

The Village Financial Management Policy To Achieve Good Governance

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Abstrak

This study aims to analyze and investigate Indonesia's response to the Rohingya refugee crisis and examine its compliance with international law in addressing complex humanitarian challenges while tracing the history of Rohingya refugees in Indonesia since 2017. The research focuses on recent developments, including the surge in refugee arrivals and increasing tensions between newcomers and local residents. This study employs normative juridical research emphasizing a case study approach, utilizing secondary data analyzed qualitatively and presented using descriptive qualitative analysis techniques. The results indicate that Indonesia has principally committed to international law concerning refugees through concrete actions, diplomacy, and dialogue. However, the handling of Rohingya refugees in Indonesia, as regulated by PERPRES 125/2016, does not fully align with international legal principles, particularly the non-refoulement principle of the 1951 Convention. Refugees are considered illegal immigrants with temporary accommodation ending in relocation or repatriation. Further efforts are needed to ensure treatment aligns with human rights norms and provides adequate protection, including the right to employment, which is challenging due to the scarcity of job opportunities for Indonesian citizens themselves.

Keywords: Financial management; good governance, local wisdom.

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1. Introduction

Article 1 of the 1945 Constitution of Indonesia (UUD 1945) states that: "Indonesia is a unitary state in the form of a republic." The consequence of being a unitary state is the formation of the Indonesian government as the national government, and then the government forms regions in accordance with the provisions of the legislation. All of this is intended to achieve the goals of the state as mandated in the Preamble of the 1945 Constitution.¹ Article 18 paragraphs (2) and (5) of the 1945 Constitution of the Republic of Indonesia state that Regional Governments have the authority to regulate and manage Government Affairs according to the principles of Autonomy and Delegated Tasks, and regions are granted the widest possible autonomy. Granting the widest possible autonomy to regions is aimed at accelerating the realization of community welfare through improved services, empowerment, and community participation. Furthermore, Article 18 paragraph (7) of the 1945

¹ Belly Isnaeni, "Trias Politica Dan Implikasinya Dalam Struktur Kelembagaan Negara Dalam UUD 1945 Pasca Amandemen," *Jurnal Magister Ilmu Hukum* 6, no. 2 (2021), <https://doi.org/10.36722/jmih.v6i2.839>.

Constitution of the Republic of Indonesia stipulates that the arrangement and procedures for the implementation of regional government are regulated by law. The law governing Regional Governments is Law Number 23 of 2014, which replaces Law Number 32 of 2004 concerning Regional Governments.² The existence of villages within the Unitary State of the Republic of Indonesia has also been normatively regulated, where villages have been recognized for their traditional authorities according to Article 18B paragraph (2) of the 1945 Constitution of the Republic of Indonesia, which states: "The state acknowledges and respects the unity of customary law communities and their traditional rights as long as they are alive and in accordance with the development of society and the principles of the state and the principles of the Unitary State of the Republic of Indonesia as regulated in the law."³ Similarly, Article 371 paragraph (1) of Law Number 23 of 2014 reaffirms that :

- 1) In Districts/Cities, villages can be established.
- 2) Villages as referred to in paragraph (1) have authority in accordance with the provisions of legislation regarding villages.

From the formulation provided, it can be understood that villages are subsystems of district/city governments. The position of a village is subordinate to the district/city. The definition of a village according to Article 1 number 43 of Law Number 23 of 2014, and Article 1 number (1) of Law Number 6 of 2014 is a village and traditional village or by any other name, hereinafter referred to as a village, is a legal community unit that has territorial boundaries authorized to regulate and manage governmental affairs, local community interests based on community initiatives, ancestral rights, and/or traditional rights recognized and respected in the governance system of the Unitary State of the Republic of Indonesia. Governmental affairs falling under the jurisdiction of villages have been determined in Articles 18 and 19 of Law Number 6 of 2014. The authority of villages according to Article 18 of Law Number 6 of 2014 includes authority in the fields of village governance, village development implementation, village community development, and village community empowerment based on community initiatives, ancestral rights, and customs.⁴

² Syofyan Hadi, "Makna Pasal 18 Ayat (4) Undang-Undang Dasar Negara Republik Indonesia Tahun 1945," *DiH: Jurnal Ilmu Hukum*, 2023, <https://doi.org/10.30996/dih.v19i1.7920>.

³ Adhi Putra Satria, "Analisis Penyelesaian Sengketa Pemilihan Kepala Desa Di Indonesia," *Kosmik Hukum* 20, no. 1 (2020), <https://doi.org/10.30595/kosmikhukum.v20i1.6991>.

