The Effect of Village Expenditure Ratio on Village Income in Kota Pari Village, Serdang Bedagai Regency

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Abstract. The purpose of this study is to analyze the relationship between village expenditure and village income in various sectors such as village governance, village development, community development, and disaster management in Kotabari Village, Serdang Pedagai Regency, over the period of 2015-2022. The findings indicate that while village expenditure in the village government sector plays a role in influencing village income, expenditure in the areas of village development, community development, and disaster management does not have a significant impact on village income in Kotabari Village. To address this, the village government of Kotabari City aims to balance the distribution of village income by allocating no more than 40% of village expenditure to each sector. The government also plans to allocate funds towards community-focused activities, such as village-wide festivals, which aim to promote local small and medium-sized enterprises and introduce their products to a broader market, both within Indonesia and internationally. Furthermore, it is crucial for the Kotabari Village Government to be more strategic and productive in its budgeted expenditure allocation, as this can stimulate an increase in village income, particularly in terms of village-owned revenue, and move the village towards greater independence and financial sustainability.

Keywords : Village Expenditure , Village Income, Kota Pari Village

1. INTRODUCTION

Villages make up the largest portion of Indonesia's territory, spanning across the nation's vast regions. Villages serve as the foundation for the formation of political communities. Today, villages hold a crucial role as the lowest tier in Indonesia's government structure. As government entities that directly interact with local communities, villages are a primary focus of development efforts, given that rural areas dominate Indonesia's landscape. Achieving a prosperous village requires collaboration with local governments, which have the authority to regulate and manage finances effectively. Fostering independence in planning, budgeting, and executing development initiatives refers to the effort to empower local governments and communities to take control of their own development processes. This involves ensuring that local governments are capable of planning and budgeting effectively for the future, as well as executing development projects without relying excessively on external support. In the case of Pari City Village, this independence would be crucial in enhancing the village's development potential, particularly in terms of leveraging local resources and ensuring sustainable growth. Pari City Village, located in Serdang Bedagai Regency, is recognized as a tourist village due to its attractive beaches. The village's primary economic activity is fishing, and the community depends heavily on this livelihood. Developing the village's

infrastructure and services, such as improving tourism facilities, could diversify its economic base and increase village income, providing new sources of revenue beyond fishing.

The data on the realization of village revenues and expenditures in Serdang Bedagai Regency from 2018 to 2021 would provide valuable insights into how effectively the village has managed its resources and finances during this period. By analyzing this data, local authorities and stakeholders can assess whether village expenditures align with priorities, such as enhancing local tourism, supporting fishing activities, or addressing community needs. Furthermore, this analysis can help identify areas for improvement in budget planning and execution, fostering greater financial independence and sustainability for the village.

Table 1 Data on the Village Revenue and Expenditure Realization Report
(LRPBDesa) of the Serdang Regency Government for the
2018-2021 Period (In millions of rupiah)

LRPBDesa	2018	2019	2020	2021
Village Income	461.210.477	500.308.383	540.890.328	546.838.766
Village Shopping	461209.467	497.428.599	562.273.147	560.032.112

Source : BPS, 2023

Table 1 illustrates that village income and expenditure over the four-year period, both before and during the COVID-19 pandemic (2018-2021), experienced an approximate increase of 2%. Village income is composed of Village Original Income, Transfer Income, and Miscellaneous Income. A village is considered independent if its Village Original Income exceeds its Transfer Income. According to Anugeraheni et al (2022), villages should optimize their own village revenues by strengthening their control over revenue sources and exploring and developing local opportunities to increase revenue. This increase in village own revenues contributes to more efficient local revenue collection. Martiastuti (2021) improves the quality of human resources, ensures transparency and answerability, and strengthens the village-owned enterprise (BUMD) management to generate village revenue (PADes) and ultimately improve economic performance.

