
Literature Study: Performance-Based Village Fund Budgeting To Achieve Good Village Governance

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Abstract

In the era of government decentralization in Indonesia, village fund management became the main focus for increasing community development and empowerment. However, in practice, there are still various challenges that impede the implementation of good governance at the village level. In this study, a comprehensive literature review was conducted to gather information from previous research regarding the management of Village Fund Allocations (ADD) and efforts to realize good village governance. The results of the study show that the effectiveness of village fund management is influenced by factors such as planning, implementation, monitoring, reporting, and community participation. There are also findings indicating that the use of information technology, human resource competence, and organizational commitment have an effect on the accountability of village financial management. Therefore, more in-depth efforts are needed to understand and apply the principles of good governance in managing village funds in order to achieve better development and public services.

Keywords: Village Fund Budget, Performance, Good Village Governance

INTRODUCTION

UU No. 6 of 2014 regulates village government as a legal community unit with territorial boundaries that have the authority to regulate and manage the interests of the local community, recognized and respected in the system of government of the Unitary State of the Republic of Indonesia. The village has broad authority in managing its territory as well as services, regulation and community empowerment.

The central government provides budget allocations to villages in the form of village funds to increase the budget for development, services, and community empowerment. Regulation of the Minister of Home Affairs No. 113/2014 concerning Village Fund Management contains important aspects such as planning, implementation, administration, reporting, and accountability.

Financial management in village government, can be reflected by good governance practices, or often referred to as good corporate governance. Governance is defined as the process of administering state power in carrying out the provision of public goods and services, while the best practice is called good

governance. In relation to the management of village funds, there are three principles of good governance, namely transparency, participation and accountability (Soleh et al., 2017). The main elements of efforts to realize good governance are transparency, participation and accountability.

However, the main problem in realizing good governance is the lack of understanding, awareness and capacity among actors, especially the human resources of the apparatus in administering government. Therefore, in order to realize good governance, the government is trying to create a clean and authoritative government or known as good corporate governance. This arises as a result of the large village income from several sources that must be managed properly and transparently, for this reason village apparatus as actors in managing village funds are required to have a good understanding of financial procedures and management (Budiati et al., 2019).

Accurate village apparatus accountability must have the principles of transparency, openness, accountability, participation, fairness and independence. Meanwhile, as a good public service practice, it must contain the principles of efficiency, fairness, transparency, and accountability (Rahadian, 2008).

Judging from previous research, many villages have implemented the stages of ADD disbursement and distribution in accordance with applicable regulations. This policy also has a positive impact on both the village government and the community. There are still many obstacles experienced by several villages, such as: the implementation of the management function for the management of ADD is not optimal, the lack of human resources who are competent in managing village finances, there are still many regulations that cannot be implemented, the distribution is not in accordance with applicable regulations, and many more (Sumiati, 2015).

Based on some of the views, thoughts and assumptions developed in the description above, there are still many issues that need to be studied in more depth. Because the implementation of the ADD policy is carried out in all villages in Indonesia, of course it will provide different results from one village to another. Basically the success of this policy can be caused by several factors. And the most important factor is the readiness of the Village Apparatus Resources and also how much the level of community participation is involved in the Village Fund Allocation (ADD) management process. Based on these considerations, researchers feel interested in further examining the issues of Village Fund Allocation (ADD) management in realizing good governance, in order to be able to describe and explain this issue.

METHODS

The method used in this paper is a comprehensive literature review of previous research on a particular topic to tell the reader what is known and what is not known about the topic, to seek rationale for research that has been done or for further research ideas (Denney & Tewksbury, 2013). The library sources used in the preparation of the thesis with this literature review are through National and International Journal Websites such as Google Scholar, Science Direct, Scopus, and Elsevier. In this study the authors used secondary research data obtained from data

sources of related National and International journals or articles conducted by previous researchers such as Google Scholar, Science Direct, Scopus and Elsevier.

RESULTS AND DISCUSSION

Stojanović et al., (2016) with the research title Good Governance as a Tool of Sustainable Development, shows that good governance varies in relation to the selected sustainable development indicators and affiliation to certain country categories.

Ekasari et al., (2018) with the research title Effectiveness Model of Village Funds to Measure Village Performance Through Economic Empowerment towards Prosperous Communities in East Java Coastal Areas shows that village budget management has quantitatively effective assessment criteria, with a value above the effectiveness threshold. which is determined. However, it was found qualitatively that the Village Fund, Village Program, and Program Urgency variables did not have a positive and significant effect on budget effectiveness. On the other hand, the variables of Program Implementation, Monitoring and Reporting have a positive and significant influence on budget effectiveness. Based on these findings, a Budget Effectiveness Model was formulated as a guide in the use of village funds for the development and welfare of coastal communities in East Java.

Hamzah et al., (2018) with the research title Management Strategy of Village Finance in Term Increasing Performance of Village Finance, shows that in the management of village finances from the planning stage to the monitoring stage there are basic inconsistencies in the implementation of village financial management, there is abuse of authority by village head, there is a mismatch between the Village Government Work Plan and the Regional Work Plan. Government, there are regulations that are inappropriate and ineffective in supervising village financial management. There is no understanding of village government officials regarding strategies and performance related to village financial management.