⁴ Yessyca Femilia and Uu Nurul Huda, "Kewenangan Desa Dalam Penataan Ruang Berdasarkan Undang-Undang Desa," *ADLIYA: Jurnal Hukum Dan Kemanusiaan* 14, no. 1 (2020), <https://doi.org/10.15575/adliya.v14i1.5752>.

Therefore, villages are recognized in their existence and possess original authority derived from ancestral rights. Ancestral rights are rights inherited and still alive and the initiative of the village or village community in accordance with the development of community life, including customary community organization systems, institutions, customs, and customary law, village treasury land, as well as agreements in village community life. The consequence of recognition of original autonomy is that the village has the right to regulate and manage its own affairs based on its origins and local customs (self-governing community). The consequence of ancestral rights is village autonomy. The essence of autonomy is the authority to regulate and manage one's own affairs. The meaning of Regional Autonomy in Article 1 number (6) of Law Number 23 of 2014 is the rights, authorities, and obligations of autonomous regions to regulate and manage their own government affairs and the interests of local communities in the system of the Unitary State of the Republic of Indonesia. In the context of villages, village autonomy means the authority of the village to regulate and manage its own government affairs and the interests of the local community within the system of the Unitary State of the Republic of Indonesia.⁵

In order to achieve these objectives, Law Number 6 of 2014 concerning Villages regulates that a village can manage and govern its administration. This is driven by the Central Government's program regarding decentralization and regional autonomy. With the enactment of Law Number 6 of 2014 concerning Villages, it is hoped that all interests and needs of village communities can be better accommodated. Granting greater opportunities for villages to manage their own governance structures and ensuring more equitable development implementation is expected to enhance the welfare and quality of life of village communities, thereby minimizing issues such as regional disparities, poverty, and other socio-cultural problems. The enactment of Law Number 6 of 2014 along with its implementing regulations is expected to further strengthen village autonomy and accelerate development. This law has mandated Village Governments to be more independent in managing governance and various natural resources, including village financial management.⁶

⁵ K Kushandayani, "Desa, Entitas Yang Sering Terlupakan: Makna Otonomi Desa Dari Legal Positivism Menuju Legal Hermeneutics," ... *Sebagai Alternatif Kajian Hukum*" FH UNDIP, 2007.

⁶ M. Zaini Harfi, "Politik Hukum Pembentukan Desa Menurut Undang Undang Nomor 6 Tahun 2014 Tentang Desa," *Jurnal IUS Kajian Hukum Dan Keadilan* 4, no. 3 (2016), <https://doi.org/10.29303/ius.v4i3.369>.

In practice, concerning village finances, the implementation of Law Number 6 of 2014 is considered a breath of fresh air for villages in Indonesia. This is because of three special provisions in Law Number 6 of 2014: first, the amount of funds flowing to the villages (Article 72); second, the income of the Village Head (Article 66); and third, the authority of the Village Head in managing village finances (Article 75).

There has been a paradigm shift in the management of village finances. Before the enactment of Law Number 6 of 2014 concerning Villages, villages were merely considered as objects of top-down development. The interests and needs of villages were often not accommodated, as the development process in villages was dominated by parties with specific interests. The situation in villages has now changed. Currently, villages and traditional villages (such as Pakraman Villages in Bali) are granted extensive authority to regulate all genuine and authentic needs, including the management of village finances. With villages and traditional villages becoming more autonomous, the challenges they face are increasing. The possibility of deviations, especially concerning finances, becoming inevitable in the future. An interesting phenomenon within the village and traditional village environment relates to the legal framework governing the resolution of issues surrounding village finance management., such financial deviations in villages, such as corruption.⁷

The management of village finances not only involves the necessity of supporting regulations and infrastructure but equally important are human resources with competence and reliable commitment. Support from the Central Government, Provincial Government, and District/City Government in empowering village communities through assistance in planning, implementation, and monitoring of village development is essential. Furthermore, efforts should be made to prevent the recurrence of cases involving legal issues among village government officials.

