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## TRANSPARENCY, PUBLIC ACCOUNTABILITY AND VILLAGE FINANCE

*Achmad Fadjar<sup>1</sup>, Teti Rohaeti<sup>2</sup>, Dini Nurdiani<sup>3</sup>*

Widyatama University Bandung, Indonesia

achmad.fadjar@widyatama.ac.id<sup>1</sup>,

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### ABSTRACT

Purpose of this research is to study and analyze the effect of transparency and public accountability on village financial management. The method used in this research is descriptive and verification methods. The object of this research is the application of transparency, public accountability and village financial management in Cianjur district. The unit of analysis in this study was the villages in Cianjur Regency, as many as 354 villages from 32 sub-districts that carried out village financial management. The results of the study state that transparency and public accountability affect the management of village finances either partially or jointly or simultaneously.

### INTRODUCTION

Increasing the welfare of rural communities, improving the quality of life and reducing poverty are the rights of citizens, through the use of village funds aimed at financing community development and empowerment and set forth in the Village Government Work Plan. Village funds sourced from the APBN are managed directly by the village government, through a mechanism where funds from the Central General Cash Account (RKUP) are channeled to the Regional General Treasury Account (RKUD) and then flow to the Village Treasury Account (RKD). Furthermore, the village government manages the funds to build the village. The management principle refers to the principles and legal basis in accordance with the guidelines for the Village Fund Pocket Book issued by the Ministry of Finance. Phenomena that occur related to village financial management are: in 2016 there were six village heads in East

Seram District, Maluku named suspects. Head of the Masohi District Prosecutor's Branch in Geser Yeoceng Almahdaly (2016) found strong evidence that this case fulfilled the elements of a criminal act of corruption, namely the management of village funds was not in accordance with procedures, there was state loss, and was also carried out deliberately to enrich oneself. In 2017 the misuse of village funds has ensnared the regent of Pamekasan, this is also the case in Papua, as many as 70 village heads in Yahukimo Regency, Papua are suspected of misusing village funds. Apart from Pamekasan and Yahukimo, misuse of village funds also occurred in Pekanbaru, Riau. The head of Kepayang Village, Kep Penuh District, Rokan Hulu was named a suspect in the village fund corruption case. Head of Rokan Hulu Police, Adjunct Senior Commissioner Yusup Rahmanto (2017) stated that the loss reached IDR 556.6 million.

Various misappropriations of village funds were suspected to be the result of the village's unpreparedness in managing village funds provided by the center. In addition, the factor of deliberately using village funds for personal gain has also triggered many corruption cases related to village funds. Therefore, the mechanism for managing village funds must be carried out in a transparent and accountable manner so as not to cause losses to the state.

### ***Objective Of The Study***

This research aims to determine whether transparency and public accountability have a direct influence on village fund management.

## **LITERATURE REVIEW**

### ***Transparency***

According to Nordiawan (2010), transparency is financial information that is open and honest to the community based on the consideration that the community has the right to know openly and thoroughly the government's responsibility in managing the resources entrusted to it and its compliance with laws and regulations. Transparency in the implementation of public services according to Ratminto in Jamal Ma'ur Asmani (2012) that transparency is open, easy and accessible to all parties who need it adequately and easily understandable. According to Mardiasmo (2009), transparency is built on the basis of freedom of information, information relating to the public interest can be directly obtained by those in need. According to Desak (2015), transparency can be interpreted as providing open and honest financial information to the public in accordance with laws and regulations.

### ***Public Accountability***

According to Mardiasmo (2009), public accountability is the obligation of the trustee (agent) to provide accountability, present, report, and disclose all activities and activities that are their responsibility to the principal who has the right and authority to hold this accountable. In practice, the public's curiosity about government accountability cannot be fulfilled by financial information alone. People want to know further whether the government they have chosen has been operating economically, efficiently and effectively. According to the

*Tokyo Declaration of Guidelines on Public Accountability* in Ristya (2013), accountability is the obligations of individuals entrusted with managing public resources as well as those related to it, in order to answer matters concerning fiscal, managerial, and program or activity accountability is the willingness to provide an explanation and justification of desires and deeds to those concerned. Public accountability consists of two types, namely vertical accountability and horizontal accountability. Vertical accountability is the accountability for fund management to higher authorities, for example the accountability of work units (dinas) to local governments, accountability of local governments to the central government, and the central government to the MPR. Horizontal accountability is accountability to the wider community (Mardiasmo, 2009).

