

The Effect of Village Fund Allocation and Capital Expenditure on Community Welfare with Financial Performance as an Intervening Variable (Study on Villages in West Denpasar District)



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ABSTRACT

Purpose: know and analyze influence of Village Fund Allocation, Capital Expenditure and Financial Performance to Public welfare.

Design/methodology/approach: Type of research quantitative, which was carried out in 8 villages in West Denpasar sub-district. Engaging sample of 40 data on village fund allocation, capital expenditure, performance finance village in West Denpasar subdistrict, with utilise tool SEM PLS model analysis.

Findings: Village Fund allocation is proven in a way positive and significant influential to Proven Community Welfare , Capital Expenditure in a way positive and significant to Community Welfare , Village Fund Allocations have an influence positive and significant Financial Performance , Capital Expenditure influence positive and significant on Financial Performance , Financial Performance influential positive and significant to Community Welfare , Financial Performance in a way positive capable role mediate the influence of Village Fund Allocation on Community Welfare and Financial Performance in a way positive capable role medation influence Capital Expenditures against Public welfare .

Practical/implications: Research results this can can used in taking decisions on villages in inner Denpasar City effort increase Public welfare.

Originality/value: This research provides new insights, first tested the intervening impact of Financial Performance on Community Welfare and provided important information to the community that community welfare also depends on funds received and managed by the village government.

KEYWORDS: Village Fund Allocation, Capital Expenditure, Financial Performance, Community Welfare, Village Development Indicators

1. INTRODUCTION

Development finance in the sector the public in Indonesia is increasingly deep rapid implementation policy government emphasize government area nor government village , deep matter this is the era of autonomy area sued For increase Power compete and earn compete between government area nor village (Rimawan and Aryani, 2019). Therefore that's expected can spur on improvement welfare public. Welfare level public an area tend reflect quality life from a area the is at. Welfare public is level prosperity resident a area or deep state fulfil need life public. West Denpasar District as ranking First density residents in the city of Denpasar since 2020-2023 obtain lowest IDM value compared to with 3 sub-districts other namely , in 2020 obtain The IDM value is 0.9064, in 2021 it is 0.8820, in 2022 it is 0.9143, and in 2023 it is 0.9229 (Village IDM in Denpasar City, 2023).

Village Fund Allocation (ADD) is sufficient funds significant for village for support village programs allocated by the Government Regency for sourced villages from part of the balancing fund finance central and regional areas accepted by the Regency (Law No. 6 of 2014 concerning Villages). Village Fund Allocation (ADD) is mandatory funding submitted by the Village Government, which originates from Districts where use is 30% for shopping apparatus and operations while 70% for shopping public as well as empowerment public

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Village capital expenditure is shopping assumed village will bring multiplier effect for economy a public with method build roads , bridges , buildings , irrigation , and so on (Halim, 2014:234). Allocation type capital expenditure in shopping village contained in each activity program statedin APBDes with composition biggest than type shopping others (Abidin, 2015). Minister of Home Affairs Regulation no. 13 of 2006 explains that capital expenditure is used For expenditure in frame purchasing / procurement or development exceeds 12 (twelve) months in activity government like form land , equipment and machinery , buildings and structures , roads , irrigation , and networks asset still other .

Financial performance government village is an ability potential finance original village in support the way system government, service society, and development the village so that it doesn't own dependence fully to government center as well as have freedom full use / make use of funds for interest public village to the specified limits through regulation applicable legislation. Financial performance a village can known through analysis or assessment comprehensive to finance a village with objective know performance finance government village in control finance his village Good or No . Analysis ratio financial reports realization budget that has been determined and implemented is onemethod analyze performance government village in control finance his village.

Village Development Index data for 4 sub-districts obtained from Satu Data Kota Denpasar (2024) (see Appendix 1) shows that West Denpasar Sub-district received the lowest IDM score since 2020-2023. These results provide direction for the formulation of meaning related to Community Welfare in Villages in West Denpasar District, namely; the financial performance of the village government, the realization of village fund allocations and capital expenditures managed by the village government. The background presented above leads to the importance of conducting research to test and analyze the influence of village fund allocations and capital expenditures on community welfare and how the role of financial performance bridges allocations. village funds and capital expenditure on community welfare.

