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VILLAGE FINANCIAL MANAGEMENT PROBLEMS IN ACCOMPLISHING  
A GOOD GOVERNANCE IN SUBURBAN GOVERNMENT

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**ABSTRACT**

This qualitative research study was conducted to explore and analyze the role of the village government in the preparation of the Village Revenue and Expenditure Budget (APBDes) in the perspective of Law No. 6/2014 on Villages. The results show that the existence of the mentioned law requires a preparatory process for Village Government in preparing Village Budget. For this reason, the role of the Regional Government is also needed and very important in realizing good governance in the village administration. The Regional Government should provide socialization and the Village Government need to invite the community to participate in preparing the APBDes village regulations in a measured, integrated and synergized manner to meet the needs of the Village community.

**INTRODUCTION**

Regional autonomy is a required phenomenon in democratization era, globalization era and especially reformation era. For most village government officials, autonomy is a new opportunity to create a space for village officials' creativity in managing the village. Village according to Law Number 6 of 2014 is as follows:

Village is a village and traditional village or what is called by other names hereinafter referred to as Village, is a legal community unit that has territorial limit authorized to regulate and manage government affairs, interests of local communities based on community initiatives, origins, and/or traditional rights which is recognized and respected in the system of government of the Unitary State of the Republic of Indonesia. This explains that the Village has the authority to manage its own government. And prioritize local communities based on community initiatives, traditional rights and origin rights that are recognized and respected. (Soemantri B, 2011).

Law Number 9 of 2015 on Regional Government stated that Villages (or by other names) is an autonomous government with special privileges,

such as financial management, Village Fund Allocation, the election of Village Heads (kades) and the development process of the Village. Therefore, Villages are provided with guidelines and technical guidance on planning and managing their finances. Good governance can be measured through the process of drafting and accountability of the APBDes. Governance related to the management of authority. This relates to how to achieve organizational goals for the common good, and how to prevent organizational resources from being misused so that organizational goals can be achieved (Yuliastuti, Tandio., 2020). As the holder of original autonomy, the Village, using APBDes as it frames, is more flexible in determining the direction of village development policy.

The Village Revenue and Expenditure Budget (APBDes), principally, is a Village income and expenditure plan for the next one year made by the Village Head together with the BPD as outlined in the Village Regulations and authorized by the Regent. (Soleh, C., & Rochmansjah, H., 2014). As a reflection of village independence, the APBDes are guided by Regency Regulations, but the priorities of each village can be different. It really depends on the real conditions of each village, must be adjusted to the potential and needs of the community itself, so that it is expected to make a participatory APBDes.

The issuance of Minister of Village Regulation (PERMENDES) Number 21 of 2016 on Priority Determination of the Use of Village Funds in 2016 and Minister of Home Affairs (Permendagri) Number 113 of 2014 on Village Financial Management provide the basis for increasingly autonomous Villages in practice, not just normative. With the provision of authority for village financial management (based on Permendes No. 21 of 2016) and the existence of Village Fund Allocation (based on PP No. 60 of 2014), the Village should be more open and responsive to the financial management process.

In the General Provisions of Permendagri No. 113/2014, Village Financial Management is the whole of activities which include planning, budgeting, administrating, and supervising the financial of Village. (Permendagri No. 113 / 2014). So, with these autonomous rights, it is hoped that the Village can manage its finances independently. Both in managing income and sources of income and also managing the expenditure. However, in reality, many villages have not been able to take advantage of these privileges. Dependence on funds from the central and regional governments is still very strong. Villages have not been able to optimize village income sources based on the wealth and potential of the the village.

The preparation and implementation of the Village Revenue and Expenditure Budget (APBDes) should be filled with activities/programs needed by the community, such as physical development activities. However, sometimes the implementation of physical development activities is not carried out in accordance with what is stated in the APBDes, even some are not / have not been implemented.

Actually, the implementation of activities that are not in accordance with those stated in the APBDes will not occur if there is an active involvement of the community starting from the planning stage (Musrenbangdes), implementation stage, supervision of development, and the accountability. However, in fact, it is very difficult to find an active community

involvement. From the results of discussions with the community, the reason for this was because they had never been invited from the beginning of the activity.

The description above is no longer in line with Permendagri No.113/2014 in article 2 which states that Village finance is managed based on transparent, accountable, participatory principles and is carried out in an orderly and budgetary discipline. In this connection, responsibility, transparency and accountability of village financial management are defined as part of a regional financial management system that provides financial information that is open to the community in order to realize good governance and account for the management of resources and implementation of policies entrusted to government organizational units in the framework of achieving the goals set through periodic government financial reports.