Villages are expected to manage their expenditure financing in an efficient manner, which involves avoiding unnecessary or excessive spending and ensuring that funds are used effectively to meet the goals of increasing village revenue and improving income. According to Damayanti (2021), funds that are considered efficient in the village

context typically indicate that the services provided to the community are well-received and meet the needs of the residents. Therefore, prioritizing efficiency in spending helps ensure that village resources are not wasted and that they are used for the right purposes. Inefficiency in village financial management can result from improper planning, such as inaccurate financial projections for development projects or government activities. Additionally, failure to prioritize funding based on necessity can prevent the achievement of intended outcomes, as highlighted by Rahmadani (2019). Inefficiencies hinder the effective use of funds, which can ultimately delay or impair the success of development programs that benefit the community. To mitigate these issues, villages should implement continuous monitoring and control mechanisms. This ensures that village funds are allocated correctly and used according to their intended purposes, in line with the objectives set out by the local government. Martiastuti (2021) emphasized that proper monitoring helps prevent misuse and ensures that expenditures align with the village's development goals.

Syah (2021) further pointed out that village policies are typically carried out through various programs and activities that are framed within the budget plan (APBD). This alignment between policy and budget is crucial for ensuring that the intended outcomes of these policies are achieved. Given the research gaps identified in previous studies, this study aims to explore the relationship between village expenditure in areas such as village governance, development implementation, and disaster management, and how these expenditures influence village income in Pali Municipal Village, Serdang Pedagai District. The goal is to analyze the impact of these variables and offer insights into improving financial efficiency and the overall development process in the village.

2. LITERATURE REVIEW

Agency Theory in Government

City administrations need to be supervised to ensure that they operate in accordance with the various rules and regulations in place. This supervision is crucial to ensure that local governments perform their duties properly, following the rules, and preventing any misuse of power or deviations. Local government performance also requires transparency, which means providing information that can be communicated to the community. This ensures accountability, where the public can know and evaluate what the government is doing. The goal of providing transparent information is to create a balance between the agent (the government) and the client (the public). This process

reduces information asymmetry, a situation where one party (in this case, the government) has more information than the other party (the public). When information is not shared clearly, opportunities for corruption or abuse of power increase. By transferring information openly, this information imbalance can be minimized, thus reducing the risk of corruption.

Agency theory further explains the relationship between two parties in a contract: the party granting authority (the delegator) and the party receiving authority (the agent). Agency problems arise when the delegator gives decision-making authority to the agent. In the context of government, agency problems can occur because governments (as agents) may not always prioritize the interests of society (the delegator). This means that governments may not always act in the public's best interests, leading to the misuse of power or inefficient policies. Therefore, it is essential to maintain transparency, provide sufficient information to the public, and ensure supervision to minimize potential agency problems. Agency theory highlights the significant information asymmetry between the agent (the government) and the principal (the public), who lacks direct access to critical information. This imbalance enables agents to engage in embezzlement and corruption. Implementing checks and balances mechanisms can help reduce information asymmetries and enhance the accountability of local governments in their performance.

Village Income

All city revenues come from sources owned or controlled by the city. City revenues include all fees charged by the city and are reported as an addition to the city's net financing generated during each fiscal year. The Government Accounting Standard Statement No. 2 on the Budget Execution Report in Government Regulation No. 71 of 2010 "Government Accounting Standards (GAS)" states that revenues are the rights of the state and do not have to be paid by the government. This aspect is part of the Budget Execution Report.All revenues from the general cash account of the state/region should be added to the working capital for the accounting period. According to Regulation of the Minister of Home Affairs of the Republic of Indonesia No. 113 (2014), city revenues consist of all cash receipts through the city account and taxes that have not been paid by the city for the fiscal year. Village revenues mean all cash receipts of the village that increase the village's capital and rights as a village government during the applicable fiscal year and do not need to be paid by the village government. In simple terms, city and village revenues consist of all receipts obtained during a specific period that increase the assets or capital of the local government and do not require repayment by the

government. These revenues are crucial as they become sources of funding for the operational activities and development of the city or village.

According to Article 72 paragraph (1) of the Village Law, village revenue is derived from various sources that support its financial independence and development. One key source is Village Original Income, which includes proceeds from village-owned businesses, asset utilization, community contributions, mutual cooperation, and other village-specific income streams. Additionally, villages receive allocations from the State Budget (APBN) and a share of revenue from regional taxes and regency or city levies. Village funds are also allocated as part of the balanced funds distributed to regencies or cities. Financial assistance from the Provincial Budget (APBD) and the Regency/City Budget further supplements village income. Villages can also benefit from non-binding grants and donations provided by third parties, as well as other legitimate income sources recognized by applicable regulations. These diverse revenue streams play a crucial role in enhancing village autonomy and enabling sustainable development.