Previous research on village financial management has been conducted by several researchers. One such study is Rano Asoka's article titled "Analysis of Village Fund Financial Management." In his findings, Asoka analyzes the financial management of village funds in Tanjung Bali Village, Batanghari Leko Subdistrict, from 2015 to 2017. He concludes that the village successfully implemented the financial cycle, from budget planning to accountability,

⁷ Putu Sukma Kurniawan, "Peran Adat Dan Tradisi Dalam Proses Transparansi Dan Akuntabilitas Pengelolaan Keuangan Desa Pakraman (Studi Kasus Desa Pakraman Buleleng, Kecamatan Buleleng, Kabupaten Buleleng, Provinsi Bali)," *Seminar Nasional Riset Inovatif*, no. November (2016).

categorizing it as effective. However, delays in the disbursement of village funds in subsequent years were noted. Asoka's study emphasizes effectiveness and is limited to the case study of Tanjung Bali Village, whereas this research aims to provide examples of village fund management in various locations to support broader conclusions.⁸

Another relevant study is by Faizatul Karimah, titled "Management of Village Fund Allocation in Community Empowerment (A Study in Deket Kulon Village, Deket Subdistrict, Lamongan Regency)." Karimah's research shows that, normatively and administratively, the village fund allocation is well managed, but substantively, it has not truly achieved empowerment. Furthermore, several stakeholders have not maximized their roles, with the village head dominating the management. The village's paternalistic culture leads to community indifference and full trust in the village head's management of funds, while the subdistrict's dominance in accountability reporting hampers village autonomy. Unlike Karimah's study, this research does not limit itself to village fund allocation and its management in the context of community empowerment.⁹

Lastly, Riki Ismail Barokah's study, titled "Management of Village Finance to Achieve Good Governance in Talagasari, Garut," identified factors hindering village fund management in Talagasari, such as limited information and poorly directed ADD distribution, resulting in low community empowerment contributions. Barokah's study focuses on a specific location, while this research takes a broader approach.¹⁰

Based on the above, this study aims to analyze and determine whether the policy of village financial autonomy in village governance has achieved good governance.

2. Research Method

Arikunto states that research method is "the way used by researchers to collect research data."¹¹ Research methodology plays a significant role in seeking

⁸ Rano Asoka, "Analisis Pengelolaan Keuangan Dana Desa," *Jemasi: Jurnal Ekonomi Manajemen Dan Akuntansi* 14, no. 1 (2018), <https://doi.org/10.35449/jemasi.v14i1.22>.

⁹ Faizatul Karimah, Choirul Saleh, and Ike Wanusmawatie, "Pengelolaan Alokasi Dana Desa Dalam Pemberdayaan Masyarakat (Studi Pada Desa Deket Kulon Kecamatan Deket Kabupaten Lamongan)," *Jurnal Administrasi Publik (JAP)* 2, no. 4 (2014).

¹⁰ Riki Ismail Barokah, "Management of Village Finance to Achieve Good Governance in Talagasari, Garut," *JCIC: Jurnal CIC Lembaga Riset Dan Konsultan Sosial* 2, no. 1 (2020), <https://doi.org/10.51486/jbo.v2i1.49>.

¹¹ Arikunto Suharsimmi, "Prosedur Penelitian Suatu Pendekatan Praktek. Yogyakarta Rineka Cipta.," *Jakarta: Rineka Cipta*, no. 1990 (2013).

information/data needed to solve various problems aiming to provide solutions to those problems, as stated by Soehartono: "Research method is a comprehensive way or strategy to find or obtain the required data".¹² The research approach used is juridical normative. The juridical normative approach is conducted by utilizing the applicable legal provisions in Indonesia, including both primary and secondary legal materials, as well as expert opinions in the field of law, especially those related to the studied issue. The specification of this discussion is descriptive-analytical because this writing is an effort to describe the implementation of village financial management policies in achieving good governance by uncovering and presenting issues regarding the implementation of regional government policies. These issues are then discussed and analyzed using various legal theories, leading to conclusions being drawn.

3. Research Results and Discussion

3.1. The Policy of Village Financial Autonomy after the enactment of Law Number 6 of 2014 concerning Villages.

The leadership of a village head essentially manifests in how they can coordinate all the interests of the village community in every decision-making process. The village head acknowledges that this task is not solely their responsibility, thus delegating their authority to all levels of leadership, including even to the lowest levels such as village sub-heads and others. A village head will succeed if, in their leadership, they pay attention to the voices of the led community democratically, reflecting the principles of openness and responsibility in decision-making based on agreements for the benefit of the village community they lead.¹³ As per the philosophy stated by Ki Hadjar Dewantara: "*Ing Ngarso Sung Tulodo, Ing Madya Mangun Karso, Tut Wuri Handayani*". "*Ing Ngarso Sung Tulodo*" it can be formulated that a village leader, in essence, must possess strong idealism, and they must be able to clearly and responsibly explain their aspirations to their people, thus being capable of setting goals for the community they lead. "*Ing Madya Mangun Karso*" implies that a leader must be able to follow the will of their community and always observe the course of the community's affairs. "*Tut Wuri Handayani*" suggests that a good leader should serve as an example or role model for their community. Therefore, it is hoped that a formulation can be made regarding village apparatus, as in Law Number 6 of 2014 concerning Villages, the definition

¹² Irawan Soehartono, "Metode Penelitian Sosial: Suatu Teknik Penelitian Bidang Kesejahteraan Sosial Dan Ilmu Sosial Lainnya," *Tesis KOMI*, 2011.

