

# THE INFLUENCE OF THE VILLAGE FINANCIAL SYSTEM, COMPETENCE OF VILLAGE APPARATUS, AND COMMUNITY PARTICIPATION ON ACCOUNTABILITY IN VILLAGE FUND MANAGEMENT

Ni Luh Gede Adelia Damayanti<sup>1\*</sup>, I Ketut Sujana<sup>2</sup>

<sup>1,2</sup> Faculty of Economics and Business, Universitas Udayana, Indonesia

E-mail: <sup>1)</sup> [adeliadamayanti853@gmail.com](mailto:adeliadamayanti853@gmail.com)

## Abstract

*This research aims to examine the influence of the implementation of the village financial system, the competence of village officials, and community participation on the accountability of village fund management. The total or census technique was used to choose 72 respondents for the study sample. Using a questionnaire distribution approach, the study was carried out. A method known multiple linear regression analysis was employed for the data analysis. The investigation findings point out that there is a positive relationship between accountability in managing village funds, the competence of village officials, and community participation. Specifically, accountable management of village funds is enhanced by implementing the village financial system.*

*Keywords: Village Financial System Implementation, Village Apparatus Competence, Community Participation, Village Fund Management Accountability*

## 1. INTRODUCTION

The way village funds are managed is crucial, particularly in light of President Joko Widodo's mandate for fair and needs-based village development to ensure balance and prosperity in rural areas. For village fund management to be accountable, it must be transparent and responsible at every stage, from planning and implementation to the final financial reporting (Rasmini, 2019). All actions taken by the Village Financial Management Board are subject to the accountability standards established by the laws and regulations governing the administration of Village Funds. Considering the state's financial capabilities, village funds typically rise annually. Rp538.9 trillion was the total amount of village funds from 2015 – 2023 (Latrini, 2018).

Village revenue in accordance with the law there are 6 other sources so that on average each village has managed village funds amounting to Rp1.5 billion (DJP, Ministry of Finance processed, 2023). The highest proportion of village budget revenue in 2023 is village funds (53.8%), village fund allocations (29.7%), financial assistance (8.5%), village own-source revenues (3.27%), local tax revenue sharing (4.4%), and others (0.4%) (SIKD, 2024). Advancement and community empowerment are given priority while allocating the village funding. How to hold village administrations accountable and build public confidence in their financial performance is a pressing concern in the modern era of village fund management (Kadir & Moonti, 2018).

Based on what Indonesia Corruption Watch (ICW) has seen, village funds are still not being managed very well. In 2022, the sector most prone to corruption in Indonesia was the village budget sector with a total of 155 recorded cases with 252 suspects over the past year (Indonesia Corruption Watch, 2022). In 2022, due to the high number of cases of fraud in the accountability of village fund management, the Corruption Eradication Commission of the Republic of Indonesia created the Anticorruption Village program, where Badung Regency was used as a pilot project for Anticorruption Villages in Bali Province, which was considered to have practiced real clean governance and involved community participation (Tribun Bali, 2022). Apart from government accounts, there are still a couple issues that are extremely vital when it comes to managing village funds, notably when it is related to the high standards of responsibility for managing village funds.

Considering the above situation, the Central Government (Kemendagri) and the Financial and Development Supervisory Agency (BPKP) are working in harmony to make the handling of village funds more accountable by creating village financial governance applications and putting village financial systems into place. By implementing this system, it will make benefit for village authorities in order to organize community program and also support the realization for a transparent, accountable, credible and trusted government and will facilitate involvement of the community in handling village financial systems which is require special attention (Ridwan, 2019). This inquiry seeks to uncover the relationship of the implementation of the village financial system, the competence of village officials, and community participation on the accountability of village fund management.

## **2. LITERATURE REVIEW**

Literature on accountability of village fund management identifies a number of factors acting on effectiveness. In that light, the research is guided by three areas, namely the implementation of village financial systems, competence of village officials, and participation of the community.

It has been proved that the village financial system, or SISKEUDES, has an effect on accountability. Indeed, studies by Triyono et al. (2019) and Julianto & Dewi (2019) uncover that the use of SISKEUDES positively affects the accountability of fund management. The results imply that SISKEUDES is a key instrument in the success and transparency of financial activities at the village level.

