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Analysis of village financial management on financial performance with regulatory changes as intervening variables

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ABSTRACT

This study aims to determine and analyze Village Financial Management on Financial Performance with Regulatory Changes as Intervening Variables (Study in Villages throughout the Paguyaman Pantai District, Boalemo Regency, Gorontalo Province). The population of this research is Village Apparatus who work in the Village Government and based on the sample criteria are the Village Head, Village Secretary, Village Administration Midwife, Village Economic Sector, Treasurer, Head of BPD, Deputy Chairperson of BPD, Secretary of BPD, LPM, Chairperson of Youth Organizations and Head of Dusun /Environment, totaling 107 respondents. The test was carried out using a descriptive analysis method using Structure Equation Modeling with the help of the AMOS 24.0 program. This research proves that village financial management has a positive and significant effect on financial performance. Village financial management has a positive and significant effect on regulatory changes. Regulatory changes have a positive and significant effect on financial performance. Village financial management has a positive and significant impact on financial performance through regulatory changes in villages throughout the Paguyaman Pantai sub-district, Boalemo Regency, Gorontalo Province.

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Introduction

When it comes to managing the finances of a village, the common challenges that arise include ineffectiveness and inefficiency, difficulty in prioritization, leakage and irregularities, and a lack of professionalism. Consequently, it is necessary to implement the fundamentals of village financial management (Fitriana et al., 2022; Husna & Abdullah, 2016; Syahril & Hermanto, 2019). Based on Law Number 6 of 2014 concerning Villages, article 1 paragraph 10 states that village finances are all village rights and obligations that can be valued in money and everything in the form of money and goods related to the implementation of village rights and obligations.

In line with the explanation above with the issuance of the Minister of Finance regulation number 222/PMK.07/2020 concerning the management of village funds, article 1 paragraph 1 states that transfers to regions and village funds, hereinafter abbreviated as TKDD, are part of state expenditure allocated in state expenditure revenues to the government. regions and villages in order to fund the affairs that have been handed over to the regions and villages (Herlinda & Sembiring, 2018; Revida & Muda, 2017). As well as mentioned in the Minister of Home Affairs, (2014) and Permendagri No. 20 of 2018, defines that village finances are all village rights and obligations that can be valued in money and everything in the form of money and goods related to the implementation of village rights and obligations (Afriani & Ferina, 2021; Husein & Latue, 2022; Lumingkewas et al., 2021).

To improve the implementation of obligations in financial management, good performance of the village apparatus is needed, this is based on the issuance of the Minister of Finance Regulation (Permenkeu) No. 222/PMK.07/2020 concerning Village Fund Management, (2020) article 1 paragraph 10 that performance allocation is an allocation given to villages that have the best performance assessment results (Novalia et al., 2022; Wahyudi & Samputra, 2022). The hope of getting the best performance requires hard work from every village apparatus in relation to village financial management, which has recently received a lot of attention regarding all village financial responsibilities.

Changes in regulation have an impact on village financial management (Hasnita et al., 2019), as explained in the Regulation of the Minister of Home Affairs of the Republic of Indonesia Number 20 of 2018 concerning Village Financial Management Article 1 paragraphs 5 and 6 states that village finances are all village rights and obligations that can be valued in money and everything in the form of money and goods related to the implementation of village rights and obligations. Village financial management is all activities that include planning, implementation, administration, reporting, and village financial accountability (Saputro et al., 2021; Teguh & Bahtiar, 2021).

To improve village financial performance, an analysis related to village capabilities is needed, in the form of efficiency of village financial management, effectiveness of village financial management, village financial independence, village financial growth and village financial compatibility viewed from two aspects, namely operational expenditure and capital expenditure (Ariyanti & Alfatih, 2018; Priantono & Vidiyastutik, 2022).

According to previous research carried out by Gulo et al. (2020), village financial management begins with planning and continues with financial accountability for the village. Additionally, the principles governing the management of village finances need to be in accordance with Permendagri No. 113 of 2014 in order to be valid. This study differs from earlier studies in that it considers regulatory changes to be an intervening variable in addition to the research object. Based on the description above, the research objectives are (1) To determine and analyze the effect of Village Financial Management on financial performance. (2) To find out and analyze the influence of Village Financial Management on regulatory changes. (3) To determine and analyze the effect of regulatory changes on financial performance. (4) To find out and analyze the influence of Village Financial Management on financial performance through regulatory changes.