The contents of the report related to the Village Fund are varied. However, if grouped, there are 10 (ten) types of deviations from the Village Fund management that are reported. Such as, there is no development in the village, development/procurement of goods/services is not in accordance with specifications/RAB, allegations of markups done by village officials, absence of transparency, local communities are not involved, misappropriation of village funds for personal gain, weak supervision of village funds by the inspectorate, deviations in the form of purchasing building materials as collusion, fictitious projects, as well as embezzling fees for village officials.( Syakrani dan Syahriani, 2009)

The village community, generally, cannot obtain information transparently about how village regulation regarding the APBDes is carried out, how much village finance is obtained and spent, or how the money from village land auction are managed, and so on. Elite Village does not have an adequate understanding of participation.

On the basis of previous research from Hutapea and Aysa (2017) who explained that village financial management has not fully applied the principles of good governance in realizing good village governance. In addition, Abidin (2015) also elucidated that even though the implementation of village finances by the village government has been based on applicable laws and regulations, there are still a number of things that have the potential to hamper the implementation of village finances.

Law Number 6 of 2014 on Villages, about the mechanism for the preparation of APBDes Village Regulations and how the role of the Village Consultative Body (BPD) with the Village Head as an element of Village administration is the basis and background of the author in writing this paper concerning “Problematics in Village Financial Management to Realize a Good Governance in Suburban Government”.

Based on the background description, we can formulate a problem as follows. First, why village financial management should be transparent, accountable and participative? Second, how to solve the problems of village financial management in order to realize good governance of the village government?

## METHODS

The research method used is the descriptive qualitative research method, which is a study that aims to obtain a picture to understand and explain the problems of Village Management in the research location. (Amiruddin, Z. A., 2004.). This study used primary data and secondary data. (Zaunuddin Ali, 2013) Primary data is directly obtained from the village government apparatus. Secondary data is the data obtained indirectly such as from literature and documentation. Observation, interview and documentation are used as data collection techniques. Data analysis techniques used is qualitative descriptive methods, (Ashshofa, B., 2007) with the stages of data collection, data reduction, data presentation, analysis (discussion) and drawing conclusions. (Hadari Nawan, 2001 )

## RESULT

Villages and *Kelurahan* (Subdistrict Administrations) are areas occupied by a number of residents and have the lowest government organization directly under *Camat* (sub-district head) (Kansil, 1988). According to Mashuri Maschab (in Huda, 2015), when discussing Village in Indonesia, then at least there will be three kinds of interpretation or understanding. First, sociologically, Village describes a form of communities' unity or communities who live and stay in an environment, where they know each other well and their lifestyle is relatively homogeneous, and many of them depending on the goodness of nature. sociologically, villages are associated with a society that lives in austerity and modesty. They earn a living from the agricultural sector, has social ties and customs or traditions that are still strong, honest, relatively have low education and so on. Second, economically, Village is a community that seeks to fulfill their daily needs from what nature provides around them. In this sense, the village is an economic environment, where the population tries to fulfill their needs. Third, politically, Village is a government organization that has certain authority because it is part of the government of the country politically. In this sense, Village is often formulated as "a unit of the legal community that has the power to organize its own government."

There are only 2 (two) concepts that have limits in the General Provisions of Article 1, Law Number 6 of 2014 concerning Villages, namely, Village Development and Village Empowerment as follows. (Mahdi, I., 2017) Village Development is an effort to improve the quality of life and welfare of the village community, (Article 1 point 8) and Village Community Empowerment is an effort to develop community independence and welfare by increasing knowledge, attitudes, skills, behaviors, abilities, awareness and utilizing resources through the establishment of policies, programs, activities, and assistance that are in accordance with the essence of the problem and priority needs of the village community. (Article 1 number 12). Based on Law N0.6/2014 concerning Villages Article 26 paragraph 1, the Village Head is assigned to organizing Village government, implementing Village development, developing Village community and empowering Village community.

The implementation of the Village Government in making and managing the Regional Budget have to meet the principles of Transparency, Accountability, and Participation. (Ivanovich Agusta dan Fujiartanto. 2014). Public interest order is the principle that prioritizes public welfare in an objective, accommodative, and selective manner. (Manan, B., 1992). Openness is a principle that opens itself to the right of the community to

obtain correct, honest and non-discriminatory information about the administration of the Village Government while observing the provisions of the legislation. Accountability is the principle that determines every activity and the final outcome of the implementation of Village Government activities must be accountable to the Village community in accordance with the provisions of the legislation. Participatory implementation of Village Government must include Village institutions and elements of the Village community.

To support the realization of good governance in the implementation of the Village, the preparation of the Regional Budget needs to be established on the principles of governance, such as transparent, accountable, participatory and must be carried out in an orderly and budgetary discipline.(J. Kaloh, 2002).The Village Revenue and Expenditure Budget is a Village financial plan in one year that includes income estimation, program and activity expenditure plans, and planned activities that are discussed and jointly agreed by the village government and Village Consultative Body, and are stipulated by Village Regulations (Nurcholis, 2011).

