

The Effect of Formal Contracts, Transaction Cost, Agency Cost, Principal Agent Conflicts and Principal Agent Relationships on Village Funds Allocation in Facing the Covid 19 Crisis in Dolok Masihul District, Serdang Bedagai Regency



Syofyan¹, Amrani², Julienda br Harahap³, Bagas Mahesta⁴

^{1,2,3,4}Universitas Islam Sumatera Utara

ABSTRACT: This study is related to the concept of public institution on principal agent relationship, namely the relationship between the Village Head and the Village Secretary in local government named Dolok Masihul. The number of villages studied were 44 respondents. Analysis statistical investigates relationship of research variable and using multiple regressions model. After analysing was known that formal contract had a significant positive effect on village funds allocation with value of 0.355. It means both head villager and secretaries had the competence and authority to carry it out, as Pascal (1997), Meinard (1997), Sarwoko (2010: 28) and Syofyan (2019). Hypothesis is accepted. Transaction costs have a negative effect and the hypothesis is rejected. Transaction costs refer to the governance structure as (Klein, 1999: 464-466), (Williamson, 1985). This result is different from the research by Syofyan (2019). Agency costs have coefficient value 0.072. It means agency cost significant to village funds. The hypothesis is accepted. Agency costs in this study are coaching and supervision that are positively related to the total allocation of village funds. This result is in line with Syofyan (2019).

Furthermore, the principal agent conflict is significantly positively related to the allocation of village funds with a coefficient of 0.26. The hypothesis is rejected and this result differs with Syofyan (2019) who found a negative relationship. The principal agent relationship variable is accepted and this result is in line with Syofyan (2019). The variable of principal-agent relationship has significant positive effect to allocation of village funds with coefficient is 0.144. Hypothesis is accepted. This is in line with Syofyan (2019) who found that this positive relationship occurred because each party carried out its duties according to the applicable provisions.

In the theory of public institutions, the principal agent relationship such as the Village Head and the Village Secretary needs to consider various aspects that support the success of the institutional relationship. Therefore, institutional research like this can be used as an initial basis in regulating development policies, especially village development.

KEY WORDS: Public Institution, Principal Agent Conflicts, Principal Agent Relationships, Village Funds Allocation

I. INTRODUCTION

The principal agent relationship in public policy is hierarchical. It is formed because of the level of power and authority. The study of the principal agent relationship in public policy aims to optimize the purpose of the public policy that is made. The main purpose is to improve the welfare of the community. Therefore, this study is important to know because the principal agent relationship analyzes how institutions in the community and the interactions of the people involved can play a role in supporting various government policies such as the village fund policy as a strategy in dealing with the impact of Covid 19.

The principal agent relationship is influenced by the contract system, transaction costs or also called governance structures and agency costs, namely supervision and control. The entire principal-agent relationship is affected by the principal-agent conflict. This conflict arises because of moral hazard behavior, adverse selection and conflict of goals. Therefore, the problem to be investigated is how the influence of formal contracts, transaction costs, agency costs and principal agent conflicts on the allocation of village funds.

Rosmawati (2015), said that in the village fund allocation program, the village was not yet fully prepared because there were still obstacles in implementing the Village Law. Namely the limited time in administrative preparation and understanding of the Village

The Effect of Formal Contracts, Transaction Cost, Agency Cost, Principal Agent Conflicts and Principal Agent Relationships on Village Funds Allocation in Facing the Covid 19 Crisis in Dolok Masihul District, Serdang Bedagai Regency

Law. According Abidin (2015), the problem of village fund allocation were in planning programs, implementation, administration, reporting quality and weakness in village institutions, weak in coordination. Jamaluddin, et al. (2018) said that institutionally the allocation of village funds provided (ideal) benefits, namely: as a resource; motivation of the Village community; economic and political values and losses (reality), namely; accountability; Village funds allocation is not properly designated; the difficulty of monitoring; the village middle term development planning are not in sync with the regions and the center; ego-sectoral; Local governments lack power in managing village funds. Syofyan (2019) found that in the relationship of the principal to the village fund allocation agent, the contract executed was only formal. The relationship between principal and agent is hierarchical in nature so that it tends to be top down, incentives are given based on activities and not based on performance. Principal agent conflicts arise in moral hazard behavior, adverse selection and goals conflict and occurring with a high level of intensity, and an effort to reduce them is through transparency of village funds.

2. MATERIALS AND METHODS

The population is the research subject. The subjects of the analysis in this study were all village heads as principals and all village secretaries as coordinators of the technical management of village finance implementers, namely agents (Rulyanti, 2017). All Population in this study come from villages in the Dolok Masihul. Each village is represented by 2 principals and agents each. Therefore, the total population in this study was 44 people.