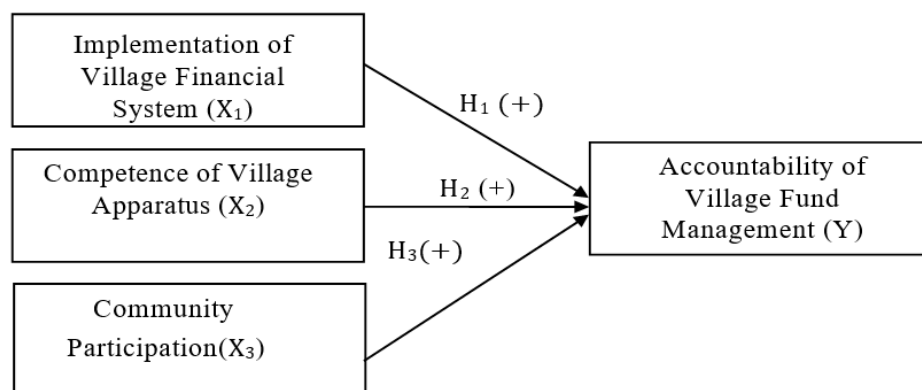
Other critical factors are village officials' competencies. According to Ladapase, knowledge, skills, and attitudes are important to align in accordance with the position of the officials. However, research findings on this matter have remained mixed. Some studies documented a positive correlation between competence and accountability. However, Kuncahyo & Dharmakarja (2022) did not find significant effects, probably due to the differences in education level and experience among the officials. From this, it shall imply there could be some complex relationship between official competence and accountability, depending on the context.

Another key element considered to be very important in village governance and fund management is community participation. Dewi & Gayatri (2019) highlighted the importance of community involvement in various activities organized by the government. Nevertheless, it is arguable how community participation influences accountability. Some studies, like

Fajri & Julita (2021); Rasmini (2019), reveal that community participation can positively influence accountability, while others, like Luthfiani et al (2020), find no influence at all. The differing results also already point to the fact that the effects of community participation are conditioned by a lot of factors and local contexts.

Very often, these results have been placed in Agency Theory by Jensen and Meckling, (1976), and Stewardship Theory by Davis et al. (1997). These theories try to explain the prevailing connection and motives in village fund management, therefore giving a theoretical basis to understand the association between village officials, community members, and accountability mechanisms (Rasyid, 2022).

The results of these different studies are varied, and hence the reasons that affect the accountability of village fund management are complex, plausible, and interconnected. Further studies on these factors and how they interact in different contexts may offer valuable insights into the improvement of accountability in village fund management. Similar studies can help in the formulation of better policies and practices toward ensuring openness and accountability in the use of village funds.



Source: Research Data, 2024

**Figure 1. Conceptual Framework**

### 3. RESEARCH METHODS

The associative quantitative research method has been employed in the present investigation to find out how the independent variable affected the dependent variable (Sugiyono, 2014). It will be done by the method of survey. The research tool is in the form of a questionnaire. This research was conducted at the Abiansema District Village Government, Badung Regency.

The population in the present study consisted of all village government officials in Abiansema District, Badung Regency, with a total of 18 villages. In the present case, the sampling was done by non-probability techniques with total or census sampling. In examining the hypothesis of this study, using analysis of data commencement from validity test, reliability test, descriptive statistic, classical assumption test, and multiple regression analysis test with testing hypothesis. In this research, the hypothesis is to be tested using a Multiple Linear Regression Analysis.

#### 4. RESULTS AND DISCUSSION

This study uses descriptive statistics to show and describe the research data used. Table 1 displays the findings of the descriptive statistical analysis.

**Table 1. Descriptive Statistics Results**

	N	Minimum	Maximum	Average	Standard Deviation
Implementation of the Village Financial System (X1)	72	2,40	4,00	3,45	0,374
Village Apparatus Competence (X2)	72	2,29	3,86	3,40	0,266
Community Participation (X3)	72	2,00	4,00	3,56	0,382
Village Fund Management Accountability (Y)	72	2,57	4,00	3,68	0,320

Source: Primary data processed, 2024

The variable application of the village financial system have a range of 2.40, while its highest limit is 4.00. Regarding the average value, the variable application of the village financial system is at 3.45 which signifies that this particular system applied by villages can influence how they manage their funds; considering that 0.374 standard deviation is lesser than average value denotes very slight variation in the village apparatus competency variable's data. Consequently, it amounts to 2.29 constituting a maximum of 3.86 for village apparatus competence. Indicating from the value above, it means a competence level for authorities within villages that may determine how they will handle money assigned from public funds at villages as shown by an average value equal to 3.40 and hence implies that there is less deviation in terms of collecting data regarding such variables as those associated with competencies among local officers.

The available range for community participation is between 2.00 and 4.00. The average community participation variable of 3.56 means that the accountability of village fund management is influenced by community participation and the data deviation on this variable is very small since its standard deviation value is 0.382 which is lower than the mean. Also, the village fund management accountability variable has a range of 2.57 to 4.00. The average village fund management accountability variable is 3.68, while its standard deviation value of 0.320 is lower than the mean indicating a very small deviation in data around this variable. This research applies multiple linear regression analysis equation model for its purpose and table 2 presents results of such analyses done using multiple linear regression analysis method.

