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Good Financial Governance in Village and Public Sector Area: What We Need?

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Abstract

This paper aims to provide an overview of the implementation of good financial governance within the context of villages and the public sector. The methodology employed in this study is qualitative in nature, utilizing a literature review approach. The findings indicate that there are several essential components required to achieve good financial governance, namely: Transparent Budget Planning, Effective Budget Execution, Accountability and Transparency, Internal and External Oversight, Capacity Building of Financial Managers, and Community Participation. Conversely, the absence of good financial governance may lead to several negative consequences, including: Misuse of Funds and Corruption, Inequitable Resource Allocation, Loss of Public Trust, Resource Wastage, Limited Infrastructure and Public Service Development, Ineffective Policy Implementation, Constraints on Sustainable Development, and Impediments to Economic Advancement.

Keywords: *Good Financial Governance, Village, Sector Public, Factual Condition, Risk*

INTRODUCTION

Villages constitute an essential part of a country's social and cultural structure, often serving as the foundation of community life. In rural areas, life tends to be simpler, closely connected to nature, and deeply rooted in long-standing traditions passed down through generations. Despite the advancements brought about by modern technology, many villages continue to preserve a natural lifestyle, relying predominantly on the agricultural sector. Villages also embody strong communal values, such as mutual cooperation, collective responsibility, and social solidarity, which remain highly respected among residents. The peaceful and harmonious existence of villages significantly contributes to the social and economic balance of a nation.

The public sector refers to the segment of the economy that is managed by the government to provide essential services and meet the needs of the population. Unlike the private sector, the public sector focuses on delivering social services aimed at enhancing general welfare, including education, healthcare, infrastructure, and public safety. The presence of a robust public sector is crucial for promoting social equity and ensuring equal access to services for all segments of society. Furthermore, the public sector is responsible for the management of natural resources and the formulation of public policies that support sustainable development. Therefore, the public sector plays a vital role in achieving national development goals.

Good financial management is crucial for villages as it underpins both development efforts and the well-being of rural communities. Transparent and accountable village financial management can enhance the efficiency of budget utilization for infrastructure development, economic empowerment, and the provision of essential social services. With well-managed finances, villages are better equipped to utilize available resources to create economic opportunities, improve the quality of education, and raise the overall standard of living for their residents. Moreover, effective financial governance can reduce dependency on external aid and strengthen the economic self-reliance of rural communities. Consequently, rigorous financial planning and oversight are vital components in ensuring sustainable development at the village level.

Good financial governance refers to the principles of managing financial resources with a strong emphasis on transparency, accountability, and efficiency. Within this framework, budget management is conducted with care, grounded in thorough planning and strict monitoring to prevent misuse or waste of resources. Good financial governance also incorporates community participation, ensuring that every policy implemented aligns with public needs and remains accountable. By applying these principles across various levels of government, institutions, and organizations, it is anticipated that a sustainable financial system can be established—one that promotes equitable economic development and contributes to the overall welfare of society.

METHOD

The author employs a qualitative method through a literature review approach. This research approach is utilized to collect, analyze, and evaluate information contained within literature relevant to the research topic. The primary objective of this method is to understand patterns, themes, and emerging concepts found in various sources, such as books, scholarly articles, and research reports, without relying on numerical data or statistical analysis. In a qualitative approach, the researcher conducts an in-depth analysis of the literature's content to identify existing perspectives, relationships, and interpretations. This process involves the careful selection of sources and the synthesis of information to provide a comprehensive overview of the issue or phenomenon under investigation. Furthermore, the researcher may explore existing research gaps, offer new insights, and develop relevant theories or conceptual frameworks. This method is commonly employed in the fields of social sciences, humanities, and behavioral sciences to gain a deeper understanding of complex phenomena.

RESULTS AND DISCUSSION

Good Financial Governance in Village and Public Sector Area

The components of good financial governance for villages encompass several essential aspects that must be implemented to ensure transparent, accountable, and efficient financial management. The following are key components of sound village financial governance:

Transparent Budget Planning

Transparent budget planning is the first crucial step in ensuring that village funds are used responsibly. This planning process should involve all relevant stakeholders, particularly the local community. Village governments must identify priority needs that require attention, such as infrastructure development, education, healthcare, and economic empowerment. A transparent budgeting process implies that every budget plan is accessible and understandable to the public, with clear information on the allocation of funds for each program or activity. Such transparency also helps prevent corrupt practices or misuse of funds.

Effective Budget Implementation

Once the budget has been formulated, the next step is its implementation. Budget execution must align with the previously established plan and be carried out efficiently. Fund utilization should be prioritized according to the agreed-upon needs. At this stage, village financial managers must ensure that all expenditures follow established procedures, including procurement processes. Decisions related to fund allocation should be guided by the principle of prudence to ensure that village resources are optimized for the benefit of the community. Moreover, strong internal oversight is essential during this phase to prevent waste or financial mismanagement.

Accountability and Transparency

Accountability refers to the obligation of the village government to be accountable for the use of managed funds. Every financial transaction must be clearly recorded and justifiable. Financial reports should be compiled regularly and made available to the public so that they can monitor the management of village funds. In this regard, it is essential for the village government to utilize a clear reporting system, such as reports on income and expenditures, as well as detailed accounts of the budget's utilization. This transparency reduces the potential for corruption and fosters trust between the village government and the community.

Internal and External Oversight

Effective oversight is crucial to ensure that the financial management of the village aligns with applicable regulations. Internal oversight is carried out by village officials, such as the village head, village treasurer, or other designated oversight units. This includes checking financial transactions, ensuring compliance with regulations, and confirming that funds are used according to the approved budget. Additionally, external oversight is performed by external entities, such as the Audit Board of the Republic of Indonesia (BPK) or other auditing institutions, to ensure that village financial management adheres to the principles of good governance. External oversight provides assurance that there are no deviations in the management of village funds.