Method

This research is a verification/quantitative research. The data used in this study is primary data, with the technique of selecting the sample using purposive sampling technique. Purposive sampling technique is a technique for determining samples with certain considerations (Sugiyono, 2017). The technique of determining the sample purposive sampling is used by researchers to meet special criteria with certain considerations so that the samples taken are in accordance with the research objectives, and can solve research problems, and can provide more representative or representative values (Arikunto, 2013). Based on the purposive sampling technique, the researchers set specific criteria that could be used as samples, namely village officials working in 8 (eight) villages in the Paguyaman Pantai sub-district, Boalemo Regency, Gorontalo Province, as follows: (1) Village officials working in existing villages in the District as an accounting entity or reporting entity that has good capabilities or capabilities in terms of village financial management, regulatory changes and financial performance. (2) Village officials who are directly involved in the planning and reporting process, monitoring and accountability for the management of the Village Budget (APBDesa) in every village apparatus organization. (3) The village apparatus that became the sample of this research were the Village Head, Sekdes, Treasurer, Government, development, hamlet heads, BPD managers/managers and village operators totaling 107 respondents.

The analysis tool used in this study is the Structural Equation Modeling (SEM) method. According to Ghozali (2018) Structural Equation modeling (SEM) is a combination of two separate statistical methods, namely factor analysis (factorial analysis) developed in psychology and psychometry and simultaneous equation modeling (simultaneous equation modeling) developed in econometrics. The statistical model group that seeks to explain the relationship between several SEM variables is one part of the statistics that can explain the relationship between the variables studied.

Results and Discussions

The following table presents descriptive statistics on the variables of *village financial management* (PKD), *regulatory changes* (PR) and *financial performance* (KK). The validity test of the village financial management variable consists of 11 question items. The results of the correlation calculation for the score of each question item with the total score can be seen in the following table:

Table 1. Results of Calculation of the Validity of Village Financial Management Variables X1

Research variable	Research Indicators	Loading Factor	Limit Value	Item Status
Village Financial Management X_1	X_{1-1}	0,815	> 0.4	Valid
	X_{1-2}	0,765	> 0.4	Valid
	X_{1-3}	0,838	> 0.4	Valid
	X_{1-4}	0,808	> 0.4	Valid
	X_{1-5}	0,715	> 0.4	Valid
	X_{1-6}	0,875	> 0.4	Valid
	X_{1-7}	0,857	> 0.4	Valid
	X_{1-8}	0,884	> 0.4	Valid
	X_{1-9}	0,791	> 0.4	Valid
	X_{1-10}	0,736	> 0.4	Valid
	X_{1-11}	0,838	> 0.4	Valid

Source: Amos-SEM Diola Data

Based on table 1 shows that all question items in each village financial management variable have a correlation value above 0.4 as the limit value of a research questionnaire item is said to be usable (acceptable). So it can be said that the questionnaire item on village financial management variables is valid and can be used to measure the variables studied.

Table 2. Calculation Results of Variable Validity Changes in Regulation Z

Research variable	*Research Indicators*	*Loading Factor*	*Limit Value*	*Item Status*
Z Regulatory Changes	Z.1	0,757	> 0.4	Valid
	Z.2	0,748	> 0.4	Valid
	Z.3	0,788	> 0.4	Valid
	Z.4	0,829	> 0.4	Valid
	Z.5	0,794	> 0.4	Valid
	Z.6	0,612	> 0.4	Valid
	Z.7	0,774	> 0.4	Valid
	Z.8	0,718	> 0.4	Valid

Source: Amos-SEM Diola Data

Based on table 2 shows that all question items in each questionnaire item validity test results indicate that all question items in each regulatory change variable have a correlation value above 0.4 as the limit value of a research questionnaire item is said to be usable (acceptable). So it can be said that the questionnaire item on the regulation change variable is valid and can be used to measure the variables studied.

