

# **Analysis of the Effects of Fiscal Decentralization on Financial Performance and Its Implications on Village Development Outcomes**

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**ABSTRACT** *This study aims to empirically prove the effect of Fiscal Decentralization on Village Financial Performance, the influence of Fiscal Decentralization on village development outcomes, and the influence of Village Financial Performance on village development outcomes. This study took a sample of underdeveloped villages in Central Lombok Regency and used primary data by distributing questionnaires to the 10 least villages as research locations. The results of this study indicate that H1 Fiscal Decentralization has significant and significant influence on Village Financial Performance. H2 Fiscal Decentralization has no significant effect on village development outcomes. H3 Village Financial Performance does not significantly influence village development outcomes.*

**Keywords:** *Fiscal Decentralization, Financial Performance, development outcomes.*

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## **I. INTRODUCTION**

Fiscal decentralization is currently a major concern and a phenomenon for countries in the world, both in developed and developing countries, including Indonesia. Experience in developed countries, as well as many developing countries, turn towards decentralization (fiscal) as an effort to escape from various problems of government ineffectiveness and inefficiency, as well as macroeconomic instability (Bahl and Linn, 1992). Not much different from the global trend, decentralization has become a continuing discourse in the various implementations in Indonesia.

Decentralization is a tool to achieve one of the objectives of the state, namely primarily to provide better public services and to create more democratic public decision-making processes. Decentralization is realized with the transfer of authority to local governments and the transfer of funds from the government. The impetus for decentralization in Indonesia is motivated by several factors including: the decline in economic development when global globalization is taking place, increasing demands for changes in the level of public services, and increasing indications of disintegration due to the failure of a centralized system in public service delivery.

Decentralization and regional autonomy in Indonesia are marked by the issuance of Law no. 22 of 1999 concerning Regional Government and Law No. 25 of 1999 concerning Financial Balance between the Center and the Regions. Both of these laws have important implications for economic development, and Important changes, especially in the field of government administration and in the relationship between the central and regional governments, are known as the era of regional autonomy. The second main mission of the Act is decentralization, namely the granting of broad authority to regulate and manage the household itself. Its purpose is to bring government services closer to the community, making it easier for the public to monitor and control the use of funds sourced from the Regional Budget. (APBD).

The study conducted refers to two government policies simultaneously namely fiscal decentralization and regional autonomy in this case in the rural areas and their impact on financial performance and village development outcomes. Bringing a new era to bring changes to local and rural government as a reaction to regional or rural

government demands previously as a result of vertical fiscal inequality (vertical imbalance), namely the high dependency of rural regional government budgets from central and regional government allocations. Horizontal fiscal imbalance (ie inequality of development between rural areas in the allocation of economic resources and income distribution and financial stress or fiscal stress on rural regional governments which also impacts on the reduction of descent in the preparation of the Revenue Budget Plan and Village Shopping (APBDes).

Furthermore, in order to exercise broad, real and responsible village authority, the village must prepare good human resources, adequate financial factors, adequate equipment factors and organizational and good management factors. The financial factor is the focus of discussion in relation to the exercise of village authority, with the consideration that finance is an indication that shows the village's ability to manage its own households. The main characteristic that shows a village is able to be independent, lies in the ability of the village. This means that developed and independent villages must have the authority and ability to explore their own financial resources, which are sufficient to finance the administration of their village government.

The effort to increase the village's financial capacity is actually not only about increasing the PADes. Basically, increasing village financial capacity is optimizing village revenue sources. However, it also needs to be understood that increasing financial capacity does not mean large budgets. Budgets that are made in large numbers but are not managed properly (do not meet the principle of value for money) will actually cause problems, for example budget leakage.

In running the government and development in the village, transfer funds still play a large role, so that the financial condition of the village is very dependent on the Central Government. Abdullah further (2000: 47) states that the low PAD and PADes of a village are not caused because structurally the village is indeed poor or does not have potential financial resources, but is caused by central government policy. So far, potential financial sources are controlled by the Central Government, in the future it is expected that the role of the PAD and the PADes can shift the role of the Fund transfer, so that dependence on the Central Government can be reduced.

