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Analysis of Financial Performance Using the Value For Money Approach in Sidomulyo Village Boliyohuto District

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ABSTRACT

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Financial Performance Analysis Using a Value-for-Money Approach in Sidomulyo Village, Boliyohuto District. (Supervised by Wahyudin Hasan as the Main Supervisor and Nikma Bilondatu as a co-supervisor). This study aims to analyze the effectiveness, efficiency, and economy of Sidomulyo Village's financial management by calculating effectiveness, efficiency, and economy ratios. The research method employed a quantitative approach, using the Village Budget Realization and the Revenue and Expenditure Budget Reports. The data analysis technique used three value-for-money ratios. The results show that the management of Sidomulyo Village Funds for 2020–2024 is very effective, but still inefficient and economical. This indicates the need to improve expenditure management to optimize it.

Effectiveness, Efficiency, Economy, Village Funds, Value for Money

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INTRODUCTION

National development in Indonesia is directed toward achieving comprehensive social welfare, including for communities at the village level. Villages, as the lowest level of government entities, play an important role in realizing equitable and balanced development (Simbolon et al., 2021). Since the enactment of Law Number 6 of 2014 concerning Villages, village governments have been granted greater authority to manage and regulate governmental affairs within their territories. Village governments have the authority to administer governance, implement development programs, foster community life, and empower citizens based on community initiatives, traditional rights, and local customs (Limpele et al., 2025).

As a form of support for the implementation of village autonomy, the central government distributes Village Funds (Dana Desa) allocated through the State Budget (APBN) each year. Village Funds aim to accelerate rural development, improve the quality of public services, and reduce poverty rates in rural areas (Raharjo, 2021). According to data from the Ministry of Finance of

the Republic of Indonesia (2024), the total Village Funds distributed nationally reached IDR 71 trillion for more than 74,800 villages across Indonesia. These funds serve as one of the main sources of financing for village development, particularly for infrastructure development such as village roads, bridges, irrigation systems, clean water facilities, and other public facilities (Kesuma & Muhtaj, 2025).

Although Village Funds play a strategic role in encouraging development at the local level, various studies indicate that their management still faces several challenges. Lamato et al. (2025) revealed that the financial performance of the Gorontalo Regency Government is still considered unsatisfactory when viewed through the value for money approach, particularly in terms of efficiency and effectiveness that have not yet reached optimal levels. These findings differ from the study conducted by Damayanti and Sarong (2021), which found that although the efficiency level of village budget management in Bontomanai Village was relatively low, the effectiveness of village program implementation was categorized as good. Meanwhile, Yusup et al. (2019) identified non-compliance with the Minister of Home Affairs Regulation No. 113 of 2014 in several villages, indicating that village financial governance still faces challenges in terms of regulatory compliance and policy implementation.

Other findings also indicate that although some villages have been able to manage their finances well in terms of productivity, service quality, responsiveness, and accountability, the realization of budget utilization has not fully complied with applicable regulations. Nurhidayati et al. (2024) and Lawelai (2022) revealed that budget allocations in several villages have not fully followed regional regulations that stipulate a proportion of 70% for public services and 30% for village institutional activities. This discrepancy indicates a gap between established regulations and their practical implementation in the field. In general, previous studies suggest that Village Fund management still encounters various issues related to efficiency, effectiveness, regulatory compliance, and the suitability of budget utilization with community needs.

Most previous studies have generally evaluated only the effectiveness or efficiency aspects separately, thus not providing a comprehensive picture of overall village financial performance. Haqiqi et al. (2025) stated that the use of the value for money approach, which includes three indicators—economy, efficiency, and effectiveness—can provide a more comprehensive understanding of financial management performance. Seran (2021) also emphasized that studies on village financial performance have shown varying results, ranging from good performance to indications of inefficiency.

Therefore, research that simultaneously uses these three indicators is necessary to provide a more comprehensive analysis.

The fundamental difference between this study and previous research lies in the research object, analytical method, and evaluation objectives. While most previous studies only examined one or two value for money indicators, such as effectiveness or efficiency, this study applies all three indicators simultaneously—economy, efficiency, and effectiveness—to obtain a more comprehensive picture of financial performance. In addition, this research also highlights the possibility of fluctuations and instability in village financial performance from year to year, which has not been widely analyzed in previous studies. Dua (2023) stated that an analysis integrating these three indicators can help more clearly identify the level of financial management performance and the factors influencing it.