Determination of respondents is based on the competency requirements possessed by the criteria; has worked as village head and village secretary for at least one fiscal year; have followed courses/training/technical guidance/socialization on village financial management carried out by government; directly involved in village financial management (Rulyanti, 2017). The sample is determined by the population (total sampling) as many as 44 people. The data was obtained by submitting a questionnaire with a Likert scale, interviews and documentation studies.

Statistical Model of the research is linear Regression Equation:

$$1. Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + e \dots \dots \dots (1)$$

Description:

Y = Total village fund allocation

X₁ = Formal Contract

X₂ = Transaction Fee

X₃ = Agency Fee

X₄ = Principal Agent Conflict

X₅ = Principal Agent Relationship

a = Constant

b_{1,2,3,4,5} = coefficients for X₁, X₂, X₃, X₄, X₅

e = Standard error

Validity test

According to Ghozali (2011: 52-53) validity test is used to measure whether a questionnaire is valid or not if the questions on the questionnaire are able to reveal something that will be measured by the questionnaire. This validity test using the correlation between the score of the question items and the total score of the variable construct. After that, determine the hypothesis H₀, the score of the statement items is positively correlated with the total construct score and the blind H_a score for the statement is positively correlated with the total construct score after determining the H₀ and H_a hypotheses, comparing the calculated r value (table corrected item-total correlation) with r table (table product moment significant 0.05) for degree of freedom (df) = n-k. A questionnaire is considered valid if r count > r table

Reliability test. Ghozali revealed (2011:47-48) a questionnaire can be said to be reliable or not if the statement of respondent is consistent or stable from time to time. The were two ways measurement of reliability, namely:

1. Repeate Measurement, here someone will be presented with the same statement at different times and then seen whether it remains consistent with the answer.
2. One Shot or one measurement only. Here the measurement is only once and then the results will be compared with other statements or measure the correlation between the answers to the statements. SPSS provides facilities to measure reliability with the Cronbach Alpha Statistical test. A construct is said to be reliable if it gives a Cronbach Alpha value > 0.70.

The Effect of Formal Contracts, Transaction Cost, Agency Cost, Principal Agent Conflicts and Principal Agent Relationships on Village Funds Allocation in Facing the Covid 19 Crisis in Dolok Masihul District, Serdang Bedagai Regency

Classical Assumption test

Normalisation Test Data

Ghozali (2011: 160) said that normalisation test data purposes to test whether in the regression model, the confounding variable or residual has a normal contribution or not. There are two ways to detect whether the residuals are normally distributed or not, namely by graphical analysis and statistical tests.

Heteroscedasticity Test

According to Ghozali (2011:139) the heteroscedasticity test aims to know whether in the regression model had an inequality of variance or residuals from one observation to another. If the variance of the residual from one observation to another observation remains, it is called homoscedasticity and if it is different it is called heteroscedasticity. A good regression model is that there is homoscedasticity.

Multicollinearity Test

Multicollinearity test aims to test whether in the regression model founded a correlation between the independent variables (independent). A good regression model should not have a correlation between the independent variables. Ghozali revealed (2011: 105-106) if the independent variables are correlated with each other, then these variables are not orthogonal. Orthogonal variables are independent variables whose correlation values between variables are equal to zero. To detect of multicollinearity in the model can be seen with the tolerance value is less than 0.10, it indicates the presence of multicollinearity or not.

3. RESULT OF RESEARCH AND DISCUSSION

The results of the study started from data collection through questionnaires. The data for the answers to this questionnaire are then arranged in a table. The data is processed in the SPSS 20.00 program to analyze it into the Multiple Linear Regression model.

Multiple linear regression analysis between independent variables and dependent variable to in Dolok Masihul can be seen from the regression equation as output of SPSS programs:

Table 1. The Result Model

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
	B	Std. Error				Beta	Zero-order	Partial	Part	Tolerance
(Constant)	6.840	7.008		.976	.335					
1 Formal Contract	.355	.297	.226	1.193	.240	.327	.190	.166	.536	1.866
Transaction Cost	-.158	.448	-.052	-.353	.726	.065	-.057	-.049	.877	1.140
Agency Cost	.072	.357	.034	.202	.841	.202	.033	.028	.695	1.440
Principal Agen Conflict	.264	.094	.404	2.807	.008	.364	.414	.390	.932	1.073
Principal Agent Relation	.144	.138	.175	1.043	.303	.243	.167	.145	.683	1.464

a. Dependent Variable: Village Funds Allocation

Source: data processed, 2021

Based on the table 1 above, the following regression model can be made:

$$Y = 6.480 + 0.355X_1 - 0.158X_2 + 0.072X_3 + 0.264X_4 + 0.144X_5 + e \dots (2)$$

From the model, it is known that if the value of the formal contract, transaction costs, agency costs, principal agent conflicts and principal agent relationships variables is equal to zero, the value of village fund allocations is 6.480 as a constant value. This proves that all variables are running well. In other words, according to the results of the study, all variables were running well. Changes in the values of all variables will not have a major effect in increasing the allocation of village funds.