Based on the circumstances and problems faced by the village government in the implementation of its current authority, the significance of this research is to uncover and analyze the effect of fiscal decentralization on village financial performance in financing development and its implications for village development outcomes.

Based on the background of the problem above, it can be determined the formulation of the problem in this study, including: 1) Does fiscal decentralization affect Village Financial Performance in Central Lombok Regency? 2) Does fiscal decentralization affect the outcome of village development in Central Lombok Regency? 3) Does the Village Financial Performance influence the outcome of village development in Central Lombok Regency?

Based on the problem formulation above, the purpose of this study is to analyze empirically the effect of fiscal decentralization on Village Financial Performance in Central Lombok District. The effect of fiscal decentralization on Village Development Outcomes in Central Lombok District. the influence of Village Financial Performance on Village Development Outcomes in Central Lombok District.

The grand theory underlying this research is the Stewardship Theory is a theory that describes a situation where managers are not motivated by individual goals but rather are aimed at their main results for the benefit of the organization, so this theory has a psychological and sociological basis that has been designed in which executives as steward is motivated to act according to the wishes of the principal, besides steward's behavior will not leave the organization because steward tries to achieve the goals of the organization. This theory is designed for researchers to examine situations where executives in a company as servants can be motivated to act in the best way on their principals (Donaldson and Davis, 1989, 1991).

In Stewardship Theory, this model of man is based on servants who have behaviors in which they can be formed so that they can always be invited to work together in organizations, have collective behavior or groups with high utility rather than individuals and are always willing to serve. In stewardship theory there is a choice between self serving and proorganisational behavior, servant behavior will not be separated from organizational interests is that executive behavior is aligned with the principal interests where the stewards are. Steward will replace or divert self-serving to behave cooperatively. So even though the interests between stewards and principals are not the same,

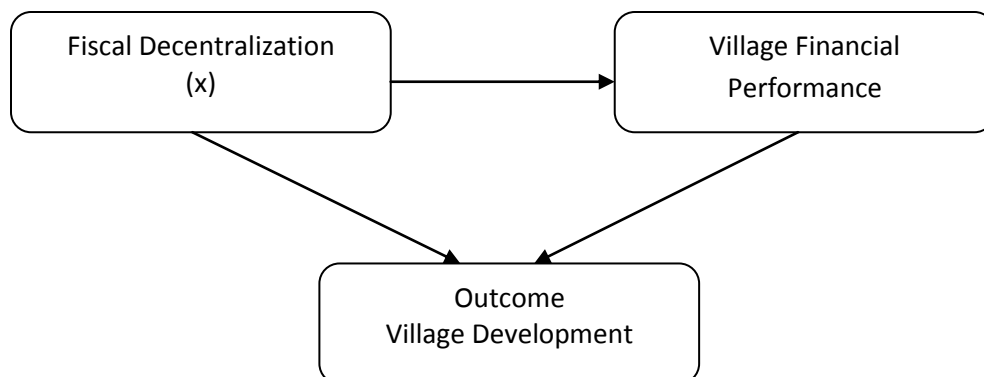
stewards will still uphold the value of togetherness. Because steward is guided by the fact that there is greater utility in cooperative behavior, and that behavior is considered acceptable rational behavior.

Elmi (2002) Fiscal decentralization is one of the mechanisms for transferring funds from the State Budget in connection with the State's financial policies, which is to create sustainable fiscal sustainability and provide stimulus to economic activities of the community, hence the policy of fiscal decentralization is expected to create equitable financial capacity between regions commensurate with the magnitude of the authority of government affairs delegated to autonomous regions.

Some research results provide empirical evidence that a high level of decentralization is the right form in the face of increasing uncertainty (Brun and Stalker 1961; Galbraith 1973; Govindarajan 1986a; Lawrence and Lorsh 1967; Tushman and Nadler 1978; Thompson 1967). Furthermore Khusaini (2006) states that decentralization is a form of transfer of responsibility, authority, and resources (funds, personnel, etc.) from the central government of regional governance. Decentralization can move the decision-making process to the level of government that is closer to the people. The decentralization policy gave birth to regional autonomy which is a form of implementation of the democratization policy because without decentralization the democratization of government would not be realized.

