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ANALYSIS OF VILLAGE FUND ALLOCATION AND CAPITAL EXPENDITURE IN IMPROVING COMMUNITY WELFARE BASED ON AGENCY AND KEYNESIAN THEORY

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1. INTRODUCTION

Public welfare is the goal of a government. The level of community welfare will be an assessment of whether the local government is good or not in managing its government. Community welfare is a condition (circumstance) that shows the state of community life which can be seen from the community's standard of living. Law of the Republic of Indonesia no. 11 of 2009 concerning social welfare, what is meant by social welfare is the fulfillment of the material, spiritual and social needs of citizens so that they can live a decent life and be able to develop themselves, so that they can carry out their social functions.

In an effort to achieve the above objectives, regional governments are expected to be able to explore financial resources in their regions and manage their finances well, especially through village fund allocation, capital expenditure and financial performance. The success of allocation, effectiveness and efficiency of regional government performance is expected to coincide with increased public satisfaction with the public services provided.

*Grand Theory*used in this research are Agency Theory and Keynesian Theory. Agency Theory emerged because of the existence of a relationship between an agent and a principal. Agents are contracted to carry out certain tasks for the principal and have responsibility for the tasks given by the principal. The principal has an obligation to provide compensation to the agent for the services provided by the agent. The existence of differences in interests between the agent and the principal is what causes agency conflicts. In Keynesian Theory, government spending will make people work, public spending will increase demand for goods, which will then create high profits which will encourage money owners to invest easily. Unemployment will disappear, and the economy will improve. In General Theory, Keynes (1936) demanded government policies that would greatly increase the availability of capital, that it would only bring minimal profits, and would even create "the euthanasia of rentiers". National income is a function of total employment in a country. The greater the national income, the greater the volume of jobs produced, and vice versa. Apart from that, Signaling Theory is used which explains the reasons why the government has the urge to show signals to the public. The government gives signals to the public because of the information asymmetry between the government and the public. Information asymmetry occurs because the government has more information than the public regarding the wheels of government (Bestari, 2013).

2. LITERATURE REVIEW

Village Fund Allocation (ADD)

Minister of Home Affairs Regulation Number 37 of 2007 concerning Village Financial Management guidelines article 18 states that ADD comes from the Regency/City APBD which is sourced from central and regional financial balance funds received by the Regency/City government for villages of at least 10%. The provision of ADD is a manifestation of fulfilling village rights in carrying out village autonomy so that it can develop following the growth of the village itself based on diversity, participation and empowerment of village communities. ADD can also provide services for the community even though it is limited to village areas (Menkhoff, et.al, 2011). The Village Fund Allocation is a funding balance from the Regency/City Government to the Village Government and comes from Central Government funding. Article 19 of Minister of Home Affairs Regulation Number 37 of 2007 explains that the purpose of granting ADD is:

a) Overcoming poverty and reducing inequality
b) Improving development planning and budgeting at the village level and community empowerment
c) Increasing rural infrastructure development
d) Increasing the practice of religious and socio-cultural values in order to realize social improvement

e) Improving public peace and order
f) Improving services to village communities in the context of developing community social and economic activities
g) Encourage increased community self-sufficiency and mutual cooperation
h) Increasing village and community income through Village-Owned Enterprises (BUMDes).

According to Minister of Home Affairs Regulation Number 37 of 2007 article 20, ADD management adheres to the principles:

a) The principle of equal distribution is the same amount of ADD for each village, which is hereinafter called Minimum Village Fund Allocation (ADDM).
b) The fair principle is the size of the ADD share based on the Village Weight Value (BDx) which is calculated using certain formulas and variables, (for example poverty, affordability, basic education, health, etc.) hereinafter called Proportional Village Fund Allocation (ADDP). The percentage ratio between the principles of equality and fairness as referred to in paragraph (2) above is that the ADDM is 60% (sixty percent) of the ADD amount and the ADDP is 40% (forty percent) of the ADD amount.

All activities funded by the Village Fund Allocation are planned, implemented and evaluated openly by involving all elements of the village community. All activities must be accountable administratively, technically and legally.

Capital Expenditures

Article 53 of the Minister of Home Affairs Regulation Number 13 of 2006 explains that capital expenditure is used for expenditure made in the context of purchasing/procuring or constructing tangible fixed assets that have benefits exceeding 12 (twelve) months for use in government activities such as land, equipment and machines, buildings and structures, roads, irrigation and networks and other fixed assets. According to Sungsoo (2001) capital expenditure generally provides positive information about increasing income in the future. Capital expenditure according to PMK No.91/PMK.06/2007 is budget expenditure used to acquire or increase fixed assets and other assets that provide benefits for more than one accounting period and exceed the minimum limit for capitalization of fixed assets or other assets set by the government. Government Accounting Standards (SAP) explain the meaning of capital expenditure as expenditure made in the context of capital formation which is to increase fixed assets/inventory which provides benefits for more than one accounting period, including expenditure for maintenance costs which are to maintain or increase the useful life and increase capacity and asset quality.

The capitalization criteria in the procurement/maintenance of goods/assets is a validation stage for determining capital expenditure or not and is a mandatory requirement in determining capitalization for the procurement of goods/assets (Minister of Finance Regulation Number 101/PMK.02/2011):

a) Expenditure of the budget results in an increase in assets and/or an increase in the useful life or economic life of the relevant assets.
b) These budget expenditures result in increased capacity, increased performance standards, or asset volume.