The Village Revenue and Expenditure Budget consists of:

- a. Village Revenue
 

Village revenues include all cash receipts through village accounts as village rights in 1 (one) fiscal year that do not need to be repaid by the village. Village Original Income includes:

  - 1) Village Original Income;
  - 2) Regency / City tax revenue sharing;
  - 3) Part of Regency / City retribution;
  - 4) Village Fund Allocation;
  - 5) Financial assistance from the Government, Provincial Government, Regency / City Government, and other Villages;
  - 6) Grants;
  - 7) Third-party donations.

Other sources of revenue that can be intended by the Village come from:

  - a. Village-Owned Enterprises,
  - b. Village market management,
  - c. Management of village scale tourism areas,
  - d. Management of non-metal mineral mines and rock mines by not using heavy equipment,
  - e. Other sources not for sale.
- b. Village Expenditure
 

Village Expenditures cover all expenditures from the Village account which are the obligations of the Village in 1 (one) fiscal year that will not be repaid by the Village. Village expenditures consist of:

  - 1) Direct expenditure consists of:
    - a) Expenditure of employees;
    - b) Expenditure for goods and services;
    - c) Capital expenditure.
  - 2) Indirect expenditure consists of:
    - a) Personnel expenditure / fixed income;
    - b) Subsidy expenditure;
    - c) Grant expenditure (grant restrictions);
    - d) Expenditures for social assistance;

- e) Unexpected expenditure.

According to Eko (2017) governance substance must fulfil:

- 1) **Capacity:** The ability of the Village to respond to the interests of the local community and develop local potential / assets, the ability of the Village to realize pro-people budget politics, the ability of the Village to prepare coherent and good planning and budgeting, the ability of the Village to mobilize local resources to support development, the ability of the Village in carrying out regulations and tools from above, the ability of the Village to manage village finances
- 2) **Effectiveness:** Conformity between the planning and implementation of the Village Fund results in various outputs and outcomes, whether it is in accordance with the planning or not, whether it is right on target or distributed to the rightful parties. Marginal people, have an impact on poverty reduction.
- 3) **Accountability:** The Village Fund is managed authentically (not abruptly or formally), transparent and clean so there is no corruption (elite capture).

Village financial management is carried out by the Village Treasurer who is appointed by the Village Head after obtaining approval from the Village Representative Body. Budget Management and Village Expenditures include budgeting for the implementation of financial administration and budget calculations. Such budget management is accounted for by the Village Head to the Village Representative Body no later than three months after the end of the fiscal year. Law Number 6 of 2014 explains the definition of Village Finance as follows: "Village Finance is all village rights and obligations that can be valued with money and everything in the form of money and goods related to the implementation of the rights and obligations of the Village."

Regarding the power of Village financial management, regulated in Minister of Home Affairs Regulation Number 113 of 2014 concerning Village Financial Management (Article 3):

1. The Village Head is the holder of the village financial management power and represents the Village Government in the ownership of the village property that is separated.
2. The Village Head as the holder of the power of village financial management has authorities:
  - a. Establish policies regarding the implementation of the Village Budget;
  - b. Establish Village Financial Management Technical Implementers (PTPKD);
  - c. Determine officers who collect village revenue;
  - d. Approve expenditure on activities specified in the Village Budget, and Take actions that result in expenses of the Village Budget.

Public Accountability:

Article 39: The accountability report for the realization of the Village Budget as referred to Article 39 paragraph (1) is an integral part of the report on the implementation of the Village Government.

Article 40:

- (1) The realization report and accountability report on the realization of the Village Budget as referred to in Article 37 and Article 38 are informed to the public in writing and through media that are easily accessible to the public.

- (2) Media as referred in paragraph (1) are notice boards, community radio and other mass media.

Article 41:

- (1) The realization report and accountability report for the realization of the APBDesa as referred to in Article 38 paragraph (1) shall be submitted to the Regent / Mayor through the Sub-District Head or other designation.
- (2) The accountability report for the realization of the APBDesa as referred to in paragraph (2) shall be submitted no later than 1 (one) month after the end of the relevant fiscal year.

Report on the realization of the use of Village funds as stipulated in Article 24 of PP Number 60 of 2014 is as follows:

- (1) The Village Head shall submit a report on the realization of the use of the Village Fund to the Regent / Mayor every semester;
- (2) Submission of reports on the realization of the use of village funds is carried out with provisions such as:
- a. Semester I is no later than the fourth week of July of the current fiscal year; and
  - b. Semester II is no later than the fourth week of January of the following fiscal year.
- (3) The Regent / Mayor submits a report on the realization of the distribution and consolidation of the use of Village funds to the Minister with a copy to the Minister who handles the Village, the technical Minister / head of the non-ministry government agency, and the Governor no later than the fourth week of March.;
- (4) Report of consolidated reports is carried out every year.