Village Shopping

Expenditures in the Indonesian government accounting environment are defined as all expenditures of the state/regional public treasury that reduce the current capital of the fund in the relevant accounting period and are not reimbursed by the government. Irma (2015) explained that village expenditures are all expenditures that reduce the budget surplus balance for the said fiscal year period from the village general cash account and are not reimbursed by the village government. Village expenses are based on the Regulation of the Minister of Interior of the Republic of Indonesia No. 113 of 2014. With regard to village financial management, all expenses from the village account are the village's obligation in one budget year. No reimbursement is made from the city. The amount of town expense subsidy must be adjusted according to the revenue received by the town. As the city's revenue increases, so will the city's expenditures available for the development of the city. As the expenditure in the city increases every year, the development of urban and village infrastructure will also increase significantly in the coming years (Hoesada, 2014).

1. The provisions of Government Accounting Standards (GAS) No. 3 of Government Regulation No. 71 of 2010 on Government Accounting Standards (GAS) on Cash Flow Statement stipulate that expenses are all amounts withdrawn from the general cash account of the state/region in excess of the current fund capital. It is stipulated that the cost is that which has not been reimbursed by the government during the

fiscal year. Anwar Mishal (2011) explains that the types of village expenses consist of: personnel costs are fixed income and allocations to village heads and village organizations, and the cost of social development allocations. It has been budgeted by the implementation group of the city council. Fixed income payment activities and monthly contributions.

2. Goods and Services Expenditure is an expenditure on the purchase/procurement of goods that are considered to be less than 12 (twelve) months. Procurement of goods/services   includes : Office supplies, postal items, materials, maintenance, printing and copying, rental of village hall, rental of office equipment and fixtures, food and drink during meetings, formal attire and attributes, official travel, remuneration for work, remuneration for professionals, operation of village government village police station, neighbourhood unit/block unit incentives etc.

3. Capital Expenditure is an expenditure in the context of purchasing/procuring goods or buildings whose beneficial value is more than 12 (twelve) months. Purchase/procurement of goods or buildings for activities to implement village authority.

3. METHODS

The study conducted is a quantitative correlational study aimed at examining the relationship between the proportion of village expenditure in various areas such as village management, village development implementation, Mestran development, and disaster management, and village income in Kutabali Village, Serdangpedajai District. The results indicate that village expenditure in these areas has an impact on village income. In analyzing the data, a series of classical hypothesis tests were performed, including the normality test to ensure normal data distribution, the variance test to evaluate the consistency of data variation, the multiple correlation test to examine the relationship between several variables, and the autocorrelation test to check for model misspecification. Next, partial tests (P test) were conducted to assess the impact of each variable, simultaneous tests (F test) to test the significance of the entire model, and the coefficient of determination test (R^2 test) to determine how much of the variation in village income could be explained by the independent variables. All data were processed using SPSS software, resulting in multiple linear regression equations that form the basis for analyzing the relationships between the variables in this study.

logPD = a + b1logBBPenyPD + b2logBBPelPD + b3 logBBPK + b4 loBBPB + e

4. RESULTS

Classic Assumption Test Results

Below are the results of testing the classical assumptions in this study:

1. Test Normality

The normality test in this study aims to test whether the confounding or residual variables in the regression model are normally distributed. The graph and the normal P-P graph for standardized residual regression are shown below.
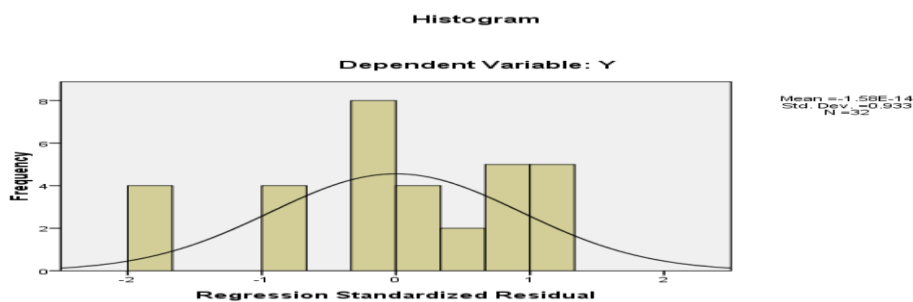
Source : Data Processed by SPSS, 2023