Meet the minimum capitalization value with the following details:

1) For procurement of equipment and machinery, the minimum market price per unit of goods is IDR 300,000.
2) For the construction and/or maintenance of buildings and structures per work package is Rp. 10,000,000, -
c) The procurement of goods is not intended to be handed over/marketed to the public or other entities outside the government.

Based on Appendix III of the Minister of Finance Regulation Number 101/PMK.02/2011 concerning Capital Expenditure Budget Classification, it is used for, among other things:

a) Land Capital Expenditures
All expenses for procurement/purchase/acquisition/settlement, changing names, clearing, stockpiling, leveling, clearing land, making land certificates and other expenses of a negative nature in connection with the acquisition of 15 rights and obligations over land at the time of acquisition/payment of compensation to the land is ready to be used/used.
b) Capital Expenditures for Equipment and Machinery
Expenditures for the procurement of equipment and machines used in carrying out activities include purchase costs, transportation costs, installation costs, and other direct costs to obtain and prepare until the equipment and machines are ready for use.
c) Building and Building Capital Expenditures

Expenditures to obtain buildings and structures on a contractual basis until the buildings and structures are ready for use include purchase costs or construction costs, including costs for processing the IMB, notary and taxes (contractual). This expenditure includes costs for planning and supervision related to the acquisition of buildings and structures.

d) Capital Expenditure for Roads, Irrigation and Networks
Expenditures to obtain roads and bridges, irrigation and networks until they are ready for use include acquisition costs or construction costs and other costs incurred until the roads and bridges, irrigation and networks are ready for use. This expenditure includes costs for additions and replacements that increase the useful life, increase the value of assets, and are above the minimum capitalization value of roads and bridges, irrigation and networks.

e) Other Capital Expenditures
Expenditures required in capital formation activities for the procurement/development of other capital expenditures that cannot be classified in the estimated capital expenditure criteria for Land, Equipment and Machinery, Buildings and Structures, Networks (Roads, Irrigation etc.). Included in this capital expenditure: leasehold contracts, procurement/purchase of artistic goods (art pieces), ancient goods and goods for museums, as well as livestock, books and scientific journals as long as they are not intended for use. sold and 16 handed over to the community. What is included in this capital expenditure is non-physical capital expenditure whose quantities can be identified and measured.

f) Public Service Agency (BLU) Capital Expenditure
Expenditures for procurement/acquisition/purchase of assets used in the context of carrying out BLU operations.

3. METHOD

This research is a qualitative research. The goal is to get an idea of a particular object from a theoretical point of view. How are Village Funds and Capital Expenditures viewed based on agency and Keynesian theory in order to improve community welfare? Thus, this research can produce factors that can trigger increased welfare with these two theories. Apart from that, this research also criticizes Village Fund Allocation and Capital Expenditure with these two theories so as to produce the right concept for Village Fund Allocation to be linked to Community welfare.

4. RESULTS AND DISCUSSION

Financial development in the public sector in Indonesia is increasingly rapid, with the implementation of government policies emphasizing regional and village governments, in this case the era of regional autonomy is required to increase competitiveness and be able to compete between regional and village governments (Rimawan, et al., 2020). Therefore, it is hoped that it can spur an increase in community welfare.

Improving people's welfare is one of the goals of a government in its country which can be realized through economic development. Economic development is a change to obtain better conditions in society and is a stage that must be undertaken by every country. One of them is Indonesia, which is a developing country which continues to strive for development to improve people's welfare (Anshari, et al., 2019).

The level of welfare of the people of an area tends to reflect the quality of life of the area where it is located. Community welfare is the level of prosperity of the population of a region or country in meeting the community's living needs. According to Law No. 11 of 2009 concerning community welfare, community welfare is the condition of fulfilling the material, spiritual and social needs of citizens so that they can live a decent life and be able to develop themselves, so that they can carry out their social functions. A prosperous life is the dream of every human being, a prosperous society will not be realized if the people live in poverty. Increasing community welfare is the essence of national development. The meaning of welfare is very broad and relative. Welfare in an economic sense can be characterized by high and low real income. If the real income of a person or society increases, then the economic welfare of that person or society also increases.

Denpasar City is the capital and also the center of government and economy of the province of Bali. Denpasar city is divided into 4 sub-districts, one of which is West Denpasar sub-district. West Denpasar District consists of 3 sub-districts and 8 villages and is ranked first in population density with a total of 188,068 people (DISDUKCAPIL Denpasar City, 2022). A dense population must of course be supported by good regional government in an effort to improve community welfare. The Central Statistics Agency (BPS) of Denpasar City (2023) stated that even though Denpasar City is the region with the second highest APBDes realization value in Bali Province, the HDI growth value has not been significant. The following is data on community welfare presented by the Central Statistics Agency (BPS) on the Denpasar City Community Development Index (IPM) from 2019-2023.

Table 1.1
Denpasar City Community Development Index (HDI).
Year 2019 - 2023

DENPASAR CITY HDI	
Year	**Percentage**
2019	83.68%
2020	83.93%
2021	84.03%
2022	84.37%
2023	84.68%

Source: Denpasar City BPS data (2023)

Based on Table 1.1 Denpasar City Community Development Index (HDI) for 2019-2023, it can be seen that in 2019 the percentage of the Human Development Index (HDI) was 83.68% and in 2020 it increased by 0.25%. In 2021, the percentage increase from the previous year decreased to 0.10%, then in 2022 the Human Development Index in Denpasar City was 84.37% and in 2023 it reached 84.68% (an increase of 0.34%). The decline in the percentage increase in the index in 2021 shows that the level of community welfare after the Covid-19 pandemic has not been significant. Based on data from the Central Statistics Agency (Denpasar City) in table 1.3, the interesting thing is the dynamics of the Denpasar City HDI trend which has not been able to reach 1%. This is of course an evaluation considering that the city of Denpasar won the title of Highest Regional Revenue Realization for the 2022 Fiscal Year at the 2023 APBD Award (Ministry of Home Affairs, 2023).