Village financial performance is a management measurement tool used to improve the quality of decision making and accountability. Performance measurement is also used to assess the search for goals and objectives, village financial performance measured is Village Budget Revenue (APBDes) data, goals desired by the community include covering local government accountability regarding value for money according to Mardiasmo (2002 ; 130) namely: Economical (economical and careful) in the allocation of resource allocation, efficient (efficient) in resource users in the sense of minimizing the use of dam and maximizing results, and effective (effective) in achieving goals and objectives.

Village Development is an effort to improve the quality of life and life for the maximum welfare of the village community. Village development is inseparable from the context of regional development management both at the district and provincial level because the position of the village in a broader context (social, economic, market access, and politics) must look at the inter-village, village within sub-district, inter-district and district and between districts . Village development has an important role in national development projects. Because the development of this village is very broad in scope because it is the basis of a development. Village development is aimed at improving the quality of life and life of village communities. Many things must be done in terms of village development. In the implementation of village development, it should refer to the achievement of the objectives of development, namely to realize the life of rural communities that are independent, advanced, prosperous, and just, because this village development is one of the big agendas to oversee the implementation of Law No. 6 of 2014 concerning Villages that are carried out systematically, consistently, and sustainably by means of facilitation, supervision, and assistance.



## II. RESEARCH METHODS

This research is an associative research with a quantitative approach. Associative research is research that aims to determine the relationship between two or more variables (Sugiyono, 2013: 236). while quantitative research is research that emphasizes testing theory through measurement of research variables with numbers and analyzing data with statistical procedures (Indriantoro and Supomo, 2014: 12).

Population is a generalization area that consists of objects / subjects that have certain qualities and characteristics determined by researchers to be studied and then drawn conclusions (Sugiyono, 2016: 280). The population in the study was 127 people in 31 disadvantaged villages in 12 subdistricts in Central Lombok Regency. As for the elements that become the population in this study are the still low human resources and the results of village development.

The sample is part of the number and characteristics possessed by the population (Sugiyono, 2016: 281). The sampling technique in this study is non probability sampling that is purposive sampling. Purposive sampling is a sampling technique with certain considerations (Sugiyono, 2016: 282). The sample in this study was 10 disadvantaged villages in Central Lombok Regency.

**Table 1** List of Village Names Becoming Research Samples

No	Desa	Sample	Village Head	Village Secretary	Village Treasurer	BPD
1	Mertak Tombok	1	1	1	1	1
2	Prai Meke	1	1	1	1	1
3	Beleke	1	1	1	1	1
4	Banyu Urif	1	1	1	1	1
5	Serage	1	1	1	1	1
6	Gapura	1	1	1	1	1
7	Labulia	1	1	1	1	1
8	Sepakek	1	1	1	1	1
9	Mekar Bersatu	1	1	1	1	1
10	Lantan	1	1	1	1	1
<b>Amount</b>		<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>

Source: Primary Data Processed in 2019

The criteria for selecting respondents in this study are: In the study included the village head because the village head was responsible for organizing government, development and community affairs. Carrying out tasks in addition to being based on the authority of the position, also based on policies determined jointly between the Village Government and the Village Consultative Body. In the context of good governance, the village secretary has the task of assisting the village head in administration and providing administrative technical services to all village government officials and the community. so the village secretary will be included as a sample in this study. Receive, save, deposit, administer, pay and account for village finances in the context of implementing the APBDesa. The village treasurer must make an accountability report on receipts and the money he is responsible for through the accountability report. There are so many tasks and responsibilities of village treasurers that the Village Treasurer must understand Village financial management properly and correctly. So that the village treasurer is included in this study. Discuss and agree on the Village Regulation Draft with the Village Head, accommodate and channel the aspirations of the village community and supervise the performance of the village head. Of these three tasks, it is clear that the BPD is an institution that has the power to agree on village regulations that will guide the implementation of village development. BPD also has the power to convey the aspirations of citizens. Submission of aspirations is carried out through several stages of work namely the BPD must explore the aspirations of the community, accommodate the aspirations of the people conveyed to the BPD and manage the aspirations of the community as a positive energy in formulating village policy steps.

