

Utilization of Village Funds and Village Development Expenditures: The Role of Village Budget Stress as Moderator Variable

Ronald Tehupuring
STIE YKPN Yogyakarta, Indonesia

Dhea R. Yunita
STIE YKPN Yogyakarta, Indonesia

Abstract:- Inequality in development between regions in Indonesia is still a challenge for the government. The facts prove that there are still provinces, districts and villages that are categorized as underdeveloped. Therefore, the importance of using village funds in reducing development inequality is an important concern of the government. In addition, the inconsistency of prior research findings suggests the importance of this study. This study aims to examine the effect of the utilization of village funds on village development expenditures moderated by village budget stress. The research sample was all provincial governments using a purposive sampling method that reported village fund data, village fund allocations, village development expenditures, revenue, and expenditures for 2017-2019. This study uses Partial Least Square (PLS) to test the research hypothesis. The results suggests that the utilization of village funds has a positive and significant effect on village development expenditures, village budget stress has a negative and significant effect on village development expenditures. However, village budget stress cannot moderate the effect of the utilization of village funds on village development expenditures. The results of the sensitivity test support the main test results of this study. The implication of this research is important for the village government to utilize village funds and village fund allocations to reduce the village budget stress, so that it can increase village development expenditures in achieving the level of prosperity of all village residents.

Keywords:- Village Budget Stress, Village Development Expenditures, Utilization of Village Funds.

I. INTRODUCTION

Determination of underdeveloped areas in 2020-2024 based on PP. 63 of 2020 shows that there are still 62 districts in 11 provinces which are considered underdeveloped areas. In addition, the Developing Village Index (IDM) average shows that in 2019 the categories of provinces are developed (2 Provinces), developing (21 Provinces), underdeveloped (8 Provinces), and very disadvantaged (2 Provinces). The village status in 2019 shows that the village category is independent (833 villages), advanced (8,620 villages), developing (38,270 villages), underdeveloped (20,536), and very underdeveloped (6,693). These various phenomena indicate that the existence of development gaps or inequalities between regions in

Indonesia is still a challenge that must be resolved by the government to improve the welfare of the community.

This development imbalance needs to be supported by the realization of village development expenditures. Village development expenditures is spending used by the village government to finance village development, such as repairing irrigation, paving roads and so on (Sujarweni, 2015). BPS (2020) explains that the implementation of village development, such as development, utilization and maintenance (a) infrastructure and village environment, (b) health facilities and infrastructure, (c) educational and cultural facilities and infrastructure, (d) development of productive economic enterprises and development, (e) economic facilities and infrastructure, and (f) environmental preservation. To support this sector, the percentage of village development expenditure is relatively higher than that of village government administration, community development, community empowerment, and unexpected spending. Data on the realization of village development expenditures throughout Indonesia for the last three years shows that in 2019 (Rp. 60.651 billion or 53,34% of total expenditure), 2018 (Rp. 53.875 billion or 54,55% of total expenditure), and 2017 (Rp. 55.784 billion or 57,46% of the total expenditure), so that this portion of expenditure dominates other village expenditures.

The high expenditure for village development needs to be supported by optimal utilization of village funds. Utilization of village funds is an effort of the village government to carry out governance, development, guidance, and community empowerment in order to improve community welfare. Utilization of village funds can be sourced from village funds as well as village fund allocations. Rahayu (2017) explains that the allocation of village funds to districts/cities is based on the number of villages by taking into account the population, poverty rate, area size, and geographic difficulty level, so that village funds are used to fund village authority with priority to support village development programs and community empowerment. BPS (2020) explains that village funds come from the APBN intended for villages that are transferred through the district/city APBD and used to finance government administration, development implementation, community development, and community empowerment.

