Financial Performance Analysis of Village Fund Allocation Management Based on Financial Ratios at Simanaere Village Office, Gunungsitoli Idanoi District, Gunungsitoli City

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ABSTRACT

This research aims to analyze the financial performance of Village Fund Allocation (ADD) in Simanaere Village, Idanoi District, Gunungsitoli City, based on the calculation of financial ratios, namely effectiveness ratio and growth ratio. The analysis method used in this research is descriptive with both quantitative and qualitative approaches. The researcher obtained secondary data in the form of the realization report of the Village Revenue and Expenditure Budget (APBDes) of Simanaere Village from 2019 to 2021, and primary data in the form of interview results with the government of Simanaere Village. Data collection techniques used were interviews and documentation. The results of this research indicate that the financial performance of ADD management in Simanaere Village from 2019 to 2021 is categorized as effective, with an average effectiveness rate of 99.41%. However, the growth rate is categorized as negative, with an average of -5.9%.

1. INTRODUCTION

The government has issued regulations regarding villages, as stated in Law Number 6 of 2014 concerning Villages. According to these provisions, a village is defined as a legal community unit with defined territorial boundaries authorized to regulate and manage governmental affairs, as well as local community interests based on community initiatives, ancestral rights, and/or traditional rights recognized and respected within the system of the Unitary State of the Republic of Indonesia. Administratively, a village is the smallest form of government led by a Village Head and assisted by village government apparatuses in carrying out its governance functions (Felipe et al., 2022).

The Indonesian government's commitment to expanding the decentralization system to the smallest government elements is evident in Law Number 6 of 2014 concerning Villages. This law aims to provide recognition to villages by granting them legal status and certainty as part of the Indonesian Unitary State system (Felipe et al., 2022). Additionally, it aims to assist villages in developing their cultural and human resources assets, improving services to the community, and enhancing village resilience and economy (Champloni & Orrillo, 2017). Villages are empowered to formulate policies concerning the village, particularly in providing services, increasing community participation, initiatives, and empowering the village community to achieve their own welfare (Champloni & Orrillo, 2017).
Based on Law Number 33 of 2004 concerning the Financial Balance between the Central and Regional Governments, the central government expects regional governments, especially village governments, to become more independent in managing their finances. Financial management of villages, according to Regulation Number 113 of 2014 concerning Village Financial Management, encompasses activities such as planning, implementation, bookkeeping, reporting, and accountability of village finances (Silva Buston, 2016).

Effective financial management of a village reflects good village growth. The ability of village governments to manage finances is demonstrated in the Village Revenue and Expenditure Budget (APBDes), which reflects the village government's ability to finance governance tasks, village development, and social services. Financial management of villages, including Village Fund Allocation (ADD), plays a crucial role and is a key factor in the success of village autonomy. According to Government Regulation of the Republic of Indonesia Number 43 of 2014 concerning the Implementation of Law Number 6 of 2014, ADD is the balance fund received by regencies/cities in the Regional Revenue and Expenditure Budget of regencies/cities after deducting Special Allocation Funds (Yu & Shen, 2019).

Simanaere Village, Gunungsitoli Idanoi District, Gunungsitoli City, is one of the areas that has realized Village Fund Allocation (ADD) sourced from the Regional Revenue and Expenditure Budget (APBD). Based on APBDes data from 2019 to 2021 regarding the development of revenue and expenditure of ADD in Simanaere Village, it shows that in 2019, revenue amounted to Rp458,169,047 with actual revenue realization of Rp457,468,584. In 2020, revenue amounted to Rp412,711,422 with actual revenue realization of Rp406,861,922. And in 2021, revenue amounted to Rp408,628,661 with actual revenue realization of Rp403,780,697. The budget and realization from 2019 to 2021 indicate that the Simanaere Village Government could not fully realize its ADD budget, resulting in a budget surplus.