In practice, the management of Village Funds in various regions still faces several constraints. Tooli (2024) stated that although the amount of Village Funds received continues to increase each year, there are often discrepancies between budget planning and its realization, causing village development not to run optimally. This condition is also reflected in the fluctuations of economic, efficiency, and effectiveness ratios from year to year, indicating inconsistencies in village financial performance. In addition, limited capacity of village officials in preparing financial reports, delays in fund disbursement, and low levels of transparency and accountability also influence the quality of budget management (Rahayu et al., 2023).

Another issue that frequently arises is the mismatch between budget plans and their implementation, resulting in several development programs not being carried out according to predetermined targets. Fluctuations in economic, efficiency, and effectiveness ratios also indicate that the utilization of Village Funds has not been fully optimized. Furthermore, the limited administrative and financial management capacity of village officials and the lack of community participation in the planning and supervision of budgets highlight challenges in village financial governance. These conditions indicate that although Village Funds are designed to accelerate rural development, their implementation still faces various challenges that require further investigation, including research comparing financial performance among villages in a comprehensive manner (Rahayu et al., 2023).

RESEARCH METHOD

Analisis data dilakukan secara kuantitatif dengan menghitung tiga rasio value for money, yaitu rasio ekonomis (realisasi belanja dibanding anggaran

belanja), rasio efisiensi (realisasi belanja dibanding pendapatan desa), dan rasio efektivitas (realisasi pendapatan dibanding target pendapatan). Hasil perhitungan digunakan untuk melihat kinerja keuangan pemerintah Desa Sidomulyo.

According to Mardiasmo, (2009) value for money is a concept of public sector organizational management that is based on three main elements, namely economy, efficiency, and effectiveness. Furthermore, Mahmudi, (2019) states that value for money is a performance measurement concept in the public sector aimed at ensuring that public services are delivered in a way that generates maximum benefits through the use of resources that are efficient, economical, and effective.

The steps taken by the author to analyze this research are as follows:

1. Collecting the required data, such as the Budget Realization Report of Sidomulyo Village.
2. Calculating the data using the effectiveness ratio, as follows:

$$\text{Effectiveness Ratio} = \frac{\text{Realization Of Village Fund Revenue}}{\text{Village Fund Budget Target}} \times 100\%$$

Source : Mahmudi, (2019)

Table 1.

Criteria for Assessing the Effectiveness Ratio

Presentase	Category
>100%	Very Effective
90% - 99%	Effective
80% - 89%	Fairly Effective
60% - 79%	Less Effective
<60%	Ineffective

Source : Mahmudi, (2019)

3. Calculating the data using the efficiency ratio, as follows:

$$\text{Efficiency Ratio} = \frac{\text{Village Expenditure Realization}}{\text{Village Revenue Realization}} \times 100\%$$

Sumber : Mahmudi, (2019)

Table 2.

Criteria for Assessing the Efficiency Ratio

Ratio Value	Category
<60%	Very Efficient

61% - 75%	Efficient
76% - 90%	Fairly Efficient
91% - 100%	Less Efficient
>100%	Inefficient (Wasteful)

Source : Mahmudi, (2019)

4. Calculating data using the economic ratio, namely:

$$\text{Economic Ratio} = \frac{\text{Actual Village Expenditure}}{\text{Budgeted Village Expenditure}} \times 100\%$$

Source : Mahmudi, (2019)

Table 3.

Criteria for Assessing the Economic Ratio

Ratio Value	Category
<60%	Very Economical
61% - 80%	Economical
81% - 90%	Fairly Economical
91% - 100%	Less Economical
>100%	Inefficient (Wasteful)

Source : Mahmudi, (2019)

RESULT AND DISCUSSION

Results Description

Sidomulyo Village is one of the administrative areas located in Boliyohuto District, Gorontalo Regency, Gorontalo Province, Indonesia. The village is characterized as a developing rural area with heterogeneous social conditions, where the agricultural sector constitutes the primary livelihood of the local community. As a result, the socioeconomic activities of the residents are largely influenced by agricultural and plantation practices. Geographically, Sidomulyo Village is situated approximately ±69.6 km from the center of Gorontalo City and ±49.4 km from the capital of Gorontalo Regency. This geographical position enables the village to maintain access to various public services provided at the regency level. The village area consists of residential settlements, agricultural land, and plantation areas that serve as the main pillars of the local economy. In addition, the demographic condition of the village is relatively stable and largely dominated by individuals of productive age.