¹³ Aksan, H. Rekson S. Limba, and Tanzil, "Peran Kepala Desa Dalam Meningkatkan Pembangunan Desa," *Neo Societal* 3, no. 1 (2018).

of village apparatus is not explicitly mentioned. However, the existence of village apparatus is indirectly referred to in Article 1 number 3 of Law Number 6 of 2014 concerning Villages as an integral and inseparable part of village governance. Article 1 number 3 mentions that: "The village government or referred to by another name is the village chief and village apparatus as the elements of village government." Based on the content of this provision, the existence of village apparatus is clearly stated as an important element in the implementation of village governance. Village apparatus is an organ tasked with assisting the village chief in carrying out their duties and authorities.

In Article 48 of Law Number 6 of 2014 concerning Villages, it is stated that the Village Apparatus consists of:

- a) Village Secretary;
- b) Regional Implementers; and
- c) Technical Implementers.

The village apparatus as referred to in Article 48 is tasked with assisting the village chief in carrying out their duties and authorities. Given the implementation of these authorities, the position and role of village government officials become crucial in the success of implementing planned development programs. Therefore, in creating the village government as an orderly regulator of governance and development in the village, it is necessary to establish capable, authoritative, and dynamic village government officials accompanied by a perfect administrative system that meets the demands and developments of the times. Village governance is an inseparable part of regional autonomy implementation, and village government is the frontline unit in serving the community and a strategic pillar for the success of all programs. Therefore, efforts to strengthen the village (village government and village apparatus) are steps towards accelerating the welfare of the community in realizing the goals of regional autonomy implementation. The village secretary is appointed by the regency/city secretary on behalf of the regent/mayor.¹⁴ Other village apparatus are appointed by the village chief from the village residents,

¹⁴ Hanif Dwi Kuncahyo and I Gede Made Artha Dharmakarja, "Pengaruh Kompetensi, Peran Aparat Desa, Dan Pemanfaatan Teknologi Informasi Terhadap Akuntabilitas Pengelolaan Keuangan Desa Di Kecamatan Mojogedang Karanganyar Jawa Tengah," *Akuntansiku* 1, no. 4 (2022), <https://doi.org/10.54957/akuntansiku.v1i4.316>.

determined by the village chief's decision. The village is a formal legal institution in national governance. This is evidenced by the full authority granted to villages to manage their own affairs (village autonomy).

Next, regarding the Village Consultative Body (Badan Permusyawaratan Desa or BPD), it essentially holds a position as an element of village government. In Article 1 number 4 of Law Number 6 of 2014, it is mentioned that "The Village Consultative Body or referred to by another name is an institution that carries out governmental functions, with its members representing the village residents based on regional representation and democratically determined. BPD members are representatives of the respective village residents based on regional representation determined through deliberation and consensus. BPD members consist of the Head of Neighborhood Association, Traditional Authorities, Professional Groups, Religious Figures, and other community leaders or figures. The tenure of BPD members is 6 (six) years and they can be appointed or proposed for reappointment for 1 (one) subsequent term. The number of members of the Village Consultative Body is determined by an odd number, at least 5 (five) people and at most 9 (nine) people, taking into account the region, women, population, and the village's financial capacity."¹⁵

The birth of the Village Law is motivated by the consideration that the existing regulations regarding villages are no longer in line with the development of societal roles, democratization, and the government's efforts to promote progress and equitable development. Furthermore, the Village Law also reaffirms that villages have ancestral rights and traditional rights to manage and administer the interests of the local community. The Village Law carries the main mission that the state is obliged to protect and empower villages to become strong, advanced, independent, and democratic, thus creating a solid foundation for governance implementation. Therefore, the development of villages is expected to improve the welfare of communities and the quality of life for Indonesians. Village development will have a positive impact on poverty alleviation efforts through the provision of basic needs, infrastructure development,

¹⁵ Agustuti Handayani, Aulia Rahmawati, and Malik Malik, "Peran Badan Permusyawaratan Desa Dalam Pembangunan Desa," *Reformasi* 13, no. 1 (2023), <https://doi.org/10.33366/rfr.v13i1.4333>.

the enhancement of local economic potential, and the sustainable utilization of natural resources and the environment.¹⁶

Based on the principles of recognition and subsidiarity, the Village Law brings fundamental changes including:

- a) Villages have an independent identity as self-governing communities in the governance structure of Indonesia, where village governance is democratically elected and accountable to the community.
- b) Villages conduct their development participatively, where they formulate planning, budget priorities, and independently execute budgets, including managing directly obtained funds and registering and managing assets for community welfare, including establishing Village-Owned Enterprises (BUMDesa).
- c) Villages have the authority to collaborate with other villages to improve services and economic activities.