The research hypothesis testing was carried out using multiple linear regression analysis. Multiple linear analysis is useful for measuring the strength of the relationship between two or more variables and also shows the direction of the relationship between the dependent variable and the independent variable (Ghozali, 2011). The analytical tool used in this study is SPSS with multiple linear regression with the following equation model (Ghozali, 2011):

$$Y1 = a0 + a1X1 + e$$
$$Y2 = b0 + b1X1 + Y1 + e$$

Keterangan :

- Y1 = Village Financial Performance
- Y2 = Village Development Outcome
- a = a constant
- b1 = koefisien regresi
- I. = Fiscal Decentralization
- e = residual value

The coefficient of determination (R<sup>2</sup>) is used to measure how far the independent variable can explain the dependent variable with the value of the coefficient of determination between zero (0) and one (1) (Ghozali, 2011). The smaller adj R-Square value indicates the smaller ability of independent variables in explaining the dependent variable. However, if the adj R-Square value is close to one it means that the independent variables provide almost all the information needed to predict the variation of the dependent variable (Ghozali, 2011).

T test is used to test how far the influence of each independent variable used in this study individually in explaining the dependent variable. T test is done by comparing t arithmetic to t table with assessment criteria. If the significance value is > 0.05, it means that the independent variable individually has no significant effect on the dependent variable. If the significance value of significance < 0.05 means that the independent variables individually have a significant effect on the dependent variable. Compare t arithmetic with t table. If t arithmetic < t table, it means that the independent variable individually has no effect on the dependent variable. If t arithmetic > T table, it means that the independent variables individually have a significant effect on the dependent variable.

Simultaneous hypothesis testing (overall) shows whether the independent variable as a whole or together has an influence on the dependent variable. F test is seen from the comparison of the magnitude of the probability value (p-value) with a significance level of 5% (0.05) (Ghozali, 2011). If the significance value of > 0.05 means that the independent variable simultaneously has no significant effect on the dependent variable. If the significance value is < 0.05, it means that the independent variable simultaneously has a significant effect on the dependent variable. Compares F count with F table. If F arithmetic < F table, it means that the independent variable simultaneously has no effect on the dependent variable. If F arithmetic > F table, it means that the independent variable simultaneously has a significant effect on the dependent variable.

### **III. RESULTS AND DISCUSSION**

The number of respondents (N) in this study were 30 respondents, then the value obtained r<sub>table</sub> of 0.361. The results of the table are obtained from table r. The r<sub>table</sub> number is then compared with the calculated value from the SPSS output value for each study variable. Based on the results of the validity test all the question items from each variable of this study are valid. This can be seen from each count greater than the value of r<sub>table</sub>.

The reliability test in this study used the Cronbach Alpha ( $\alpha$ ) statistical test. A questionnaire item is said to be reliable if it gives an Alpha Cronbach > 0.60.

**Table 2** Reliability Test Results

Variabel	Cronbatch Alpha	Keterangan
Fiscal decentralization	0,542	Reliabel
Fiscal decentralization	0,823	Reliabel
Development Outcome	0,710	Reliabel

Source: Data Processed 2019

Based on the above table that the Cronbatch Alpha value for each variable in this study is for fiscal decentralization of 0.542, village financial performance 0.823, and village development outcomes of 0.710, this means that the data for all variables in this study are greater than 0.361, this can be concluded that all variables in this study can be said to be reliable.

Descriptive statistical analysis to provide an overview of the data used in this study. The results of the descriptive analysis are presented in the table below.

**Table 3** Descriptive Statistical Analysis

**Descriptive Statistics**

	N Statistic	Minimum Statistic	Maximum Statistic	Mean Statistic	Std. Deviation Statistic	Skewness Statistic	Kurtosis Statistic
desentralisasi fiskal	30	23	29	25.63	1.866	.441	-.759
kinerja keuangan desa	30	27	35	30.53	2.488	.461	-1.161
hasil pembangunan	30	22	33	28.30	3.354	-.556	-.762
Valid N (listwise)	30						

Source: Data Processed 2019

From the above table that the amount of data in this study is 30, for the minimum value on the fiscal decentralization variable of 23, the highest value, i 29, the mean mean value 25.63, the standard deviation value 1.866, the skewness value 0.441, and for the kurtosis value -0.759 so it can be concluded that the data for fiscal decentralization variables are normally distributed. Village financial performance variable minimum value of 27, highest value, i 35, mean value 30.35, standard deviation value 2.488, skewness value 0.461, and for kurtosis value -1.161, so it can be concluded that the data for the village financial performance variable is normally distributed . The development outcome variable is a minimum value of 22, a highest value of 32, a mean value of 28.30, a standard deviation value of 3.354, a skewness value of -0.556, and for a kurtosis value of -0.762, so it can be concluded that the data for the variable target budget clarity are normally distributed.

