
EXPLORATORY REVIEW OF FACTORS THAT INFLUENCE VILLAGE FINANCIAL MANAGEMENT

Umi Kulsum¹, Rudi Bratamanggala²
Universitas Borobudur, Jakarta, Indonesia

ukulsum@unis.ac.id¹, rudi_bratamanggala@borobudur.ac.id²

ABSTRACT

A village is a local unit of territory that plays an important role in the progress of a country. The city government has the right and position to manage its funds and resources, which has a significant impact on financial management at the village level. This study aims to determine and analyze the factors that affect village financial management. This study uses a qualitative descriptive method with data collection techniques through literature review. The results of the study show that internal and external factors affect village financial management. Internal factors include the quality of human resources (HR), transparency and accountability, management capacity, and the level of community participation. External factors include government regulations, policies, economic and social conditions, as well as technology and infrastructure. This study has implications for the factors found in the study are the main components that have the potential to affect the effectiveness of village financial management. A deeper understanding of these factors can help city and village governments design more effective and efficient financial management strategies.

Keywords: Human Resources, Village Finance, Management.

Corresponding Author: Umi Kulsum

E-mail: ukulsum@unis.ac.id



INTRODUCTION

The town, in light of Regulation No. 6 of 2014 concerning Towns, is a lawful local area unit with regional limits approved to direct and oversee administration undertakings, nearby local area intrigues given local area drives, tribal freedoms, or potentially perceived and regarded conventional privileges inside the administration arrangement of the Unitary Condition of the Republic of Indonesia. The advancement of towns fills in as the establishment of the headway of a country (Soleh & Rohmansjah, 2014). Therefore, village governance needs to be organized according to the principle of the Unity of the Indonesian State to assist the progress of Indonesia.

In carrying out its governance, the village needs to develop a strategic plan to achieve a goal, including village finances. The town government has the right and commitment to deal with the assets and resources claimed by the town. Town finance is characterized in Guideline of the Priest of Home Undertakings No. 20 of 2018 as all freedoms and commitments of the town that can be esteemed in cash and everything as cash and products connected with the execution of town privileges and commitments. Village finances must be managed from planning, implementation, recording, and reporting to accountability stages by applicable regulations.

Villages have several sources of income that need to be managed and allocated according to the needs and priority scale of village expenditures to benefit and improve the welfare of their people effectively. One source of village income comes from transfers from the central and regional governments through the local city or district budget, known as town reserves. The reason for

dispensing town reserves is expressed in the Pastor of Towns Guideline No. 7 of 2023 concerning the Subtleties of the Need Utilization of Town Assets, which is to help the funding of administration, advancement execution, local area strengthening, and local area improvement. By Unofficial law No. 60 of 2014, the town should be overseen in an organized, consistent with legitimate arrangements, productive, conservative, prosperous, straightforward, and responsible way, taking into account a feeling of equity and propriety and focusing on the interests of the neighbourhood local area.

Village finances with village authority correlate with the principle of money (Mustangin & Rani, 2020). The distribution of funds from the central and regional governments is a form of material support provided to enhance village development. In other words, village governments face the challenge of conducting their governance independently to the best of their abilities. The independence of village communities in managing their governance is an essential aspect of village financial management. These challenges require village governments to be accountable and transparent to stakeholders, including the central government, regional government, and community.

Issues related to village financial management also arise in line with challenges and developments. For example, in Magelang Regency, Central Java. The study by Mustangin and Rani suggests that problems often faced by village governments in Magelang Regency include low quality of human resources, misallocation of tasks, lack of guidance or guidance on village financial management, and lack of supervision (Mustangin & Rani, 2020). The study by Sukmawati and Nurfitriani found that in the Garut Regency, the suitable and high-quality human resources available in villages must be improved, often leading to administrative problems (Sukmawati & Nurfitriani, 2019).

