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The Impact of Village Government Size, Wealth, and Intergovernmental Revenue on Village Financial Performance in Krian District, Sidoarjo, East Java

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Abstract: This study aims to analyze the impact of village government size, wealth, and intergovernmental revenue on village financial performance. The research method used is descriptive quantitative. The population in this study included all villages in the Krian sub-district, and sampling was determined by purposive sampling method with a total observation sample of 30 villages. The data analysis method uses Multiple Linear Regression techniques. The study found that village financial performance is positively and significantly influenced by size and wealth, but not by intergovernmental revenue. However, when considering all three factors together, size, wealth, and intergovernmental revenue have a significant impact on village financial performance. Village government financial performance refers to the ability of the village to explore, manage, and utilize its financial resources to support the government system, community services, and village development, without full dependence on the central government. The implications of this research are to support the performance of a healthy village government. The originality of this research is in health and intergovenmental revenue.

Keyword: Size, Wealth, Intergovernmental Revenue, Village Financial Performance.

INTRODUCTION

The regional autonomy policy affects the village government administration system, while the enactment of village autonomy promotes greater independence for village governments and communities in overseeing and managing village affairs, including the regulation and management of the Village Budget (APBDes) and Village Original Income (PADes), which are crucial sources of revenue for village development and the execution of village autonomy. Law No. 6/2014 effectively integrates the role of self-governing community with local self-government, thereby designating the village as a reporting entity. The central government allocates supplementary cash to the village in conjunction with the enactment of village legislation, in addition to the annual village funding already received. Village funds are financial resources derived from the State Revenue and Expenditure

Budget, allocated for villages and disbursed through the Regency/City Regional Revenue and Expenditure Budget. These funds are utilized to support governmental administration, development initiatives, community development, and community empowerment (Government Regulation Number 60 of 2014). Since 2015, the financial allocations obtained by villages from the national government have significantly augmented village revenues, necessitating enhanced accountability in financial management.

Permendagri Number 113 of 2014 delineates that village financial management encompasses all operations related to the planning, execution, administration, reporting, and responsibility of village finances. Village financial management occurs within a single fiscal year, spanning from January 1 to December 31, as a means of responsibility for village financial expenditure reporting. Consequently, each village is provided with a financial system known as siskeudes. Village financial management is regulated by a hierarchy of laws, from the paramount Law Number 6 of 2014 regarding villages to the subordinate village rules. The implementation of legislation concerning the village and its financial management is anticipated to enhance the development of rural communities, particularly by fostering more accountable and transparent financial practices. Furthermore, effective village financial management is anticipated to influence the performance of the village government; as the standards established by village officials increase, the quality of their performance is projected to improve.

The Financial and Development Supervisory Agency (BPKP) administers the village financial system (Siskeudes), an application designed to enhance the quality of local financial governance. The village financial system application (Siskeudes) serves as a resource for village administrations in overseeing village finances, encompassing the phases of planning, budgeting, administration, and accounting. The oversight of village finances performed by BPKP strives to guarantee that all actions and policies adhere to the Village Law, particularly concerning village finances, applicable to all levels of government: central, provincial, district/city, sub-district, and village. Village administrations can effectively execute the village financial management cycle, including planning, execution, administration, reporting, accountability, and oversight, by utilizing the village financial system application. Nevertheless, several application users remain unfamiliar with its operation, either to constrained human resources or a deficient comprehension of siskeudes.

In 2015, BPKP identified issues or risks in village financial management, including 1) Programs and activities in the RPJMDes, RKPDes, and APBDes that do not align with the ambitions or needs of the village community; 2) Inadequate execution of a robust Village Financial Management Cycle; 3) Deficiency or postponement in the compilation of the Village Government Administration Report, encompassing the Accountability Report for the Realization of APBDes Implementation; 4) Suboptimal and ineffective administration of village assets. Simultaneously, many fraud threats that may arise in village finance management encompass: 1) Unauthorized appropriation of Village Cash (Theft of Cash on Hand); 2) Markup and/or Kickback in the procurement of goods/services; 3) Unauthorized utilization of Village assets for the personal gain of Village officials (misuse or larceny), including office facilities, village land, office equipment, or office vehicles; 4) Illegal gratuities in Village services (Setiawan, 2020).

According to the aforementioned description and several findings indicating that numerous communities in the Krian sub-district encounter multiple issues concerning their financial performance, including: 1). The village government exhibits a lack of transparency and accountability in handling village money and assets, particularly in light of the existence of programs designed to streamline operations, such as Siskeudes, Sipades, and others. 2). The limited competence of the village apparatus's human resources in managing funds results in reliance on a village official proficient in information technology. This prompts

researchers to investigate the impact of size, wealth, and intergovernmental revenue from village governance on the financial performance of villages in Krian District, Sidoarjo, East Java.

