



The Influence of Financial Literacy on Village Fund Budget Absorption

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Abstract

A good understanding of financial literacy will make financial planning, management, and control better. Financial literacy is the process by which individuals understand their financial situation and learn how to strengthen their finances by instilling the habit of saving, budgeting, planning, and making sound financial decisions. Not only limited to individuals, good financial literacy will also have a broad impact, for example on the absorption of village budget funds, which are provided by the government to improve existing development infrastructure in villages. This research aims to determine the effect of financial literacy on village budget absorption. This type of research uses quantitative descriptive, using regression testing via the spss application. The research results show that financial literacy has a significant effect on village budget absorption. The positive impact that arises is the improvement of existing infrastructure in the village so that national development can continue to move in a better direction.



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1. Introduction

Nowadays, intense competition in business cannot be separated from the increasingly rapid development of business both locally, nationally, and internationally with various scales and targeted segments. This competition encourages business people to always be the customer's choice and be able to retain their customers. Every company is required to create a good and integrated competitive strategy because competition is the key to the success or failure of the company. The increasing intensity of competition from competitors leads companies to always pay attention to needs and desires and try to meet consumer expectations by providing more satisfying services than those provided by competitors. Thus, only quality companies can compete and dominate the market. (Atmawati, R dan M, 2007)

As business competition becomes increasingly competitive as a result of changes in customer tastes, technology, and changes in the business landscape, every company, whether producing goods or services, must be able to demonstrate the superiority of both its goods and services to be better able to compete in such tight competition (Aziz, 2020). The advantages must be maintained, renewed, and improved continuously, while the weaknesses must be corrected or eliminated. This must be done so that the process of achieving the company's stated goals can proceed according to what has been planned. Facing these situations and conditions, companies must determine their management strategies and policies, especially in the areas of financial and human resources (hr) management strategy.

Human resource management is now a necessity and is no longer an option if a company wants to develop. Management attention is needed so that each individual can recognize, explore, and develop their potential so that they

can work optimally and productively within the company. This also applies to all village officials in Indonesia. (Shuha, 2018)

As a country that is actively developing, the government's role is urgently needed to provide a stronger and faster impetus for the movement of the economy (Djadjuli, 2018). The government's role here can be expressed in the form of optimizing the management of regional potential and human resources that provide benefits to society. This can be achieved if everything is done effectively and efficiently, but in reality, there are still many things that the public expects of the government to improve welfare that cannot be fulfilled.

One of the contributing factors is the low budget absorption in local governments. Budget absorption is directly related to the goods/services procurement process. Many economic observers highlight the problem of low levels of budget absorption as an indicator of the bureaucracy's failure in managing its human resource competencies. One of the causes of low budget absorption is a lack of understanding of financial literacy, which sometimes causes budget absorption not to comply with provisions for the procurement of goods/services. (Warongan, Sonddaks, & D.L., 2017)

Law number 17 of 2003 concerning state finances states that the budget is a tool of accountability, management, and economic policy. The budget is an economic policy that functions to realize economic growth and stability as well as equal distribution of income to achieve state goals. The regional revenue and expenditure budget (apbd) is the embodiment of the regional government's work plan in the form of monetary units for a period of one year and is oriented towards public welfare goals. (Bastian., 2006)

Planning is an important element in an organization. Planning determines all activities that need and will be carried out to achieve the goals and objectives to be achieved. To realize planning, a budget is needed. The budget is a blueprint for the description, actions, and formalities of the planning process. (Dharmanegara, 2010) as reported by the directorate general of fiscal balance, the level of regional expenditure absorption in funding public services is greatly influenced by the budget planning process. (BPKP., 2011)

Improving the quality of public services through good and clean governance needs to be supported by effective, efficient, transparent, and accountable financial management. To increase the efficiency and effectiveness of the use of state finances spent through the government goods/services procurement process, efforts are needed to create openness, transparency, accountability, and the principles of healthy competition/competition in the government goods/services procurement process financed by the apbn/apbd, so that goods are obtained / services that are affordable and of good quality and can be accounted for both in terms of physical, financial, and benefits for the smooth running of tasks government and community services. So sufficient financial literacy is needed in the process of accountability for the use of state finances.

Financial literacy is the process by which individuals understand their financial situation and learn how to strengthen their finances by instilling the habit of saving, budgeting, planning, and making correct financial decisions. (Mendari & Soejono, 2019) financial planning is important in achieving financial goals. Financial literacy has an application dimension which implies that an individual must have the ability and confidence to use their financial knowledge to make village financial decisions. (Houston., 2010)

Based on the research background, the problem formulation that must be answered in this research is to test whether financial literacy has a significant effect on village budget absorption.