Table 3. Results of Calculation of the Validity of Village Financial Performance Variables Y

Research variable	*Research Indicators*	*Loading Factor*	*Limit Value*	*Item Status*
Village Financial Performance Y	Y.1	0,786	> 0.4	Valid
	Y.2	0,833	> 0.4	Valid
	Y.3	0,826	> 0.4	Valid
	Y.4	0,851	> 0.4	Valid
	Y.5	0,798	> 0.4	Valid
	Y.6	0,445	> 0.4	Valid
	Y.7	0,749	> 0.4	Valid
	Y.8	0,770	> 0.4	Valid
	Y.9	0,853	> 0.4	Valid
	Y.10	0,869	> 0.4	Valid
	Y.11	0,801	> 0.4	Valid

Source:Amos-SEM Diola Data

Variable Validity Test The results of the questionnaire item validity test show that all question items in each village financial performance variable have a correlation value above 0.4 as the limit value of a research questionnaire item is said to be usable (acceptable). So it can be said that the questionnaire item on the village financial performance variable is valid and can be used to measure the variables studied.

Reliability test is a research instrument measuring instrument that measures indicators of each variable. Questionnaires can be said to be reliable or reliable if someone's answer to the statement is consistent or stable from time to time. Testing reliability in this study is to look at the value of Cronbach's Alpha. The results of reliability testing for each variable obtained the following data:

Table 4. Reliability Test Results

Research variable	*Alpha Cronbach's*	*Alpha Tolerance*	*Item Status*
Village Financial Management (X1)	0.958	0.6	Reliabel
Regulatory Changes (Z)	0.911	0.6	Reliabel
Financial Performance (Y)	0.942	0.6	Reliabel

Source: Amos-SEM Diola Data

Based on Table 4.4 above, it can be concluded that the questionnaire used in this study has met the reliability requirements because it has a Cronbach's Alpha value above 0.6 or more (α 0.6), so it can be used to measuring the variables studied, these results also show the level of consistency is above the specified conditions.

Structural Equation Modeling (SEM) Analysis

Based on the title of this study, the analysis of village financial management on financial performance with regulatory changes as an intervening variable will be analyzed using Structural Equation Modeling (SEM) analysis techniques. The stages in SEM analysis include the prerequisite test for SEM analysis, measurement model testing and structural model testing.

Normality test in SEM analysis is intended to determine whether or not the research distribution of each variable is normal. Evaluation of normality is carried out using the critical ration skewness value, the data is said to be normally distributed if the critical ratio skewness value is below the absolute value of 2.58 (Ghozali, 2016), while Haryono (2017) the multivariate c.r value below 8 is still acceptable and analysis what can be continued if all indicators have a value of c.r kurtosis < in vulnerable < z < 2.58. The following are the results of the data normality test for each research variable:

Table 5. Normality Test Results of Village Financial Management Variables

Variable	Min	Max	Skew	C.r.	Kurtosis	C.r.
X1.11	1	5	-1,517	-6,405	5,72	12,078
X1.10	1	5	-1,22	-5,152	-3,527	-7,448
X1.9	1	5	-1,291	-5,451	-3,813	-8,052
X1.8	1	5	-2,06	-8,698	-7,571	15,986
X1.7	1	5	-1,77	-7,474	6,356	13,421
X1.6	1	5	-1,668	-7,044	5,958	-12,581
X1.5	1	5	-1,375	-5,806	4,058	-8,568
X1.4	1	5	-1,756	-7,414	-5,526	11,668
X1.3	1	5	-1,46	-6,164	5,285	11,16
X1.2	1	5	-1,841	-7,773	-6,728	-14,205
X1.1	1	5	-1,742	-7,355	6,423	-13,561
Multivariate					6,635	-0,102

Source: Amos-SEM Diola Data

The results of the normality test showed that the research data on the village financial management variables were normally distributed because the univariate c.r skewness value of all variables was in the interval -0.102 < z < 2.58, as well as the multivariate c.r value of 6.635 indicating that the multivariate c.r was within interval 6,635 < z < 8.00, this indicates that the data to be analyzed has a normal distribution, both univariate and multivariate.

The results of the normality test showed that the research data on the government internal control system variables were normally distributed because the univariate c.r skewness value of all variables was in the interval 1.149 < z < 2.58, as well as the multivariate c.r value of 4.805 indicating that the multivariate c.r was

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within interval 1.149 < z < 2.58, this indicates that the data to be analyzed has a normal distribution both univariate and multivariate.