METHOD

Research Location and Timing

This research is conducted at the Krian District Government, Sidoarjo Regency, utilizing Village Budget data from six villages within Krian District. The research period extends from 2022 till the necessary data is obtained.

Methodology

The research methodology employed a quantitative technique. Quantitative data is a methodology grounded in positivist philosophy, employed to investigate specific populations or samples, involving data collecting through research instruments and quantitative/statistical analysis, with the objective of testing established hypotheses (Sugiyono, 2019).

Methods of Data Collection

The data utilized in this study are secondary data, specifically acquired indirectly from communities in the Krian sub-district through the following techniques:

1. Library Investigation
   Researchers performed a literature review to establish a theoretical foundation pertinent to the issue being examined. This is accomplished through the reading, studying, investigating, and analyzing of literature, including journals, books, and papers pertinent to the topic of profit fluctuations, thereby acquiring information that serves as a theoretical foundation and reference for the data collected in the field.
2. Observation
   Following library research, the researcher made observations regarding the research subject. This research is designed to align with the anticipated objectives.
3. Digital Inquiry
   This study acquired diverse data and additional information pertinent to and supportive of this inquiry.
4. Interview
   Secondary data was acquired through interviews with village administrators in six villages within the Krian sub-district, focusing on the 2018-2022 Village Revenue and Expenditure Budget.

Method of Data Analysis

Prior to data processing, it is essential to do data testing. Given that the utilized data is a form of secondary data, the requisite analysis to be conducted is the classical assumption test.

1. Classical Assumption Evaluation
   The employed tests include Normality, Multicollinearity, Heteroscedasticity, and Autocorrelation tests.
2. Multiple Linear Regression
   The regression equation can predict the value of the dependent variable based on alterations in the independent variable (Sugiyono, 2019).

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$

Specification:

Y: The dependent variable (village financial performance)

a: Constant
b1, b2, b3: Regression Coefficients
X1, X2, X3: The independent variables (size, wealth, and intergovernmental revenue)
e: error

3. The t-test
   The t-test is a statistical method utilized to determine whether there is a significant difference between the means of two samples or groups. To ascertain the link between the independent variable and the dependent variable in inquiry. This test is conducted using regression utilizing the SPSS software by comparing the significance level (Sig t) of each independent variable against the significance threshold a = 0.05.

F-test

The F test seeks to determine if size, wealth, and intergovernmental revenue collectively influence village financial performance. The significance level employed is 0.5 or 5%; if the F value is less than 0.05, it indicates that the independent variable concurrently influences the dependent variable or vice versa (Ghozali, 2012).

a) Location and Time of Research
   The location of this research is the Krian District Government, Sidoarjo Regency using Village Budget data in 6 villages in Krian District. The research time lasts from 2022 until the required data is fulfilled.
b) Research approach
   The research approach was carried out with a Quantitative approach. Quantitative data is a method based on the philosophy of positivism, used to research on certain populations or samples, data collection using research instruments, quantitative / statistical data analysis, with the aim of testing predetermined hypotheses (Sugiyono, 2019).
c) Data Collection Methods
   The data taken in this study are secondary data, namely data obtained indirectly from villages in Krian sub-district using the following techniques:
   1. Library Research
      Researchers conducted a literature study conducted to obtain a theoretical basis related to the problem under study. This is done by reading, studying, researching, and examining literature in the form of journals, books and papers that are closely related to the topic of profit changes, so that information is obtained as a theoretical basis and reference for processing data obtained in the field.
   2. Observation
      After conducting library research, the researcher made observations on the object of research. It is intended that this research can run in accordance with the expected objectives.
   3. Online Research
      In this study obtained various data and other information related to and can support this research.
   4. Interview
      To obtain secondary data in the form of the 2018-2022 Village Revenue and Expenditure Budget, interviews were conducted with village officials in 6 villages in the Krian sub-district.
d) Data Analysis Technique
   Before processing data, it is necessary to test the data. Since the data used is a type of secondary data, the data test that must be carried out is the classic assumption test.
   1. Classical Assumption Test

The tests used are Normality, Multicorelity Test Heteroscedasticity Test and Autocorrelation Test.