1.1 Research Gaps

Village Fund Allocation (ADD) is sufficient funds significant for village for support village programs allocated by the Government Regency for sourced villages from part of the balancing fund finance central and regional areas accepted by the Regency (Law No. 6 of 2014 concerning Villages). Village Fund Allocation (ADD) is mandatory funding submitted by the Village Government, which originates from Districts where use is 30% for shopping apparatus and operations while 70% for shopping public as well as empowerment public. Capital expendituresgeneral give positive informationabout improvement income in the future came (Sungsoo, 2001). Capital expenditure is appropriate taken into account because related with sustainability development infrastructure and facilities the public will influential to rate growth economy public. Financial performance government village is a ability potential finance original village in support the way system government, service society, and development the village so that it doesn't own dependence fully to government center as well as have freedom full use / make use of funds for interest public village to the specified limits through regulation applicable legislation (Aini, et al., 2023). A number of study the influence of Village Fund Allocation on Community Welfare shows results positive significant (such as ; Permata, et al ., (2022); Harahap (2021) and Wasi , et al., (2023). But other research shows results No influential (such as; Khasanah and Marisan (2022). Research Capital Expenditures against Community Welfare shows results positive and significant (such as; Sita (2016) and Laksmi and Sujana (2019). However there is different results (such as; Nina and Rustariyuni (2018). Research about influence of Financial Performance to Public Welfare states influential positive and significant (such as; Habbe (2021); Wahyuni (2023). However there is different results, nosignificant influence of Financial Performance to Community Welfare (such as; Khairudin, et al., (2019).

To overcome this gap, Financial Performance is offered as a mediation of the influence of Village Fund Allocations and Capital Expenditures on Community Welfare, because Village Fund Allocations and Capital Expenditures are elements that form a village government Financial Performance report.

1.2 Problem Formulation

Formulation problem research that can displayed is; does the Village Fund Allocation have an effect? To Community Welfare, Is Capital Expenditures have an impact to Community Welfare, What is Financial Performance influential to Community Welfare, Does Village Fund Allocation have an influence? On Financial Performance, Is Capital Expenditures have an impact on Financial Performance, What is the Role of Financial Performance in mediate Village Fund Allocation towards Community Welfare, and what is the Role of Financial Performance in mediate Capital Expenditures against Public welfare.

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2. THEORETICAL FRAMEWORK

2.1. Keynesian Theory

Keynes explained that government must do mix hand in control economy national with policies in a way active so that influence motion economy. Implications Keynesian theory towards study This that is can explain finances managed by the government village as a institution government in charge task For manage finance from income earned For move wheel economy so that achieved welfare more society Good .

2.2 Stewardship Theory

According to Donaldson and Davis (1991) stewardship theory is a circumstances where is the management objective mainly No For objective personal but for interest organization. This theory indicated that there is close relationship between satisfaction and success organization. Stewardship Theory built on assumptions philosophical about characteristic man ie that human in essence can trustworthy , capable act with full not quite enough answer , have integrity and honesty to party other .

Stewardship Theory is a possible model implemented in organization sector public. Implications stewardship theory to study This that is can explain existence government village as a institutions that can trustworthy , you can give good service for public , yes hitchhiking aspirations community and capable make accountability mandated finances to him , so objective economy can fulfilled as well as welfare public can achieved in a way maximum .

2.2 Signalling Theory

Signal theory first proposed by Spence (1973). Signaling Theory is explanatory theory about reason Why government own encouragement For show signal to public . Government give signal to public Because exists asymmetry information between government with public . Asymmetry information happen Because government own more information Lots compared to public about wheel government (Bestari, et al., 2016).

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3. CONCEPTUAL FRAMEWORK AND HYPOTHESES FORMULATION

3.1 Effect of Village Fund Allocation on Community Welfare

Minister of Home Affairs Regulation Number 37 of 2007 concerning guidelines Management Village Finance article 18 states that ADD is part from finance originating village from the sourced Regency /City APBD from the balancing fund finance central and regional accepted by the government Regency /City for village at least 10%. ADD can do it too realize service for public although limited to village areas (Menkhoff , et.al , 2011).

Luju , et al ., (2020) stated that management allocation of village funds influential positive and significant to welfare public . Research result the in line with what is done Harahap (2021) and Permata, et al ., (2022) who found that allocation of village funds influential in a way positive and significant to welfare public . Based on the results of empirical studies on the influence of village fund allocation on community welfare, a hypothesis can be formulated:

Hypothesis 1: Village Fund Allocation has an influence positive to Public welfare .