Community welfare can be measured through two factors, namely the unemployment rate and the poverty rate. The definition of unemployment is residents who are not working, but are looking for work or are preparing a new business or residents who are not looking for work because it is impossible to get a job (discouraged workers) or residents who are not looking for work because they have been accepted for work or have a job but are not yet working (Putong, 2003). The concept of welfare according to Nasikun (1993) can be formulated as the equivalent meaning of the concept of human dignity which is seen from four indicators, namely: 1) sense of security, 2) welfare, 3) freedom (freedom), and 4) identity. (identity). According to the Central Statistics Agency (BPS) in 2019, there are 7 indicators in measuring the level of the Human Growth Index (HDI), namely population, health, education, employment, consumption levels and patterns, housing and the environment, and poverty. These indicators serve as guidelines for local governments in efforts to improve community welfare by managing village finances well and on target. Based on data from the Denpasar City Central Statistics Agency, the welfare of the people of an area is influenced by government factors, namely the allocation of village funds, capital expenditure and financial performance which is presented in the annual APBDes realization report.

In an effort to achieve the level of community welfare, the regional government, in this case the village government, makes comprehensive efforts to improve the welfare of the regional community. One of the efforts made is to manage village finances well and on target to develop a community growth index. Minister of Home Affairs Regulation No. 113 of 2014 concerning Village Financial Management provides a basis not only normatively, but increasingly autonomous in practice. Village Financial Management is regulated in Government Regulation Number 43 of 2014 concerning Implementing Regulations of Law No. 6 of 2014 concerning Villages and Minister of Home Affairs Regulation no. 113 of 2013 concerning Village Financial Management, where it is stated that financial management is a series of activities which include planning, implementation, administration, reporting and accountability. It is hoped that the series of activities outlined will make it easier to achieve village development goals, reduce the burden on central government and regional interference and provide opportunities for local level coordination (Bastian, 2001: 52). The local level coordination in question is the village government.

Table 1.2
APBDes Realization Value in Kec. West Denpasar
(Year 2019-2023)

Desa	Realisasi APBDes (Rp.)				
	2019	2020	2021	2022	2023
Dauh Puri Kangin	5.439.739.094	2.838.660.577	4.451.618.300	4.590.816.868	4.712.322.000
Dauh Puri Kauh	7.319.078.957	5.472.899.886	5.472.899.886	5.735.689.782	7.893.123.077
Dauh Puri Klod	6.736.445.320	6.080.128.939	5.293.888.872	5.570.189.484	4.029.778.275
Padangsambian Kaja	7.367.343.011	6.100.509.930	6.202.829.347	6.286.565.219	8.361.419.560
Padangsambian Klod	8.394.843.744	6.314.811.347	6.428.277.625	6.829.813.325	7.226.582.000
Pemecutan Klod	9.674.531.770	7.467.049.454	7.745.310.911	9.238.464.215	9.530.008.935
Tegal Harum	6.845.728.429	5.272.649.878	5.451.071.481	5.640.948.572	6.174.728.036
Tegal Kerta	6.897.681.006	6.872.969.245	6.682.693.970	6.740.879.962	6.887.641.855

Source: West Denpasar District Head's Community Service Archives

Table 1.2 shows the value of APBDes realization (in general) in each village in West Denpasar District from 2019-2023. The value of each village's APBDes is different because the income, expenditure and financing of each village are different from one another. Administratively, a village is the smallest form of government led by a village head or village head. Indonesia adheres to a decentralized government system which provides the transfer of authority from the central government to regional governments, who will then manage their potential to increase Regional Original Income (PAD). Regional Original Income (PAD) will be managed by the regional (village) government and the village/regional head who will be responsible for its management. Village/regional heads must have good abilities so that the management and allocation of village finances is carried out effectively and efficiently in order to achieve village development goals. According to Minister of Home Affairs Regulation no. 20 of 2018, APBDes is an annual financial plan made by the village government. According to Astuty and Fanida (2018) APBDes is the village's annual financial plan which is based on village regulations regarding income and expenditure predictions as a source of financing for village development activities. The forms of the APBDes include allocation of village funds and capital expenditure which are then summarized in the financial performance report contained in the APBDes realization report each year.

Village Fund Allocation (ADD) is a fairly significant fund for villages to support village programs allocated by the Regency Government for Villages which originates from the share of central and regional financial balance funds received by the Regency (Law No. 6 of 2014 concerning Village). Village Fund Allocation (ADD) is funds that must be handed over by the Village Government, originating from the Regency, 30% of which is used for apparatus and operational spending while 70% is for public spending and community empowerment.