The Effect of Formal Contracts, Transaction Cost, Agency Cost, Principal Agent Conflicts and Principal Agent Relationships on Village Funds Allocation in Facing the Covid 19 Crisis in Dolok Masihul District, Serdang Bedagai Regency

The regression coefficient of formal contract has a positive value of $0.335X_1$. It means that the formal contract has a positive effect on the allocation of village funds. This shows that if formal contracts increase by 1000, the allocation of village funds will increase by $33.5 \cdot 1000$ become 335.

The regression coefficient transaction costs has a negative value of $-0.158X_2$. It means that transaction cost has a negative effect on the allocation of village funds. This shows that if transaction costs increase by 1000, the allocation of village funds will decrease by $-15.8 \cdot 1000$ become -15.800. The regression coefficient of agency cost has a positive value of $0.072X_3$. This indicates that the agency cost has a positive effect on the allocation of village funds. This shows that if transaction costs increase by 1000, the allocation of village funds will increase by $7.2 \cdot 1000$ become 7200.

The regression coefficient of principal agent conflict has a positive value of $0.264X_4$, this indicates that the principal agent conflict has a positive effect on the allocation of village funds. This shows that if transaction costs increase by 1000, the allocation of village funds will increase by $26.4 \cdot 1000$ become 26400.

To determine the effect of a formal contract on the allocation of village funds, partially, the t-test was used, while to see the magnitude of the effect, the beta number or Standardized Coefficient was used. From table 1 above, t count value is 1.19. This study uses a significance level $\alpha = 0.05$ and a degree of freedom (df) with the provisions of $df = n - 2$, or $44 - 2 = 42$. T table is 1.68. The test of hypothesis of formal contract, we uses the criteria:

If $t \text{ count} > t \text{ table}$, H_0 is accepted and H_a is rejected.

If $t \text{ count} < t \text{ table}$, H_0 is rejected and H_a is accepted.

Based on comparing of t count and t table, $t \text{ count } 1.193 < t \text{ table } 1.68$ and a significance value of $0.240 > 0.05$, so that H_a is rejected. This means that there is no positive and significant influence between the formal contract on the allocation of village funds. The effect of Transaction Costs on Village Fund Allocation in can be known from table 1 above, the t count value is -0.353 and t table is 1.68 with the following hypothesis:

If $t \text{ count} > t \text{ table}$, then H_0 is accepted and H_a is rejected

If $t \text{ count} < t \text{ table}$, then H_0 is rejected and H_a is accepted.

the value of $t \text{ count} < t \text{ table}$ ($0.353 < 1.68$) and a significance value of $0.726 > 0.05$, so H_a is rejected and H_0 is accepted. This means that there is no positive and significant effect between the transaction cost variables on the allocation of village funds.

The Effect of Agency Costs on Village Fund Allocation.

From table 1 above, the t count value is 0.202. This study uses a significance level ($\alpha ; 0.05$) and a degree of freedom (df) with the provisions of $df = n - 2$, or $44 - 2 = 42$. With these provisions, the t table value is 1.68 with the following hypothesis:

If $t \text{ count} > t \text{ table}$, then H_0 is accepted and H_a is rejected.

If $t \text{ count} < t \text{ table}$, then H_0 is rejected and H_a is accepted.

it is obtained that the value of $t \text{ count} < t \text{ table}$ ($0.202 < 1.68$) and a significance value of $0.841 > 0.05$, so that H_a is rejected and H_0 is accepted. This means that there is no positive and significant effect between agency cost variables on the allocation of village funds.

The Effect of Principal Agent Conflict on Village Fund Allocation.

the t count value is 2.807. This study uses a significance level ($\alpha ; 0.05$) and degrees of freedom (df) with the provisions of $df = n - 2$, or $44 - 2 = 42$. With these provisions, the t table value is 1.68. With the following hypothesis:

If $t \text{ count} > t \text{ table}$, then H_0 is accepted and H_a is rejected.

If $t \text{ count} < t \text{ table}$, then H_0 is rejected and H_a is accepted.

the value of $t \text{ count} > t \text{ table}$ ($2.807 > 1.68$) and a significance value of $0.008 > 0.05$, so H_a is accepted and H_0 is rejected. This means that there is a positive and significant influence between the principal agent conflict variables on the allocation of village funds.