3.2 The Effect of Capital Expenditures on Community Welfare

Sungsoo (2001) states that capital expenditures generally provide positive information about increasing income in the future. Capital expenditure according to PMK No. 91/PMK.06/2007 is budget expenditure used to acquire or increase fixed assets and other assets that provide benefits for more than one accounting period and exceed the minimum capitalization limits for fixed assets or other assets set by the government.

Sita (2016) found that capital expenditure has a positive and significant influence on community welfare. The research results of Laksmi and Sujana (2019) found that capital expenditure had a positive effect on community welfare. These results agree with Tampubolon (2019) who stated that capital expenditure has a positive effect on community welfare. Based on the results of empirical studies on the influence of capital expenditure on community welfare, a hypothesis can be formulated:

Hypothesis 2: Capital expenditure has an effect positive to Public welfare .

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3.3 Effect of Village Fund Allocation on Financial Performance

All activities funded by the Village Fund Allocation are planned, implemented and evaluated openly by involving all elements of the village community. All activities must be accountable administratively, technically and legally (Okta, 2014). Financial reports are a form of administrative accountability carried out by a company or government to stakeholders and the community.

Claudia (2019) found results that allocation of village funds influential positive to performance finance. Findings the in line with findings in research conducted by Priantono and Vidiyastutik (2022) and research by Setiawan and Diani (2023) found results that allocation of village funds influential in a way positive to performance finance government village . Based on the results of empirical studies on the influence of village fund allocation on financial performance, a hypothesis can be formulated:

Hypothesis 3: Village Fund Allocation has a positive effect on Financial Performance.

3.4 Effect of Capital Expenditures on Financial Performance

In PMK Number 214/PMK.05/2013 concerning Standard Chart of Accounts it is stated that capital expenditure is expenditure made in

capital formation framework which is to increase fixed assets/inventory which provides benefits for more than one accounting period, including expenditure for maintenance costs which are to maintain or increase the useful life and increase the capacity and quality of assets.

Mwangi's research (2014) found that capital expenditure had a positive effect on financial performance. These results are supported by research by Dalukitowati, et al ., (2019) who found that there is a positive relationship between capital expenditure and financial performance. Based on the results of empirical studies on the influence of capital expenditure on financial performance, a hypothesis can be formulated:

Hypothesis 4: Capital Expenditures have a positive effect on Financial Performance .

3.5 The Influence of Financial Performance on Community Welfare

Achieving goals and targets requires actual information about expected performance by comparing established policies (setting objectives). The expected information must be structured and have a clearly outlined design of performance measurements and indicators. Bastian (2010:274) defines financial performance as a description of the achievement of implementation/program/policy in realizing the goals, objectives, mission and vision of an organization.

Habbe's research (2021) found that financial performance has been proven to be able to improve community welfare. These results are supported by research by Wahyuni (2023) which found that there is a positive and significant relationship between financial performance and community welfare. This variety of empirical evidence gave rise to the following hypothesis formulation:

Hypothesis 5: Financial Performance has a positive effect on Community Welfare.

3.6 The role of financial performance in mediating village fund allocation towards community welfare

According to Raharjo (2011), performance benchmarks are measures of success achieved in each program and activity. In connection, financial performance is reporting on financial management of village fund allocations that are designed and implemented in an effort to achieve government success.

The results of research conducted by Harahap (2021) found that village fund allocation has a positive and significant effect on community welfare. The results of Claudya's research (2019) found that village fund allocation had a positive effect on the financial performance of village governments. Based on these findings, the role of financial performance in mediating village fund allocation on community welfare is formulated in the hypothesis:

Hypothesis 6: Financial Performance is able to play a mediating role in Village Fund Allocations on Community Welfare.

3.7 The role of financial performance in mediating capital expenditure on community welfare

Measuring regional government financial performance is carried out to fulfill three objectives (Mardiasmo, 2009: 121), namely improving government performance, helping allocate resources and decision making and realizing public accountability and improving institutional communication. Financial performance is reporting on financial management of capital expenditure that has been designed and implemented in an effort to achieve government success. Tampubolon research (2019) found that capital expenditure had a positive effect on community welfare. Dalukitowati, et al ., (2019) found that there is a positive relationship between capital expenditure and financial performance. Based on these findings, researchers formulated the role of financial performance in mediating capital expenditure on community welfare. Based on the results of empirical studies of financial performance in mediating capital expenditure on community welfare, a hypothesis can be formulated:

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Hypothesis 7: Financial Performance is able to play a mediating role in Capital Expenditures on Community Welfare.

Based on exposure problem research , concepts , theories and results study empirical , and hypothesis so conceptual framework and Hypotheses Formulation like shown in Figure 1.