The normality test is conducted to test whether in the regression model of the residual variables are normally distributed, the normality test in this study uses the Kolmogorov-Smirnov One Sample testing model.

**Table 4**  
**Model 1 Normality Test Results**  
**One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residual
N		30
Normal Parameters <sup>a</sup>	Mean	.0000000
	Std. Deviation	1.88460487
Most Extreme Differences	Absolute	.144
	Positive	.116
	Negative	-.144
Kolmogorov-Smirnov Z		.790
Asymp. Sig. (2-tailed)		.560

a. Test distribution is Normal.

Based on the table above, the normality test results of Model 1 show a significance value of 0.560 greater than 0.05, which means that it can be concluded that the data in this study are normally distributed.

**Table 5**  
**Model 2 Normality Test Results**  
**One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residual
N		30
Normal Parameters <sup>a</sup>	Mean	.0000000
	Std. Deviation	3.16310959
Most Extreme Differences	Absolute	.131
	Positive	.081
	Negative	-.131
Kolmogorov-Smirnov Z		.717
Asymp. Sig. (2-tailed)		.682

a. Test distribution is Normal.

Based on the table above that the results of the normality test of model 2 show a significance value of 0.682 greater than 0.05, which means that it can be concluded that the data in this study are normally distributed.

This research regresses the independent variable that is fiscal decentralization on the dependent variable that is village financial performance and the outcome of the development of the regression analysis produces a regression coefficient which shows the direction of the causal relationship between the independent and dependent variables.



**Table 6**  
**Model 1 Multiple Regression Analysis Results**  
**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized
		B	Std. Error	Coefficients
1	(Constant)	8.226	4.905	
	desentralisasi fiskal	.870	.191	.653

a. Dependent Variable: Village Financial Performance

From the table above the regression equation is as follows:

$$Y1 = 8,226 + 0,870X + e$$

If it is assumed the value of the fiscal decentralization variable is 0.653, is constant or equal to zero, then the value of the village financial performance variable is 8,226.

The fiscal decentralization variable is 0.870, meaning that if fiscal decentralization is increased by one percent the village financial performance will increase by 0.870. Positive coefficient means that there is a direct relationship between fiscal decentralization and village financial performance. If fiscal decentralization is very good it can lead to good village financial performance.

**Table 7**  
**Model 2 Multiple Regression Analysis Results**  
**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized
		B	Std. Error	Coefficients
1	(Constant)	12.694	8.795	
	desentralisasi fiskal	.566	.431	.315
	kinerja keuangan desa	.036	.323	.027

a. Dependent Variable: outcome pembangunan

From the table above the regression equation is as follows:

$$Y2 = 12,694 + 0,566X + 0,036Y1 + e$$

If it is assumed that the value of the fiscal decentralization variable is 0.315 and the village financial performance 0.027 is constant or equal to zero, then the value of the development outcome performance variable is 15,176.

The fiscal decentralization variable is 0.566, meaning that if fiscal decentralization is increased by one percent the village development outcome will increase by 0.566. Positive coefficient means that there is a direct relationship between fiscal decentralization and village development outcomes. If fiscal decentralization is very good it can lead to good village development outcomes.

The village financial performance variable is 0.036, meaning that if the village financial performance is increased by one percent, the village development outcome will increase by 0.036. Positive coefficient means that there is a direct relationship between the financial performance of the village and the outcome of village



development. If the financial performance of the village is very good it can lead to good village development outcomes.

Coefficient value R2 aims to determine the magnitude of the influence of the independent variables together on the dependent variable or to show how much the regression model is able to explain the variable dependent variable.