Effect of Principal Agent Relationship on Village Fund Allocation.

the t count value is 1.043. This study uses a significance level ($\alpha ; 0.05$) and a degree of freedom (df) with the provisions of $df = n - 2$, or $44 - 2 = 42$. With these provisions, the t table value is 1.68 with the following hypothesis:

If $t \text{ count} > t \text{ table}$, then H_0 is rejected and H_a is accepted.

If $t \text{ count} < t \text{ table}$, then H_0 is accepted and H_a is rejected.

From the calculation results, it is obtained that the value of $t \text{ count} < t \text{ table}$ ($1.043 < 1.68$) and a significance value of $0.303 > 0.05$, so H_a is rejected and H_0 is accepted. This means that there is no positive and significant influence between the principal agent relationship variables on the allocation of village funds.

The Effect of Formal Contracts, Transaction Cost, Agency Cost, Principal Agent Conflicts and Principal Agent Relationships on Village Funds Allocation in Facing the Covid 19 Crisis in Dolok Masihul District, Serdang Bedagai Regency

F test (simultaneous)

The results of simultaneous hypothesis testing between formal contracts, transaction costs, agency costs, principal agent conflicts and principal agent relationships with village fund allocations can be seen in Table 2 below.

Table 2. Analysis of Varians

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	68.006	5	13.601	2.768	.032 ^b
	Residual	186.721	38	4.914		
	Total	254.727	43			

a. Dependent Variable: Alokasi_Dana

b. Predictors: (Constant), Formal Contract, Transaction Cost, Agency Cost, principal agent conflict, Principal Agent Relation

Source: data processed, 2021

From the table 2, the F count value is 2,768. This study uses a significance level ($\alpha : 0.05$) and a degree of freedom (df) with the provisions of the numerator: the number of variables – 1 or 3 – 1 = 2, and the number of samples is reduced by 3 or 44 – 3 = 41. With these provisions, the value of F table is obtained. of 2.33. With the following hypothesis:

If F count > F table, then H_0 is accepted and H_a is rejected.

If F count < F table, then H_0 is rejected and H_a is accepted.

From the calculation results obtained the value of F count > F table (2.768 > (2.33)), so H_0 is accepted. This means that there is an effect of formal contracts, transaction costs, agency costs, principal agent conflicts, and principal agent relationships on the allocation of village funds.

Thus, this regression model is feasible and correct and it can be concluded that the variables of formal contracts, transaction costs, agency costs, principal agent conflicts and principal agent relationships simultaneously have a positive and significant effect on the allocation of village funds.

Determination Test

To see the effect of formal contract variables, transaction costs, agency costs, principal agent conflicts and principal agent relationships on the allocation of village funds, it can be seen from the results of calculations in the summary model, especially the R-square figure below.

Table 3. Determination Test

Model Summary^b

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.591 ^a	.350	.264		2.341

a. Predictors: (Constant), Formal Contract, Transaction Cost, Agency Cost, Principal Agent Conflict, Principal Agent Relation

b. Dependent Variable: funds allocation

Source: data processed, 2021

From the table above, it can be explained that the magnitude of the RSquare (R²) number is 0.350. This figure means that formal contracts, transaction costs, agency costs, principal agent conflicts and principal agent relationships with village fund allocations, the value is 35, while the remaining 65% (100% - 35%) influenced by other factors not examined. This means that any changes that occur in the allocation of village funds are influenced by changes in formal contract variables, transaction costs, agency costs, principal agent conflicts and principal agent relationships of 30.5%. The rest of these changes were caused by other factors not included in this study.

The Effect of Formal Contracts, Transaction Cost, Agency Cost, Principal Agent Conflicts and Principal Agent Relationships on Village Funds Allocation in Facing the Covid 19 Crisis in Dolok Masihul District, Serdang Bedagai Regency

4. IMPLICATIONS

The results of the study explains the effect of Formal Contracts, Transaction Costs, Agency Cost, Principal Agent Conflicts and Principal Agent Relationships on Village Fund Allocation in Facing the Covid 19 Crisis in Dolok Masihul District, Serdang Bedagai Regency. Each variable is then translated in the form of research indicators. This indicator aims to explain the extent to which both parties, namely the Heads and Secretaries of village, understanding well their respective roles in carrying out the technical regulations of village funds.