Therefore, to determine the effectiveness and magnitude of Village Fund Allocation (ADD) management, financial performance analysis is necessary. Analyzing the financial performance of ADD management in Simanaere Village from 2019 to 2021 requires an analysis of financial ratios as a benchmark for assessing financial performance. Analyzing the financial performance of the Simanaere Village Government will serve as an evaluation for improvement in managing its ADD in the coming years (Livshits et al., 2016). Previously, several studies relevant to the topic of village fund allocation management and financial performance analysis have been conducted. For instance, a study by Halawa in 2021 titled “FINANCIAL PERFORMANCE ANALYSIS OF VILLAGE FUND ALLOCATION MANAGEMENT A” examined the financial performance of village fund allocation management in a similar area. In this research, the researcher utilized financial ratio analysis methods to evaluate the effectiveness of village fund utilization in infrastructure development and community services. The findings of the study indicated that factors such as transparency, accountability, and community participation play crucial roles in enhancing the financial performance of village fund allocation management.

Additionally, a study by Ariston in 2020 titled “FINANCIAL PERFORMANCE ANALYSIS OF VILLAGE FUND ALLOCATION MANAGEMENT BAGOA” is also relevant to this topic. The research analyzed the influence of government policies on village fund allocation and its implications for village financial performance. The results of this study suggested that specific policy reforms could affect the efficiency and effectiveness of village fund utilization, encouraging villages to enhance transparency and accountability in their financial management.

Financial ratio analysis that researchers can use to assess the financial management performance of ADD conducted by the Simanaere Village Government includes effectiveness and growth ratios. The effectiveness ratio illustrates the village government's ability to realize planned revenue compared to the budget allocated. The growth ratio measures how well the village government can maintain and enhance its success from period to period. Based on the discussion above, the author is interested in conducting research titled “Financial Performance Analysis of Village Fund Allocation Management Based on Financial Ratios at Simanaere Village Office, Gunungsitoli Idanoi District, Gunungsitoli City.”
2. RESEARCH METHOD

The type of research used in this study is a combined or mixed methods research. This method is based on the philosophy of pragmatism, which combines positivism and postpositivism (Berentsen et al., 2018). The combined research method is used to investigate natural or artificial object conditions (such as laboratory settings), where the researcher can serve as an instrument and utilize instruments for measurement. Data collection techniques in this method may include the use of tests, questionnaires, and triangulation (combination), while data analysis is both inductive (qualitative) and deductive (quantitative) (Tutunyak et al., 2021). The results of this combined research can be used to understand meanings and make generalizations. Therefore, the use of a combined/mixed research method (which combines qualitative and quantitative methods) is suitable for this study because the collected data consists of numerical figures from the financial reports on the realization of the Village Revenue and Expenditure Budget (APBDes) of Simanaere Village, as well as data obtained from interviews with the Simanaere Village Government. This method allows researchers to gain a holistic and in-depth understanding of the financial performance of Village Fund Allocation (ADD) management in Simanaere Village.

3. RESULTS AND DISCUSSIONS

In this research, the chosen location for investigation was the Simanaere Village Office situated in the Idanoi District of Gunungsitoli City (Anderson et al., 2017). The objective was to analyze the financial performance of the Village Fund Allocation (ADD) management within this administrative unit. The analysis aimed to assess the level of achievement and progress in village financial management over a three-year period, employing financial ratios as the primary evaluative tool (Goo & Heo, 2020).

The data utilized in this study comprised the financial reports of the Village Fund Allocation (ADD) extracted from the Village Revenue and Expenditure Budget (APBDes) realization reports spanning from the fiscal years 2019 to 2021. These reports provided invaluable insights into the financial dynamics of the Simanaere Village Office, allowing for a comprehensive examination of its financial health over the specified timeframe (Imerman & Fabozzi, 2020).