Village governments often face various challenges and issues in managing village finances. These challenges and issues may vary depending on the capabilities of the respective villages. One of the main problems often encountered is the low quality of human resources, resulting in less than optimal administrative capacity and skills. Additionally, problems may arise when the financial resources and infrastructure of the respective villages are limited. Complex regulations and lack of access to information can also be hindrances. Therefore, village governments should seriously consider village financial management to promote inclusive and sustainable development.

This research aims to conduct an in-depth analysis of the factors influencing village financial management. The article identifies various aspects that can contribute to the performance of village financial management, including but not limited to external factors such as government regulations and financial support from government institutions, as well as internal factors such as the competence of village officials, transparency, and accountability in financial management. This analysis aims to foster a deeper comprehension of the interplay between these factors and their impact on the efficiency of village financial management, thereby offering valuable insights to enhance its overall performance and accountability.

METHOD

In this reserach article, the approach employed is a qualitative descriptive approach. As elucidated by Yusuf, the qualitative approach refers to interpreting research objects and their outcomes by generating in-depth descriptions without relying on numbers or statistical processes (Yusuf, 2016). The selection of a qualitative descriptive approach in this scholarly article is based on the need to delve into the actual context and conditions faced by village governments in managing

their finances. The informants for this study were selected based on their roles and involvement in village financial management. These included village officials, community leaders, and relevant stakeholders who have a direct or indirect influence on financial management practices within the villages. A purposive sampling technique was employed in this research. This method was chosen to ensure that the informants selected had the necessary experience and knowledge to provide valuable insights into the factors influencing village financial management. By focusing on specific individuals who are actively engaged in financial activities, the study aims to obtain rich, detailed data. Data for this study were collected through a comprehensive literature review. Relevant sources, including academic journals, government reports, and previous research studies, were reviewed to gather information on the factors affecting village financial management. This method allowed for an in-depth exploration of the existing body of knowledge and identification of key themes and patterns.

RESULTS AND DISCUSSION

Internal Factors

Human Resource Quality

Research by Basri, Marianti, and Rofika found that the nature of HR influences town monetary administration. This shows that the higher the nature of HR, the better the town's monetary administration (Basri et al., 2021). Research by Rulyanti, Sularso, and Sayekti found that HR affects town monetary administration and government performance (Rulyanti et al., 2018). Exploration by Latif, Savitri, and Susilatri likewise found that the nature of HR influences town monetary administration (Latif et al., 2021).

The nature of HR, particularly town authorities straightforwardly associated with town monetary administration, is the primary resource in completing regulatory and administrative undertakings connected with town monetary administration. A profound comprehension and abilities in monetary administration are critical determinants of the viability of town monetary administration. A solid and good understanding of basic principles of financial management and accounting, such as budget planning, expenditure control, and financial reporting, are crucial for village officials as they enable them to make informed decisions in allocating village funds for development programs and public services. Skills in financial administration management, including recording financial transactions, preparing financial reports, and evaluating financial performance, are also necessary to ensure that village financial management runs smoothly and orderly. These skills help village officials ensure compliance with applicable financial regulations and enhance accountability in financial management.

Rusby says they need to obtain high-quality human resources, training, and education. Someone from an accounting or financial management background will be highly needed to manage village finances because high-quality financial reports can only be prepared by people with knowledge in these fields. The higher the competency of human resources possessed by village governments, the better the quality of financial reports produced.

Transparency and Accountability

Research by Latif, Savitri, and Susilatri found that transparency and accountability affect village financial management (Latif et al., 2021). Basri, Marianti, and Rofika's research also found that transparency and accountability influence village financial management (Basri et al., 2021). Transparency and accountability are two crucial pillars in village financial management. According

to Sukmawati and Nurfitriani from their research, transparency and accountability simultaneously influence village financial management (Sukmawati & Nurfitriani, 2019).

A high level of openness in all aspects of village financial management, from fund allocation to utilization, will provide a clear window for the public and the government to understand how village finances are managed. With good transparency, the public will have better access to village financial information, enabling them to understand how village funds are used directly and for what purposes. When transparency is applied in village financial management, it allows for oversight and control by authorized parties, as this transparency is based on the right to obtain information openly (Mardiasmo, 2009).