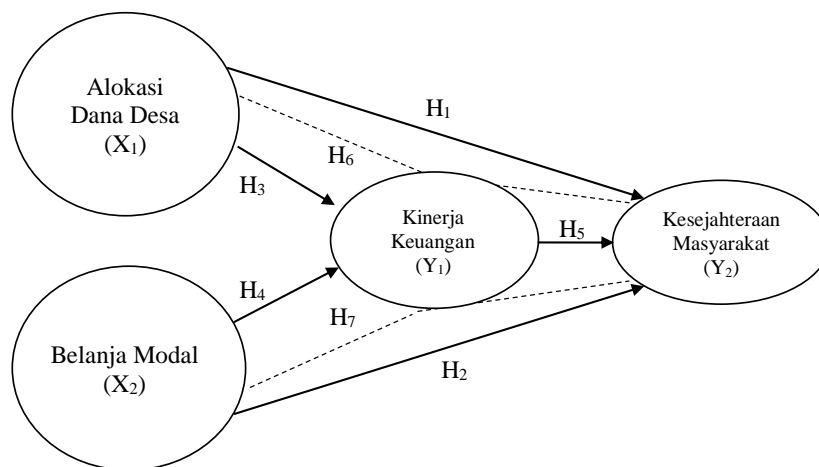


Figure 1: Conceptual framework and Hypotheses Formulation

Note : (X1) = Village Fund Allocation; (X2) = Capital Expenditure; (Y1) = Financial Performance ; (Y2) = Community Welfare

4. RESEARCH METHODS

4.1 Variables and Measures

There are two variables independent in study This that is ; Allocation of Village Funds and Capital Expenditures . Variable dependent on research This that is Community Welfare and for variable intervening in research This namely Financial Performance. Every variable measured use formula for each variable.

4.2 Sampling

Retrieval technique sample use method saturated sampling , where all amount population (a total of 40 observation data) was used as sample namely data on village fund allocation , capital expenditure , performance finance as well as welfare communities in 8 villages in West Denpasar sub - district .

5. DATA ANALYSIS

Analysis inferential done with use Structural Equation Modeling (SEM), with approach Partial Least Square (PLS) with application program assistance Smart PLS software.

Output results analysis show all over indicator own mark loading factor > 0.70, with p value < 0.05 meets criteria convergent validity (Ghozali and Latan, 2015:74). The Average variance extracted (AVE) value > 0.50 is satisfactory condition convergent validity (Ghozali and Latan, 2015:74) discriminant validity classified tall . Composite reliability results classified reliable Because own mark above 0.70. R Square of variable dependent that is allocation of village funds and capital expenditure value 0.80 for more complete see Tables 4 and 5.

Table 4. Inspection Discriminant Validity

Variable	Average Variance Extracted (AVE)	√ AVE	X ₁	X ₂	Y _{1.1}	Y _{1.2}	Y ₂
Village Fund Allocation (X ₁)	1,000	1,000	1,000	0,000			0.658
Expenditure (X ₂)	1,000	1,000	0.915	1,000	0,000	0,000	0,000

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Financial Performance (Y ₁)	0.771	0.917		
Revenue Target (Y _{1.1})			0,000	1,000
Realization PAD Revenue (Y _{1.2})			0,000	1,000

Based on from results evaluation in a way overall, good convergent, discriminant validity, composite reliability, then can concluded that indicators as gauge latent variable is valid and reliable meter.

Table 5. Composite Reliability, R- Square

Variable	Composite Reliability (>0.70)	Cronbach Alpha	R- Square
Village Fund Allocation (X ₁)	1,000	1,000	0.579
Capital Expenditure (X ₂)	1,000	1,000	0.533
Financial Performance (Y ₁)	0.870	0.702	-
Community Welfare (Y ₂)	1,000	1,000	-

Evaluation results Goodness of Fit of structural models show results Q value² is amounting to 0.803 which has been approach number 1. With So, results evaluation This give proof that structural model own good goodness of fit model. This Q² value can interpreted that the information contained in the data, 80.3% can explained by the model, whereas the remaining 19.7% is explained by error and other variables that have not yet been explained there is in models.