The next use of village funds is the allocation of village funds. Sujarweni (2015) explains that village fund allocations are funds allocated by districts for villages. The allocation of village funds comes from the district/city APBD which comes

from the portion of the central and regional financial balancing funds received by the district /city for the village at least 10% after deducting the Special Allocation Fund (BPS, 2020). Tangkumahat et al. (2017) show that the community's economy can improve when there is a village fund program due to infrastructure improvements in the form of construction of agricultural roads, so access to transportation from plantation locations is easier, thus accelerating the process of selling agricultural products. Dasuki (2020) explains that the government policy in providing transfer funds in the form of village fund allocations provided to village governments has been going well because village officials are more positioning the use of village fund allocations as village expenditures aimed at community resources and the implementation of village government.

Prior research has shown an inconsistency in the effect of the use of village funds on development expenditures. Martini et al. (2020) show that village funds and village fund allocations have a positive and significant effect on village development expenditures. The results of research by Dasuki (2020) and Dewi & Irama (2018) show that the allocation of village funds has a positive and significant effect on village expenditures. Triyono (2018) shows that the allocation of village funds and village development has a positive and significant effect on community welfare. However, Jamaluddin et al. (2018) show that the management and use of village funds does not have a significant impact on regional development and that village development programs are not synchronized with regional development policies. This condition is due to the fact that villages have broad authority in determining their program plans and regions lack the authority to integrate development program policies.

The important role of the use of village funds in village development will increase if the village government does not experience budgetary stress. Budget stress is a condition of limited income in meeting expenditure needs (Arnett, 2011; Chapman, 2003). The presumption stress shows that the government's fiscal condition is deteriorating as indicated by the negative budget stress ratio, so that there is a potential for a budget deficit (Boukari & Veiga, 2018). Therefore, the availability of village resources that are supported by the effective use of village funds is an important factor in the success of the village government in overcoming the problem of budgetary stress, on the other hand, when there are limited village resources that are not supported by effective utilization of village funds, the village budget will experience stress. due to the increasing need for village expenditures. Village budgets that are managed effectively, efficiently, transparently, accountably and professionally are important factors for the success of the village government in achieving the level of community welfare.

Previous research shows that there is an inconsistency in the effect of budgetary stress on local government performance which is used as a reference for this study. The results show that budgetary stress has a positive and significant effect on economic growth (Sari et al., 2021); and regional financial performance (Muryawan & Sukarsa, 2016). However, budgetary stress also has a negative and significant

effect on budget absorption (Hanif & Suparno, 2017); changes in regional expenditures (Junita & Abdullah, 2016); growth in own-source revenue and growth in direct expenditures (Manafe et al., 2018). The results show that budgetary stress does not have a significant effect on the performance of government independence (Hariani & Widyawati, 2020); and regional financial performance (Anggraeni & Kiswanto, 2018).

The phenomenon of development inequality between regions in Indonesia and supported by inconsistent research results is the motivation for this research to be carried out. Therefore, this study aims to examine and analyze the effect of the utilization of village funds on village development expenditures moderated by village budget stress. Based on the background description above, this study has three hypotheses as follows.

- H₁: The utilization of village funds has a positive effect on village development expenditures.
- H₂: Village budget stress has a negative effect on village development expenditures.
- H₃: Village budget stress has a negative effect on the relationship between the utilization of village funds and village development expenditures.

II. RESEARCH METHODS

This study uses all provincial governments in Indonesia through a purposive sampling method during 2017-2019. Village fund data, village fund allocations, village development expenditures, village income and expenditure are obtained through the website www.bps.go.id. The research sample selection process is as follows.

Table 1. Sample Selection Process

Criteria	Yes
Provincial governments in Indonesia during 2017-2019	34
Research data are not available at BPS	(1)
Analysis year 2017-2019	3 Years
Number of research observations	99
Note: The provincial government that does not have data on village funds, village fund allocations, village development expenditures, village income and expenditures is DKI Jakarta province.	

Source: data obtained by researchers, 2021

The variables of this research are the utilization of village funds as an independent variable, village budget stress as a moderating variable, and village development expenditures as the dependent variable. The operational definitions and measurements of these three variables are as follows.