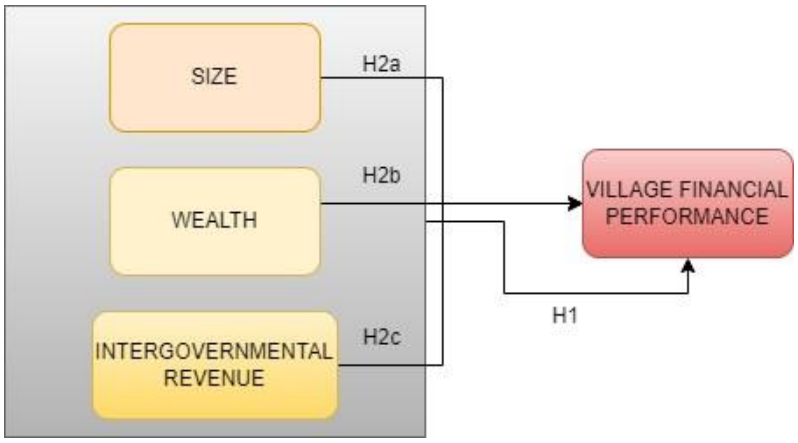
2. Multiple Linear Regression
   The regression equation can be used to predict how high the value of the dependent variable will be if the value of the independent variable is changed, (Sugiyono, 2019).

   $Y=a+b_1 X_1+b_2 X_2+b_3 X_3+e$

   Description:
   Y : The dependent variable (village financial performance)
   a : Constant
   b1, b2, b3: Regression Coefficient
   X1, X2, X3: The independent variable (size, wealth dan intergovernmental revenue)
   e : error

3. The t-test
   The t test is one of the test tools that includes a different test, because the t test is used to find whether there is a difference between the means of two samples / groups. To find out whether there is a relationship between the independent variable and the dependent variable in question. This test is carried out through regression using the SPSS program by comparing the level of significance (Sig t) of each independent variable with the sig level $\alpha = 0.05$.

4. F test
   The F test aims to find whether size, prosperity and intergrovemental revenue together affect village financial performance. The level used is 0.5 or 5%, if the significant value of F <0.05, it means that the independent variable simultaneously affects the dependent variable or vice versa (Ghozali, 2012).



Source: Research Data (2023)

Figure 1. Conceptual Framework

RESULTS AND DISCUSSION

The gathered data requires testing; therefore, a classical assumption test must be conducted to acquire the appropriate data.

Test for Normality

A probability value greater than 0.05 often indicates acceptance of the null hypothesis (Ho), suggesting a normal distribution. The subsequent results pertain to the Normality test.

Table 1. Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		30
Normal Parameters[a,b]	Mean	,0000001
	Std. Deviation	,10759874
Most Extreme Differences	Absolute	,140
	Positive	,109
	Negative	-,140
Kolmogorov-Smirnov Z		,768
Asymp. Sig. (2-tailed)		,596
a. Test distribution is Normal.		
b. Calculated from data.		

Source: Data processed by researchers

According to Table 1, the residual value exhibits a significance level of 0.596, which exceeds the threshold of 0.05. This indicates that the significance value of 0.596 > 0.05 confirms that the data pertaining to the dependent and independent variables analysed in this study follows a normal distribution.

Multicollinearity Test

The multicollinearity test assesses the degree of correlation among independent variables in a regression model. The existence or absence of multicollinearity in the regression model can be assessed using the Variance Inflation Factor (VIF) value. Multicollinearity is absent when the tolerance value exceeds 0.10 and the VIF value is below 10. Presented below is Table 2 of the multicollinearity test results obtained by SPSS software:

Table 2. Multicollinearity Test Results

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-1,285	,171		-7,531	,001		
	Size	,075	,010	2,013	7,284	,001	,132	7,549
	Wealth	,080	,010	2,240	8,241	,001	,137	7,299
	Intergovernmental Revenue	,001	,006	-,006	-,052	,959	,899	1,112
a. Dependent Variable: Village Financial Performance								

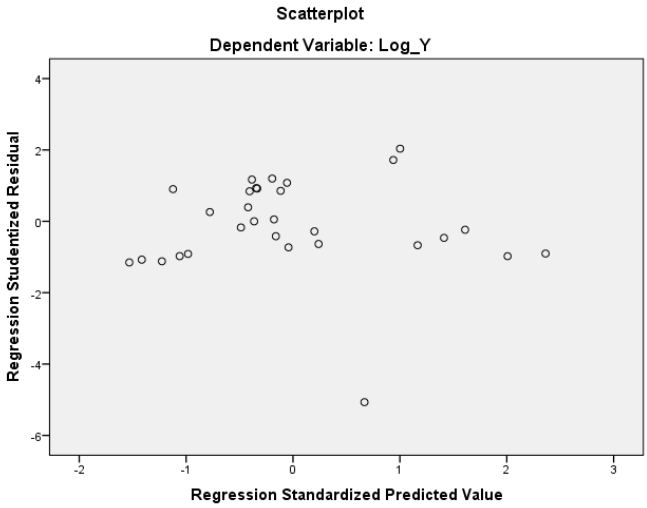
Source: Data processed by researchers

According to Table 2, the tolerance value for variable size data is 0.132, exceeding 0.10, while the VIF value is 7.549, remaining below 10.00. The tolerance value for wealth is 0.137, above 0.10, and the VIF value is 7.299, remaining below 10.00. The tolerance value for Intergovernmental revenue is 0.899, exceeding 0.10, and the VIF value is 1.112, remaining below 10.00. It can be concluded that multicollinearity is absent.