In Law Number 6 of 2014 concerning Villages, it is mandated that the objectives of village regulation include encouraging initiatives, movements, and participation of village communities for the development of village potentials and assets for collective welfare, forming professional, efficient, effective, transparent, and accountable village governments, improving public services for village residents to accelerate the realization of general welfare, and strengthening communities as subjects of development. Thus, to fulfill this mission, villages have a strategic position and role as government organizational units that directly interact with communities with various needs and interests. The opportunity to create prosperity, justice, and govern the village independently has been granted by the Village Law. Laws are legal products. The success of the Village Law is determined by the main mandate holders of its implementation. In this case, it is the government, from the central government to the village government. A strong government is one that fulfills its obligations to its citizens. This only happens when the government opens opportunities for citizens to be involved in controlling the course of governance and development. The Village Law was enacted to strengthen village

¹⁶ Richard Timotius, "Revitalisasi Desa Dalam Konstelasi Desentralisasi Menurut Undang-Undang Nomor 6 Tahun 2014 Tentang Desa," *Jurnal Hukum & Pembangunan* 48, no. 2 (2018), <https://doi.org/10.21143/jhp.vol48.no2.1666>.

governance through various authorities granted to villages. The term "village" here signifies both the smallest governmental unit and the community of residents. The main core, whether the direction of village development aligns with the objectives of the Village Law and provides benefits to all residents, is determined by the quality of village deliberations and the programs developed.¹⁷

With the enactment of Law Number 6 of 2014 concerning Villages, it is hoped that all the interests and needs of village communities can be better accommodated. Granting greater opportunities for villages to manage their own governance and promoting more equitable development implementation is expected to enhance the welfare and quality of life of village communities, thereby minimizing issues such as regional disparities, poverty, and other socio-cultural problems. Law Number 6 of 2014 and its implementing regulations have mandated village governments to be more autonomous in managing governance and various natural resources owned by villages, including financial management and village assets.¹⁸

The Village Law specifically lays the foundation for changing village governance based on the principles of balance between institutions (check and balance), representative democracy, deliberation, and participatory decision-making processes through village meetings as the highest decision-making forum in village planning, implementation, monitoring, and accountability of village development.¹⁹ By involving the participation of various interest groups in society, the Village Head and the Village Consultative Body (BPD) organize village meetings as the highest decision-making forum to establish the Village Medium-Term Development Plan (RPJM) and the Annual Village Plan, asset management and Village-Owned Enterprises (BUMDesa), as well as other strategic decisions as seen in Figure 1. The following is the design of Village Governance.:

¹⁷ Lasarus Lasa and Kaja Kaja, "Partisipasi Masyarakat Dalam Perencanaan Pembangunan Desa," *FOKUS: Publikasi Ilmiah Untuk Mahasiswa, Staf Pengajar Dan Alumni Universitas Kapuas Sintang* 20, no. 2 (2022), <https://doi.org/10.51826/fokus.v20i2.638>.

¹⁸ Nyimas Latifah Letty Aziz, "Otonomi Desa Dan Efektivitas Dana Desa," *Jurnal Penelitian Politik* 13, no. 2 (2016), <https://doi.org/10.14203/JPP.V13I2.575>.

¹⁹ Khaeril Anwar, "Hubungan Kerja Antara Kepala Desa Dengan Badan Permusyawaratan Desa (BPD) Menurut Undang-Undang Nomor 6 Tahun 2014 Tentang Desa," *Jurnal IUS (Kajian Hukum Dan Keadilan)* 3, no. 2 (2015).