Table 2. Definition and Measurement of Variables

Definition	Measurement
Utilization of Village Funds The efforts of the	$IADD = \frac{\text{Actual Allocation Funds for Village}}{\text{Budget Allocation Funds for Village}} \times 100$

village government to organize governance, development, fostering and empowering the community to improve community welfare.	$IDDE = \frac{Actual\ Village\ Funds}{Budget\ Village\ Funds} \times 100\%$
Village Budget Stress The fiscal condition of the village government when village expenditure is not balanced with village income.	$TEAD = \frac{Revenue - Expenditures}{Revenue} \times 100\%$
Village Development Expenditures The expenditure used by the village government to finance village development.	$CAPEX = \frac{Actual\ Village\ Development\ Expenditure}{Budget\ Village\ Development\ Expenditure}$ $REAM = \frac{Actual\ Village\ Development\ Expenditure}{Budget\ Expenditure}$

Notes:

IADD: Percentage of Realized Village Fund Allocation to Village Fund Allocation Budget.

IDDE: Percentage of Village Fund Realization against Village Fund Budget.

TEAD: Percentage of Village Income and Expenditure Budget Difference to the Income Budget.

CAPEX: Percentage of Village Development Expenditure Realization against Village Development Budget.

REAM: Percentage of Realized Village Development Expenditures against the Total Village Expenditure Budget.

This study uses the PLS approach to test the research hypothesis. The important reason for using this approach is

because the research variables have two proxies in explaining the variables of the use of village funds and village development expenditures, as well as the relatively smaller number of samples when compared to covariance-based SEM (AMOS or LISREL). This approach is also considered more efficient in testing research hypotheses than the OLS model which must be tested in stages. The PLS approach explains the existence of measurement and structural models.

Measurement model to test the validity and reliability of indicators or proxies in explaining research variables. This study uses secondary data that has been tested for validity and reliability because it has been published by BPS. However, the measurement model is still used by researchers to measure the most appropriate proxies in explaining the research variables. After the measurement model meets the measurement criteria, the researcher performs a structural test to test the research hypothesis.

Testing the moderation effect using the criteria of Baron & Kenny (1986), namely, separating the main effect and the moderating effect.

III. RESULTS AND DISCUSSIONS

This study uses descriptive statistics to describe the mean and standard deviation of the research variables. Descriptive statistics display is as follows.

Table 3. Descriptive Statistics

Variable (Indicator)	Obs.	Mean	Std. Dev
Village Development Expenditures	99	101,301	12,789
CAPEX		53,007	9,173
Utilization of Village Funds	99	101,307	10,079
IADD		102,555	16,781
IDDE			
Village Budget Stress	99	1,233	3,994
TEAD			

Source: data obtained by researchers, 2021

Table 3 shows that the number of observations in this study is 99 observations. This means that there are 33 provincial governments used in the research for three years (2017-2019). The table also shows that the mean value of village development expenditure as measured by the percentage of realized village development expenditure is higher than the village development expenditure budget (CAPEX). This condition also applies to the realization of village development expenditures that dominate the village expenditure budget (REAM), thus providing a positive signal for the development of village development. The mean value of village fund utilization as measured by the percentage of realization of village fund allocation is higher in the village fund allocation budget (IADD). This condition also applies to the percentage of realization of village funds against the village fund budget (IDDE), so that the allocation of village

funds and village funds is effectively utilized by the village government. The village budget stress variable (TEAD) shows the mean value does not reach 2%, thus indicating low stress on village budgets. The standard deviation of this study shows the data fluctuation of each research variable.