High levels of accountability are also crucial to building trust. When village governments are clearly and openly responsible for village financial management, it can increase public confidence that village funds are used correctly and efficiently according to community needs and interests. The public will feel more confident that the village government acts with integrity and transparency in every financial decision made for the common good. Additionally, the high level of trust from the central government, provincial government, and district/city government in the performance of village financial management is also greatly influenced by transparency and accountability. With a transparent and accountable village financial management system, the central and regional governments will be more confident and motivated to provide more significant financial support to villages.

Community Participation

Research by Basri, Marianti, and Rofika found that community participation affects village financial management (Basri et al., 2021). Julianto's study also found that community participation significantly positively influences village financial management (Julianto & Dewi, 2019). Indriani et al.'s research revealed that there is a positive relationship between the level of community participation and the quality of village financial management (Indriani et al., 2019). It means that the higher the level of community participation, the better the quality of village financial management. Rakhmawati, Sriningsih, and Suhaedi stated in their research that community participation in planning can create a sense of ownership, which will foster a sense of responsibility so that the community will also strive to achieve the success of the planned programs (Rakhmawati et al., 2020). Thus, community participation will help village governments maximize and optimize the management of their finances.

The community's high level of participation and involvement in decision-making processes related to village financial management can significantly impact the transparency and accountability of the use of village funds. Community participation allows villagers to provide their input and opinions regarding allocating village funds. Through participatory mechanisms such as village meetings or community forums, the community can directly contribute to determining development priorities and services they deem essential. Thus, community participation opens up direct communication channels between the village government and its residents, enhancing transparency in decision-making processes.

Community participation also plays a role in monitoring and overseeing the use of village funds. An effective social control mechanism is established with active involvement from the community in monitoring the implementation of development programs and using village budgets. The community can ensure that village funds are used by established regulations and for the public interest and report any deviations or misuse of funds.

Community participation also increases the level of accountability of the village government. Knowing that decisions related to village financial management are based on consensus and mutual agreement between the village government and the community can strengthen the village government's sense of responsibility in transparently and accountably fulfilling its duties. Actively engaged communities also tend to have more trust in and support the policies adopted by the village government. Thus, community participation is crucial in creating a transparent and accountable environment in village financial management. Through active community involvement, village financial management can become more effective, efficient, and oriented towards the community's overall interests.

External Factors

Government Regulations and Policies

Fahri's research found that the existence of policies related to Village Funds showed a positive influence on village financial management and the effectiveness of its management (Fahri, 2017). Khoiriah and Meylina, in their research, revealed that Indonesia already has regulations regarding village funds which are pretty significant from the initial stages, namely the management of village funds to the monitoring system so that it will have the opportunity to have a positive impact on the implementation of village financial management, especially on the accountability of village government administration (Siti & Utia, 2017). Thus, government regulations and policies relating to village financial management significantly impact various aspects of village financial management processes and practices.

Regulations and policies establish a framework that governs how village financial management should be conducted through procedures, standards, and principles that the village government must follow in planning, implementing, and controlling village financial components. With a clear framework of regulations and policies, the village government has strong guidelines to carry out its duties in village financial management, thereby minimizing errors.

Government regulations and policies also guide the allocation and use of village funds. These regulations and policies govern the requirements and priorities for using village funds, as well as the mechanisms for monitoring and controlling their use. Thus, these regulations and policies play a role in ensuring that village financial management is carried out with full accountability and transparency and in accordance with the community's needs and interests.

Government regulations and policies can also provide incentives or sanctions for the performance of village financial management. Forms of recognition, such as incentives, can be given to village governments that achieve specific targets in village financial management. On the other hand, regulations and policies are also binding. They can, therefore, impose sanctions on village governments that violate established provisions, such as withholding or delaying village funds. Overall, government regulations and policies related to village financial management play an essential role in shaping an environment conducive to effective, efficient, and accountable village financial management.