Test for Heteroscedasticity

Heteroscedasticity refers to a residual variance that varies across different data in the regression model. Effective regression analysis should not exhibit heteroscedasticity. The heteroscedasticity test evaluates if there is a variance inequality among the residuals of different observations in the regression model. This study used the scatterplot heteroscedasticity test, characterised by data points dispersing above, below, or near zero

without establishing a discernible pattern. Presented below is Figure 1 illustrating the findings of the Glejser heteroscedasticity test:



Source: Data processed by researchers

Figure 2. Heteroscedasticity Test Results

Figure 1 of the Heteroscedasticity Test results indicates that the regression model is devoid of heteroscedasticity. The points are dispersed and do not create a pattern.

Autocorrelation Examination

The autocorrelation test assesses whether autocorrelation exists among the variables utilised in this investigation. To assess the presence or lack of autocorrelation, one may employ the Durbin-Watson test by comparing the d statistic with the dL and dU values from the Durbin-Watson table. With the fundamental principles of decision-making, namely:

1. If d < dL or d > 4 - dL, the null hypothesis is rejected, indicating the presence of autocorrelation.
2. If dU < d < 4 - dU, the null hypothesis is accepted, indicating the absence of autocorrelation.
3. If dL < d < dU or 4 - dU < d < 4 - dL, no conclusion can be drawn.

The subsequent table presents the results of the autocorrelation test:

Table 3. Autocorrelation Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,858[a]	,737	,707	,01072	1,857

a. Predictors: (Constant), Integovernmental Revenue, Size, Wealth

b. Dependent Variable: Financial Performance

Source: Data processed by researchers

Table 3 indicates that the autocorrelation test results, determined by the Durbin-Watson computation, yield a Durbin-Watson (d) value of 1.857 for the regression model. According to the Durbin Watson table, with a significance level of 0.5, a sample size (n) of 30, and three independent variables (k), the upper limit value (dU) is 1.6498, resulting in a value of 4-dU equal to 2.3502. The formula dU < d < 4-dU, specifically 1.6498 < 1.857 < 2.3502, indicates the absence of autocorrelation, as d is situated between dU and (4-dU).

Multiple Linear Regression Analysis

Multiple linear regression analysis is employed to ascertain the relationship between a dependent variable and independent factors, with or without the inclusion of moderator variables. This study can also ascertain the direction of the link and quantify the degree of association between one dependent variable and one or more independent variables.

Table 4. Multiple Linear Analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1,285	,171		-7,531	,001
	Size	,075	,010	2,013	7,284	,001
	Wealth	,080	,010	2,240	8,241	,001
	Intergrovernmental Revenue	,001	,006	-,006	-,052	,959

a. Dependent Variable: Financial Performance

Source: Data processed by researchers

Table 4 presents the outcomes of the multiple linear regression analysis.

1. Unchanging
   The constant of (-1.285) signifies that if the independent variables (Size, Wealth, and intergovernmental revenue) equal zero, a one-unit change in the constant will decrease village financial performance (Y) by (-1.285).
2. Coefficient of Size (X1)
   The Size (X1) coefficient of 0.075 indicates a positive correlation between size and village financial performance, suggesting that a one-unit increase in size will result in a 0.075 unit rise in financial success, providing other factors remain constant.
3. Wealth Coefficient (X2)
   The wealth coefficient (X2) of 0.080 indicates a positive correlation between wealth and village financial performance, such that a one-unit increase in wealth results in a 0.080 unit increase in village financial performance, provided other variables remain constant.
4. Intergovernmental Revenue Coefficient (X3)
   The Intergovernmental Revenue (X3) coefficient of 0.001 indicates that Intergovernmental revenue positively affects village financial performance; thus, a one-unit increase in Intergovernmental revenue will not result in a 0.001 unit increase in village financial performance, assuming other variables remain constant.