Table 1.3
Realization of Village Fund Allocation Value in Kec. West Denpasar
(Year 2019-2023)

Desa	Nilai ADD (Rp.)				
	2019	2020	2021	2022	2023
Dauh Puri Kangin	2.084.342.000	1.955.448.000	1.784.787.285	1.784.787.285	1.924.533.212
Dauh Puri Kauh	2.690.658.000	2.276.555.000	2.276.555.000	2.182.135.299	2.283.365.102
Dauh Puri Klod	2.707.235.000	2.531.487.000	2.344.283.509	2.344.283.509	2.106.457.646
Padangsambian Kaja	2.644.129.000	2.599.682.000	2.565.217.781	2.639.571.919	2.304.978.296
Padangsambian Klod	3.218.612.000	2.836.758.000	2.828.462.178	2.828.462.178	3.011.300.682
Pemecutan Klod	3.532.654.000	3.292.200.000	3.327.418.194	3.315.000.000	3.542.825.742
Tegal Harum	2.527.222.000	2.330.767.000	2.102.656.916	2.097.131.696	2.194.329.417
Tegal Kerta	2.476.240.000	2.765.828.000	2.635.563.657	2.636.512.450	2.812.447.000

Source: West Denpasar District Head's Community Service Archives

Based on table 1.3, the value of Village Fund Allocations for 8 villages in West Denpasar District from 2019-2023 is presented. It can be seen that the value of the Village Fund Allocation for each village in each year is different, this is influenced by calculations that take into account the population, poverty rate, area area and level of geographical difficulty of each village. Village Fund Allocations come from the APBD which is an obligation of the Regency or City Government (Permendagri No. 37 of 2007 concerning Guidelines for Village Financial Management).

The existence of good village fund allocation management will provide an overview of village financial management in providing financial accountability reports to stakeholders, so that efforts to improve community welfare run optimally. Judging from the Village Fund Allocation value in table 1.3, it is certainly hoped that the Village Fund Allocation value can be enjoyed by the community in the context of creating increased community welfare. According to research by Permata, et al., (2022) andWasi*et al., (2023)* states that there is a positive and significant influence between the allocation of village funds on community welfare. This is because Village Fund Allocations are issued with the general aim of improving the performance of village government administration, improving the welfare of village communities and alleviating poverty, and also increasing the development of rural facilities and infrastructure. Where, based on one of the objectives of the Village Fund allocation, namely increasing the capacity of community institutions in the village in the form of planning, implementing and controlling development in a participatory manner in accordance with the potential of the village, the people of Umung Village experience a level of prosperity because of the Village Fund Allocation, the path from The main road to the big village, which was originally still rocky, was made into an asphalt road so that the people of Umung Village can easily access transportation, the economy and education. The above opinion is supported by the results of research conducted by Harahap (2021) which states that there is a positive and significant influence between Village Fund Allocations on the Welfare of Village Communities in Tamiang Hulu District. This is in contrast to research conducted by Khasanah and Marisan (2022) which states that the management of village fund allocations has a negative effect on community welfare. Based on this phenomenon and the differences in findings in previous studies regarding how village funds are allocated to community welfare, this is the basis for researchers to increase the allocation of village funds in the research variables.

In the APBDes there are also capital expenditures which are managed and used by regional/village governments in their government programs to be enjoyed by the community. Regional spending is separated into two forms, namely operational spending and capital spending (Mahmudi, 2010: 82). Village capital expenditure is village expenditure which is assumed to have a multiplier effect on the economy of a community by building roads, bridges, buildings, irrigation, and so on (Halim, 2014: 234). The type of capital expenditure allocation in village expenditure is found in each activity program contained in the APBDes with the largest composition compared to other types of expenditure (Abidin, 2015). Minister of Home Affairs Regulation no. 13 of 2006 explains that capital expenditure is used for expenditure in the context of purchasing/procuring or building for more than 12 (twelve) months in government activities such as land, equipment and machinery, buildings and structures, roads, irrigation and other fixed asset networks. According to Sungsoo (2001), capital expenditure generally provides positive information about increasing income in the future. Capital expenditure should be taken into account because it is related to the continued development of infrastructure and public facilities which will influence the rate of economic growth in society. The availability of public infrastructure and facilities launched and promoted by the regional government is aimed at the regional government's efforts to create and support community economic sectors that are able to boost the village economy. The results of Sita's research (2016) found that capital expenditure positively and significantly influences community welfare, this means that increasing capital expenditure will have a positive impact, namely increasing the level of community welfare. This statement is supported by the results of research by Laksmi and Suyana (2019) that capital expenditure has a positive effect on community welfare. Different research results were obtained by Nina and Rustariyuni (2018) who found that capital expenditure had a negative effect on community welfare. Based on the description of capital expenditure and differences in research findings, this is the basis for researchers to use capital expenditure as a research variable.

Apart from village fund allocation and capital expenditure, another factor that influences the level of community welfare is the government's financial performance. Financial performance is an analysis carried out to see the extent to which a company has implemented financial programs by using financial implementation rules properly and correctly (Fahmi, 2018: 142). According to Sanjaya Surya (2018:279) financial performance is the level of success achieved by a company so that it obtains good financial management results. Related to this, the financial performance of the village government is the ability of the village's original financial potential to support the running of the government system, community services and village development so that it does not have complete dependence on the central government and has full freedom to use/utilize funds for the benefit of the village community to an extent. -limits determined through applicable laws and regulations (Aini, et al., 2023). Government Regulation no. 43 of 2014 concerning villages states that village expenditure stipulated in the APBDes is used at least 70% of the total village expenditure budget to fund the implementation of village government, implementation of village development, development, village community and village community empowerment which is then stated in the financial report and evaluated in financial performance.