Based on the understanding of the object above, therefore, scope of Village Finance is automatically in line with the rights or authorities of the Village as stipulated in Chapter III of Article 33 and 34 of Government Regulation Number 43 of 2014 as follows:

- a. Authority based on origin rights
- b. Village scale local authority
- c. Authority assigned by the Government, Provincial Government, or Regency / City Government; and
- d. Other authorities assigned by the Government, Provincial Government, or Regency / City Regional Government in accordance with the provisions of the Legislation.

Based on this research, the Village Financial Management in the APBDesa which includes planning, implementation, administration, reporting and accountability can be described as follows:

Deliberation → Musrenbang → RPJM → RKP → RAPBDesa → APBDesa



Administration of Receipts → Administration of Expenses → Accountability

Good governance is the implementation of a solid, responsible, efficient, and effective governance, by maintaining constructive interactive synergy among the state domain, the private sector and society. (Asshiddiqie, J., 2007)

According to Sedarmayanti (2007) Good Governance principles are:

- 1) **Participation**  
All citizens have right to be involved in making decisions, both directly and through legitimate representative institutions to represent their interests. This comprehensive participation is built on freedom of assembly, freedom of speech, and the capacity to participate constructively.
- 2) **Rule of Law**  
Community participation in the political process and public policy formulations requires a system and legal rules. Without a balanced law and strong enforcement, participation will turn into an anarchic political process. Character in enforcing the rule of law:
  - a. The supremacy of law
  - b. Legal certainty
  - c. Responsive law
  - d. Consistent and non-discriminatory law
  - e. Independence of the judiciary
- 3) **Transparency**  
One of the problems of Indonesia at the end of the New Order period was the spread of corruption cases that had developed since the beginning of the regime. One that can cause and give room for corruption activities is government management that is not transparent. Aspects of state management mechanisms that must be carried out transparently, there are at least 8 aspects, namely:
  - a. Determination of position
  - b. Public officials' wealth
  - c. Awards
  - d. Determination of policies related to enlightenment in life
  - e. Health
  - f. The morality of officials and public service apparatus
  - g. Security and order
  - h. Strategic policy for enlightening people's lives.

Openness is a principle that opens itself to the right of the community to obtain correct, honest and non-discriminatory information about the administration of the Village Government while observing the provisions of the legislation.
- 4) **Responsiveness**  
Government must be sensitive and responsive to community issues.
- 5) **Consensus Orientation**  
The decision is made through a process of deliberation and based on mutual agreement.
- 6) **Equity**  
Similarity in treatment and service. Service improvement means that the government has the role of providing guidance, technical assistance, so communities will be able to do it themselves. For example, in planning, at the beginning the government carried out planning with the community and at the end, planning by the community with government guidance if necessary.
- 7) **Effectiveness and Efficiency**  
To make an effective and efficient government, the designers and executors of government tasks must be able to prepare plans that are in



accordance with the real needs of the community, rationally and measurably.

- 8) **Accountability**  
Public officials must have responsibility and accountability to the community that gives them delegation and authority to take care of their affairs and interests, every public official is required to account for all policies, actions, morals and neutrality of his attitude towards society.
- 9) **Strategic Vision**  
Strategic vision to face the future. In this rapid change of the world and advancement of technology, this qualification is important for the framework of the realization of good governance.

### **DISCUSSION AND CONCLUSION**

Based on the discussion above some conclusions can be drawn. First, Village financial management needs transparency, so that village finance can fulfill community rights, avoid conflicts within the village community, and monitored by other authorized parties. With the disclosure of information about village financial management, the village government will gain community legitimacy and public trust. It is accountable because every action or performance of the village government must be able to account for and report on the implementation of the APBDesa in an orderly manner to the community and the government above it in accordance with statutory regulations. It is also participatory because, with the involvement of the community from the beginning, all village funds can be determined based on community needs so that a sense of community ownership and self-sufficiency in village development will grow.

Second, in managing village finance, several efforts are needed in order to realize good governance in village governance, including promoting socialization and implementation of good village financial management practices, encouraging the use of increasingly sophisticated information technology, and building synergies with authorized institutions in preventing or overcoming the practices of Corruption, Collusion, and Nepotism.

Finally, a monitoring mechanism is needed for the proper management of the Village financial management and accountability system, in accordance with applicable laws and principles. One of the monitoring mechanisms can be through the delivery of detailed and accurate information to the wider community as a form of respect for the rights of village communities.

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