**Table 2. Multiple Linear Regression Analysis Results**

Model	Unstandardized Coefficients			Standardized Coefficients		
	B	Std. Error		Beta	t	Sig.
1	(Constant)	-.142	1.589		-.090	.929
	Implementation of the Village Financial System (X1)	.249	.067	.207	3.700	.000
	Village Apparatus Competence (X2)	.424	.086	.343	4.948	.000
	Community Participation (X3)	1.075	.135	.537	7.949	.000

Source: Primary data processed, 2024

As discovered in Table 5, the regression equation number (2) obtains the constant value  $-0.142$ . This shows that in the case of no change regarding the variables of the application of village financial system, competence of village apparatus, and community participation (X1, X2, and X3 are 0), accountability of the management of village funds is zero. It means that the application of the village financial system (X1) has a positive influence on the accountability of the management of the village fund (Y); this means that if the application of the village financial system is increased, then the accountability of the village fund management also increases with a coefficient of 0.249.

Besides, the coefficient for village apparatus competency variables is 0.424, implying that the application of village apparatus competencies has a favorable influence on the accountability of village fund management (Y); it means that the higher the competence of the village apparatus, the higher the accountability level of the village fund management is. The coefficient for the community participation variable, X3, is 1.075. This means that community participation influences accountability in village fund management, Y. To this effect, if community participation increases, then accountability in the management of village funds increases.

**Table 3. Coefficient of Determination**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.908 <sup>a</sup>	.825	.817	.96290

Source: Primary data processed, 2024

Regression analysis uncover that the Adjusted R Square value in table 3 is 0.817 indicating that 81.7 percent of changes in accountability of village fund management (Y) can be influential by the application of village financial system (X1), competence of village officials (X2) and community participation (X3), while the other 18.3 percent is accounted for by other factors beyond the scope of this research.

**Table 4. F Test Results**

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	296.230	3	98.743	106.500	.000b
	Residual	63.048	68	.927		
	Total	359.278	71			

Source: data processed, 2024

As the findings from the F-test which are shown in Table 4, the significance value is set at  $0.000 < 0.05$ , thus concluding that the variables of Y, X1, X2 and X3 simultaneously affect accountability of fund management in villages.

Consequently, the first null hypothesis is rejected while the alternative is accepted indicating that variable application of village financial systems (X1) positively impacts upon accountability on villages' funds (Y). As for the view of Julianto et al., (2019), application of village financial system does have an effect on how accountable management of village funds are done. These findings align well with agency theory where there is a mandate given to village governments (agents) by both central and regional governments (principals) in terms of supervision and performance evaluation for implementation of this mandate especially when it comes to management of village funds (Jensen and Meckling, 1976).

In managing funds of the village, each activity and end results of village governance actions must be accountable to the community in accordance with their rules and regulations. Having a financial system for villages is hoped to be a way or solution that reduces differences in information between principle and agent or village community and its leadership.

The competence variable of the village apparatus (X2), with a significance value of  $0.000 < 0.05$ , then  $H_0$  is denied and  $H_1$  is confirmed. It can be said that the village apparatus competency variable (X2) has an impact on village fund management accountability (Y). Hardiningsih et al. (2020) mentions that there is a beneficial impact of competence of village officials on accountability in managing village funds. The findings are corroborated by stewardship theory as described by Davis (1977). In this case, stewards do not pursue personal gains but act on behalf of principals' aims only. Thus, the principal assesses success of the village government (steward) based on how much priority it gives to organizational/institutional interests.

There must be expertise, knowledge and skills available for officials in villages to manage village funds. The economic purpose ought to be achieved optimally in terms of wealth for society in this regard, the village government is an institution which may be relied upon so as to offer public services effectively and make financial management reporting intelligible along with building public trust at large.

Community participation variable (X3), with a significance value of  $0.000 < 0.05$ , then  $H_0$  is refused and  $H_1$  is valid. In this case, the community participation variable (X3) has a beneficial impact on the accountability of village fund management (Y). In their study, Firdaus et al. (2020) found evidence that there is a positive influence of community participation on village fund management accountability. The findings from this study are consistent with agency theory (Jensen & Meckling 1976), where one thing about performance measures for principals deals with how participatory people must be. Evaluation of the principal regarding the performance of the agent, among others, is



community participation. The right of the community to obtain accountability regarding the management of village funds by the agent, namely the village government. Where strong community participation is supported through decision making and budget execution. The impact of community participation is also visible in the process of evaluating and controlling government performance and minimizing abuse of authority. One of the factors that determines accountability in village funds is engagement from the community.

## **5. CONCLUSION**

In conclusion, when it comes to village fund management, better application of village financial system paired with high competencies of village officials and community participation will all lead to positive effects on the accountability thereof. This is due to the fact that only in instances where there is good implementation of the village financial system and credibility amongst available local governance can this be achieved

In terms of enhancing comprehension regarding village fund management accountability for the Village Government in Abiansema District, researchers may recommend participation in technical guidance so that village fund management adheres with regulations and standards set out through planning, execution, Administrative processes growths accountability reports. Meanwhile, The village government ought improve its performance over time whilst fostering community involvement during decision making process aimed at making sure that such funds directed at their respective villages are adequate enough.

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