

Research Article

Analysis of Efficiency and Effectiveness Levels in Financial Management in Serba Jadi Village, Sunggal

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Abstract: The research approach used in this study is qualitative descriptive, aiming to provide a clear and systematic description of the existing conditions related to village financial management. This research was conducted in Serba Jadi Village, Sunggal Subdistrict, Deli Serdang Regency, as a case study to understand the implementation of financial management at the village level. The type of data used in this study is secondary data obtained from official village documents, reports, and other relevant administrative records. Data collection techniques include observation and documentation, which were carried out to ensure the accuracy and completeness of the information analyzed. The data analysis technique employed is descriptive research, which functions as a systematic method of thinking or review to describe, interpret, and present conditions that occurred during the research period. The analysis focuses on assessing financial performance using efficiency and effectiveness indicators. The results of the study indicate that the Efficiency Ratio shows the financial management of Serba Jadi Village falls into the category of inefficient, reflecting the imbalance between costs incurred and outputs achieved. Meanwhile, the Effectiveness Ratio demonstrates that the financial management of Serba Jadi Village is categorized as effective, indicating that revenue targets and planned objectives were generally achieved despite efficiency limitations.

Keywords: Case Study; Effectiveness; Efficiency; Secondary Data; Village Financial Management.

1. Introduction

Based on Home Affairs Ministerial Regulation No. 20 of 2018, Article 1 Paragraph 6, Village Financial Management is the entire activity encompassing planning, implementation, administration, reporting, and accountability of village finances. There are several significant changes related to village financial management in this regulation, including changes in terminology and work mechanisms. For example, the positions of Village Secretary, Kaur, and Kasi in village government are no longer referred to as Village Financial Management Technical Implementers (PTPKD), but rather as Village Financial Management Implementers (PPKD). Village financial management is outlined in the form of policies that include the Village Revenue and Expenditure Budget (APBDes), which is the annual financial plan of the village government that has been jointly agreed upon by the village apparatus and the Village Consultative Body (BPD). The APBDes is then determined based on the regulations applicable in the village. As the lowest level of autonomous regions, villages play a crucial role in the process of transferring authority from the central government to local governments (Devinci, 2023).

Table 1. Report on the Realization of Village Revenue and Expenditure Budget in Serba Jadi Village for 2020-2023.

| Year | Revenue Budget | Revenue Realization | Budget | Spending Realization |
|------|------------------|---------------------|------------------|----------------------|
| 2020 | 1,890,125,000.00 | 1,916,303,450.56 | 2,025,994,818.24 | 1,943,299,052.00 |
| 2021 | 2,592,149,611.71 | 2,592,964,833.55 | 2,899,647,211.41 | 2,831,551,432.13 |
| 2022 | 2,542,964,300.00 | 2,545,340,651.25 | 2,592,198,453.40 | 2,373,458,429.34 |
| 2023 | 2,684,944,250.00 | 2,808,111,279.00 | 2,891,949,652.00 | 2,657,359,390.00 |

Source: Processed Data (2025)

Based on Table 1.1 above, it can be seen that the Village Revenue and Expenditure Budget Realization Report (LRA APBDes) in Serba Jadi Village fluctuated from 2020 to 2023. One clear indicator is the decline in 2022, indicating that not all budget targets were achieved. In general, this fluctuation indicates that village budget management is not yet fully stable or consistent.

Several researchers have previously conducted research analyzing the efficiency and effectiveness of village financial management. For example, Dwi Nofita Sari et al. (2018) analyzed the effectiveness and efficiency of budget implementation in Samarinda City in 2015. The results showed variations in the effectiveness of budget implementation.

Based on the description, the author is interested in conducting research with the title "Analysis of the Level of Efficiency and Effectiveness in Financial Management in Serba Jadi Village, Sunggal" in order to analyze and evaluate village financial management in Serba Jadi Village, as well as provide recommendations for improvements in more efficient and effective budget management.