The financial performance of a village can be determined through a comprehensive analysis or study of a village's finances with the aim of finding out whether the village government's financial performance in controlling village finances is good or not. Analysis of financial ratios in budget realization reports that have been determined and implemented is one way to analyze the performance of village government in controlling village finances. According to Puspita and Septiani (2018), the regional financial independence ratio describes the level of regional ability to manage its own regional government activities in order to improve development and services to the community in return for the payment of taxes and levies paid by the community to the government. According to Khairudin, et al., (2019) financial efficiency has a negative and insignificant effect on people's welfare, while regional financial effectiveness has a positive and significant effect on people's welfare. Habbe's research (2021) found that financial performance has been proven to be able to improve community welfare. This is supported by Wahyuni's (2023) research results that financial performance has a positive and significant effect on community welfare. Wahyuni (2023) believes that good regional financial performance encourages the creation of good community economic growth as well. The factors that influence financial performance in this research are village fund allocation and capital expenditure. The Village Fund allocation comes from the Regency/City APBD which is sourced from central and regional financial balance funds received by the Regency/City government for villages of at least 10%. The provision of Village Fund Allocations is a manifestation of fulfilling village rights in carrying out village autonomy so that it can develop following the growth of the village itself based on diversity, participation and empowerment of village communities. Capital expenditures are used for expenditures made in the context of purchasing/procuring or constructing tangible fixed assets that have benefits exceeding 12 (twelve) months for use in government activities such as land, equipment and machinery, buildings and structures, roads, irrigation and networks and other fixed assets (Permendagri No. 13 of 2006). Capital expenditure according to PMK No. 91/PMK.06/2007 is budget expenditure used to acquire or increase fixed assets and other assets that provide benefits for more than one accounting period and exceed the minimum capitalization limits for fixed assets or other assets set by the government.

The financial performance of the village government is a reflection of the success of the village government in managing village finances. The allocation of Village Funds and Capital Expenditures in their management must be accountable administratively, technically and legally as stated in the village government's annual financial performance report. This explains that financial performance cannot be separated from the allocation of village funds and capital expenditures which are prepared and designed by the village government which are then managed transparently. The financial performance of a village government is then measured through the ratio of effectiveness and efficiency to its influence on the welfare of the people in the village. Public welfare is the goal of a government. The level of welfare of the people of a region will be the assessment of the central government and the people in that region on the performance of their regional government. The performance of the regional government will be assessed whether it is good or not in managing its government with the allocation of village funds and capital expenditure used by the village government in an effort to improve community welfare. A high level of public welfare is certainly the dream of every government person.

Research conducted by Priantono and Vidiyastutik (2022) states that village fund allocation as measured through internal control and accountability systems partially and simultaneously influences village financial performance. Research conducted by Yulihantini, et al., (2018) states that village fund allocation has no effect on village financial performance in Jember district. These results are in line with those carried out by Dalukitowati, et al., (2019) who found that village fund allocation had a negative effect on financial performance in Rejosari village, while Claudya (2019) found different results, namely that village fund allocation had an effect on financial performance. According to Claudya (2019) that capital expenditure has no effect on financial performance. This result is supported by research by Yulihantini, et al., (2018) which found that capital expenditure had a negative effect on financial performance. However, different results were found by Mwangi (2014), namely that capital expenditure had a positive effect on financial performance. Dalukitowati, et al., (2019) also obtained similar results, namely that capital expenditure had a positive effect on financial performance.

A. Analysis Results based on Agency Theory (Agency Theory)

Agency Theory (Agency Theory) emerged because of the existence of a relationship between the agent and the principal. Agents are contracted to carry out certain tasks for the principal and have responsibility for the tasks given by the principal. The principal has an obligation to provide compensation to the agent for the services provided by the agent. The existence of differences in interests between the agent and the principal is what causes agency conflicts. Principals and agents both want maximum profits. Principals and agents also both try to avoid risks (Belkaoui, 2006: 105). Agency theory is a theoretical model that explains how the relationship between principals and agents has an economic impact.

Agency theory in regional government has begun to be put into practice, especially since the implementation of regional autonomy since 1999. The application of agency theory can be studied from two perspectives, namely the relationship between the executive and the legislature, and the legislature and the people, the implications of which can be positive in the form of efficiency, but in more in the form of negative things such as opportunistic behavior (Subaweh, 2008). This happens because the agent has an advantage in the form of financial information over the principal, while the principal may take advantage of personal interests (self-interest) because they have superior power. Agency problems arise when executives tend to maximize their self-interest starting from the budgeting process, decision making to presenting reasonable financial reports to show that their performance has been good so far, as well as to secure their position in the eyes of the legislature and the people.

Agency theory also states that agents are usually opportunistic and tend to dislike risk (risk averse) (Herawati and Baridwan, 2007). The responsibility shown by regional governments as executives is not only in presenting complete and fair financial reports, but also in how they are able to open access to users of financial reports (stakeholders). Regional governments as agents will avoid the risk of stakeholders' distrust of their performance. Therefore, regional governments will try to show that their performance has been good and accountable in managing regional finances.

The relationship between agency theory and this research is that the government acts as an agent (government manager) who must determine certain strategies in order to provide the best service to the public as the principal. The principal certainly wants good performance results from the agent and one of the ways in which this performance can be seen is financial performance and good service, whereas financial performance and good service depends on the strategy implemented by the government. If the government's performance is good, the public will trust the government. In conclusion, the choice of strategy will influence the trust of the public as the principal towards the government as an agent.