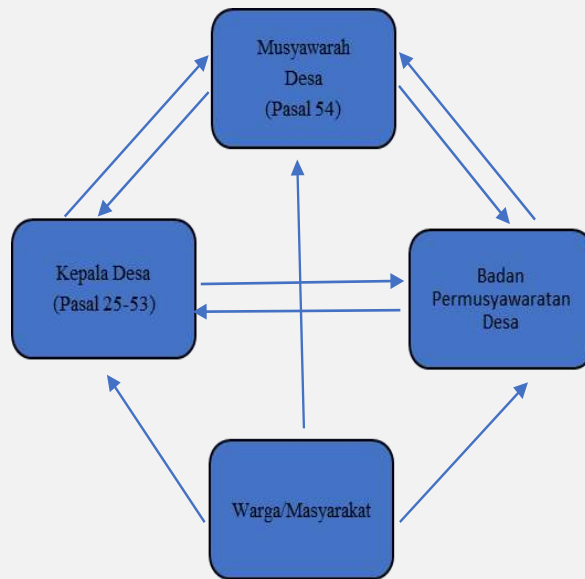


Figure 1. Village Governance Design

Principles of Village Governance: The principles of village governance are accountability, transparency, professionalism, effectiveness, efficiency, cleanliness, and freedom from corruption. Then, how to implement the Village Law? At least two paths can be taken by the government and the village community.:

- a) Implementing village regulations in accordance with the principles outlined in the Village Law without deviation.
- b) Ensuring that village development policies and programs address the issues/needs of residents and fulfill the rights of villagers and the village community.

Here are the principles/rules of village regulation outlined in Article 3 of the Village Law. These principles are the RIGHTS of villagers and the village community that must not be violated/deviated by anyone:

- a) Recognition: recognition of ancestral rights.
- b) Subsidiarity: determination of local-scale authority and decision-making at the local level for the benefit of the village community.
- c) Religiosity: recognition and respect for the prevailing values in the village community, while still adhering to the common values in national life.

- d) Togetherness: spirit of active participation and cooperation with mutual respect between village institutions and elements of the village community in building the village.
- e) Mutual cooperation: a habit of mutual assistance in building the village.
- f) Familial bond: the habit of village community members as part of one large family unit of the village community.
- g) Deliberation: decision-making process concerning the interests of the village community through discussions with various stakeholders.
- h) Democracy: the organization of the village community in a system of government conducted by the village community with the approval of the village community, as well as the dignity and nobility of humans as creatures of God Almighty recognized, organized, and guaranteed.
- i) Self-reliance: a process carried out by the village government and the village community to carry out activities to meet their needs with their own capabilities.
- j) Participation: actively participate in an activity.
- k) Equality: equality in status and role.
- l) Empowerment: efforts to improve the standard of living and welfare of the village community through the determination of policies, programs, and activities that are in line with the essence of the issues and priorities of the needs of the village community.
- m) Sustainability: a coordinated, integrated, and continuous process in planning and implementing village development programs.

3.2. Formulating Village Financial Management Policies to Achieve Good Governance.

The financing of village development comes from village finances obtained from several sources, namely: village own-source revenue, allocation from the national budget, a portion of local taxes and regional levies from district/city, financial assistance from the provincial and district/city budgets, non-binding grants and donations, and other legitimate village

revenues. The management of village finances essentially follows the pattern of regional financial management, where the Village Head holds the authority for managing village finances. The revenue, expenditure, and financing of the village must be stipulated in the Village Budget (APB Desa) established in village regulations by the Village Head together with the Village Consultative Board (BPD). Accountability for the use and management of village finances is the responsibility of the Village Head to be reported to:²⁰

- a) The Regent/Mayor at the end of each fiscal year, conveyed through the Subdistrict Head,
- b) The Village Consultative Board (BPD) at the end of each fiscal year, and
- c) The community in the Village deliberation meeting.

Based on the Village Law, there are 4 (four) sources of financing managed by the village treasury, namely financing from the Central Government, financing from the Regional Government (both the District and Province), financing originating from village enterprises, and other financing sources, as explained below: Budget derived from the State Budget (APBN) flowing into the village treasury is divided into 2 (two) mechanisms of distribution: the gradual transfer of funds to the region (on top) known as the Village Fund, and the mechanism of fund transfer through the Regional Budget (APBD) of the District/City Government, allocating 10% by the local government to be gradually disbursed to the village treasury, known as the Village Allocation Fund (ADD). The juridical-normative existence of villages is also recognized and regulated by Law Number 6 of 2014 concerning Villages. This regulation serves as the starting point for villages to manage and demonstrate their role in the existing governance system in Indonesia. The enactment of Law Number 6 of 2014 concerning Villages provides opportunities for villages to govern themselves and implement and distribute development to improve prosperity and welfare in rural communities. In order to strengthen the position of villages as development subjects, Article 72 of Law Number 6 of 2014 concerning Villages regulates funds

²⁰ Jeacklin Valenia Mamuaya, Harijanto Sabijono, and Hendrik Gamaliel, "Analisis Pengelolaan Keuangan Desa Berdasarkan Permendagri No. 113 Tahun 2014 (Studi Kasus Di Desa Adow Kecamatan Pinolosian Tengah Kabupaten Bolaang Mongondow Selatan)," *Jurnal Riset Ekonomi, Manajemen, Bisnis, Dan Akuntansi* 5, no. 2 (2017).

for villages originating from the State Budget, also known as village funds. The village fund program is a central government initiative that provides a source of income for villages from the State Budget. Additionally, village funds are a tangible form of support from the central government to promote equitable development in villages.