Figure 1 Histogram
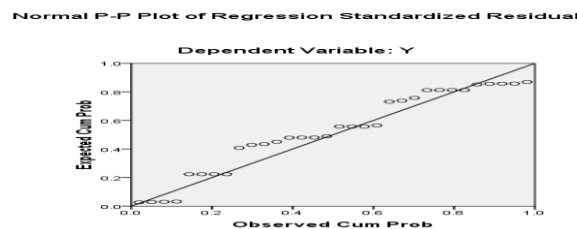
Source : Data Processed by SPSS, 2023

Gambar 2. Normal *P-P Plot of Regression Standardized Residual*

In the histogram chart display, the residual value distribution data shows a normal distribution, this is expressed in an almost perfect (symmetrical) bell-shaped image. Then the statistical test to test the residual normality in this study using the Kolmogorov-Smirnof non-parametric statistical test (*1-sampleK-Stest*) is

Tabel 2 One Sample Kolmogorov-Smirnov Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		32
Normal Parametersa	Mean	.0000000
	Std. Deviation	.04800548
Most Extreme Differences	Absolute	.151
	Positive	.114
	Negative	-.151
Kolmogorov-Smirnov Z		.856
Asymp. Sig. (2-tailed)		.456
a. Test distribution is Normal.		

Source : Data Processed by SPSS, 2023

From the results of the statistical test, the Kolmogorov-Smirnov value was obtained at 0.856, and it was insignificant at $\alpha = 0.05$ (asymp. Sig = 0.456 > 0.05) so the Ho hypothesis is accepted, which says the residual data is normally distributed. Thus the regression model fulfills the assumption of normality.

2. Multicollinearity Test

The multicollinearity test in this study aims to examine whether there is a correlation between independent variables in the regression model. Multicollinearity occurs when two or more independent variables are highly correlated, which can distort regression analysis results and make it difficult to determine the effect of each variable. To detect multicollinearity, two common indicators are used: **Tolerance** and **Variance Inflation Factor (VIF)**.

Tolerance measures the proportion of variance in a predictor variable that cannot be explained by other predictor variables in the model. A tolerance value less than 0.10 indicates significant multicollinearity, meaning that the variable is highly correlated with other variables in the model. On the other hand, **VIF** is the inverse of tolerance and measures how much the variance of regression coefficients is inflated due to collinearity with other variables. If the VIF value is greater than 10, it indicates the possibility of multicollinearity.

In this study, multicollinearity is considered absent if the **Tolerance** value is greater than or equal to 0.10, or the **VIF** value is less than or equal to 10. If these conditions are met, it can be concluded that there is no severe multicollinearity, allowing for more reliable interpretation of the regression model results.

Tabel 3 *Collinerity Statistics*

T	Mr.	Collinearity Statistics	
		Tolerance	BRIGHT
41.249	.000		
-2.115	.044	.115	8.698
-.493	.626	.275	3.643
-.230	.820	.411	2.432
.009	.993	.095	9.578

Source : Data Processed by SPSS, 2023

The results of the Tolerance value statistical test showed that there were no independent variables that had a *Tolerance* value of less than 0.10, and likewise the results of the *Variance Inflation Factor* (VIF) calculation showed that the VIF value was less than 10.

3. Heteroscedasticity Test

The heteroscedasticity test in this study aims to test whether in regression there is an unevenness in *variance* from the residual of one observation to another, which can be seen in the figure below.
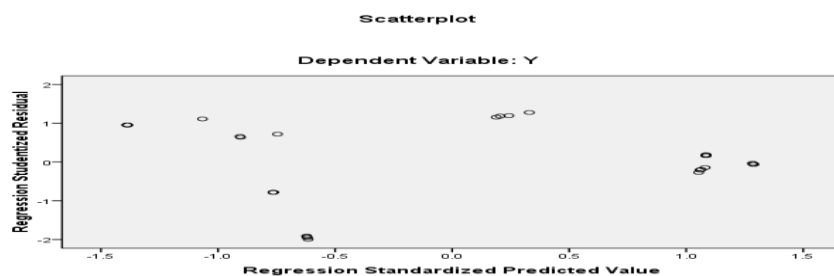
Source : Dta Diprocessed 2023

Figure 3. Scatterplot

4. Autocorrelations Test

Detecting the autocorrelation test using the Durbin waston value with the criterion if the DW number is between -2 to + 2, then no autocorrelation occurs.