Menkhoff & Rungruxsirivor (2011) with the research title Do Village Funds Improve Access to Finance? Evidence from Thailand, shows 1) that they reach the target group of low-income households better than formal financial institutions. 2) village funds provide loans to borrowers who tend to be customers of informal financial institutions. 3) village funds help reduce credit constraints. Thus, village funds provide services in the desired direction, even though they appear to be limited.

Park & Wang (2010) with the research title Community based development and poverty alleviation: An evaluation of China's poor village investment program, shows that this program significantly increases investment financed by the government and villages. While the program did not increase the income or consumption of poorer households, it did increase the income and consumption of wealthier households by 6.1 to 9.2%.

Hehamahua (2015) with the research title Impact Analysis of the Village Fund Allocation (ADD) Toward Economic Community (Case Study on the Rural District of Namlea Siahoni), Buru Regency, examines Village Fund Allocation (ADD) contributing to economic empowerment, research findings These are: The

direction of ADD distribution so far can be seen from the fact that most villages allocate ADD budgets for the physical repair/improvement of roads, buildings, irrigation. The low contribution in encouraging community development and very few villages direct their budgets to more productive ADD financing, for example the formation of BUMDes, Village Banks and Village Markets. Interest-free revolving capital loans for small and medium business development activities at the same time.

Bustaman et al., (2018) with the research title A Performance Analysis of Village Fund Management: A Case Study in Lut Tawar District – Indonesia. This study analyzes the performance of Village Fund management in Lut Tawar District, Central Aceh, Indonesia, according to PERMENDAGRI No. 113 of 2014. The results show that the planning and implementation stages are going well. Administration has been carried out well by the treasurer, and accountability reports are presented transparently to the community through information boards in the village head's office and billboards. There was a delay in submitting the accountability report, which was caused by negligence on the part of the village government.

Taufik & Ikram (2022) with the research title Factors Affecting Village Financial Management Accountability. The results of the study show that human resource competence and organizational commitment influence the use of information technology; human resource competence, organizational commitment, and the use of information technology influence the accountability of village financial management. The path analysis results show that the use of information technology is proven to mediate human resource competence and organizational commitment to village financial management accountability.

Hariyanti et al., (2021) with the research title The Effect Of Transparency And Accountability Of Village Fund Financial Management In Creating Good Governanc examines the effect of village transparency and accountability in the use of Village Fund Allocations in building Good Governance. Based on the results it can be concluded that: from the planning, implementation and accountability stages the village has implemented the principles of participation, transparency and accountability. This happens because of transparency or openness by the village government as the ADD manager to the community in the form of information on the use of Village Fund Allocation funds.

Lubis et al., (2022) who researched The Effect of Accountability and Transparency of Village Financial Management on Village Government Performance Kotarihsergai District examines accountability and transparency of village fund financial management both partially and simultaneously, does it have a significant effect on village government performance in Kotarih Baru Village, Kotarih District, Sergaid Regency and how much influence it has.

(Ekasari et al., 2018) with the research title Effectiveness Model of Village Funds to Measure Village Performance Through Economic Empowerment towards Prospeous Communities in East Java Coastal Areas, examines the results of this research. effective, as indicated by the percentage value above the specified effectiveness threshold. While qualitatively it was found that the Village Fund variable did not show a positive and significant effect on the budget effectiveness

variable. Then a Budget Effectiveness Model is formulated which will be used as a reference in the use of village funds for the development and welfare of coastal communities in East Java.

Mutiarin et al., (2020) with the research title Performance-Based Budgeting Review from Local Government Budget: West Sumatra in 2017-2018, shows that the condition of the APBD of West Sumatra Province in 2018 has increased, but seen from the APBD of West Sumatra Province it has decreased. Furthermore, in the realization of the regional budget there were budget savings from 2017 - 2018. Performance indicators and reviews through health and education services show an increase in the value of human development. Furthermore, the analysis of the deviation of needs shows that in the two budget years the West Sumatra Provincial government, namely 2017-2018, has a level of deviation of needs with a budget allocation of around 15.56%.

Oktari et al., (2022) with the research title Village Fund Management Accountability And Its Implications On Village Government Performance, shows that information on government internal and external factors in this study has a direct effect on village fund management accountability and village government performance. In addition, it indirectly affects performance, partly related to the accountability of managing village funds. Organizational commitment is very dominant in improving organizational performance, with or without mediating village fund management accountability, so that organizations need to facilitate apparatus with a conducive work environment and appreciate apparatus achievements.

Nurhakim & Yudianto (2018) with the research title Implementation of Village Fund Management, shows that the implementation of management funds starting from planning, implementation, administration, reporting, and accountability of the three villages is in accordance with Minister of Home Affairs Regulation Number 113 of 2014 concerning Village Financial Management, however, in terms of the administration for Panyirapan Village not complying with regulations, the three villages have not been able to report to the district in a timely manner based on regulations.

CONCLUSION

Good and transparent management of village funds, involving village community participation, accountability and effective oversight, are important principles of good village governance (GCG) or good village governance. By applying GCG principles in managing village funds, local economic growth can be achieved, increasing the welfare of village communities, and building quality infrastructure. In addition, village funds can also be a driving force for GCG implementation in villages, not only as objects, but also as subjects that affect village governance as a whole.

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