The village fund is one of the funds received by every village throughout Indonesia. This fund originates from the State Budget (APBN), which is then transferred to the Regional Budget (APBD) of the District/City Government, and finally transferred to the village treasury account. The determination of definitions, allocation, and transfer mechanisms for the village fund is regulated by Government Regulation (PP) Number 60 of 2014 concerning Village Funds, which originate from the State Budget. Based on PP No. 60 of 2014, the village fund is defined as funds sourced from the State Budget allocated to villages through the District/City Government's Budget and used to finance governance, development implementation, community development, and empowerment. PP No. 60 of 2014 was subsequently revised through PP No. 22 of 2015. The substance altered from PP No. 60 of 2014 to PP No. 22 of 2015 pertains to the allocation formula or distribution of village funds from the central government to the district and from the district to the village.²¹

Similar to its allocation, the mechanism for distributing village funds is divided into 2 (two) stages: the mechanism for transferring funds from the State General Treasury Account (RKUN) to the Regional General Treasury Account (RKUD), and the mechanism for transferring funds from the RKUD to the village treasury. With the enactment of the Village Law, the principles of implementing the Village Allocation Fund (ADD) are further strengthened. Through Government Regulation No. 43 of 2014 concerning Village Funds, the implementation mechanism of the ADD and its allocation are regulated. Generally, there were no fundamental changes in the governance of ADD implementation with the issuance of Government Regulation No. 43 of 2014, except for the determination of the formula. A significant change was mainly in determining the amount of the budget allocated from the Regional Budget to be allocated to the village treasury. Previously, the deduction was from employee expenses, but with the implementation of

²¹ Deny Prasetyo, Suharno, and Bambang Widarno, "Kepatuhan Pemerintah Desa Dalam Penggunaan Dana Desa Berdasarkan Peraturan Pemerintah Ri No. 22 Tahun 2015," *Jurnal Akuntansi Dan Sistem Teknologi Informasi* 12, no. 4 (2017).

Government Regulation No. 43 of 2014, the deduction is from Special Allocation Funds (DAK).

3.3. Village Financial Management Policy to Achieve Good Governance.

The management of village finances differs from the management of state and local government finances. Village finances are regulated separately by several specific regulations. Some of the regulations governing village finances include: Law Number 6 of 2014 concerning Villages, Law Number 33 of 2004 concerning Financial Balance between the Central Government and Regional Governments, Government Regulation Number 43 of 2014 concerning the Implementation of Law Number 6 of 2014 concerning Villages as amended by Government Regulation Number 47 of 2015 concerning Amendments to Government Regulation Number 43 of 2014, and Government Regulation Number 11 of 2019 concerning the Second Amendment to Government Regulation Number 43 of 2014 concerning the Implementation of Law Number 6 of 2014 concerning Villages; Government Regulation Number 60 of 2014 concerning Village Funds sourced from the State Budget and its amendment, Government Regulation Number 22 of 2015; Ministry of Home Affairs Regulation Number 20 of 2018 concerning Village Financial Management, Village Ministerial Regulation Number 1-5 of 2015, Minister of Finance Regulation 250/PMK.07/2014 concerning the Allocation of Transfers to Regions and Village Funds, Minister of Finance Regulation 241/PMK.07/2014 concerning the Implementation and Accountability of Transfers to Regions and Village Funds, and LKPP Regulation Number 13/2013 concerning Guidelines for Procurement Procedures for Goods and Services in Villages.²²

Village finances, according to regulations, are sourced from the State Budget (APBN) and the Regional Budget (APBD). The APBN is transferred to villages in the form of Village Funds. Meanwhile, the Village Budget (APBDesa) is sourced from the Village Fund, a minimum of 10% from local taxes, a minimum allocation of 10% from the Special Allocation Fund (DAK) transfer, as well as assistance from the Province, Regency, and City. All of these funds are deposited into the village treasury account, including village own-source revenue and assistance from other parties.