Definitions of financial literacy are quite diverse, in this section several definitions of financial literacy will be presented. The presidents advisory council on financial literacy (pacfl in hung 2009), defines financial literacy as the ability to use knowledge and skills effectively in managing financial resources to achieve prosperity. (A Hung., 2009)

Anz defines financial literacy as the ability to make appropriate judgments and take effective decisions regarding the use and management of money. Financial literacy is the ability to use knowledge and skills to manage financial resources effectively for prosperity throughout life. (Auztrali, 2015) the financial literacy indicators are divided into four aspects, namely: (Chen, H. & Volpe, 1998)

a. General personal finance knowledge.

When someone manages their finances, they must understand basic knowledge about personal finance which is then used to manage finances and make effective decisions.

b. Savings and loans

This aspect relates to savings and loans. In general, savings is a portion of income that is set aside to be saved so that it can be used in the future or for other urgent needs. Apart from that, savings encourage someone to learn to manage their finances wisely. For example, when a student wants something, he will try to set aside his pocket money to save so that he can fulfill his wish. Meanwhile, loans are the provision of money to meet needs, both consumption and other urgent matters, so sufficient knowledge is needed to be able to manage these loans wisely.

If a student has sufficient understanding regarding savings and loans, then he will be able to control his finances well and try to allocate his finances wisely so that he can minimize borrowing.

c. Insurance.

The purpose of insurance is to provide a sense of security, apart from that, if an unexpected event occurs, for example, an accident, loss, or damage to a laptop or other electronic device, you will receive compensation or relief for service costs.

d. Investment

Investment is a decision made at this time to use it for the future. Students who have a good understanding of literacy will think about planning their finances in the future, one of which is investment. For example, by setting aside pocket money to buy tickets to go home, a holiday, or other things that will be useful in the future. This is done so as not to burden parents and to train independence.

Several key elements of financial literacy skills and knowledge are usually mentioned in the literature, namely: (Oseifuah., 2010)

a. Mathematical knowledge and standard knowledge such as basic numbers and the ability to understand.

b. Financial understanding of the basic nature and forms of money, how money is used, and the consequences of consumption decisions.

c. Financial competencies include understanding the main characteristics of basic financial services, attitudes towards using money and savings, understanding financial records, and realizing the importance of reading and maintaining them.

d. Be aware of the risks associated with financial products, and understand the relationship between risk and return.

e. Financial responsibility, namely the ability to make the right decisions regarding financial issues, knowing the rights and responsibilities of consumers, and the ability and confidence to seek help when something goes wrong.

Budget absorption is the achievement of an estimate to be achieved during a certain period viewed at a certain time (realization of the budget). More easily, lay people call it budget disbursement. Because what is being observed is a public sector organization or government entity, budget absorption here can be interpreted as the disbursement or realization of the budget as stated in the budget realization report (Ira) at a certain time. (Halim., 2012) in line with this, budget absorption is one of the stages of the budget cycle which starts from budget planning, determining and ratifying the budget by the house of representatives (dpr), budget absorption, budget supervision, and accountability for budget absorption. (Kuncoro., 2013)

Good budget absorption can be seen from the level of implementation of physical realization and scheduled budget realization by the work plan during one period of the budget year. The government is part of several elements that form society in the existing social system. This situation then creates a reciprocal relationship between the government and stakeholders, which means the government must carry out its role in two directions to meet the needs of the government itself and other stakeholders in a social system. Therefore, everything produced and done by each part of the stakeholders will mutually influence each other.

In line to improve community welfare through government activities as a stakeholder who has an important role in the process of advancing a region, the government is expected to make maximum development efforts. The progress of a region can be seen from how the government as the highest authority in a region must be able to manage the existing budget for the benefit of the people of the region. The interests of the people referred to here are how the budget that has been passed is indeed a representation of what the people want so that the results will return to the people later. Budget absorption indicators include: (Aldina., 2016)

a) Accuracy of budget targets in achieving targets set by the company.

b) Speed in absorbing the budget for procurement of goods and services determined by the company.

c) Optimal budget absorption can be proven without waste occurring in any area in the implementation of work to achieve this goal.

d) Optimal budget absorption can be proven without experiencing obstacles that can cause the failure of part or all of the efforts to achieve goals.

2. Materials And Methods

In fulfilling the aim of the research, namely to test whether financial literacy has a significant effect on village budget absorption. So this research is included in the type of explanatory research. The data and information collection technique itself is in the form of field research. The data obtained will be analyzed using the spss-21 application.

Suharyadi and purwanto(Purwanto, 2009) state that a population is a collection of all possible people, objects, and other measures that are objects of attention or a collection of all objects of concern. In this research, the focus was on respondents totaling 42 respondents.