The governance structure of Sidomulyo Village is led by the village head, who is supported by village officials including the village secretary, heads of affairs, heads of sections, and hamlet heads. These officials play important roles in implementing public services, administrative functions, and village financial management in accordance with prevailing regulations. Annually, the village receives financial support in the form of Village Funds (Dana Desa/DD) and Village Fund Allocation (Alokasi Dana Desa/ADD), which are utilized for the administration of village governance, infrastructure development, community empowerment programs, and various social activities. The management and utilization of these funds are documented in several financial reports, including the Village Revenue and Expenditure Budget (APBDes), the Budget Realization Report (LRA), and accountability reports for village activities. These documents serve as important instruments for assessing transparency and accountability in village financial management. Therefore, Sidomulyo Village represents a relevant research object for analyzing village financial performance using the value for money approach, which encompasses the principles of economy, efficiency, and effectiveness in evaluating the extent to which village financial resources are managed in a prudent, efficient, and goal-oriented manner to support village development objectives.

Analysis of Research Findings

Effectiveness Ratio

Mahmudi, (2019) The level of performance effectiveness can be interpreted through the percentage achievement of the effectiveness ratio. A ratio above 100% is categorized as very effective because the realization exceeds the predetermined target. A percentage of 90%–99% is considered effective, 80%–89% is categorized as fairly effective, 60%–79% is considered less effective, while a percentage below 60% indicates ineffective performance, as the realization is far below the planned target.

The results of the analysis are presented in Table 5.1 :

Table 4.

Results of the Effectiveness Ratio Analysis for the 2020–2024 Period

Age	Village Fund Revenue Realization	Village Fund Budget Target	%	Category
2020	Rp1.267.884.400	Rp1.198.989.858	105,75	Very Effective
2021	Rp1.274.862.360	Rp1.198.164.594	106,4	Very Effective
2022	Rp1.018.410.135	Rp980.731.043	103,84	Very Effective
2023	Rp1.274.465.291	Rp1.239.250.964	102,84	Very Effective
2024	Rp1.496.995.648	Rp1.390.564.792	107,65	Very Effective

Average	105,296	Very Effective
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Source: Processed Data, 2025

Table 4 shows that the effectiveness ratio of Village Funds in Sidomulyo Village during the 2020–2024 period was consistently above 100%, ranging from 102.84% to 107.65%, and therefore falls into the very effective category. This indicates that the realization of Village Fund revenues consistently exceeded the targets set in the Village Revenue and Expenditure Budget (APBDes).

This condition reflects the excellent performance of the village government in managing financial administration and ensuring the smooth disbursement of Village Funds. Overall, the planning and management of Village Fund revenues in Sidomulyo Village have been carried out optimally, with no negative discrepancy between the target and the realization (Nisa et al., 2025).

Efficiency Ratio

Table 5.
Results of the Efficiency Ratio Analysis for the 2020–2024 Period

Age	Village Expenditure Realization	Village Revenue Realization	%	Category
2020	Rp1.210.222.366	Rp1.267.884.400	95,45	Less Efficient
2021	Rp1.208.347.356	Rp1.274.862.360	94,78	Less Efficient
2022	Rp1.001.910.494	Rp1.018.410.135	98,38	Less Efficient
2023	Rp1.208.591.088	Rp1.247.765.291	96,86	Less Efficient
2024	Rp1.373.001.561	Rp1.496.995.648	91,72	Less Efficient
Average			105,296	Very Effective

Source: Processed Data, 2025

Table 5 shows that the efficiency ratio of village expenditures in Sidomulyo Village during the 2020–2024 period ranged from 91.72% to 98.38%, and all values fall into the less efficient category. Although the realization of expenditures was lower than the village revenue, the use of the budget has not yet reached an optimal level of efficiency.

The highest efficiency value occurred in 2022 at 98.38%, while the values for 2020, 2021, 2023, and 2024 were 95.45%, 94.78%, 96.86%, and 91.72%, respectively. Overall, this condition indicates the need for improvements in planning, budget absorption, and expenditure control so that the utilization of Village Funds can be more optimal in supporting village development, in line with previous research (Nur et al., 2024).

Economy Ratio

Table 6.
Economy Ratio Analysis Results for the 2020–2024 Period

Age	Village Expenditure Realization	Village Revenue Budget	%	Category
2020	Rp1.210.222.366	Rp1.309.666.503	92,41	Less Economical
2021	Rp1.208.347.356	Rp1.304.904.703	92,6	Less Economical
2022	Rp1.001.910.494	Rp1.043.309.165	96,03	Less Economical
2023	Rp1.208.591.088	Rp1.251.003.942	96,61	Less Economical
2024	Rp1.373.001.561	Rp1.531.947.369	89,62	Fairly Economical
Avarage			93,454	Less Economical

Source: Processed Data, 2025

Table 6 shows that the economy ratio of village expenditures in Sidomulyo Village during the 2020–2023 period fell into the less economical category, with percentages ranging from 92.41% to 96.61%. This indicates that the use of the budget had not fully met the principle of cost efficiency. An improvement occurred in 2024, with a ratio of 89.62%, which falls into the fairly economical category. Overall, this condition indicates the need for improvements in budget planning and control so that the utilization of village funds can be more economical and better targeted, in line with previous research (Soraya et al., 2023).