Public accountability that must be carried out by public sector organizations consists of several dimensions. Ellwood (1993) been translated by Mardiasmo (2009) explains there are four dimensions of accountability that must be met by the public sector organizations, namely:

- Honesty and Accountability Law
- Accountability Process
- Accountability Program
- Accountability Policy

### ***Management Rural Finance***

According to the Article 71 paragraph (1) of Law Number 6 of 2014 states that village finance is the village's 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. Furthermore, in paragraph (2) it is stated that the existence of rights and obligations will generate income, expenditure, financing, and village financial management.

Article 93 paragraph (1) Law Number 6 of 2014 states that village financial management includes:

- Planning,
- Implementation,
- Administration,
- Reporting,
- Accountability

According to Mustopa (2012), accountable village financial management is management accountable finance ranging from planning, implementation, administration, to village financial reporting. The realization of accountability is the main objective of public sector reform. In general, accountability is defined as a form of obligation to account for the success or failure of the organization's implementation in achieving the targets that have been applied for previous periods which are carried out periodically.

Permendagri 113 of 2014 explains that village financial management is all activities that include planning, implementation, administration, reporting, and village financial accountability. There are also the principles of village financial management as follows:

Village finances are managed based on the principles of transparency, accountability, participation and are carried out in an orderly and disciplined budget.

Village financial management, managed within 1 fiscal year, from January 1 to December 31.

#### ***The Effect of Transparency on Village Financial Management***

Transparency is taking responsibility for what has been done by providing relevant information or reports that are open to outsiders or independent organizations (legislators, auditors, public) and published (Haryatmoko, 2011).

According to Nordiawan (2010), transparency is the government's openness to the public to access information based on the consideration that the public has the right to know openly and thoroughly about the government's responsibility. In this case, the government is responsible for managing village finances. Based on the results of research conducted by Vina (2013), it is concluded that transparency plays a role in managing funds, in this case the BOS (School Operation Assistance) funds. Based on this information, it is assumed that transparency has an effect on village financial management in Cianjur Regency.

#### ***The Effect of Public Accountability on Village Financial Management***

Effective accountability can be realized if the information conveyed is easy to understand. The community as the party that gives trust to the government to manage public finances has the right to obtain government financial information to evaluate the government (Mardiasmo, 2009).

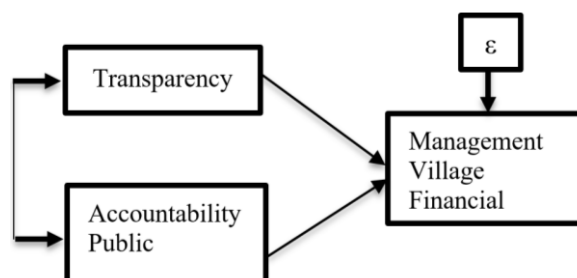
According to Halim (2007) the community not only has the right to know financial management but has the right to demand accountability for the application and implementation of regional financial management, because government activities are in the context of carrying out the people's mandate.

***The Effect of Transparency and Public Accountability on Village Financial Management*** Bastian (2010) suggests that the last major phenomenon in the context of public sector accounting is governance reform and other public organizations. This demand for reform has led to the democratization of the organization's management through aspects of transparency and accountability. In particular, this demand is more related to the field of public financial management. In Indonesia, the decentralization of governance in the regions and the demands of the public for transparency and accountability have forced the government, both central and local, to create a more transparent and accountable financial management system. According to Mustofa (2012), village financial management is inseparable from accountability. In general, accountability is defined as a form of obligation to account for the success or failure of the organization's implementation in achieving the targets that have been applied for previous periods which is carried out periodically.

#### ***Research Model***

Model in this study (Fig. 1) the independent variable is transparency and

public accountability, while the dependent variable is village financial management. Based on the above data, the research model can be explained as follows:



*Figure 1:* Research Model

### ***Hypothesis***

Hypotheses can be expressed as temporary answers to pre-existing problems. The hypothesis is a temporary truth that will be verified with data collected through research. The hypothesis in this study is that transparency and public accountability have an effect on village financial management in Cianjur Regency, either partially or simultaneously.