Table 4 Durbin Waston Model 2 Test

Change Statistics					Durbin-Watson
R Square Change	F Change	df1	df2	Sig. F Change	
.515	7.159	4	27	.000	.226

Source : Data Processed by SPSS, 2023

Based on table 4, the Durbin Waston value is 0.226, so the DW number is between -2 to +2, this does not autocorre.

Hypothesis Testing

1. Simultaneous Test (Test F)

The following are the results of the simultaneous test in this study:

Table 5. Simultaneous Test (Test F)

ANOVAb

Model		Sum of Squares	df	Mean Square	F	Mr.
1	Regression	.076	4	.019	7.159	.000a
	Residual	.071	27	.003		
	Total	.147	31			

a. Predictors: (Constant), X4, X3, X2, X1

b. Dependent Variable: Y

Source: Data Processed 2023

From the SPSS output results, the analysis of variance yielded an F value of 7.159 with a probability level of 0.000. This means that there is a significant simultaneous effect of the proportion of village expenditure in the areas of village governance, village development implementation, community development, and disaster management on village income in Kota Bali village, Serdang Pedagai district ($p = 0.000 < \alpha = 0.05$). In more detail, the high F value indicates that the variables being tested together have a significant contribution to village income. The probability level (p-value) smaller than 0.05 ($p = 0.000$) shows that the result is not due to chance, meaning there is a strong relationship between the village expenditure management in these various areas and the increase in village income. Therefore, it can be concluded that good management of village expenditures in these sectors has an impact on increasing village income in that village.

2. Partial Test (t-Test)

The following are the results of the partial test in this study

Table 6 Partial Test (Test t)

Coefficientsa

Model	Unstandardized Coefficients		Standardized Coefficients	t	Mr.
	B	Std. Error	Beta		
1 (Constant)	8.970	.217		41.249	.000
X1	-.128	.061	-.836	-2.115	.044
X2	-.005	.011	-.126	-.493	.626
X3	.0001	.002	-.048	-.230	.820
X4	.0001	.017	.004	.009	.993

a. Dependent Variable: Y

Source : Data Processed by SPSS, 2023

Based on table 6, the multiple regression equation is obtained as follows;

$$Y2 = 8.970 - 0,128\ X1 – 0.005\ X2 - 0,0001\ X3 – 0.0001\ X4$$

The results of the subtest of this study showed that the t-score of the village expenditure ratio variable (X1) in the village government implementation area is -2.115, and the probability level is 0.044. Consequently, the proportion of village expenditure in the village government implementation area has a negative impact on village income in the villages of Paris. The t-test results show that the village expenditure ratio variable (X2) in the village development implementation area has a t-value of -0.126 with a probability level of 0.626. This indicates that the proportion of village expenditure in the development implementation area does not negatively impact village income in Parys Municipality. Similarly, in the community development sector (X3), the t-value is -0.230 with a probability level of 0.820, indicating that the village expenditure ratio in this sector also does not have a negative impact on village income in Parys Municipality. The t-value for the variable urban expenditure ratio for disaster management (X4) is 0.009 and the probability level is 0.993. Therefore, the village expenditure on disaster management does not positively affect the village income in Parys Municipality.

3. Determination Coefficient Test (R2)

The Coefficient of Determination test aims to see how much the model is capable of explaining dependent variables. be

Table 7 Test of Determination Coefficient

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.717a	.515	.443	.051439	.515	7.159	4	27	.000

a. Predictors: (Constant), X4, X3, X2,

X1

b. Dependent Variable: Y

Source : Data Processed by SPSS, 2023

From the output results in Table 4.6, an R-squared value of 0.515 and an adjusted R-squared value of 0.443 were obtained. This means that 44.30% of the village expenditure ratio variable can be explained by the variables in the model, which in this case are the areas of village governance, village development implementation, community development, and disaster management. The remaining 55.70% is influenced by other factors that were not considered in this study.