2. Literature Review

Stewardship Theory

Stewardship Theory was originally introduced by Donaldson & Davis (1991) who proposed that individuals in organizations act as stewards or servants who are responsible for the welfare of the organization and the interests of stakeholders. Stewardship assumes that humans have an altruistic nature or a nature that describes a person's behavior that focuses on the interests and welfare of others, even if it sacrifices personal interests. and motivated to achieve common goals, so they tend to work for the collective interest rather than just prioritizing personal gain.

Stewardship theory is relevant in village financial management, particularly regarding the efficient and effective use of village funds. According to Davis et al. (2020) in the Academy of Management Review, stewardship combines the principles of transparency, accountability, and trust between fund managers and the community as the parties served. Davis emphasized that stewards must act not only as resource managers but also as guides, ensuring that financial decisions are made responsibly for the common good. This is particularly relevant in the context of managing public funds such as village funds, where stewards (managers) are responsible for the use of funds for community development purposes.

Village Financial Management

According to Home Affairs Ministerial Regulation No. 20 of 2018 Article 1 Paragraph 5, Village Finance is all Village rights and obligations that can be valued in money as well as everything in the form of money and goods related to the implementation of Village rights and obligations. Village Finance is managed based on the principles of transparency, accountability, participation and is carried out in an orderly and disciplined budget (Home Affairs Ministerial Regulation No. 20 of 2018 Article 2 Paragraph 1). According to Law No. 6 of 2014 Article 72 Concerning Villages, Village Finance comes from:

- a. Village Original Income consists of business results, asset results, self-help and participation, mutual cooperation, and other village original income.
- b. Allocation of State Revenue and Expenditure Budget.
- c. Part of the results of regional taxes and regional levies of the Regency/City.
- d. Village Fund Allocation which is part of the balancing funds received by the Regency/City.
- e. Financial Assistance from the Provincial Revenue and Expenditure Budget and the Regency/City Revenue and Expenditure Budget.
- f. Non-binding grants and donations from third parties.
- g. Other legitimate village income.

Based on Home Affairs Ministerial Regulation No. 20 of 2018 Article 1 Paragraph 6 in Andranida and Galih (2025) Village Financial Management is all activities that include planning, implementation, administration, reporting, and accountability of village finances. According to Nasution (2022) Regional or Village Financial Management, the Payment Order for Reserved Money (SPM-UP) is a document issued by the budget user/budget user authority for the issuance of SP2D for DPA-SKPD expenditure burdens used as reserve money to fund activities.

Efficiency Ratio

The efficiency ratio is the ability to complete a task correctly. It is a calculation of the comparison between output and input. An organization's work is said to be efficient if it achieves higher output in the form of results, productivity, and performance compared to the inputs in the form of labor, materials, money, machines, and time used. In other words, by minimizing the cost of using resources to achieve a predetermined output, or conversely, it is said to be efficient if it can maximize output with a limited amount of input (Kus, 2021).

The efficiency ratio is the achievement of maximum output with a given input or the use of the lowest input to achieve a given output. Efficiency is the ratio of output/input related to predetermined performance standards or targets (Koromath, 2020). According to Mardiasmo in Pangabean et al. (2020), efficiency is closely related to the concept of productivity. The efficiency ratio can be formulated as follows:

$$\text{Efficiency ratio} = \frac{\text{Realization Of Village Speding}}{\text{Realization Of Village Income}} \times 100\%$$

Table 2. Efficiency Ratio Criteria.

| Presentation | Criteria |
|----------------|-----------------|
| 100% and above | Not Efficient |
| 90%-100% | Less Efficient |
| 80%-90% | Quite Efficient |
| 60%-80% | Efficient |
| Below 60% | Very Efficient |

Source: Koromath (2020)

Effectiveness Ratio

Effectiveness is defined as the correct achievement of objectives, selecting the best objective from among various alternatives or possibilities, and making decisions based on various options. Achieving policy goals or objectives is fundamental to the concept of effectiveness. If this action process achieves the policy's ultimate goals and objectives, then operational activities are considered effective (Kesaulya & Behuku, 2023).