Table 6. Normality Test Results of Regulatory Change Variables

Variable	Min	Max	Skew	C.r.	Kurtosis	C.r.
Z.8	1	5	-1,167	-4,928	-2,434	-5,139
Z.7	1	5	-1,378	-5,819	-2,890	-6,103
Z.6	1	5	-1,124	-4,747	1,520	3,210
Z.5	1	5	-1,429	-6,033	2,752	5,811
Z.4	1	5	-1,168	-4,933	-3,979	-8,403
Z.3	1	5	-1,469	-6,202	4,532	9,568
Z.2	2	5	-1,11	-4,686	2,130	-4,496
Z.1	1	5	-1,299	-5,487	3,174	6,701
Multivariate					4,805	1,149

Source: Amos-SEM Diola Data

Table 7. Normality Test Results for Financial Performance Variables

1	Min	Max	Skew	C.r.	Kurtosis	C.r.
Y.11	1	5	-1,312	-5,54	4,08	8,614
Y.10	2	5	-0,591	-2,497	-2,171	-4,584
Y.9	2	5	-0,591	-2,498	2,297	4,851
Y.8	1	5	-1,123	-4,744	3,916	8,269
Y.7	1	5	-1,344	-5,676	-5,561	-11,741
Y.6	1	5	-0,806	-3,402	1,532	3,234
Y.5	1	5	-1,447	-6,11	4,023	8,496
Y.4	1	5	-1,243	-5,25	-4,498	-9,497
Y.3	1	5	-1,333	-5,63	-6,539	-13,806
Y.2	1	5	-1,166	-4,922	-3,841	-8,111
Y.1	1	5	-1,796	-7,586	7,446	15,722
Multivariate					0,684	1,447

Source: Amos-SEM Diola Data

The results of the normality test showed that the research data for the regional management information system variables were normally distributed because the univariate c.r skewness value of all variables was in the interval 1.447 < z < 2.58, as well as the multivariate c.r value of 0.684 indicating that the multivariate c.r was within interval 0.684 < z < 2.58, this indicates that the data to be analyzed has a normal distribution both univariate and multivariate.

Multicollinearity Test

The next test is to see if there is multicollinearity and singularity in a combination of variables. Indications of multicollinearity and singularity can be seen through the determinant value of the sample covariance matrix which is really small, or close to zero. The output of the calculation of the determinant of the sample covariance matrix by the AMOS 22.00 program is as follows: Determinant of sample covariance matrix = .000. From the output of the calculation of the determinant of the sample covariance matrix, it can be seen that the value of the Determinant of sample covariance matrix of 0.000 is close to zero. Thus, it can be concluded that there is no multicollinearity and singularity in the data of this study, however, it is still acceptable because the other SEM assumptions are met.

Based on the method of determining the value in the model, the testing variables of the first model are grouped into exogenous variables and endogenous variables. Exogenous variables are variables whose values are determined outside the model. Endogenous variables are variables whose values are determined through equations or from the relationship model formed. The exogenous variable in this study is village financial management (X1). While the endogenous variables are regulatory changes (Z), and financial performance (Y). The model is said to be good if the development of a hypothetical model is theoretically supported by empirical data. The results of the complete SEM analysis in the early stages can be seen in the following figur

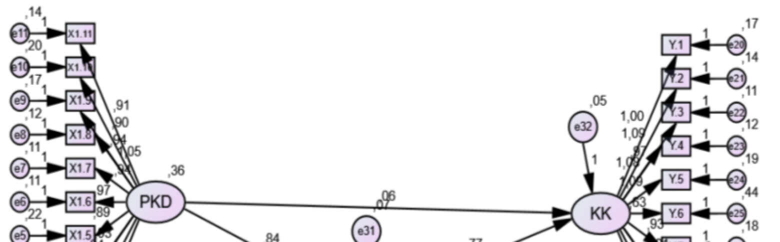

Figure 1. Results of Analysis of Structure Equation Modeling in the Early Stage

The results of the model construct test are evaluated based on the GFI, the model criteria and the critical values that are compatible with the data can be seen in the following table:

Table 8. Evaluation of GFI Overal Model (Initial Stage Test)

Criteria	Cut-Off Value	Model Results	Model Evaluation
Chi-square	Expected small	1027,149	Good
Probability	≥ 0,05	≥ 0,000	Good
CMIN/DF	≤ 3,00	2,555	Good
GFI	≥ 0,90	0,597	Less Good
AGFI	≥ 0,90	0,534	Less Good
TLI	≥ 0,95	0,788	Less Good
RMSEA	≤ 0,08	0,121	Less Good

Source: Amos-SEM Diola Data

Based on Table 8 above, it can be seen that the model is not feasible to use. Where in the table above, it can be seen from all the criteria that there are still those who do not meet the GFI criteria. Based on the modification index instructions, modifications were made to improve the model so that it was valid for proving the hypothesis. Modification of the model is prioritized only on correlations between items and or errors, until a final structural model is produced.