One crucial aspect of the analysis was the assessment of the effectiveness ratio, a metric indicating the village government's ability to realize planned revenues compared to predefined targets based on the village's actual potential (Belongia & Ireland, 2019). The effectiveness ratio, calculated for each year, revealed the extent to which the village achieved its revenue goals. Notably, the results indicated consistently high levels of effectiveness across the years 2019 to 2021, with percentages ranging from 98.58% to 99.84%, thereby signifying efficient financial management practices within the village.

(Febi et al., 2018) Additionally, the study delved into the growth ratio, which measured the village government's capacity to maintain and enhance its financial performance from one period to the next. The growth ratio analysis revealed fluctuations in revenue realization over the years, with some years experiencing negative growth due to lower revenue realizations compared to preceding periods (Mitra et al., 2019). Despite occasional setbacks, the overall financial growth rate remained negative, indicating areas for improvement in revenue generation and management strategies (Benchimol & Qureshi, 2020).

Moreover, to complement the quantitative analysis, qualitative insights were gathered through interviews with key stakeholders, including the Village Head, Village Secretary, and Head of Finance. These interviews provided valuable perspectives on the village's financial management practices, confirming adherence to regulatory frameworks and highlighting areas of success and potential areas for improvement (Katusiime, 2018).

In conclusion, the analysis of the financial performance of the Village Fund Allocation (ADD) management in Simanaere Village revealed commendable levels of effectiveness in revenue realization, coupled with challenges in sustaining positive growth rates (Beck et al., 2016). The findings underscored the importance of continuous evaluation and refinement of financial management practices to ensure the sustainable development and well-being of the village community (Sotiropoulos et al., 2020).
The research focused on analyzing the financial performance of Village Fund Allocation (ADD) management at Simanaere Village Office in the Idanoi District of Gunungsitoli City. Utilizing financial reports from the Village Revenue and Expenditure Budget (APBDs) for the years 2019 to 2021, the study assessed the village's financial dynamics. The analysis included evaluating the effectiveness ratio, indicating the village government’s ability to achieve planned revenues, which consistently showed high levels of effectiveness from 98.58% to 99.84%. Additionally, the growth ratio analysis revealed fluctuations in revenue realization, highlighting areas for improvement in revenue generation and management strategies. Qualitative insights from interviews with key stakeholders confirmed adherence to regulatory frameworks and identified areas for enhancement. In conclusion, while the analysis showcased commendable effectiveness in revenue realization, challenges in sustaining positive growth rates were noted, emphasizing the need for continuous evaluation and refinement of financial management practices to ensure sustainable development and community well-being.

4. CONCLUSION
Based on the analysis and discussion results presented, it can be concluded that the Financial Performance of Village Fund Allocation (ADD) in Simanaere Village, Idanoi District, Gunungsitoli City, from 2019 to 2021, based on the calculation results of effectiveness and growth ratios, are as follows: The financial performance of Village Fund Allocation (ADD) in Simanaere Village, Idanoi District, Gunungsitoli City, from the fiscal years 2019 to 2021, as seen from the effectiveness ratio, is as follows: in 2019, it amounted to 99.84%, in 2020 it was 98.58%, and in 2021 it was 99.81%. With an average effectiveness performance of Village Fund Allocation (ADD) from the fiscal years 2019 to 2021 at 99.41%, categorized as effective. Thus, the realization of the Village Fund Allocation (ADD) budget implemented by Simanaere Village has achieved the planned targets. The financial performance of Village Fund Allocation (ADD) in Simanaere Village, Idanoi District, Gunungsitoli City, from the fiscal years 2019 to 2021, as seen from the growth ratio, is as follows: in 2020, it was -1.06%, exhibiting negative growth, and in 2021 it was -1.1%, also negative. With an average growth ratio of -5.9%. This is due to the decreasing annual receipt of Village Fund Allocation (ADD) budget. From the interview results, the financial performance of Village Fund Allocation (ADD) management in Simanaere Village, Idanoi District, Gunungsitoli City, is in accordance with the regulations of the Ministry of Home Affairs Regulation Number 113 of 2014 concerning Village Financial Management.

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