Formal Contract

The indicator for the formal contract variable is the authority of the Village Head as the person in charge and the authority of the Village Secretary the executor in allocating village funds has been regulated in a regulation. The indicators for this research consist of three indicators related to the rights and authorities of each party in managing village funds. The results showed that the regression coefficient for formal contracts is 0.355, which means that the relationship between the two Village Heads and the Village Secretary in managing village funds is running at this value multiplied by the changes that occur in the two institutional relationships between the village head and the village secretary. The results of the t-test indicate that the formal contract variable is proven to be significant for the management of village funds. In other words, the hypothesis which says "Formal Contracts Have a Significantly positive effect on Village Fund Allocation in dealing with the impact of Covid 19" is accepted. The management of village funds is carried out with a good understanding between the two parties authorized by law. The results of this study are in line with the results of Syofyan's (2019) on the institutional relationship between the village head and the village secretary in managing village funds for a wider area, namely all villages in the North Padang Lawas Regency, North Sumatra Province.

In the principal-agent theory, contracts in managing village funds refer to the concept of a behavioral base contract, Carr and Brower (2000), Halim and Abdullah (2006), Sarwoko (2010: 27). In this concept, the principal monitors the behavior of the agent in carrying out the contents of the contract. Both parties are set to receive incentives in accordance with the activities, not outcome-based contracts where the incentives received are in accordance with the resulting performance. Based on the Manus (2007: 111) and Sarwoko (2010: 28) scheme, in a behavioral based contract, the principal assesses that the agent has the right to receive compensation and rewards in accordance with the provisions. The compensation and incentives received are not based on the activities created but based on the results.

The formal contract consists of a complete contract where the principal and agent are the two authorized parties in the management of village funds, the residual right allocation agent is a person who has management rights in the organization or has responsibilities with special expertise (competence). Project contract, namely the agent has full authority in carrying out the contract (x13), Pascal (1997), Meinard (1997), Sarwoko (2010: 28) and Syofyan (2019). The management of village funds in all Dolok Masihul sub-districts runs with a good understanding of the management and staff. This good understanding cannot be separated from the guidance from the village assistance team and sub-district assistance team as well as socialization from relevant officials such as the Camat and his staff, the village community development office and his staff as well as the participation of various parties in each village. This situation needs to be maintained and improved in the future so that the management of village funds can go hand in hand with development programs that touch people's lives, especially those affected by the pandemic.

Transaction Cost

The Transaction Cost variable is translated into a public service process carried out by officials related to the management of village funds. The results show that agency costs are negative with a coefficient of -0.158. This negative sign indicates an inverse relationship with village fund management. If the public service process increases, it means that the service process is complicated and takes a long time. The partial test for this variable shows that the hypothesis that transaction costs have a significant positive effect on the allocation of village funds is rejected. It turns out that there is a significant negative effect. The results of this study are not in line with the results of Syofyan's (2019) research which found a positive relationship between transaction costs and the allocation of village funds.

In the principal agent theory, transaction costs are formulated in the form of administrative costs (McCann et al. (2005:529). In another view, transaction costs refer to institutional arrangements which are called economic transaction costs (Klein, 1999: 464-466). Transactions are carried out using a simple mechanism known as a governance structure (Williamson, 1985). The aim is to protect the interests of the transacting parties and minimize financing. In accordance with the opinions of Williamson, (1979; 1985: 2013), Lin and Nugen (1995)), Klein (1999), Joskow (2004), McCann et al. (2005); Macher and Richman, (2008), Yesilkagit (2004), transaction costs basically focus on the governance structure in carrying out contracts between the two parties not on the aspect of real financing. The governance structure in carrying out the contract aims to minimize financing. Therefore, it is necessary

The Effect of Formal Contracts, Transaction Cost, Agency Cost, Principal Agent Conflicts and Principal Agent Relationships on Village Funds Allocation in Facing the Covid 19 Crisis in Dolok Masihul District, Serdang Bedagai Regency

to re-strengthen the principles that form the basis of fund management village so that transaction costs are positively related to the allocation of village funds.