The final model test of the relationship between regional financial management and the government's internal control system on financial performance with the regional management information system as an intervening variable is presented in full in the following figure. Furthermore, the results of the final model construct test are evaluated based on the GFI, model criteria and critical values that are in accordance with the data:

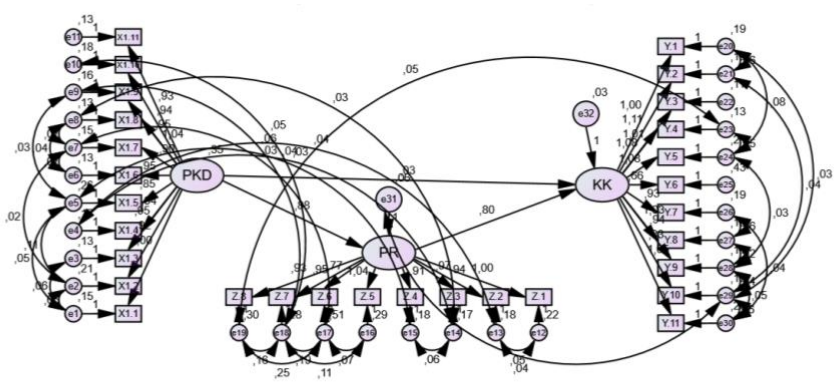

Figure 2. Results of the Final Stage of Structure Equation Modeling Analysis

After making modifications by correlating X1, and Z and Y then e1 to e83, the results of the CFA overall model test are as follows. The results of the Goodness of Fit Indeces Goodness of Fit Indeces from the overa model.

Table 9. Evaluation of GFI Overal Model (Final Stage Test)

Criteria	Cut-Off Value	Model Results	Model Evaluation
Chi-square	Expected small	614,057	Good
Probability	≥ 0,05	≥ 0,000	Good
CMIN/DF	≤ 3,00	1,682	Good
GFI	≥ 0,90	0,876	Marginal
AGFI	≥ 0,90	0,844	Marginal
TLI	≥ 0,95	0,907	Good
RMSEA	≤ 0,08	0,080	Good

Source: Amos-SEM Diola Data

The table shows the criteria for the variables in the model showing the criteria for goodness of fit indices have all been met. Furthermore, all the criteria have been met, then the regression coefficient and critical ratio values of each variable will be shown.

The figure below is used as the main reference for testing the hypothesis in this study. The test criteria is to reject H0 if the t-value or Critical Ratio (C.R.) 1.660 or p-value 0.05. Based on table 4.26 above, a t-calculated coefficient diagram for the full model_3 analysis can be made as shown in the image below:

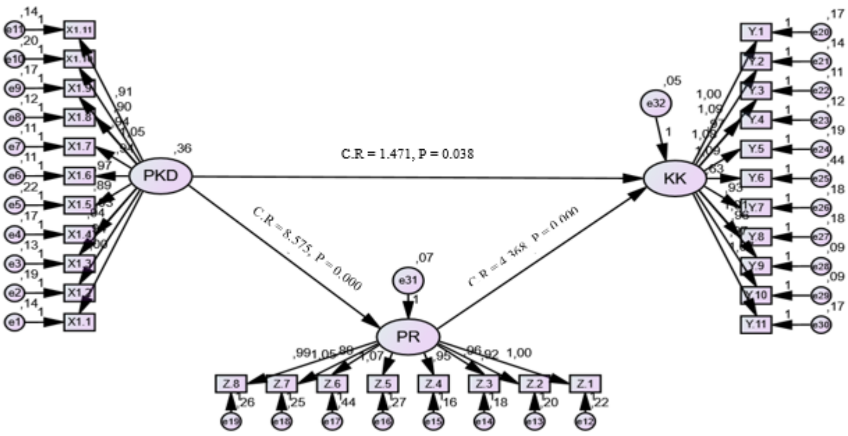

Figure 3. The coefficient of thitug Full Model_3

Effect of village financial management on financial performance.