This study measures each proxy in explaining indicators as shown in Figure 3. This figure shows that the allocation of village funds (IADD) is the largest portion in explaining the use of village funds compared to proxies for village funds (IDDE). On the side of village development expenditures, it is found that the realization of village development expenditure on the village development expenditure budget (CAPEX) is the largest portion in explaining this variable when compared with the realization of village development expenditure on the village expenditure budget (REAM).

stress than IADD (-0.076), IDDE (-0.260), CAPEX (0.128), and REAM (0.214). This condition indicates that the assumption of the measurement model's cross loading has been fulfilled. ***, ** significance at the 1%, 5% level. The negative budget stress ratio indicates the higher the budget stress on the local government, so that when the hypothesis coefficient is positive it shows the lower the influence of the independent variables on village budget stress.

Source: data obtained by researchers, 2021

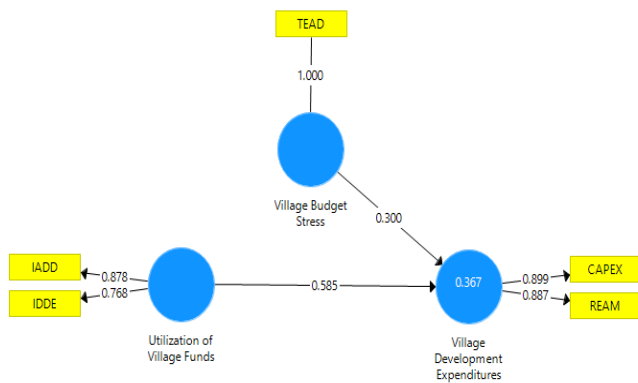


Figure 1. Outer Model

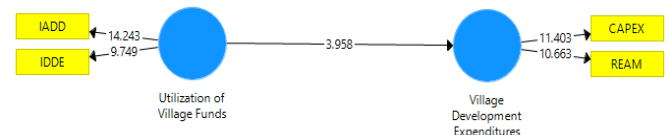


Figure 2. Main Effect Model

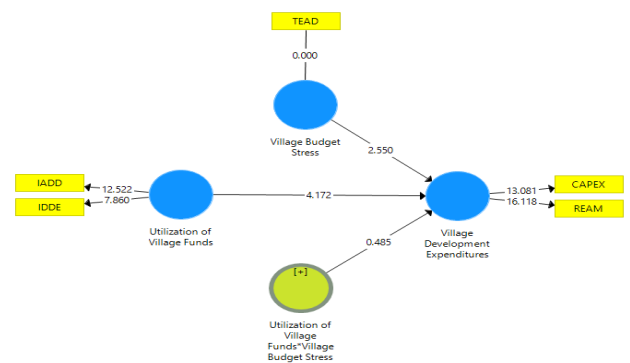


Figure 3. Moderating Effect Model

Table 4. Hypothesis Testing Results

Independent Variables	Dependent Variable: Village Development Expenditures Main Effect		Dependent Variable: Village Development Expenditures Moderating Effect	
	Coef.	t-stat.	Coef.	t-stat.
Utilization of Village Funds	0,531	3,958***	0,635	4,172***
Village Budget Stress			0,308	2,550**
Utilization of Village Funds*Village Budget Stress			0,077	0,485
Adjusted R ² (%)	36,7%		37,7%	
Obs.	99		99	

Notes: Composite reliability utilization of village funds (0.809), village budget stress (1,000), and village development expenditures (0.888). Average Variance Extracted (AVE) utilization of village funds (0.681), village budget stress (1,000), and village development expenditures (0.798). Cross loading of IADD (0.878) and IDDE (0.768) is higher in explaining the utilization of village funds compared to CAPEX (0.509), REAM (0.435), and TEAD (-0.186). Cross loading CAPEX (0.899) and REAM (0.887) are higher in explaining village development expenditures compared to IADD (0.493), IDDE (0.369), and TEAD (0.190). Cross loading TEAD (1,000) is higher in explaining village budget