**Table 8 Hasil Determinasi (R<sup>2</sup>) Model 1  
Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.653 <sup>a</sup>	.426	.406	1.918

a. Predictors: (Constant), fiscal decentralization

Based on the table above the coefficient of determination (R Square) of model 1 is 0.426, the value of 0.426 is the square of the correlation coefficient or R that is  $0.653 \times 0.653 = 0.426$ . The magnitude of the coefficient of determination 0.426 is equal to 42.6%. This figure implies that fiscal decentralization affected the financial performance of villages by 42.6% and the rest was influenced by other variables.

**Table 9 Hasil Determinasi (R<sup>2</sup>) Model 2  
Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.333 <sup>a</sup>	.111	.045	3.278

a. Predictors: (Constant), village financial performance, fiscal decentralization

Based on the table above, the coefficient of determination (R Square) of model 2 is 0.111, the value of 0.111 is the square of the correlation coefficient or R of  $0.333 \times 0.333 = 0.111$ . The magnitude of the coefficient of determination 0.111 is equal to 11.1%. This figure implies that fiscal decentralization and performance village finance affects the development outcome by 11.1% and the rest is influenced by other variables.

T test is used to test how far the influence of each independent variable used in this study individually in explaining the dependent variable.

**Table 10 Hypothesis Test Results (t Test) Model 1**

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	8.226	4.905		1.677	.105
	desentralisasi fiskal	.870	.191	.653	4.559	.000

a. Dependent Variable: village financial performance

The fiscal decentralization variable has a t-value of 4.559 and for the t-table value of 2.048 this means that the t-value is greater than t table  $4.559 > 2.048$  and has a sig value of 0.000 less than 0.05, or H0 is rejected and H1 is accepted. It can be concluded that fiscal decentralization has a positive and significant effect on the financial performance of villages in Central Lombok district. The better the fiscal decentralization of the village, the better the financial performance of villages in Central Lombok district.

**Table 10** Hypothesis Test Results (t Test) Model 1

		Coefficients <sup>a</sup>				
		Unstandardized Coefficients		Standardized		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	12.694	8.795		1.443	.160
	desentralisasi fiskal	.566	.431	.315	1.314	.200
	kinerja keuangan desa	.036	.323	.027	.112	.912

a. Dependent Variable: development outcome

The fiscal decentralization variable has a tcount of 1.314 and for a t table value of 2.048 this means that the tcount is smaller than t table 1.314 <2.048 and has a sig value of 0.200 greater than 0.05, or H0 is accepted and H2 is rejected. It can be concluded that fiscal decentralization did not have a positive and significant effect on village development outcomes in Central Lombok district. Village fiscal decentralization did not have an impact on village development outcomes in Central Lombok District.

The village financial performance variable has a t value of 0.112 and for a t table value of 2.048 this means that the t value is smaller than t table 0.112 <2.048 and has a sig value of 0.912 greater than 0.05, or H0 is accepted and H3 is rejected. It can be concluded that village financial performance does not have a positive and significant effect on village development outcomes in Central Lombok district. village financial performance does not have an impact on village development outcomes in Central Lombok District.

This test will see whether the variables used by the model can explain the phenomena analyzed in the study. Testing the feasibility of this research model is to use the Anova test (F test) where by using this test it will be known whether the independent variable can predict the dependent variable in the study.

**Table 12** Model Feasibility Test Results (Test F) Model 1

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	76.466	1	76.466	20.787	.000 <sup>a</sup>
	Residual	103.000	28	3.679		
	Total	179.467	29			

a. Predictors: (Constant), fiscal decentralization

b. Dependent Variable: village financial performance

From the table above the results of the model feasibility test results (f test) model 1 shows that the f count is 20.787 and for the f table value is 4.17 this means that the f count value is greater than f table 20.787 > 4.17 and has a sig value of more than 0,000 less than 0.05, meaning that the fiscal decentralization variable is able to predict the financial performance of villages in Central Lombok district.