The results of this study indicate that village financial management has a positive and significant effect on financial performance. Village financial management which consists of aspects; planning, budgeting, implementation, administration, reporting and accountability have a positive and significant impact on financial performance which consists of aspects; village financial independence, village financial effectiveness, village financial efficiency, growth and harmony, this is in line with the Minister of Home Affairs Regulation Number 113 of 2014 concerning Village Financial Management, (2014), that the process of planning, implementation, administration, reporting and accountability of village finances using a performance approach.

Based on empirical facts through the distribution of questionnaires, it proves that village financial management in terms of the characteristics of performance-based budgeting is a process for clarifying the budget based on activities in each organizational unit, therefore the budget implementation process is bound by the many laws and regulations that have changed. To make it easier for the village government to respond to changes in rules regarding village financial management, benchmarks are needed so that the achievement of public service goals or targets can be carried out properly (Biduri, 2018).

According to Law Number 6 of 2014 concerning Villages, (2014) Article 54 paragraph 1 states that village meetings are deliberation forums that are participated by the village consultative body, village government, and elements of the village community to discuss strategic matters in the administration of Village Government. What is meant by "community elements" are among others traditional leaders, religious leaders, community leaders, educational leaders, representatives of farmer groups, fishermen groups, craftspeople groups, women's groups, and poor community groups.

The explanation above is in line with research conducted by Dewi & Harimurti (2017), the results of the study state that village financial management has a significant effect on the financial performance of the village government. village. The results of this study indicate that good financial management will make a positive contribution to the performance of the village government. Nasution (2018), the results of the study state that regional financial management has a positive effect on government financial performance. This indicates that if the executive management of regional financial management is improved, it can encourage financial performance. Wagey & Nurdin (2020), the results of the study that regional financial management has a positive and significant effect on regional financial performance, this shows that the better the regional financial management, the better the regional financial performance.

However, this research is not in line with the research of Syawie et al. (2017), the results of the study prove that understanding village financial management has no significant effect on the financial performance of regional work units. This is the cause of the lack of understanding of management properly, there are still multiple tasks carried out by the expenditure treasurer, or to the Siskeudes operator, so that the task of a financial administration official (PPK) to check the correctness of every financial transaction in the village does not function properly. Agustina & Saifanur (2020) the results of the study explain that village financial management has no significant effect on government financial performance. This is due to orderly financial management, obeying the laws and regulations, efficient, economical, effective, transparent, and responsible which has not been carried out in accordance with the underlying government regulations and by using the village financial system application (Siskeudes) is a tool or system used. in managing village finances, in the form of Budget Realization and APBDes. Village budget realization is all forms of budgeting in village government with the aim of village development.

The effect of village financial management on regulatory changes.
The results of this study indicate that village financial management has a positive and significant effect on regulatory changes. This is evidenced by looking at findings related to empirical facts through the distribution of questionnaires proving that village financial management as stated in Permendagri Number 113 of 2014 article 2 paragraph 1 states that village financial management is managed based on transparent, accountable, participatory principles and is carried out in an orderly and budgetary discipline. .

Transparency according to explains that transparency is that every stage of the development planning process can be seen and known directly by the entire community. Transparency can be seen when there is a deliberation in the preparation of program/activity plans that will be proposed both in the RPJMDesa and RKPDesa. Transparency in running the government, the government discloses material matters periodically to parties who have an interest, in this case the wider community so that the principle of openness allows the public to know and gain access to the widest possible information about village finances.

Hamid (2016) referred to by Hendrawati & Pramudianti (2020) that accountability can be interpreted as an obligation to convey accountability to answer, explain the performance, and actions of a person/legal entity/collective leader or organization to parties who have the right or authority to request information and accountability. Hanifah & Praptoyo (2015) said that the implementation of accountability within government agencies needs to pay attention to the following principles: a). There must be a commitment from the leadership and all agency staff to manage the implementation of the mission so that it is accountable. b). It must be a system that can ensure the use of resources consistently with the prevailing laws and regulations. c). Must be able to show the level of achievement of the goals and objectives that have been set. d). Must be oriented towards achieving the vision and mission as well as the results and benefits obtained. e). Must be honest, objective, transparent and innovative as a catalyst for change in the management of government agencies in the form of updating methods and techniques for measuring performance and preparing accountability reports.