Based on table 4, figures 2 and 3 show the results of testing the research hypothesis. H₁ is the utilization of village funds has a positive effect on village development expenditures. The test results show that the effect of the utilization of village funds on village development expenditures has a coefficient value of 0,531 and the t-statistic is 3,958 at the level of < 1%. This condition shows that the utilization of village funds has a positive and significant effect on village development expenditures, so that **H₁ is supported**. The facts prove that the high expenditure for village development is supported by the optimal use of village funds. This condition is shown by the high average percentage of the utilization of village funds and village development expenditures. The village government uses the use of village funds as an effort to organize governance through the village development sector. Village development is carried out by the village government through the development, utilization and maintenance of (a) village infrastructure and environment, (b) health facilities and infrastructure, (c) educational and cultural facilities and infrastructure, (d) development of productive economic enterprises and development, (e) economic facilities and infrastructure, and (f) environmental preservation.

H₂ is the the village budget stress has a negative effect on village development expenditures. The test results show that the effect of village budget stress on village development expenditures has a coefficient value of 0,308 and the t-statistic is 2,550 at the level of < 5%. This condition indicates that village budget stress has a negative and significant effect on village development expenditures, so that **H₂ is supported**.

Budget stress is a condition of limited income in meeting expenditure needs (Arnett, 2011; Chapman, 2003). Budget stress indicates a deteriorating government fiscal condition as indicated by a negative budget stress ratio, so that there is a potential for a budget deficit (Boukari & Veiga, 2018). The facts show that despite the low stress on the village budget, this can be a determining factor for low village development expenditures. This condition shows that village governments that are experiencing budgetary stress do not have the flexibility to finance village development expenditures.

H₃ is that village budget stress has a negative effect on the relationship between the utilization of village funds and village development expenditures. The test results show that the effect of village budget stress on the relationship between the use of village funds and village development expenditures has a coefficient value of 0,077 and the t-statistic is 0,485 at the level > 1%, 5%, and 10%. This condition shows that stress from the village budget cannot reduce the relationship between the utilization of village funds and village development expenditures, so that **H₃ is not supported**. Although budgetary stress can reduce village development expenditures, when the village government uses village funds optimally, it shows that the village government can reduce the stress on the village budget in financing village development expenditures. This condition will provide opportunities for the village government to organize government through the field of village development with the aim of achieving community welfare.

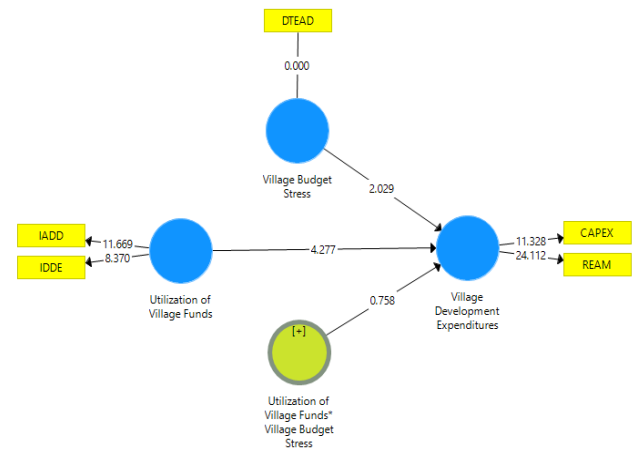


Figure 4. Moderating Effect Sensitivity Model

The result of H₂ sensitivity testing is that village budget stress has a negative effect on village development expenditures. The test results show that the effect of village budget stress on village development expenditures has a coefficient value of -0,248 and the t-statistic is 2,029 at the level of < 5%. This condition indicates that village budget stress has a negative and significant effect on village development expenditures, so that **H₂ is supported**. The results of the sensitivity testing are consistent with the main test results. The results of the H₃ sensitivity test show that village budget stress has a negative effect on the relationship between the utilization of village funds and village development expenditures. The test results show that the effect of village budget stress on the relationship between the use of village funds and village development expenditures has a coefficient value of 0,123 and the t-statistic is 0,758 at levels > 1%, 5%, and 10%. This condition shows that stress from the village budget cannot reduce the relationship between the utilization of village funds and village development expenditures, so that **H₃ is not supported**. The results of the sensitivity testing are consistent with the main test results.