Agency Cost

The agency cost variables in this study are guidance and supervision which are mainly carried out by parties who are structurally at a higher hierarchy (provincial/district/city government) and guidance and supervision which are hierarchically the same (village communities, BKD and related parties) Syofyan (2019). Agency costs are costs incurred by the principal in carrying out various activities to ensure that all these activities can be carried out with minimum costs. Agency costs arise when the interests of the agent do not match the interests of the principal and relate to the performance and decisions of managers. Conflicts that occur can reduce the welfare of the principal (Sadewa and Yasa, 2016). The greater the agency cost, the more unprofitable it is for the principal because the greater the principal's cost to the manager is not in line with the manager's performance. Agency cost according to Jensen and Meckling (1976: 308) is the sum of (1) Monitoring Cost, (2) Bonding Cost (3) Residual Loss. In this study, agency costs are the development and supervision of village fund allocation programs. Based on the research results, agency costs are positively related to the allocation of village funds. The higher the level of guidance and supervision, the greater the allocation of village funds can be given to the community. From the partial test of the agency cost variable, it is proven that agency costs have a significant positive effect on the allocation of village funds. Therefore, the hypothesis that agency costs have a significant effect on the allocation of village funds is accepted. The results of this study are in line with Syofyan (2019) and the party who has the most influence in the activities of fostering and supervising the allocation of village funds is the village community itself. It is necessary to strengthen the role of fostering and supervising village communities on the allocation of village funds through outreach activities of community roles and functions in fostering and monitoring in accordance with the demands of applicable laws and regulations.

Principal Conflict Agent

The principal agent conflict variable is defined as both parties, namely the principal and the agent, are involved in various interests that differ from one another with hidden targets and objectives in managing village funds. This conflict arises in adverse selection, moral hazard and asymmetric information. This behavior will cause the objectives of the village fund allocation program not to be achieved properly. The results showed that there was a positive relationship between the principal agent conflict and the allocation of village funds. The results of this test indicate that the hypothesis which states that there is a significant negative effect of the principal agent conflict with the allocation of village funds is rejected. This result is different from previous research which said that there was a negative relationship between the two Syofyan (2019). The main cause of this situation is that in practice, transparency in the management of village funds makes it easy for all parties to know and participate in the management of village funds, thereby minimizing conflicts that arise in the management of village funds.

The results of this study are different from the research conducted by Macias, (2012: 46) which says that adverse selection is a condition where the principal cannot be sure if the agent has the ability to carry out the workload assigned to him. This problem occurs before the principal enters into an agency relationship with the agent. The same thing was stated by Bergen et al. (1992). The adverse selection problem arises because the principal does not have certainty about the intensity and ability of the agent. The adverse selection model presents a situation where the agent has personal information and is dependent on that information. This information may negatively relate to other parties. The principal makes a contract and offers it to the agent (Marinescu and Marin, 2011: 34).

Principal Agent Relationship

The Principal Agent Relationship Variable in this study is based on the respective authority of the Village Head and Village Secretary. This authority is regulated by law. The results showed that there was a positive relationship between the principal agent relationship and the allocation of village funds. The partial test shows that the hypothesis that the principal agent relationship has a significant positive effect on the allocation of village funds is accepted. In other words, the better the relationship, the more the allocation of village funds will be used in various village development programs. This significant positive principal agent relationship is evidence that each party has exercised its authority in accordance with the demands of the law and this fact is positive evidence in the management of village funds. The results of this study are in line with Syofyan's (2019) which found that the principal agent relationship was positive on the allocation of village funds.

Furthermore, it can be added that the principal agent relationship consists of two ownerships, namely managerial ownership and institutional ownership (Tumiwa and Mamuaya, 2018) which are both associated with the ability to control agency costs.

The Effect of Formal Contracts, Transaction Cost, Agency Cost, Principal Agent Conflicts and Principal Agent Relationships on Village Funds Allocation in Facing the Covid 19 Crisis in Dolok Masihul District, Serdang Bedagai Regency

Managerial ownership is a situation where the manager owns the company's shares (Sari, 2015). The existence of institutional ownership is a means to monitor the management of managers' opportunistic actions (Rahmadiyahani, 2012). Based on this, it can be said that referring to the duties and functions of the Principal and Agent in this study, the principal is the institutional owner and the agent acts as the managerial owner. In managing village funds, it is necessary to emphasize public ownership in terms of the duties, principals and functions of the various parties involved in managing the village funds.

Village Fund Allocation

The variable allocation of village funds intended in this study is village funds obtained by the village in a certain amount that is intended for various village development activities and programs in accordance with the mandate of the underlying legislation. Based on the results of the study, overall variables have a significant effect on changes in the value of village fund allocations. In other words, the hypothesis that all dependent variables have a significant effect on village fund allocation, is accepted. Further research is needed regarding the variables that influence the success of village funds in carrying out village development from other aspects such as management, finance and aspects of human resources so that success will increase in the future.

Success in carrying out village development programs sourced from village funds is related to how much other related variables and indicators determine it. This study are in line with previous research, Syofyan (2019). Furthermore, from the research results, the indicators of village fund allocation are moderate and weak, although incentives are given based on a behavioral base contract. This situation is different from Prentice (2007) who proves that financial incentives can result in productivity improvements for some jobs in the public sector. Research by Dwihartono (2010), Dharmawan (2011) shows that compensation is positively related to performance. However, Riyadi's research (2010) gave different results. His research proves that financial compensation is not related to work motivation and employee performance. In Village Financial Management, not all villages can run as expected. The village government still plays a major role in program implementation, while the community has not been optimally involved, Hotimah, (2017).