B. *Data Analysis based on Keynesian Theory* (1936)

John Maynard KeynesThe intellectual Godfather of postwar welfare capitalism in the depression, Keynes offered a series of critiques of government policies of laissez-faire, culminating in The General Theory of Employment, Interest, and Money (1936). Taking aim at the conception of the economy as an early regulatory entity, a legacy of Smith, Keynes interpreted the depression as a product of the erroneous assumption that the market would generate sufficient employment on its own.

Keynes offered an economic rationalization for governments to actively try to fight unemployment by increasing the level of government spending. At levels when investment and private consumption are very weak, the government will stimulate economic activity. Government spending, according to Keynes, will make people work, public spending will increase demand for goods, which will then create high profits which will encourage money owners to invest easily. Unemployment will disappear, and the economy will improve.

Keynes became a very influential economist in the West from the 1930s to the 1970s. In General Theory, Keynes (1936) demanded government policies that would greatly increase the availability of capital, that it would only bring minimal profits, and would even create "the euthanasia of rentiers". Keynes defended the expanded role of government “only as a practical means of preventing the destruction of economic forms present in their entirety and as a prerequisite for the successful functioning of individual initiative.” General Theory was an attack—not so much as what Smith wrote about its reduction of laissez faire dogma. Keynes intended to free the minds of economic policy makers from blind obedience to the belief that the invisible hand of the market is the solution to every economic problem - a belief that Smith himself never adhered to.

National income is a function of total employment in a country. The greater the national income, the greater the volume of jobs produced, and vice versa. The volume of work depends on effective demand. Effective demand determines the level of employment and income balance. Effective demand consists of consumption demand and investment demand. Now investment can be increased through increasing the marginal efficiency of capital or decreasing interest rates. Although an increase in investment usually causes an increase in employment, this may not happen if at the same time the propensity to consume falls and vice versa. An increase in investment causes income to rise, and as income rises, there is greater demand for consumer goods, which in turn causes a subsequent increase in income and employment. This process tends to be cumulative. As a result, a certain increase in investment causes a multiple increase in income through consumption tendencies. Keynes called this relationship between the increase in investment and income the Keynes multiplier.

In Keynes' theory (1936), consumption by one person in the economy will become income for other people in the same economy. So when someone spends their money, they help increase other people's income. This cycle continues and allows the economy to run normally. However, if society reacts by holding back spending and tending to hoard money, this, based on Keynes' theory, will result in the money circulation cycle stopping and subsequently paralyzing the economy. In essence, Keynes' theoretical concept can be seen as a theory about income and employment opportunities. The main core in Keynes's system of thought and concepts consists of three important factors, namely:

1) Desire to consume (propensity to consume). Aggregate total income equals aggregate total consumption plus aggregate total investment. The level of consumption depends on a person's desire to consume, which is a function of income. Likewise, with savings, because savings are the remaining part of income that is not used for consumption.
2) The interest rate is related to liquidity preference. According to Keynes, the interest rate is not a reflection of the supply of savings and investment demand, but the interest rate is an independent variable of these two things. The savings rate is a monetary phenomenon that depends on people's desire to hold their savings in the form of liquidity funds. So the interest rate depends on liquidity preferences.
3) Marginal efficiency of capital investment (marginal efficiency of capital). The level of investment is determined by the marginal efficiency of capital investment, which is influenced by investors' expectations about the profits that will be obtained in the future from the capital investment in question. It is clear that these expectations are positive and beneficial to investors.

Keynes explained that the government must intervene in controlling the national economy with active policies so as to influence economic movements. Keynes' views continue to be updated and developed by his supporters, both Neo-Keynesian and Post Keynesian. The successors of Keynes' teachings have made many contributions in developing theories related to efforts to maintain economic stability. These theories explain and anticipate economic fluctuations (business cycle) and theories related to growth and income. It is important to know that the great influence of Keynes gave birth to a school called Keynesian, namely a collection of integrated economic theories and policies originating from Keynes, which, although based on the liberalism paradigm, believes that an orderly economy can only be achieved through government supervision and intervention (Sastradipoera, 2001: 234).

Keynes' followers suggested that to combat depression and economic recession, it should be done by increasing government spending or reducing taxes which could increase private sector consumption spending. Keynes' followers also suggested that monetary authorities increase the money supply to reduce interest rates in the hope that this policy would be able to support investment. To deal with inflation caused by excessive overall demand, the government should reduce spending, increase taxes to reduce private sector consumption spending, or reduce the money supply to increase interest rates, which will be able to reduce excessive investment spending (Sastradipoera, 2001: 247).

This theory states that macroeconomic trends can influence individual microeconomic behavior. In contrast to classical economists' theory which states that the economic process is based on the development of potential output, Keynes emphasized the importance of aggregate demand as the main factor driving the economy, especially in a sluggish economy. He argues that government policy can be used to increase demand at the macro level, to reduce unemployment and deflation. If the government increases its spending, the money circulating in society will increase so that people will be encouraged to shop and increase their demand (so that aggregate demand increases). Apart from that, savings will also increase so that they can be used as investment capital, and economic conditions will return to normal levels.

2.1.1 Public welfare

Community welfare is a condition (circumstance) that shows the state of community life which can be seen from the community's standard of living. Law of the Republic of Indonesia no. 11 of 2009 concerning social welfare, what is meant by social welfare is the fulfillment of the material, spiritual and social needs of citizens so that they can live a decent life and be able to develop themselves, so that they can carry out their social functions. According to Suharto (2017), with various opinions about social welfare from several figures, it can be concluded that the concept of social welfare is:

a) Able to fulfill all a person's needs.
b) An activity carried out by a social welfare institution that carries out social welfare efforts.

c) A form of activity or effort undertaken to achieve a prosperous life

The concept of welfare can be divided into individual welfare and social welfare. Individual welfare is a way of linking welfare to individual choices objectively. The choice that individuals make as an objective test is to compare individual well-being in different situations. Social welfare is a way of linking welfare by adding up the satisfaction of all individuals in the wider scope of society.