IV. CONCLUSION AND SUGGESTION

This research concludes that the utilization of village funds can increase village development expenditures, and village budgets stress can reduce village development expenditures. However, village budget stress cannot reduce the use of village funds to increase village development expenditures. The results of the sensitivity test of this study also provide the same conclusions as the results of the main test of this study. This research implies that the village government has an influence on the use of village funds in increasing village development. Village development is carried out by the village government through the development, utilization and maintenance of (a) village infrastructure and environment, (b) health facilities and infrastructure, (c) educational and cultural facilities and infrastructure, (d) development of productive economic enterprises and development, (e) economic facilities and infrastructure, and (f) environmental preservation. The village government is considered capable of managing the revenue

Table 5. Sensitivity Test Results

Independent Variables	Dependent Variable: Village Development Expenditures Moderating Effect	
	Coef.	t-stat.
Utilization of Village Funds	0,468	4,277***
Village Budget Stress	-0,248	2,029**
Utilization of Village Funds*Village Budget Stress	0,120	0,758
Adjusted R ² (%)	37,7	
Obs.	99	

Note: ***, ** significance at the 1%, 5% level. Village budget stress is measured by category 1 and 0 provided that if the ratio of village budget stress is negative, it is given a score of 1 and vice versa. Therefore, when the coefficient of the hypothesis is negative, it indicates the lower the influence of the independent variable on the dependent.

Source: data obtained by researchers, 2021

budget to finance village expenditures, so that budget stress can be reduced. The aim is to expand services to the community, so that people have access to improve their economic conditions.

This study has limited data on village funds, village fund allocations, village development expenditures, as well as income and expenditure at the village government level, so this study only uses the provincial government level by taking into account data availability. This study provides an opportunity for further research to use data at the village government level by specifically examining the village government in one province in Indonesia by taking into account the phenomena and availability of data.