The t-test

The subsequent table presents the results of the t-test:

Table 5. Result of t test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1,285	,171		-7,531	,001
	Size	,075	,010	2,013	7,284	,001
	Wealth	,080	,010	2,240	8,241	,001
	Intergoverrnmental Revenue	,001	,006	-,006	-,052	,959

a. Dependent Variable: Financial Performance

Source: Data processed by researchers

According to the calculations presented in Table 5, the t-test results indicate whether each variable is influenced under the specified conditions, leading to the following conclusions:

1. The impact of Size (X1) on Village financial performance (Y).
   The test findings for the size variable indicate a significant value of 0.001, confirming significance at the 0.05 level. The t count is 7.284, exceeding 2.052, leading to the rejection of H0 and acceptance of Ha; hence, size positively and significantly influences the variable of village financial performance.
2. Impact of Wealth (X2) on Village Financial Performance (Y)
   The test findings for the wealth variable indicate a significant value of 0.001, confirming significance at the 0.05 level. The t count is 8.241, which exceeds 2.052, leading to the rejection of Ho and acceptance of Ha. Thus, it can be inferred that wealth has a positive and large impact on the dependent variable, village financial performance.
3. The impact of intergovernmental revenue (X3) on the financial performance of villages (Y)
   The test findings for the intergovernmental revenue variable indicate a significance value of 0.959, rendering it inconsequential at the 0.05 level. The t count is (-0.052), which is less than 2.052, leading to the acceptance of Ho and the rejection of Ha. Thus, it can be inferred that intergovernmental revenue has a considerable negative impact on the dependent variable, village financial performance.

F-test

The subsequent table presents the results of the F test:

Table 6. F Test Results

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,008	3	,003	24,283	,001[b]
	Residual	,003	26	,001		
	Total	,011	29			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Integovernmental Revenue, Size, Wealth

Source: Data processed by researchers

According to Table 6, the Size, Wealth, and Intergovernmental Revenue variables collectively exert a positive and substantial influence on village financial performance, as indicated by a significance value of 0.001, which is less than 0.05. Since F count exceeds F table, specifically 24.283 surpassing 2.96, hypothesis one (H1) in this investigation is accepted.

Discussion

The hypothesis can be substantiated based on the results of the aforementioned analysis as follows:

The simultaneous impact of Size, Wealth, and intergovernmental revenue positively and significantly influences village financial performance.

The calculation results presented in the table indicate that the factors of size, wealth, and intergovernmental revenue collectively exert a substantial influence on village financial performance, as evidenced by a significance value of 0.001, which is less than 0.05. And F count exceeds F table or 24.283 exceeds 2.96. Consequently, the hypothesis (H1), stating "It

is posited that size, wealth, and intergovernmental revenue concurrently exert a positive and significant influence on village financial performance," is affirmed.

The influence of size, affluence, and intergovernmental funding significantly impacts village financial performance.

The size variable exhibits a t count of 7.284 and a significance value of 0.001, as indicated in table 4.10. The criteria for determining the acceptance or rejection of the hypothesis are contingent upon the significance value's magnitude. If the significance is less than or equal to 0.05, the hypothesis result is accepted. The results yielded a significance value of 0.001, indicating that size partially influences the financial success of the town.

The wealth variable exhibits a t count of 8.241 and a significance value of 0.001, as seen in the results presented in table 4.10. Decisions about the hypothesis are accepted or rejected depending on the significance value's magnitude. If the significance is less than or equal to 0.05, the hypothesis is accepted. The results yielded a significance value of 0.001, which is less than 0.05, leading to the conclusion that the wealth variable marginally influences the village's financial performance.

The calculation results presented in table 4.10 indicate that the intergovernmental revenue variable has a t count of (-0.052) and a significance value of 0.959. Decisions about the hypothesis are accepted or rejected depending on the significance value's magnitude. If the significance is less than or equal to 0.05, the hypothesis is accepted. The results yielded a significance value of 0.959, beyond 0.05, leading to the conclusion that the intergovernmental revenue variable had no meaningful partial effect on village financial performance.

CONCLUSION

The F test results indicate that the factors of Size, Wealth, and Intergovernmental revenue collectively exert a considerable influence on village financial performance. The t-test results indicate that size exerts a positive and substantial influence on the financial performance of villages in the Krian sub-district, Sidoarjo, East Java. This suggests that communities with a high size value will influence their financial performance. The t-test results indicate that wealth exerts a positive and substantial influence on the financial performance of villages in the Krian sub-district, Sidoarjo, East Java. This suggests that villages with elevated wealth values will influence their financial success. The t-test results for the intergovernmental revenue variable indicate that intergovernmental revenue does not significantly impact the financial performance of villages in Krian District, Sidoarjo, East Java.

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