According to Sedarmayanti in Nst & Ikhah (2021), effectiveness is a measure that provides an overview of how far targets can be achieved. According to Mardiasmo in Pangabean & Risvaulina (2019), effectiveness is a measure of whether an organization is successful in achieving its goals. If an organization succeeds in achieving its goals, it is said to be operating effectively. The effectiveness ratio can be formulated as follows:

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

Table 3. Effectiveness Ratio Criteria.

| Presentation | Criteria |
|----------------|-----------------|
| 100% and above | Very Effective |
| 90%-100% | Effective |
| 80%-90% | Quite Effective |
| 60%-80% | Less Effective |
| Below 60% | Ineffective |

Source: Koromath (2020)

3. Research Method

The research approach was descriptive qualitative. This research was conducted in Serba Jadi Village, Sunggal District, Deli Serdang Regency. The data type was secondary. Data collection techniques were observation and documentation. The data analysis technique was descriptive research, a system of thought or a method of review that attempts to describe and present the situation at the time of the research.

4. Results and Discussion

Village Expenditure Efficiency Ratio

Table 4. Efficiency Ratio of Multipurpose Villages 2021-2023.

| Year | Spending Realization (Rp) | Revenue Realization (Rp) | Efficiency Ratio (%) | Criteria |
|----------------|---------------------------|--------------------------|----------------------|----------------------|
| 2021 | 1,388,069,382.00 | 1,262,100,094.00 | 109.98 | Not efficient |
| 2022 | 1,492,233,957.00 | 1,376,151,333.00 | 108.44 | Not efficient |
| 2023 | 1,745,801,963.00 | 1,636,098,922.00 | 106.71 | Not efficient |
| Average | 1,542,035,100.67 | 1,424,783,449.67 | 108.37 | Not efficient |

Source: Processed Data (2025)

The table shows that from 2021 to 2023, Serba Jadi Village's financial management fell into the "Inefficient" category, with an average efficiency ratio of 108.37%. This efficiency ratio indicates that expenditures on regional financial management exceeded revenues received.

In 2021, the efficiency ratio was recorded at 109.98%, 108.44% in 2022, and 106.71% in 2023. These figures indicate that in all three years, village spending exceeded revenue, reflecting inefficiencies in budget management.

Even if the village government has successfully achieved its budget target, this result is less meaningful if the costs incurred to achieve that budget exceed the revenue received. Therefore, a lower efficiency ratio is highly desirable for more optimal village financial management in the future.

Village Income Effectiveness Ratio

Table 5. Effectiveness Ratio of Multipurpose Villages 2021-2023.

| Year | Revenue Realization (Rp) | Revenue Budget (Rp) | Effectiveness Ratio (%) | Criteria |
|----------------|--------------------------|-------------------------|-------------------------|------------------|
| 2021 | 1,262,100,094.00 | 1,263,257,000.00 | 99.91 | Effective |
| 2022 | 1,376,151,333.00 | 1,378,218,000.00 | 99.85 | Effective |
| 2023 | 1,636,098,922.00 | 1,639,539,000.00 | 99.79 | Effective |
| Average | 1,424,783,449.67 | 1,427,004,666.67 | 99.85 | Effective |

Source: Processed Data (2025)

Based on the table, it can be seen that the financial management of Serba Jadi Village over the last three years has been on average in the "Effective" category with an effectiveness ratio of 99.85%.

In 2021, the effectiveness ratio was recorded at 99.91%, 99.85% in 2022, and 99.79% in 2023. This indicates that Serba Jadi Village successfully achieved almost all of its planned revenue targets. This high effectiveness ratio reflects the success in realizing revenue within the established budget.

This success indicates that the Serbajadi Village Regional Financial and Asset Management Agency has achieved nearly 100% of its revenue target. A local government is considered effective if it can generate revenues that exceed or meet predetermined revenue targets and manage its budget efficiently.