Previous research that can be studied so that it can produce factors determining community welfare are as follows:

Table
Previous Research

No.	Researcher and Year	Title	ADD	B.M	KM	K.K	Findings
1	Mwangi, R.W. (2014)	*The Effect of Capital Expenditure on Financial Performance of Firms Listed at the Nairobi Securities Exchange*		x		x	Capital Expenditures have a positive effect on Financial Performance
2	Yulihantini, DT, Sukarno, H., & Wardayati, SM (2018)	The Influence of Capital Expenditures and Village Fund Allocations on Village Financial Independence and Performance in Jember Regency	x	x		x	Capital Expenditures have a negative effect on Village Financial Performance Village Fund Allocation has no effect on Village Financial Performance in Jember Regency
3	Dalukitowati, I., Susyanti, J., & Salim, M.A. (2019)	The Influence of Capital Expenditures and Village Fund Allocations on Financial Performance in Rejosari Village, Bantur District, Malang Regency.	x	x		x	Capital Expenditures have a positive effect on Financial Performance Village Fund Allocations have a negative effect on Financial Performance
4	Claudia, CT (2019)	The Influence of Capital Expenditures and Village Fund Allocations on the Financial Performance of Sleman Regency Villages	x	x		x	Capital Expenditures have no effect on Financial Performance

5	Priantono, S., & Vidiyastutik, ED (2022).	*The Influence of Internal Control System and Accountability of Village Fund Allocation Management on Village Financial Performance*	x			x	Village Fund Allocations influence Financial Performance
6	Setiawan, D., Iqbal, M., & Diani, S. (2023)	The Influence of Village Fund Allocation Management (ADD) and Implementation of Internal Control on Financial Performance in Village Governments	x			x	Village Fund Allocation has a positive effect on the Financial Performance of the Village Government
7	Aris, T. (2018)	The Influence of Village Fund Allocations and Village Development Programs on Community Welfare in Bukit Lipai Village, Batang Cenaku District	x		x		Village Fund Allocations have a significant effect on Community Welfare
8	Luju, E., Wisang, IV, Wulandari, CA, & Poin, EA (2020).	The Influence of Village Fund Allocation Management on Community Welfare through Village Community Empowerment in Bloro Village, Nita District, Sikka Regency	x		x		Management of Village Fund Allocations has a significant positive effect on Community Welfare
9	Harahap, AY (2021)	The Effect of Village Fund Allocation on Community Welfare (Study: Villages in Tamiang Hulu District, Aceh Tamiang Regency)	x		x		Village Fund Allocation has a significant positive effect on Community Welfare

10	Permata, CIH, Muchson, M., & Surindra, B. (2022).	*The Effect of Village Fund Allocation on Village Development and Society Welfare.*	x		x		Village Fund Allocation has a positive effect on Community Welfare
11	Khasanah, AN, & Marisan, I. (2022).	The Effect of Using Village Fund Allocations (ADD), Accountability and Transparency of Village Financial Management on Community Welfare	x		x		The use of Village Fund Allocations has a negative effect on Community Welfare
12	Permata, CIH, Muchson, M., & Surindra, B. (2022).	*The Effect of Village Fund Allocation on Village Development and Society Welfare.*	x		x		Village Fund Allocation has a positive effect on Community Welfare
13	Wasi, MC, Herdi, H., & De Romario, F. (2023)	The Influence of Village Fund Allocation on the Welfare of Village Communities (Case Study in Umung Village, Satarmese District, Manggarai Regency)		x	x		Village Fund Allocations have a positive and significant effect on Community Welfare
14	Mirza, DS (2012)	*Effects of Poverty, Economic Growth, and Capital Expenditures on the Human Development Index in Central Java 2006-2009*		x	x		Capital Expenditures have a positive and significant effect on Community Welfare

14	Sita, PRA (2016)	The Influence of Capital Expenditures on Economic Growth and Community Welfare on the Island of Kalimantan		x	x		Capital Expenditures have a positive and significant effect on Community Welfare
15	Nina, GA, & Rustariyuni, SD (2018)	The Influence of the Gini Ratio, Non-Food Expenditures and Capital Expenditures on the Level of Community Welfare in Bali Province		x	x		Capital Expenditures have no effect on Community Welfare
16	Tampubolon, EG (2019)	The Influence of Capital Expenditures on Community Welfare		x	x		Capital Expenditures have a positive effect on Community Welfare
17	Sri, L., & Suyana, U.M. (2019)	*The Effect of Local Government Own Revenue and Revenue Sharing Funds on Economic Performance and Community Welfare through Capital Expenditure of Regency/City in Bali Province, Indonesia*		x	x		Capital Expenditures have a positive effect on Community Welfare
8	Khairudin, Aminah, & A. Purisky R. (2020)	The Importance of Regional Government Financial Performance to Improve the Welfare of Indonesian People			x	x	Regional Financial Efficiency has a negative effect while Regional Financial Effectiveness has a positive effect on People's Welfare
19	Habbe, A.H. (2021)	*The Exploration of the Effect of Financial Performance on the Public Welfare*			x	x	Financial Performance has been proven to be able to improve Community Welfare