Q2 Calculation:

$$Q2 = 1 - [(1 - R12)(1 - R22)]$$

$$Q2 = 1 - [(1 - 0.579)(1 - 0.533)]$$

$$Q2 = 1 - [(0.421)(0.467)]$$

$$Q2 = 1 - 0.197$$

$$Q2 = 0.803$$

6. RESULTS

6.1 Hypothesis Testing

Figure 1 and Table 6 explain that all hypotheses are supported based on the results of the hypothesis tests carried out. Each has a T statistic above 0.96 and P Value not enough from 0.05.

Table 6. Hypothesis Test Results

Variable	Original Sample	T Statistics	P Values	Hypothesis	Information
VILLAGE FUND ALLOCATION -> COMMUNITY WELFARE	0.312	4,485	0,000	H1	Significant
VILLAGE FUND ALLOCATION -> FINANCIAL PERFORMANCE	0.442	7,661	0,000	H2	Significant
CAPITAL EXPENDITURE -> COMMUNITY WELFARE	0.257	3,581	0,000	H3	Significant

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CAPITAL EXPENDITURES	->	0.395	6,374	0,000	H4	Significant
FINANCIAL PERFORMANCE						
FINANCIAL PERFORMANCE	->	0.255	3,629	0,000	H8	Significant
COMMUNITY WELFARE						

6.2 Analysis of the Role of Mediation

Table 7 shows results inspection about type role mediation Financial Performance pathway on the influence of Village Fund Allocations and Capital Expenditures on Public welfare. Village Fund Allocation Pathways and Capital Expenditures towards Community Welfare shows partial mediation.

Table 7. Analysis of Mediation Roles

	Path	Coefficient (Bootstrapping)	T- statistics	P- values	VAF
VILLAGE FUND ALLOCATION	-> FINANCIAL PERFORMANCE	0,112	3,302	0.001 (Sig < 0.05)	36% (partial mediation)
VILLAGE FUND ALLOCATION	-> COMMUNITY WELFARE	0.312	4,485	0,000 (Sig < 0.05)	
CAPITAL EXPENDITURES	-> FINANCIAL PERFORMANCE	0.101	2,992	0.003 (Sig < 0.05)	39% (partial mediation)
CAPITAL EXPENDITURES	-> COMMUNITY WELFARE	0.257	3,581	0,000 (Sig < 0.05)	

Information: Sig = Significant; No Sig = No Significant; VAF = 20% - 80% (partial mediation)

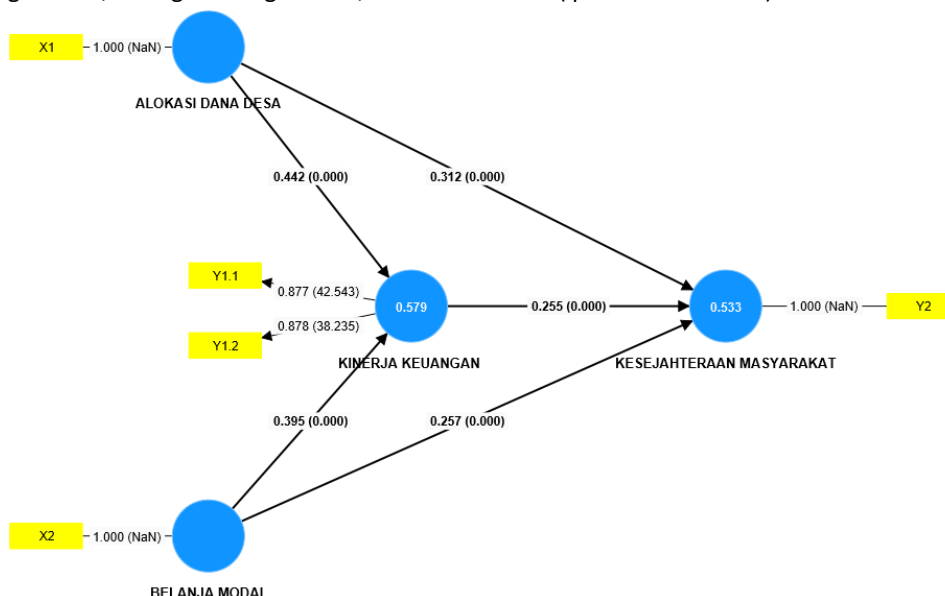


Figure 2. Research Results

7. DISCUSSION

Village Fund Allocations have an influence positive and significant to Community Welfare in all Villages in West Denpasar District 2019-2023. Village Fund Allocation obtained coefficient path (bootstrapping) value positive of 0.312 with p - value 0.000 (Sig < 0.05). This result give meaning that If village fund allocation increases by 1 unit , then welfare public increase of 0.312. These

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results were also supported with implementation Keynesian theory (1936) which states that the funds are managed government village influential to welfare public.