5. CONCLUSION

The results of the research on the effect of formal contracts, transaction costs, agency fees, principal agent conflicts and principal agent relationships on village fund allocation in dealing with the Covid 19 crisis in Dolok Masihul sub-district, Batu Bara Regency, are:

Formal contracts have a significant on the allocation of village funds, and fact that formal contracts in the form of authority held by the Village Head and Village Secretary have gone well and each party has the competence and understands the duties, principal and functions of managing village funds in accordance with the authority granted by law. .

Transaction costs as a form of governance structure or public services insignificant to the allocation of village funds. The negative relationship between the results of the study indicates that the public service process in village fund allocation services has been running very well at an optimal level so that it does not require new management arrangements because everything is going well. The addition of a new service process will actually reduce transaction costs or reduce the level of public services in managing village funds. Therefore, a governance structure that runs well will provide a great opportunity for the success of the program to deal with the Covid-19 crisis

Agency costs or guidance and supervision in the management of village funds are carried out by various parties with a higher government hierarchical structure such as the Regional/City Government and Provincial Government as well as by the community. Guidance and supervision have been going well and good supervision has emerged from village communities receiving village funds so that development priorities in dealing with the Covid 19 crisis are going well.

Principal agent conflicts or differences in motivation in managing village funds by the Village Head and Village Secretary in the form of differences in interests or moral hazard, information symmetry and adverse selection. The results showed a positive relationship so that the hypothesis of a negative relationship between the principal agent conflict and the allocation of village funds was rejected. The facts of this study indicate that in managing village funds, management transparency has gone well so that various problems of different interests have been able to be overcome together with the community so that development programs can be carried out properly.

Principal Agent relationship or exercising authority based on the applicable laws and regulations. The research results show a positive relationship so that the hypothesis is accepted. In other words, the Village Head and Village Secretary have exercised their authority properly and in accordance with the law so that development programs with priorities targetly.

The Effect of Formal Contracts, Transaction Cost, Agency Cost, Principal Agent Conflicts and Principal Agent Relationships on Village Funds Allocation in Facing the Covid 19 Crisis in Dolok Masihul District, Serdang Bedagai Regency

The allocation of village funds, namely village development programs sourced from village funds is influenced by the variables of Formal Contracts, Transaction costs, Agency costs, Principal Agent Conflicts and Principal Agent Relations and overall goes well so that priority programs for people who have received the impact of the Covid 19 crisis can be carried out properly.