The sample is part of the population or part of the number and characteristics of the population. Sugiyono(Sugiyono, 2018) stated that the sample is part of the number and characteristics of the population. In determining the number of samples, the author uses the slovin formula in umar (Umar, 2013) which is to determine the approach to the number of samples needed for a population as follows:

$$N = n$$

$$1 + n e^2$$

Information :

N = total sample

N = total population

E = percentage sampling error rate

Acceptable, in this study determined 5% (0.05)

So, with the known population (respondents) then:

$$N = 42$$

$$1 + 42 (5\%)^2$$

$$N = 42$$

$$1,105$$

$$N = 38,00 \text{ sample/person.}$$

The hypothesis in this research is as follows:

H₀: it is suspected that financial literacy has a positive and significant influence on village fund budget absorption.

H_a : it is suspected that financial literacy does not have a positive and significant influence on village fund budget absorption

3. Results And Discussions

Research result

Good budget absorption can be seen from the level of implementation of physical realization and scheduled budget realization by the work plan during one period of the budget year. The government is part of several elements that form society in the existing social system. This situation then creates a reciprocal relationship between the government and stakeholders, which means that the government must carry out its role in two directions to meet the needs of the government itself and other stakeholders in a social system. Therefore, everything produced and done by each part of the stakeholders will mutually influence each other.

a. Validity test.

The purpose of this test is to find out whether the measurement tool that has been prepared has validity or not. Operationally valid or not. Operationally, validity can be defined as whether the questionnaire reveals the level of validity of the population and research.

Validity test decision-making:

- If the calculated r-value > r-table, then the question item is valid.
- If the calculated r-value > r-table, then the question item is invalid (failed).

Table 1 Validity test

No	Variable and item	R tabel	R count	Information
<i>Financial literacy</i>				
	X1.1	0,2404	0,689	Valid
	X1.2	0,2404	0,849	Valid
	X1.3	0,2404	0,860	Valid
	X1.4	0,2404	0,681	Valid
	X1.5	0,2404	0,689	Valid
<i>Budget absorption</i>				
	Y1.1	0,2404	1,000	Valid
	Y1.2	0,2404	0,827	Valid
	Y1.3	0,2404	0,737	Valid
	Y 1.4	0,2404	0,310	Valid

the results of the validity test for all variables in this study show that the calculated r -value $>$ r table is 0.2404. This shows that the questions on all research variables are valid.

b. Reliability test.

This test is carried out to determine the extent to which a variable or construct is said to be reliable (fit) to be used for research. (Ghozali, 2018) the result is an index that shows how far a measuring device can be trusted or relied upon. Reliability test decision-making:

- If a variable has a reliability value (cronbach's alpha) $>$ 0.6, it is said to be reliable
- If a variable has a reliability value (cronbach's alpha) $>$ 0.6, it is said to be unreliable.

Table 2. Reliability test

No	Variable	Cronbach alpha	Information
1	Financial literacy	0,858	Reliable
2	Budget absorption	0.726	Reliable

the variables in this research, based on reliability tests, show a cronbach alpha value above 0.60, so it can be concluded that all of them are reliable.

c. Hypothesis test

Table 3. Hypothesis test

Model	Unstandardized coefficients		Standardized coefficients		
	B	Std error	Beta	T	Sig.
<i>Financial literacy --> budget absorption</i>	0.257	0.341	0.217	4.251	.013

d. Hypothesis test.

The results of testing the influence of financial literacy on village fund budget absorption obtained a significance value of $0.013 < 0.05$, so it was found that the hypothesis was accepted. This means that financial literacy has a significant effect on the level of village fund budget absorption.

This research is very appropriate because it was carried out at the village level. In this environment profit is not the main goal. Villages must provide services to the public. Therefore, in implementing village procurement, financial profits/losses are not considered. Procurement of goods/services in the village environment is based on public accountability and transparency of the benefits of procurement resulting in supporting the implementation of the main tasks and functions of village agencies, but still implementing the principles of effectiveness and efficiency.

An incorrect selection process can produce incompetent providers so that the quality of goods/services does not match plans. In addition, errors in the selection process can result in late work completion times and administrative costs for obtaining goods/services being more expensive compared to the costs incurred by private agencies for similar procurement. Therefore, in procuring goods and services, strict budget monitoring is required to avoid purchasing goods whose function is not what the government hopes for the village in the future. Moreover, village management units whose budgets are flexible must be able to manage the existing budget effectively and efficiently

4. Conclusion

Based on the results of data analysis, hypothesis testing, and discussion, it can be concluded that there is a significant relationship between the influence of financial literacy on village fund budget absorption. Based on respondents' open statements regarding the financial literacy variable, most respondents thought that the role of their financial attitudes and understanding of the procurement process under village procedures was driven by several things such as increasing the competency of human resources or village officials. In line to improve community welfare through government activities as a stakeholder who has an important role in the process of advancing a region, the government is expected to make maximum development efforts. The progress of a region or village can be seen from how the government as the highest authority in a region must be able to manage the existing budget for the benefit of the people in the region

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