Effectiveness Ratio

The effectiveness ratio of Village Funds in Sidomulyo Village, Boliyohuto District, during the 2020–2024 period shows that the realization of revenue consistently exceeded the targets set in the Village Revenue and Expenditure Budget (APBDes), with ratios ranging from 102.84% to 107.65% and an average of 105.296%. This indicates that the village government was able to realize Village Fund revenues optimally, supported by smooth administrative processes, accurate target setting, and good coordination with both regional and central governments. High effectiveness not only ensures optimal budget absorption but also accelerates village development, improves the quality of public services, and strengthens community empowerment programs (Lamato et al., 2025). These findings are consistent with the study of Tinambunan et al., (2023) which states that effectiveness is measured by the ability of a program to achieve its objectives, namely the realization of revenue in accordance with the planned budget. Therefore, the hypothesis stating that the management of Village Funds in Sidomulyo Village is ineffective is rejected, as the data indicate that the management of village funds has been very effective in supporting the implementation of development and community empowerment programs.

Efficiency Ratio

The efficiency ratio of village expenditures in Sidomulyo Village, Boliyohuto District, during the 2020–2024 period indicates that budget utilization was still less efficient, with percentages ranging from 91.72% to 98.38% and an average of 95.44%. Although most of the village revenue was allocated for expenditures, some funds were not fully absorbed. The level of efficiency is influenced by several factors, including planning, administrative processes, human resource capacity, supervision, community participation, and the utilization of digital systems (Yusup et al., 2019). These findings are consistent with the study conducted by Sitorus et al., (2025) which states that the efficiency ratio reflects the comparison between expenditure costs and revenue. With an average ratio of 95.3%, the management of Village Funds in Sidomulyo Village is categorized as less efficient. Therefore, the hypothesis stating that the management of Village Funds is inefficient is rejected, as the level of efficiency remains above the inefficient category.

Economy Ratio

The economy ratio of village expenditures in Sidomulyo Village, Boliyohuto District, during the 2020–2024 period shows that most of the budget utilization fell into the less economical category, with an average of 93.454%. During 2020–2023, the ratio ranged from 92.41% to 96.61%, indicating that the realization of expenditures was close to the allocated budget, so the level of cost savings was not yet significant. In 2024, the ratio decreased to 89.62%, which falls into the fairly economical category, indicating an improvement in the village's ability to control expenditures.

This condition suggests that although expenditure realization was relatively close to the allocated budget, the village government has begun to implement more economical financial management, particularly through participatory planning based on community needs (Hakim et al., 2023). These findings are not entirely consistent with the study by Tinambunan et al. (2023), but they reinforce that the management of Village Funds in Sidomulyo Village does not fall into the uneconomical category. Therefore, the research hypothesis stating that the management of Village Funds is uneconomical is rejected, as most years indicate conditions that are less economical or fairly economical.

CONCLUSION

Based on the analysis of the financial data of Sidomulyo Village for the period 2020–2024, the effectiveness, efficiency, and economy ratios serve as the main indicators for evaluating the performance of Village Fund management (Mardiasmo, 2009). The effectiveness ratio indicates very good performance, as

the realization of Village Fund revenues consistently exceeded the predetermined targets (102.84%–107.65%). This reflects optimal village planning and coordination, as well as professional financial administration. The efficiency ratio falls into the less efficient category, with an average of 95.44%, indicating that most of the village revenue was allocated to expenditures. This condition suggests the need for improvements in budget planning and expenditure control; therefore, the hypothesis stating that Village Fund management is inefficient is rejected. Meanwhile, the economy ratio is mostly categorized as less economical, with an average of 93.454%, as expenditure realization was close to the allocated budget. However, in 2024 the ratio improved to the fairly economical category (89.62%), indicating efforts to control spending; thus, the hypothesis stating that Village Fund management is uneconomical is also rejected. The limitation of this study lies in the use of quantitative data derived from the Budget Realization Report (LRA) for the 2020–2024 period and the application of the value for money approach. Therefore, this study has not yet evaluated the quality of development outcomes, social impacts, or institutional aspects of village governance.

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