### **RESEARCH METHODOLOGY**

According to Zulganef (2018), the research method is a systematic way used to obtain information or knowledge. The method used in this research is descriptive and verification methods, while the variables examined in this study are transparency, public accountability, and village financial management. The data analysis technique used in this study is multiple linear regression analysis because the authors explain the relationship between the y variable, namely village financial management with two x variables, namely transparency (x1) and public accountability (x2). The regression equation is as follows:

$$Y = \alpha + b_1X_1 + b_2X_2$$

Information:

Y = village financial management

X1 = transparency

X2 = public accountability

$\alpha$  = constant

bX = regression coefficient

After regression testing, the researcher tested the hypothesis using the t-test and calculates the coefficient of determination to evaluate the effect of transparency and public accountability on village financial management

### ***Data Analysis And Interpretation***

Data obtained based on questionnaires from respondents who carry out supervision of village financial management covering 354 villages from 32 sub-districts and respondents understand the variables studied, namely from

the inspectorate, DPMD and the district, that is, there are 109 respondents with census data.

### ***Transparency***

The transparency variable consists of 11 statement items which are divided into 2 dimensions, namely the dimension of public communication by the Government consisting of 4 statements and the dimension of the community's right to know the government's responsibility in resource management consisting of 7 statements. Based on the dimension of public communication, the lowest average respondent's answer is for indicators of access to obtaining documents on accountability and village financial management, respondents who agree are 40.4%. This means that there are still bureaucratic obstacles regarding access to obtain documents on accountability and management of village finances. Based on the dimension of the community's right to know government accountability in resource management, the lowest average respondent's answer is that the announcement indicator about village financial management can be obtained at any time, as many as 41.3%, respondents think that announcements about village financial management can be obtained at any time. This means that there are still obstacles in obtaining announcements about village financial management at any time.

### ***Public Accountability***

The accountability variable consists of 20 statement items which are divided into 4 dimensions, namely the dimensions of honesty accountability and legal accountability consisting of 9 statements, the process accountability dimension consists of 2 statements, the program accountability dimension consists of 5 statements, and the policy accountability dimension consists of 4 statements. Based on the dimensions of accountability, honesty and legal accountability, the lowest average of respondents' answers for indicators of sources and uses of village financial management, if necessary, can be informed to interested parties as much as 61.5% of respondents think that the sources and uses of village financial management if required to be informed to interested parties. This means that there are still obstacles in informing the sources and uses of village finances to interested parties. Based on the dimension of process accountability, the lowest average answer is obtained by respondents for indicators of complaint service, if there is a violation committed in village financial management, 73.4% of respondents think that with the service of complaints, if there is a violation committed in financial management village can be accounted for. This means that there are still problems with complaints services that cannot be accounted for. Based on the program accountability dimension, it is obtained that the lowest average answers of respondents for the indicators of reporting the results of activities / work programs of the organization are arranged in a timely manner, which is 75.2% of respondents think that the reporting of the results of activities / work programs of the organization is prepared in a timely manner. This means that there are still obstacles in reporting activities / programs that are not yet on time. Based on the policy accountability dimension, the lowest average answers of respondents for indicators of work program implementation are in

accordance with adherence to political decisions that can support the achievement of predetermined final goals as many as 82.6% agree. This means that there are still obstacles in the implementation of work programs that are not in accordance with compliance with political decisions that can support the achievement of goals.

### ***Village Financial Management***

The village financial management variable consists of 10 statement items which are divided into 5 dimensions, namely the planning procedure dimension consisting of 2 statement, the implementation procedure dimension consists of 4 statements, the administration dimension consists of 2 statements, the reporting dimension consists of 1 statement, and the accountability dimension consists of 1 statement. Based on the dimensions of the planning procedure, the lowest average respondents' answers to the indicators of the village regulation draft on APBDes that have been agreed upon are evaluated. 59.6% of respondents thought that the village regulation draft on APBDes that had been agreed upon was evaluated. This means that there are still obstacles, namely that there are still unevaluated APBDes designs. Based on the dimensions of the implementation procedure, the lowest average respondents' answers for the village revenue and expenditure indicators were supported by complete and valid evidence. 64.2% of respondents thought that all village revenues and expenditures had been supported by complete and valid evidence, meaning that there were still revenues and expenditures that had not been supported by complete and valid evidence of 35.8%.