The R-squared value of 0.515 indicates that the model can explain more than half of the variability in the village expenditure ratio. However, the lower adjusted R-squared value (0.443) informs us that after accounting for the number of variables in the model, only about 44.30% of the variability in the village expenditure ratio is explained by the variables in this model. This suggests that there are other factors beyond the variables studied that also affect the village expenditure ratio, which were not considered in this research. This explains the balance between the financial independence of the city and the contribution from the original city revenue.

Discussion

Village revenue is the revenue earned by the village consisting of the village's original income, transfer income and other legitimate income during a certain period. The village government must have a policy to increase village income every year. To increase village income, the village government needs to equip or provide facilities to the community so that they can help the goals of the village government. One way to increase village income is to allocate village expenditure which is used on target in village development, not village expenditure is used to exhaust all serdang government operational activities. The study found that the Paris city government has a type of village expenditure that depends on the village's area of operation, that is, the proportion of

village expenditure in the village government's area of operation has a negative impact on village income. This means that spending that is used entirely for village government activities or activities can increase village income in the village of Kota Pari. However, this negative direction shows the amount of expenditure of village government organizers, the amount of village income allocated will be large. This research is in line with Fatmaningsih (2021) explaining that village spending has a positive effect on village fund allocation income. Allocating expenditures to implement rural development within the city will not negatively affect the city's income. Rural spending on rural development has not sufficiently increased village incomes, so rural spending has been limited to improving facilities and infrastructure, which has not yet led to increased business activity there.

Hence, the village share of spending on community development has no negative impact on village income in Parisian villages. Rural spending on community development in Parisian villages will decline proportionately as spending is used for religious activities, independence celebrations, village birthdays or village councils. Supposedly, this activity in coaching can increase village income through the MSME Market festival, with this activity will foster the spirit of the community to do entrepreneurship and open jobs for the community, then the village government also obtains village income from the levy of its business activities. Pari City Village has a beautiful pond beach, so here the village government is introducing natural tourist attractions and a collection of MSME products from the Pari City Village Community. MSME actors also need to be given training in marketing their products to regions throughout Indonesia and abroad, then learn to sell products online so that they no longer need to go to one region to another in selling these products.

In addition, the proportion of village expenditure for disaster management does not have a positive effect on village income in Kota Bali Village. Village expenditure for disaster management in Kota Bari Village is not significant and only covers 25% of total village expenditure. The Bari City Government must ensure vigilance and preparedness to ensure the safety of the Bari City community and continue to allocate a budget for village disaster management costs. The Kota Bari Village Government plays a crucial role in village financial management. The primary role of the village financial manager is to ensure that village expenditures align with the operational needs of the city and the community. Although the funds allocated so far have been used for development in areas accessible to the community, the village has not yet established a company capable of

attracting investors. Therefore, it is very important for the Kota Bari Government to plan additional capital expenditures next year to encourage commercial investments, including expenditures for village development. Village expenditures in the areas of village governance, village development implementation, community development, and disaster management simultaneously affect village income in Kota Bari, accounting for 44.30% of the variance. The remaining 55.70% of village income is influenced by other factors not discussed here, such as the level of financial independence of the city and the contribution of the city's own revenue, which also play a role in determining the overall financial health of the village.

5. CONCLUSION

The share of village expenditures within village government organizers has a negative impact on village income, but the share of village expenditures within village development and community development has no negative impact, and disaster management has no positive impact. Impact on village income in Kotabali village. The Pari City Village Government in allocating village expenditure per field is sufficient with a percentage below 40% with the aim of balancing the allocation in village income, then for the allocation of expenditure for the development of Kemasayrakatan it is also necessary to hold a pari city village market festival event to create a business in introducing business products of the pari city community.

6. LIMITATION

Thank you to Panca Budi Development University for helping with the cost of activities in this research, hopefully the results of this research will be useful for Pari City Village and Academics who research the same research topic.

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