Economic and Social Conditions of Rural Communities

The economic and social conditions of rural communities significantly impact the village financial management process, including the priorities and allocation of budgets by the village government. The poverty level in rural communities is a crucial factor influencing the allocation of village budgets. Villages with high levels of poverty tend to have more urgent needs regarding essential services such as health, education, sanitation, and infrastructure. Therefore, the village

government must allocate significant funds to meet these urgent needs, prioritizing programs that can reduce poverty and improve community welfare.

Infrastructure conditions also play a crucial role in decision-making related to village budget allocation. Villages with underdeveloped or damaged infrastructure require significant investment in essential infrastructure development such as roads, bridges, water channels, and electricity. Therefore, the village government must allocate a significant portion of the village funds to repair and improve existing infrastructure to enhance community accessibility and mobility and support local economic growth. The level of education also becomes a significant consideration in village budget allocation. Villages with low levels of education may require more significant investments in education, such as school construction or renovation, teacher training, and non-formal education programs. The village government must prioritize fund allocation to improve access and quality of education in the village to enhance human resources quality and create better economic opportunities for rural communities.

Available Technology and Infrastructure

Information technology and adequate infrastructure are essential factors that can positively impact village financial management and strengthen transparency and accountability. The availability of information technology, such as accounting software information systems, can enhance efficiency in village financial management processes. There is a Village Financial System Application (SISKEUDES) designed by the Financial and Development Supervisory Agency (BPKP), intended to improve the quality of financial governance in village governments. With this technology, financial transaction recording can be done more quickly and accurately, enabling village governments to manage budgets more efficiently. Financial information systems can also provide real-time financial reports, allowing village governments to conduct faster and more accurate analysis and decision-making.

Sulina, Wahyuni, and Kurniawan in their research revealed that the implementation of SISKEUDES had a positive impact on employee performance because SISKEUDES helped village government employees in carrying out their work, especially regarding village financial management (Sulina et al., 2017). Mega, Kalangi, and Kapojos' research found that the existence of SISKEUDES had a positive influence on village financial management because it increased accountability. It means that the better the use and utilization of SISKEUDES, the more accountable the village's financial management will be (Mega et al., 2022). Arfiansyah found a similar thing: SISKEUDES impacted village financial management regarding accountability (Arfiansyah, 2020).

Furthermore, adequate infrastructure, such as internet networks and stable electricity, is crucial in supporting the use of information technology in village financial management. With good infrastructure, the village government can access information technology more quickly and without disruption, thus maximizing the potential use of technology in improving financial management efficiency. Through online platforms or specialized applications, the village government can publish financial information openly to the public. It allows the community to monitor the use of village funds directly, enhancing transparency in village financial management. Additionally, with digital traces of every financial transaction, accountability in the use of village funds can also be strengthened because every financial activity can be easily tracked and verified. Thus, the availability of information technology and adequate infrastructure improves efficiency in village financial management and enhances transparency and accountability in the process.

CONCLUSION

Based on the results and discussions, various factors affect village financial management. These factors are divided into internal and external factors. Internal factors include several essential aspects: the quality of human resources, especially village officials and their knowledge of financial management or accounting, dramatically affects the effectiveness of village financial management. Transparency and accountability in village financial management also play crucial roles. Additionally, the level of community participation and involvement in the village financial management process is another critical factor. External factors that affect village financial management include regulations and policies from the central and regional governments, which greatly determine how village finances are managed. The local village community's economic and social conditions also significantly impact village financial management. Furthermore, the availability of technology and infrastructure affects the ability of villages to manage their finances effectively.

This study's findings have important implications for village governance and policy-making. Understanding the critical internal and external factors influencing village financial management can help village officials and policymakers design and implement more effective financial management strategies. Improving the quality of human resources through training and education, enhancing transparency and accountability mechanisms, and encouraging community participation can significantly boost the effectiveness of village financial management. Additionally, supportive government regulations, improved economic and social conditions, and better technological and infrastructural support are essential for optimal village financial management. These efforts collectively contribute to sustainable and inclusive village development.

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