Based on the administrative dimension, it is obtained the lowest average answer of respondents for the indicator that the village treasurer records every income and expenditure and closes the books at the end of each month in an orderly manner. As much as 77.1%, respondents thought that the village treasurer recorded every income and expenditure and closed the books at the end of the month in an orderly manner, meaning that there were still 22.9% of village treasurers who had not yet been village recorded every income and expenditure and closed the book every time. end of month in an orderly manner,

### ***Effect of Transparency on Village Financial Management***

Based on the results of the t test (partial) in the regression model, the significance value of the transparency variable is  $0.021 < 0.05$ . In addition, the results of the comparison between t count and t table which show the value of  $t \text{ count} > t \text{ table}$ , namely  $2.343 > 1.982$ , so it can be concluded that partially the transparency variable affects the village financial management variable and the magnitude of the effect of transparency on village financial management based on the results of the coefficient of determination test. partially is equal to 6.2%.

### ***Effect of Public Accountability on Village Financial Management***

Based on the results of the t test (partial) in the regression model, the

significance value of the accountability variable is  $0.000 < 0.05$  and from the comparison between  $t$  and  $t$  table, it is seen that  $t$  arithmetic  $> t$  table is  $12.514 > 1,982$ , so it can be concluded that in partial accountability significant influence to variable village financial management and the influence of public accountability to the management of village finances based on the results of testing the partial coefficient of determination is equal to 61.2%.

### ***The Effect of Transparency and Public Accountability on Village Financial Management***

Based on hypothesis testing (F test), the results show that  $F$  count  $> F$  table, namely  $109.826 > 3.082$ , it can be concluded that together or simultaneously the transparency and public accountability variables have an effect on the management variable Village finance is 67.4%, the remaining 32.6% is explained by other variables outside the research model such as internal control systems, human resource competence, accounting information systems, and other factors.

### **CONCLUSION**

Based on the results of hypothesis testing both partially and simultaneously, it is stated that transparency and public accountability have an effect on village financial management, this means that village financial management will run well if it is supported by the application of the principle of transparency as well as if public accountability is implemented properly. There is a need for special attention in village financial management in Cianjur Regency, especially in the aspect of planning procedures where some respondents think that the draft village regulation on APBDes that has been agreed upon is not evaluated, on the aspect of implementation procedures some respondents think that not all village revenues and expenditures have been supported by evidence that is complete and valid and on the administrative aspect some respondents think that the village treasurer records every income and expenditure and closes the books at the end of each month in an orderly manner. Therefore, it is necessary to pay attention to the things that can affect the occurrence of problems in village financial management. Based on the results of the study, it was concluded that transparency and public accountability had an effect both partially and simultaneously on village financial management. So that if transparency and accountability are implemented properly, village financial management will run well. Based on the results of the questionnaire regarding transparency, information was obtained that from the aspect of public communication there were still bureaucratic obstacles related to access to obtaining documents on accountability and village financial management and from the aspect of community rights to find out the government's accountability in resource management some respondents thought that the announcement of village financial management cannot be obtained every time. Based on the results of the questionnaire regarding public accountability, information was obtained that there were still obstacles in informing the sources and uses of village finances to interested parties, complaint services that could not be accounted for, reporting activities / programs that were not yet on time, and



implementation of work programs that were not yet in accordance with the adherence to political decisions that can support the achievement of goals.

### **SUGGESTIONS**

Based on the above conclusions it is suggested to the Cianjur Regency government that so that village financial management can run well, it is necessary to carry out regulations regarding the provisions for evaluating the draft village regulations regarding APBdes, supervision of the administration of revenues and expenditures carried out by the village treasurer. Therefore, the Cianjur Regency government can improve the implementation of transparency and the implementation of public accountability in village financial management, especially by paying attention to aspects of public convenience in obtaining information on village financial management, resource use, and complaint services. Cianjur Regency Government can provide access to information that can meet the expectations of information users.

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