20	Sakti, ADF, Triyono, T., & Setiaji, B. (2023)	The Influence of Regional Financial Performance on Community Welfare in Central Java through Economic Growth as an Intervening Variable			x	x	Financial Performance influences Community Welfare in Central Java
21	Wahyuni, N. (2023)	The Influence of the Tourism Sector on Regional Financial Performance with Economic Growth as a Mediating Variable in Improving Community Welfare			x	x	Financial Performance has a positive and significant effect on Community Welfare

Information:
A.D. D =Allocation of village funds KM= Community Welfare
B.M =Capital Expenditures
K. K = PerformanceFinance

Minister of Home Affairs Regulation Number 37 of 2007 concerning Village Financial Management guidelines article 18 states that ADD comes from the Regency/City APBD which is sourced from central and regional financial balance funds received by the Regency/City government for villages of at least 10%. The provision of ADD is a manifestation of fulfilling village rights in carrying out village autonomy so that it can develop following the growth of the village itself based on diversity, participation and empowerment of village communities. ADD can also provide services for the community even though it is limited to village areas (Menkhoff, et.al, 2011).

This is supported by research conducted by Luju, et al., (2020) which found that managing village fund allocations has a positive and significant effect on community welfare. The results of this research are in line with those conducted by Harahap (2021) and Permata, et al., (2022) who found that village fund allocation had a positive and significant effect on community welfare.

Article 53 of the Minister of Home Affairs Regulation Number 13 of 2006 explains that capital expenditure is used for expenditure made in the context of purchasing/procuring or constructing tangible fixed assets that have benefits exceeding 12 (twelve) months for use in government activities such as land, equipment and machines, buildings and structures, roads, irrigation and networks and other fixed assets. According to Sungsoo (2001) capital expenditure generally provides positive information about increasing income in the future. Capital expenditure according to PMK No. 91/PMK.06/2007 is budget expenditure used to acquire or increase fixed assets and other assets that provide benefits for more than one accounting period and exceed the minimum capitalization limits for fixed assets or other assets set by the government.

Mirza's (2012) research results found that capital expenditure had no effect on community welfare, while Sita's (2016) research results found that capital expenditure had a positive and significant influence on community welfare. Research by Lestari and Suyana (2019) found that capital expenditure had a positive effect on community welfare. These results agree with Tampubolon (2019) who stated that capital expenditure has a positive effect on community welfare. However, these results are different from the findings in research by Nina and Rustariyuni (2018) which found that there was no influence between capital expenditure on community welfare.

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

The research results of Yulihantini, et al., (2018) found that village fund allocation had no effect on village financial performance in Jember Regency. The research results of Priantono and Vidiyastutik (2022) found that village fund allocation as measured through internal control and accountability systems had an effect on village financial performance. These results are supported by research by Claudya (2019) and Setiawan and Diani (2023) who found different results in their research, where the allocation of village funds had a positive effect on the financial performance of the village government.

In PMK Number 214/PMK.05/2013 concerning the Standard Chart of Accounts, it is stated that capital expenditure is expenditure made in the context of capital formation which is to increase fixed assets/inventory which provides benefits for more than one accounting period, including expenditure for maintenance costs which its nature is to maintain or increase the useful life and increase the capacity and quality of assets. The research results of Yulihantini, et al., (2018) found that capital expenditure had a negative effect on village financial performance, while Mwangi's (2014) research found that capital expenditure had a positive effect on financial performance. These results are supported by research by Dalukitowati, et al., (2019) which found that there is a positive relationship between capital expenditure and financial performance.

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

The research results of Khairudin, et al., (2020) found that financial efficiency has a negative effect on people's welfare, but regional financial effectiveness has a positive and significant effect on people's welfare. Habbe's research (2021) found that financial performance has been proven to be able to improve community welfare. These results are supported by research by Wahyuni (2023) which found that there is a positive and significant relationship between financial performance and community welfare.

Financial performance is a performance measure that uses financial indicators. Financial performance analysis is basically carried out to assess past performance by carrying out various analyzes to obtain a financial position that represents the reality of the entity and the potential for continued performance. According to Raharjo (2011), performance benchmarks are measures of success achieved in each program and activity. In connection, financial performance is reporting on financial management of village fund allocations that are designed and implemented in an effort to achieve government success.

The results of research conducted by Harahap (2021) found that village fund allocation has a positive and significant effect on community welfare. Khasanah and Marisan's (2022) research found that managing village fund allocations has a negative effect on community welfare. The research results of Yulihantini, et al., (2018) found that village fund allocation had no effect on village financial performance in Jember Regency, while Claudya's (2019) research found that village fund allocation had a positive effect on village government financial performance. Based on the differences in these findings, researchers formulated the role of financial performance in mediating the allocation of village funds on community welfare.

Measuring regional government financial performance is carried out to fulfill three objectives (Mardiasmo, 2009: 121), namely improving government performance, helping allocate resources and decision making and realizing public accountability and improving institutional communication. Financial performance is reporting on financial management of capital expenditure that has been designed and implemented in an effort to achieve government success. The research results of Nina and Rustariyuni (2018) found that capital expenditure had no effect on community welfare, while Tampubolon's (2019) research found that capital expenditure had a positive effect on community welfare. Yulihantini, et al., (2018) found that capital expenditure had a negative effect on village financial performance, however, research results from Dalukitowati, et al., (2019) found that there was a positive relationship between capital expenditure and financial performance. Based on the differences in these findings, researchers formulated the role of financial performance in mediating capital expenditure on community welfare.

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