Discussion

Efficiency Ratio

The efficiency ratio describes the ability to complete a task using resources optimally. In this context, the efficiency ratio is calculated by comparing output and input. An organization is considered efficient if it can produce maximum output with minimal input, whether in the form of labor, materials, money, machines, or time. In other words, an organization is considered efficient if it can maximize output with limited input, or conversely, minimize costs to achieve a predetermined output (Kus, 2021).

Based on performance calculations using efficiency levels, the financial management of Serba Jadi Village shows a relatively inefficient level of efficiency. The average efficiency ratio for the last three years (2021-2023) was recorded at 108.37%. Specifically, in 2021, the efficiency ratio was recorded at 109.98%, in 2022 at 108.44%, and in 2023 at 106.71%. All of

these figures fall into the "Inefficient" category because a calculated ratio exceeding 100% indicates that expenses exceed revenues.

This research aligns with several previous studies that also found similar results. For example, Susanto H.'s (2019) study, "Financial Ratio Analysis to Measure the Financial Performance of the Mataram City Regional Government," stated that the efficiency ratio falls within the inefficient criteria. Furthermore, Fikri, NA (2020), in his study, "Financial Ratio Analysis to Assess the Financial Performance of the Tanjungpinang City Government," also found that the efficiency ratio falls within the inefficient criteria. Another study by Sembiring & Prana (2023), entitled "Analysis of the Effectiveness and Efficiency of Financial Management to Assess the Financial Performance of Elementary Schools," also concluded that the efficiency ratio falls within the inefficient criteria.

Effectiveness Ratio

Effectiveness is defined as the correct achievement of objectives, selecting the best objective from among various alternatives or possibilities, and making decisions based on various options. Achieving policy goals or objectives is fundamental to the concept of effectiveness. If this action process achieves the policy's ultimate goals and objectives, then operational activities are considered effective (Kesaulya & Behuku, 2023).

Based on performance calculations using the effectiveness level, budgeting in Serba Jadi Village for 2021-2023 can be considered "Effective." This is evident from the calculation ratio, which ranges from 90% to 100%. With an average ratio of 99.85%, the Regional Revenue and Expenditure Budget (APBD) of Serba Jadi Village is categorized as "Effective." This is due to the realization of the revenue budget approaching the established budget target.

This research aligns with several previous studies that also found similar results. One such study is Panggabean et al. (2020) study entitled "Analysis of the Efficiency and Effectiveness of Regional Expenditure Fund Utilization at the Deli Serdang Vocational Training Center Technical Implementation Unit," which stated that the effectiveness ratio was in the effective category. Another study, conducted by Devinci et al. (2022), entitled "Analysis of the Efficiency and Effectiveness of Regional Financial Management in Sikka Regency," also showed that the effectiveness ratio was within the effective criteria. Furthermore, Wulan & Ramadhan's (2024) study entitled "Analysis of the Effectiveness of the Village Financial Management System in Supporting Local Development (Case Study of Sei Mencirim Village, Sunggal District, Deli Serdang Regency)" also stated that the effectiveness ratio was within the effective criteria.

5. Conclusions

Based on the results of the analysis and discussion regarding the financial management of Serba Jadi Village during the 2021–2023 period, it can be concluded that the Efficiency Ratio indicates the village's financial management is inefficient, with an average ratio of 108.37%. This condition shows that the costs incurred to realize the budget exceed the revenue received, reflecting inefficient and wasteful use of financial resources. Meanwhile, the Effectiveness Ratio demonstrates that Serba Jadi Village's financial management is effective, with an average ratio of 99.85%. This result indicates that the village government has largely succeeded in achieving its revenue targets, which are almost equal to the planned budget, despite a slight shortfall. Overall, although Serba Jadi Village has achieved effectiveness in terms of revenue realization, efficiency issues remain a significant concern in budget management. Therefore, budgetary inefficiencies and resource waste must be addressed promptly to ensure more optimal and sustainable utilization of village financial resources.

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