**Table 12** Model Feasibility Test Results (Test F) Model 1

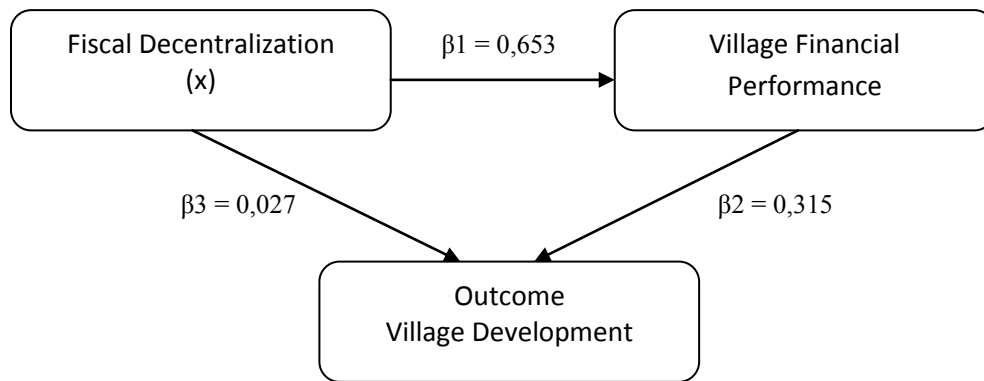
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.147	2	18.074	1.682	.205 <sup>a</sup>
	Residual	290.153	27	10.746		
	Total	326.300	29			

a. Predictors: (Constant), village financial performance, fiscal decentralization

b. Dependent Variable: development outcome

From the table above the value of the results of the model feasibility test (f test) of model 2 shows that the f count is 1.682 and for the value of the f table is smaller than 4.17 this means the value of f count is smaller than f table 1.682 <4.17 and has a sig of 0.205 is greater than 0.05, meaning that the variables of fiscal decentralization and village financial performance are not able to predict development outcomes in Central Lombok district.

Path analysis is an extension of multiple linear regression analysis. This path analysis test uses regression analysis to estimate the causality relationship between variables that have been predetermined based on theory. The path analysis results show the direct and indirect effects of fiscal decentralization on village financial performance.



The magnitude of the direct effect of fiscal decentralization on development outcomes is 0, 027. The magnitude of the indirect effect of village fiscal decentralization on development outcomes through village financial performance is calculated by multiplying the indirect coefficient  $\beta_2 \times \beta_3 = 0.315 \times 0.027 = 0.008505$ . While the total effect  $\beta_1 + (\beta_2 \times \beta_3) = 0.653 + 0.135 \times 0.027 = 0.653 + 0.008505 = 0.661505$  Based on the results of the analysis of the results obtained the indirect effect of village fiscal decentralization on development outcomes through village financial performance is smaller than the direct effect of fiscal decentralization on development outcomes. Therefore village financial performance is not able to mediate the relationship between fiscal decentralization and village development outcomes in Central Lombok Regency.

#### IV. CONCLUSION

This study aims to determine whether there is an influence of fiscal decentralization variable on village financial performance, fiscal decentralization on village development outcomes, and village financial performance on study village development outcomes in underdeveloped villages in Central Lombok district. From the results of the study produced several findings.

Provide empirical evidence that fiscal decentralization has a positive and significant effect on village financial performance in Central Lombok District. This means that fiscal decentralization will have an impact on village financial performance, the better the village fiscal decentralization, especially in the management of village finance in relation to original village income, transfer income, and other income - will improve village financial performance better.

Provides empirical evidence that fiscal decentralization has no positive and significant effect on development outcomes in Central Lombok Regency. Fiscal decentralization has no impact on village development outcomes, because PADes obtained by villages are still relatively small of all the total received by the central and regional levels, so that in the field of village development that is still small is taken from the original village income.

Provide empirical evidence that village financial performance does not have a positive and significant effect on development outcomes in Central Lombok Regency. meaning that the financial performance of villages does not have an impact on village development outcomes.

This study has limitations that can be corrected by further researchers. There are some limitations that need to be very careful and suggestions for limitations in this study include: The scope of researchers is only limited to villages in Kabupaten, Central Lombok. The next researcher can expand the object of research more broadly not only in Central Lombok District, but also in other districts in Indonesia.

Based on the results of calculations that fiscal decentralization affects village financial performance by 42.6%, then the fiscal decentralization variable and village financial performance have an effect of 11.1% on development outcomes. the rest are influenced by other variables outside this study. The results of this study can be used as references and further study material by other researchers who are interested in the same object at different time periods. It is also recommended to the next researcher by adding other related variables and using different samples and research locations in Regencies / Cities in Indonesia

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