The effect of regulatory changes on financial performance.
The results of this study indicate that regulatory changes have a positive and significant effect on financial performance. This is evidenced by looking at findings related to empirical facts through the distribution of questionnaires proving that regulatory changes provide reinforcement in accountability for the realization of the APBDesa implementation report. With the change in regulation in village financial management, the village government can adjust the making of accountability reports based on the rules of the change.

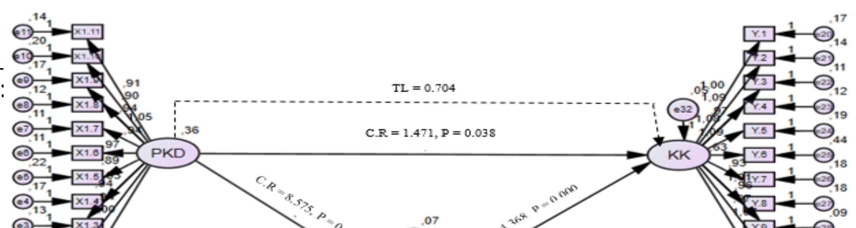

Figure 4. Description: PL = direct influence, with full line (full line)
TL = indirect effect, with a dot line

The effect of village financial management on financial performance mediated by regulatory changes as an intervening variable

The direct effect of village financial management on financial performance is smaller than the indirect effect of village financial management variables on financial performance. Because the indirect effect is greater than the direct effect, it can be concluded that the variable of regulatory change is a good mediation on the influence of village financial management variables on financial performance. Good village financial management will encourage better village financial performance and will subsequently produce good financial performance for a form of activity in improving village financial management by prioritizing five main principles, namely village financial independence, effectiveness, efficiency, income growth and harmony based on transparency. and accountability.

Based on empirical facts through the distribution of questionnaires, it is proven that regulatory changes are able to mediate the relationship between regional financial management and financial performance. The mediation level of regulatory changes has an impact on village financial management to further explore the existence of human resources. To improve human resources, a measurable strategy is needed so that coaching can have a good impact, so that the goal of getting a disciplined, professional, high-quality, productive workforce can be realized.

Changes in regulations provide reinforcement in accountability for the realization of the APBDesa implementation report. In line with the Minister of Home Affairs Regulation Number 113 of 2014 concerning Village Financial Management, (2014) article 38 paragraph 1 states that the village head submits an accountability report on the realization of APBDesa implementation to the Regent/Mayor at the end of each fiscal year. Village regulations regarding accountability reports on the realization of APBDesa implementation consist of: a. the format of the Accountability Report on the Realization of the Village Budget Implementation for the relevant Fiscal Year; b. the format of the Village Owned Wealth Report as of December 31 of the relevant Fiscal Year; and c. the format of the Report of the Government and Regional Government Programs that enter the village. Siti & Utia (2017) explained that Indonesia already has significant regulations related to the management of village funds, starting from the village fund management stage to the village fund management supervision system. The stages of managing and supervising the management of village funds as contained in the legislation will have positive potential in implementing accountability for the implementation or public accountability of village government.

This research needs to be developed further in order to get stronger empirical results. Specifically, it needs to add other variables that can affect performance, such as organizational culture, motivation, leadership, and so on. Only then will we be able to draw more definitive conclusions.

Conclusion

The results showed that village financial management had a positive and significant effect on financial performance. Village financial management which consists of aspects; planning, budgeting, implementation, administration, reporting and accountability of village finances. The results showed that village financial management had a positive and significant effect on regulatory changes. This is evidenced by looking at findings related to empirical facts through the dissemination of evidence that village financial management as stated in Permendagri Number 113 of 2014 article 2 paragraph 1 states that village financial management is managed based on transparent, accountable, participatory principles and is carried out in an orderly and budgetary discipline. The results of the study indicate that regulatory changes have a positive and significant effect on financial performance. This is evidenced by looking at findings related to empirical facts through the dissemination of evidence that changes in regulations provide reinforcement in accountability for the realization of the APBDesa implementation report. The results showed that village financial management had a positive and significant effect on financial performance mediated by regulatory changes. The higher the regional financial management, the better the financial performance when regulatory changes are properly understood by the activity implementers.

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