Capacity Building for Financial Managers

Good financial management requires adequate skills and knowledge. Therefore, capacity building for the personnel managing village finances is essential. Training and education on financial governance, budgeting, and financial reporting should be provided to village officials on a regular basis. This helps them understand the relevant regulations, how to prepare sound budgets, and techniques for managing village funds more efficiently and effectively. With improved capacity, village officials can avoid management errors and minimize the potential for budget mismanagement.

Community Participation

Community participation in the management of village finances is crucial for creating an inclusive and responsive system that meets the needs of the residents. The community should be involved from the budgeting phase, allowing them to express their needs and priorities. Furthermore, the community must be given opportunities to oversee the use of village funds through forums such as village deliberations or other regular meetings. Community involvement in budget oversight also strengthens the accountability of the village government and minimizes deviations in fund utilization. With active participation, the community will feel a sense of ownership and responsibility toward the management of village finances. By consistently applying these components, village financial governance will improve, and its impact will be directly felt by the village community through equitable development, enhanced welfare, and the establishment of greater trust between the village government and the residents.

CONSEQUENCES OF FAILURE TO ACHIEVE GOOD FINANCIAL GOVERNANCE

If villages and the public sector fail to achieve good financial governance, several negative consequences may arise, affecting both the community and the governance system as a whole. The following are some potential impacts:

Misuse and Corruption

Without transparent and accountable financial management, the risk of misappropriation of village or public funds increases. Practices such as corruption, collusion, and nepotism may occur, where those responsible for managing finances act dishonestly and prioritize personal or group interests over public welfare. This results in harm to the community, as funds intended for development and collective well-being are diverted for improper purposes.

Inequity in Resource Distribution

In the absence of sound financial governance, budget allocation may become uneven. Funds that should be used for public interests could be disproportionately directed toward the needs of individuals or specific groups. This leads to disparities in the distribution of resources and services, which in turn hampers fair and equitable development across villages or communities.

Loss of Public Trust

One of the key principles of good financial governance is transparency. If the community feels that they are not provided with sufficient information or cannot access financial reports, they will lose trust in the village government or the public sector. When public trust declines, it may lead to social apathy, reduced community participation in governance processes, and could even result in unrest or social instability.

Waste of Resources

Without proper financial planning and oversight, public funds are often used inefficiently. For example, poorly planned development projects or the purchase of goods and services that do not meet actual needs may lead to wastage. This undermines the achievement of development goals that were initially set.

Limitations in Infrastructure and Public Services Development

Poor financial management can result in delays or obstacles in public development projects and services, such as education, healthcare, and infrastructure. Limited funds and inefficient use of resources can cause important activities to be postponed or even canceled. This negatively impacts the quality of life for the village community or the public as a whole.

Misguided Policies

Without proper evaluation and data-driven management, government policies or programs may miss their intended targets. Funds allocated for specific programs may fail to achieve the desired outcomes or even fail to deliver the expected impact on the community. For example, social assistance or village funds that are intended to improve community welfare may not reach the appropriate beneficiaries.

Limitations in Sustainable Development

Without good financial governance, villages or the public sector will face difficulties in planning for long-term, sustainable development. Poor financial management hampers the ability to invest in education, infrastructure, and other development programs that support long-term societal welfare and progress.

Hindrance to Economic Progress

Inefficient financial management can also impede local economic development. For example, funds allocated for economic empowerment activities or investments in small and medium-sized enterprises (SMEs) may not be used effectively. This could diminish the economic potential of the village or region to develop and grow.

Impact on Villages and the Public Sector as a Whole

If the public sector and villages fail to achieve good financial governance, this could damage the integrity of the governance system. Not only does it reduce public welfare, but it also hinders progress in development and creates social instability that harms all parties involved. Therefore, it is crucial for villages and the public sector to ensure transparent, accountable, and effective financial management in order to create a clean, fair, and sustainable government.

FACTUAL CONDITION IN INDONESIA

Village Financial Management in Achieving Good Financial Governance in Lembang Village

This study employs a descriptive qualitative approach to analyze village financial management in Lembang Village. The findings indicate that the village has implemented the principles of transparency and accountability in its financial management.

Accountability of Village Funds in Achieving Good Financial Governance

This study explains the efforts to manage Village Funds by prioritizing good financial governance within the village administration, especially during the pandemic, which required budget refocusing and rapid, accurate financial decision-making.

Analysis of Good Governance in Village Financial Management

This research analyzes the accountability, transparency, and responsiveness of financial management in Campurasri Village, Karangjati Subdistrict, Ngawi Regency. The findings show that while accountability, transparency, and responsiveness in village financial management have been implemented, they are still not optimal.

Village Financial Governance in Creating Good Governance

This article discusses village financial management as the authority of the village, as outlined in the Village Regulation (Perdes) regarding the village budget and village revenue-expenditure (APB Desa), as well as the importance of transparency and accountability in village financial management.

Implementation of Good Governance in Village Financial Management

This research reveals the application of the principles of participation, responsibility, accountability, and transparency in village financial management in Kuala Alam Village, Bengkalis Subdistrict, Bengkalis Regency. The research is qualitative, utilizing a case study approach.

CONCLUSION

Good financial governance is essential for villages and the public sector to ensure transparent, accountable, and efficient financial management. If not achieved, negative consequences may arise, including misuse of funds, inequities in resource distribution, loss of public trust, wastage, and failure to realize fair and sustainable development. Therefore, good financial management must include clear planning, effective oversight, and active community participation. Only by doing so can equitable development and public welfare be achieved, along with the creation of a clean, transparent, and accountable government.

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