = \frac{1.335.107.000}{1.394.885.000} \times 100\% = 95,71\%$$

$$\text{Tahun 2021} = \frac{1.295.081.000}{1.304.704.000} \times 100\% = 99,26\%$$

$$\text{Tahun 2022} = \frac{1.304.704.000}{1.304.074.000} \times 100\% = 100\%$$

$$\text{Tahun 2023} = \frac{1.474.351.906}{1.476.027.000} \times 100\% = 99,88\%$$

Table 3. Effectiveness of Klambir Village Financial Management in 2020-2023

Year	Budget ADD	Realization ADD	%	Evaluation Criteria
2020	Rp. 1.394.885.000	Rp. 1.335.107.000	95,71%	Effective
2021	Rp. 1.304.704.000	Rp. 1.295.081.000	99,26%	Effective
2022	Rp. 1.304.704.000	Rp. 1.304.704.000	100%	Effective
2023	Rp. 1.476.027.000	Rp. 1.474.351.906	99,88%	Effective

Based on the table 3 calculation of the effectiveness ratio can be known that the ratio of the effectiveness of the village fund allocation (ADD) finance at the Village Office Klambir district Hamparan Perak in 2020 amounted to 95,71%, in 2021 amounted to 99,26%, in 2022 it was 100%, and in 2023 it was 99,88%. The effectiveness of financial performance allocation of village funds (ADD) office Klambir village district Hamparan Perak for the year 2020-2023 categorized effective. According to descriptions and calculation results on the effectiveness ratio, the financial performance of village fund allocation (ADD) Village Office Klambir district Hamparan Perak overlay is effective because the average effectiveness is above 90% - 100%. The decrease in the effectiveness ratio of 2020-2023 occurs due to the large budget amount inversely proportional to the already realized, in 2022 the amount of the budget is realized in accordance with the budget obtained so that the ratio of effectiveness shows the value of the village government Klambir district Hamparan Perak overall is

most effective is 100% in managing the village fund allocation (ADD). This shows that the financial performance of the Village Office Klambir district Hamparan Perak is very good in the realization of the planned village fund allocation (ADD).

Previous research was carried out by Nur Aisah (2023) who conducted a study in the district of Merangin Village Office Limbur Merangin explained that the financial performance of the village of Limbur Merangin if seen from the ratio of effectiveness is relatively effective, because the effective average is 94,60%. Similar to what happened in this study, the financial performance of village fund allocation (ADD) village office Klambir district Hamparan Perak overall is also quite effective because the average of above 90% is 99,80% [13].

3.2 Growth Ratio

The growth ratio is beneficial to know whether the village government in the budget year experienced positive or negative revenue growth or expenditure. Performance of Klambir village government is said to be good if every year the revenue growth or expenses produced are worth positive. The following is the calculation of the growth ratio for Klambir village:

a. Income Growth ratio

$$\text{Tahun 2020} = \frac{1.335.107.000 - 1.328.335.000}{1.328.335.000} \times 100\% = 0,51\%$$

$$\text{Tahun 2021} = \frac{1.295.081.000 - 1.335.107.000}{1.335.107.000} \times 100\% = -2,99\%$$

$$\text{Tahun 2022} = \frac{1.304.704.000 - 1.295.081.000}{1.295.081.000} \times 100\% = 0,74\%$$

$$\text{Tahun 2023} = \frac{1.474.351.906 - 1.304.704.000}{1.304.704.000} \times 100\% = 13,00\%$$

b. Expenditure Growth Ratio

$$\text{Tahun 2020} = \frac{1.394.885.000 - 1.335.109.000}{1.335.109.000} \times 100\% = 2,93\%$$

$$\text{Tahun 2021} = \frac{1.304.704.000 - 1.394.885.000}{1.394.885.000} \times 100\% = -6,46\%$$

$$\text{Tahun 2022} = \frac{1.302.199.500 - 1.304.704.000}{1.304.704.000} \times 100\% = -0,19\%$$

$$\text{Tahun 2023} = \frac{1.385.549.122 - 1.302.199.500}{1.302.199.500} \times 100\% = 6,40\%$$

Table 4. Revenue Growth of Klambir Village Financial Management in 2020-2023

Year	Income Realization ADD	Actual Spending ADD	Income Growth Ratio%	Expenditure Growth Ratio%	Evaluation Criteria
2019	Rp. 1.328.335.000	Rp. 1.355.109.000	-	-	-
2020	Rp. 1.335.107.000	Rp. 1.394.885.000	0,51%	2,93%	Low
2021	Rp. 1.295.081.000	Rp. 1.304.704.000	-2,99%	-6,46%	Low

Year	Income Realization ADD	Actual Spending ADD	Income Growth Ratio%	Expenditure Growth Ratio%	Evaluation Criteria
2022	Rp. 1.304.704.000	Rp. 1302.199.500	0,74%	-0,19%	Low
2023	Rp. 1.474.351.906	Rp. 1.385.549.122	13,00%	6,40%	Low

Based on the table 4 calculation of the ratio of revenue growth of village fund allocation (ADD) financial Office Klambir Village district Hamparan Perak overall in 2020 a mounted to 0,51%, decreased by (-2,99%) in 2021 and in 2022 increased by 0,74% and in 2023 an increase of 13,00%. The growth of income allocation fund Village Office Klambir district Hamparan Perak overlay showed positive and negative growth. Revenue growth of village fund allocation (ADD) is the highest in 2023 which a mounted to 13,00% from the previous year value in 2022 amounted to 0,74% which means an increase of 12,26%. Based from table 5 too shows that the calculation of the expenditure growth ratio of village fund allocation (ADD) that the financial Office Klambir Village district Hamparan Perak overall in 2020 is 2,93%, in 2021 decreased to (-6,46%) and in 2022 increased by (-0,19%) and in 2023 increased to 6,40%.

Previous research was carried out by Yuyu Sri Eva (2019) which conducted research at the village office of Jampu district Soppeng showed that the ratio of revenue growth of village fund allocation from 2015-2018 was 67,69%, which was better when compared to the ratio of growth in village allocation expenditure which was only 61,72%. The Klambir Village Government district Hamparan Perak needs to emulate the performance achieved by the Jampu Village Government [14].

4. CONCLUSION

Based on the results of the analysis conducted, it can be concluded that the financial performance this research shows that the financial performance of managing village fund allocation at the Klambir Village Office Hamparan Perak district during the 2020-2023 period is categorized as effective. The average effectiveness ratio reached 98,71%, which shows that village fund management has been carried out well and in accordance with the established budget. On growth risks although the effectiveness ratio shows good results, the growth ratio of income and expenditure experiences fluctuations. The average income growth ratio is 13,00%, while the expenditure growth ratio is 6,40%. This study recommends enhancing financial management, providing training for village officials, and diversifying revenue sources to improve the independence and sustainability of village finances. This shows that although there has been an increase, the growth is still relatively low and need future attention.

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