REFERENCES

- [1]. Anggraeni, R., & Kiswanto. (2018). The Effect of the Completeness of Financial Statement and Fiscal Stress on the Human Development Index through the Regional Financial Performance, *Accounting Analysis Journal*, 2(7), 61-68.
- [2]. Arnett, S. B. (2011). *Fiscal Stress in the U. S. States: An Analysis of Measures and Responses*. Georgia State University.
- [3]. Badan Pusat Statistik (BPS). (2020). *Statistik Keuangan Pemerintah Desa (Financial Statistics of Village Government)*.
- [4]. Baron, R. M., Kenny, D. (1986). The Moderator-Mediator Variable Distinction in Social Psychological Research: Conceptual, Strategic, and Statistical Consideration, *Journal of Personality and Social Psychology*, 51(6), 1173-1182.
- [5]. Boukari, M., Veiga, F. J. (2018). Disentangling Political and Institutional Determinants of Budget Forecast Errors: A Comparative Approach, *Journal of Comparative Economics*, 46(4), 1030-1045.
- [6]. Chapman, J. I. (2003). Local Government Autonomy and Fiscal Stress: The Case of California Countries. *State and Local Government Review*, 35(1), 15-25.
- [7]. Dasuki, T. M. S. (2020). Pengaruh Pendapatan Asli Desa dan Alokasi Dana Desa terhadap Belanja Desa di Kab. Majalengka, *Jurnal Akuntansi Keuangan dan Sistem Informasi*, 1(2), 41-54.
- [8]. Dewi, R. S., & Irama, O. N. (2018). Pengaruh Alokasi Dana Desa terhadap Belanja Desa dan Kemiskinan, *Kitabah*, 2(1), 86-101.
- [9]. Direktorat Jenderal Pembangunan dan Pemberdayaan Masyarakat Desa Kementerian Desa, Pembangunan Daerah Tertinggal dan Transmigrasi Republik Indonesia. (2019). *Status IDM (Indeks Desa Membangun) Provinsi, Kabupaten, Kecamatan Tahun 2019*.
- [10]. Hanif, I., & Suparno. (2017). Pengaruh Waktu Penetapan Anggaran dan Fiscal Stress terhadap Serapan Anggaran pemerintah Kabupaten/Kota di Provinsi Aceh, *Jurnal Ilmiah Mahasiswa Ekonomi Akuntansi (JIMEKA)*, 2(4), 107-115.
- [11]. Hariani, E., & Widyawati, R. F. (2020). The Effect of Fiscal Stress, Original Local Government Revenue and Capital Expenditures on Efficiency Ratio of Government Independence Performance, *Jurnal Ekonomi dan Studi Pembangunan*, 12(1), 18-25.
- [12]. Jamaluddin, Y., Sumaryana, A., Rusli, B., & Buchari, A. A. (2018). Analisis Dampak Pengelolaan dan Penggunaan Dana Desa terhadap Pembangunan Daerah, *Jurnal Ilmu Pemerintahan dan Sosial Politik UMA*, 6(1), 14-24.
- [13]. Junita, A., & Abdullah, S. (2016). Pengaruh Fiscal Stress dan Legislature Size terhadap Expenditure Change pada Kabupaten/Kota di Sumatera Utara, *Jurnal Akuntansi*, 20(3), 477-478.
- [14]. Manafe, M. W. N., Ena, Z., & Adu, S. S. (2018). Fiscal Stress: Studi Kasus Pemda Provinsi Nusa Tenggara Timur, *Wahana*, 21(2), 125-135.
- [15]. Martini, R., Zulkifli, Z., Hartati, S., & Widyastuti, E. (2020). Peran Pendapatan Desa untuk Belanja di Kabupaten Lahat, *Jurnal Ekonomi Bisnis*, 19(2), 181-187.
- [16]. Muryawan, S. M., & Sukarsa, M. (2016). Pengaruh Desentralisasi Fiskal, Fiscal Stress, dan Kinerja Keuangan Daerah terhadap Pertumbuhan Ekonomi di Kabupaten/Kota Provinsi Bali, *E-Jurnal Ekonomi dan Bisnis Universitas Udayana*, 5(2), 229-252.
- [17]. Peraturan Presiden Republik Indonesia No. 63 Tahun 2020 tentang Penetapan Daerah Tertinggal Tahun 2020-2024.
- [18]. Rahayu, D. (2017). Strategi Pengelolaan Dana Desa untuk Meningkatkan Kesejahteraan Masyarakat Desa Kalikayen Kabupaten Semarang, *Economics Development Analysis Journal*, 6(2), 107-116.
- [19]. Sari, I. P., Diana, H., & Junaidi. (2021). Pengaruh Desentralisasi Fiskal, Fiscal Stress, dan Kinerja Keuangan terhadap Pertumbuhan Ekonomi: Studi Empiris pada Kota dan Kabupaten di Provinsi Jawa Timur, *E-Jurnal Riset Akuntansi*, 10(1).
- [20]. Sujarweni, V. W. (2015). *Akuntansi Desa: Panduan Tata Kelola Keuangan Desa*. Pustaka Baru Press Yogyakarta.
- [21]. Tangumahat, F. V., Panelewen, V. V. J., & Mirah, A. D. P. (2017). Dampak Program Dana Desa terhadap Peningkatan Pembangunan dan Ekonomi di Kecamatan Pineleng Kabupaten Minahasa, *Agrio-Sosio Ekonomi Unsrat*, 13(2A), 335-342.
- [22]. Triyono, A. (2018). Pengaruh Alokasi Dana Desa dan Program Pembangunan Desa terhadap Kesejahteraan Masyarakat di Desa Bukit Lipai Kecamatan Batang Cenaka, *Jurnal Manajemen dan Bisnis*, 7(1), 42-55.