Capital Expenditures have an impact positive and significant to Community Welfare in all Villages in West Denpasar District 2019-2023. Test results hypothesis show results coefficient path (bootstrapping) value positive of 0.257 with p -value 0.000 (Sig < 0.05) which means that If capital expenditure increases by 1 unit , then welfare public will increase of 0.257. This result in line with Keynesian theory (1936) which states that the funds are managed government village influential to welfare public.

Village Fund Allocations have an influence positive and significant on Financial Performance in all Villages in West Denpasar District 2019-2023 Test results hypothesis show results coefficient path (bootstrapping) value positive of 0.442 with a p- value of 0.000 (Sig < 0.05) p This explain that If village fund allocation increases by 1 unit , then performance finance will increase of 0.442. This result indicated that signaling theory in research This explain about reason Why government own encouragement For show signal to public through report village fund allocation stated in performance finance in form report realization APBDes as response exists asymmetry information between government with public regarding managed funds government .

Capital Expenditures have an impact positive and significant on Financial Performance in all Villages in West Denpasar District 2019-2023. This result give meaning that with increasing capital expenditure then performance finance will the more good. This result indicated that signaling theory in research This explain about reason Why government own encouragement For show signal to public through report capital expenditures are reflected in performance finance in form report realization APBDes as response exists asymmetry information between government with public regarding managed funds government .

Financial performance influential positive and significant to Community Welfare in all Villages in West Denpasar District 2019-2023. This result give meaning that with good financial performance, then influential to level Good community welfare too. Research result this supported with stewardship theory, namely the more Good performance finance so the more good level too welfare public a village. This matter answer asymmetry information between government and society related performance finance government considered village No influence welfare they (society) are based on the signaling theory used.

Financial performance capable mediate the influence of Village Fund Allocation on Community Welfare in all Villages in West Denpasar District 2019-2023. This result give meaning that Financial Performance in a way No direct capable influence the influence of Village Fund Allocation on Community Welfare in general partial mediation. Research result This supported with Keynes' theory (1936) , namely expenditure government (in matter This capital expenditure) will make economy public will increase as well as in line with stewardship theory which states that government village as given institution trust by society in manage finance as form For reach welfare public in a way maximum .

Financial performance capable mediate influence Capital Expenditures against Community Welfare in all Villages in West Denpasar District 2019-2023. This result give meaning that Financial Performance with influence No direct capable influence Capital Expenditures against Community Welfare in general partial mediation. Research result This supported with Keynes' theory (1936) , namely expenditure government (in matter This capital expenditure) will increase welfare public as well as in line with stewardship theory which states that government village as given institution trust by society in manage finance as form For reach welfare public in a way maximum .

8. CONCLUSION

8.1 Managerial and research implications

Research results this has express that welfare public achieved because exists influence from allocation of village funds, capital expenditure as well performance finances managed by the government village. Government village for more maximize Again potentials reception village from various sectors that exist and can give safe and comfortable conditions for every investor and company / industry so that later company nor Existing industries can too give field work to people living in village areas as well as government village must streamline and optimize performance his finances , with so government can innovate more extensive order of sources reception as well as expenses incurred capable increase level life welfare village community in West Denpasar District . Village community need increase caring and obligatory follow share in supervise performance finance government as well as support government - driven economy village through facility as well as programs created by the government village in effort increase welfare public . Society must too jelly to indication deviations in matter finance government village.

8.2 Limitations and future lines of research

Possible limitations delivered from study This based low generalization research, remembering problems faced relatively complex and dynamic from time to time . If the model is applied at other times and conditions it is possible obtain different results . Apart from development more variables relevant used , also a lot factor as decider welfare public . Sample in research This limited

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to villages in West Denpasar District , Denpasar City from 2019 to by 2023. Research next should carried out in different villages with more villages many and more periods long .

ATTACHMENT

Appendix 1. Denpasar City Developing Village Index (IDM) Values per District

SUBDISTRICT	VILLAGE INDEX VALUE FOR BUILDING DENPASAR CITY				
	2019	2020	2021	2022	2023
North Denpasar	0.9114	0.9083	0.8860	0.9258	0.9444
East Denpasar	0.8881	0.9187	0.8997	0.9132	0.9374
South Denpasar	0.9039	0.9198	0.9436	0.9484	0.9736
West Denpasar	0.9064	0.9064	0.8820	0.9143	0.9229

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