REFERENCE

- 1) Rahmawati, H.I, Ayidiati, C, Surifah.,(2015), Analisis Kesiapan Desa Dalam Implementasi Penerapan UU. No. 6 Tahun 2014 Tentang Desa. The 2nd University Research Coloquium
- 2) Abidin, M. Z. (2015). Tinjauan atas pelaksanaan keuangan desa dalam mendukung kebijakan dana desa. *Jurnal Ekonomi & Kebijakan Publik*, 6(1), 61–76.
- 3) Arifiyanto, D. F., & Kurrohman, T. (2014a). Accountability for managing village fund allocations in Jember Regency. *Journal of Accounting and Financial Research*, 2(3), 473–485. <https://doi.org/10.17509/jrak.v2i3.6598>
- 4) Arifiyanto, D. F., & Kurrohman, T. (2014b). Akuntabilitas pengelolaan alokasi dana desa di Kabupaten Jember. *Jurnal Riset Akuntansi Dan Keuangan*, 2(3), 473–485.
- 5) Arsyad, L. (2014). Institusi, biaya transaksi, dan kinerja ekonomi: sebuah tinjauan teoretis. *Fakultas Ekonomi Dan Bisnis, Universitas Gadjah Mada, Yogyakarta*.
- 6) Arumsari, Y. K., Djumahir, & Aisjah, S. (2014). Pengaruh kepemilikan manajerial, kebijakan utang, kebijakan dividen terhadap kinerja keuangan. *Jurnal Wawasan Manajemen*, 2(2), 171–187.
- 7) Asmara, J. A. (2010). Analisis perubahan alokasi belanja dalam anggaran pendapatan dan belanja daerah (APBD) Provinsi Nanggroe Aceh Darussalam. *Jurnal Telaah Dan Riset Akuntansi*, 3(2), 155–172.
- 8) [8] Astuty, E., & Fanida, E. H. (2013). Akuntabilitas pemerintah desa dalam pengelolaan anggaran pendapatan dan belanja desa (APBDES) (Studi pada alokasi dana desa tahun anggaran 2011 di Desa Sareng Kecamatan Geger Kabupaten Madiun). *Jurnal. Universitas Negeri Surabaya*.
- 9) Attila, G. (2012). Agency Problems in Public Sector. *Annals of the University of Oradea*, 21(1), 708–712.
- 10) Claude, M. (2011). The Contribution of Douglass North to New Institutional Economics The future of new institutional economics: from early intuitions to a new paradigm? *Journal of Institutional Economics*, 10(4), 541–565.
- 11) Damayanti, W. (2018). *Transparansi dan akuntabilitas pemerintah desa dalam pengelolaan dana desa (studi kasus: Desa Tegiri dan Desa Sumberagung Kecamatan Batuwarno, Kabupaten Wonogiri)*. Program Studi Akuntansi, Fakultas Ekonomi dan Bisnis, Universitas Muhammadiyah Surakarta.
- 12) De la Rosa, L. E. (2011). Over confidence and moral hazard. *Games and Economic Behavior*, 77(2), 429–451.
- 13) de Oliveira, C. B., & Filho, J. R. F. (2017). Agency problems in the public sector: The role of mediators between central administration of city hall and executive bodies. *Revista de Administracao Publica*, 51(4), 596–615. <https://doi.org/10.1590/0034-7612171397>
- 14) Dewi, R. A., Ramadhanti, W., & Wiratno, A. (2016). Faktor-faktor yang berpengaruh terhadap Kinerja Keuangan Pemerintah Desa Pasca penerapan Undang-Undang Nomor 6 tahun 2014. *Jurnal Akuntansi Aktual*, 3(4), 311–327.
- 15) Dharmawan, I. M. Y. (2011). *Pengaruh kompensasi dan lingkungan kerja non fisik terhadap disiplin dan kinerja karyawan Hotel Nikki Denpasar*. Program Pascasarjana Universitas Udayana Denpasar.
- 16) Dow, S. C. (2010). Moral hazard and the banking crisis. In *FMM Conference*. Berlin.
- 17) Darmawan. 2013. *Metode Penelitian Kuantitatif*. Bandung: Remaja Rosdakarya.
- 18) Eisenhardt, K. M. (2018). Agency theory : an assessment and review, 14(1), 57–74.
- 19) Handoko, J. (2014). *Pengaruh struktur modal dan mekanisme corporate governance terhadap agency cost perusahaan LQ45 di BEI tahun 2013*. UKWMS.
- 20) Harahap, N. (2018). *Analisis pengaruh alokasi dana desa, indeks pembangunan manusia dan tenaga kerja terhadap pertumbuhan ekonomi 10 kabupaten di Sumatera Utara*. Universitas Sumatera Utara.
- 21) Harianto, D., & Subagio, H. (2013). Analisa pengaruh kualitas layanan, brand image, dan atmosfer terhadap kepuasan konsumen sebagai variabel interveining konsumen kedai Deja-Vu Surabaya. *Jurnal Manajemen Pemasaran*, 1(1), 1–8.
- 22) Hotimah, H. (2017). *Transparansi dan akuntabilitas pemerintah desa dalam pengelolaan anggaran pendapatan dan belanja desa (APBdes)*. *Journal of Undergraduate Thesis*.
- 23) Jamaluddin, Y., Sumaryana, A., Rusli, B., & Buchari, R. D. (2018). Analisis dampak pengelolaan dan penggunaan dana desa terhadap pembangunan daerah. *JPPUMA: Jurnal Ilmu Pemerintahan Dan Sosial Politik*, 6(1), 14–24.

The Effect of Formal Contracts, Transaction Cost, Agency Cost, Principal Agent Conflicts and Principal Agent Relationships on Village Funds Allocation in Facing the Covid 19 Crisis in Dolok Masihul District, Serdang Bedagai Regency

- 24) Jaya, W. K. (2012). Mengenal lebih dekat teori ekonomi kelembagaan baru (New Institutional Economic). *Majalah EBNEWS*, 12.
- 25) Kartiko, K. W., & Novasari, L. (2019). Peran aparat desa dalam perencanaan dan pemanfaatan dana desa untuk peningkatan kesejahteraan. *Majalah Ilmiah Solusi*, 17(2).
- 26) Kherallah, M, & Kirstein, J. F. (2014). *New institutional economists Are the blue coolar guys with a hearty appetite for reality*. Indian Agricultural Research I.
- 27) Sugiyono. 2011. *Metode Penelitian Kuantitatif, Kualitatif dan R&D*. Bandung: Alfabeta