²² Rudin M. and Bakarbesy M. L. F, "Kajian Kinerja Pengelolaan Alokasi Dana Desa Dan Dana Desa," *Jurnal Manajemen Dan Kearifan Lokal Indonesia* 2, no. 2 (2018), <https://doi.org/10.26805/jmkli.v2i2.15>.

The cycle of village financial management begins with the formulation of the village budget :

The cycle of village financial management begins with:

- a) Preparation of plans. This includes market research, assessing village development needs.
- b) Conducting Village Development Consultation (Musrenbang Desa) Involves the village government, Village Consultative Board (BPD), and community groups. It assesses community needs and sets program and activity priorities.
- c) Establishment of Plans. These are outlined in the Village Medium-Term Development Plan (RPJMDes) and Village Government Work Plan (RKPDDes), which are established in Village Regulations (Perdes) and later included in the collective district plan.
- d) Determination of the Village Budget (APBDDes). This involves consolidating revenues and expenditures.
- e) Implementation of development. Involves community participation in self-managed development. The community monitors and reports any deviations from the plan.
- f) Accountability. Accountable discussions during village development meetings.
- g) Utilization and maintenance. Both the community and village government are obliged to utilize and maintain the facilities..

The governance of the village still adheres to the principles of accountable, transparent, professional, active, and efficient village governance, free from corruption, collusion, and nepotism (KKN). Village officials include the Village Head, Village Consultative Body (Badan Musyawarah Desa), which participates in village consultation activities for the preparation of the Village Medium-Term Development Plan (RPJMDes), Village Assets, and other strategic matters. The Village Consultative Body is also democratically elected, while the rules for village expenditure allocation in the Village Budget (APBDDes) include allocating 70% to fund the costs of village government administration, community development, and empowerment. Furthermore, 30% is allocated for funding fixed incomes and allowances for the village head and village officials, village

government operations, allowances, and operational costs of the Village Consultative Body, and can also be used for incentives for neighborhood chiefs and community unit heads.

3.4. Reformulation of Village Financial Management Policies to Achieve Good Governance.

Based on the research results on village financial management, it is necessary to reformulate the village financial management policy regarding "The obligation to prepare accountability reports by the Village Head sourced only from the Village Fund." (Based on Government Regulation No. 60 of 2014 concerning Village Funds Sourced from the State Revenue and Expenditure Budget, Article 24 paragraph (1) states that the Village Head submits a report on the utilization of Village Funds to the Regent/Mayor every semester).

The village fund report is submitted using the same mechanism as stipulated in Government Regulation No. 43 of 2014 concerning the Implementation of Law No. 6 of 2014 concerning Villages, Article 49 paragraph (1) states that the report on the implementation of Village Government as referred to in Article 48 letter a is submitted to the regent/mayor through the sub-district head or other designations no later than 3 (three) months after the end of the fiscal year.

This certainly becomes ineffective and inefficient for villages in fulfilling their administrative obligations because the Village Fund is already included in the Village Budget (APBDesa) and is part of the accountability report for the Village Budget. Therefore, it is necessary to revise the Government Regulation related to integrate the reporting obligation by the village so that it becomes more effective and efficient. Another reformulation of the policy concerns the formula for the distribution of the Village Fund in Government Regulation No. 22 of 2015, Article 11 paragraph (2) states that the Village Fund as referred to in paragraph (1) is allocated fairly based on basic allocation; and allocations calculated by considering the population, poverty rate, area size, and level of geographic difficulty of each village in each regency/city. Article 12 paragraph (2) states that the Village Fund for each village as referred to in paragraph (1) is calculated fairly based on the basic allocation and allocations calculated by considering the population, poverty rate, area size, and level of geographic difficulty of each village.

Then, in Article 29, the formula for distributing the Village Fund is calculated based on an allocation divided equally to each village, amounting to 90% of the Village Fund Allocation, with only 10% calculated using the formula based on population, poverty rate, area size, and level of geographic difficulty. In Government Regulation No. 22 of 2015, the government emphasized the principle of equality, where each village receives a relatively equal amount of village funds. At the regency/city level, this change in the formula provides an "advantage" for city/regency governments with a large number of villages. The more villages they have, the greater the opportunity for the city/regency to enjoy a proportionate share of the village funds. To prevent budget misuse, a review of the determination of the basic allocation proportion and the inclusion of weights for each variable should be conducted, as previously stipulated in Government Regulation No. 60 of 2014, Article 11 paragraph (3), where the determination of the formula for determining the amount of village funds per regency/city is transparent enough by specifying the weights for each variable.

4. Closing

4.1. Conclusions

The management of village finances in Indonesia, although conducted in accordance with prevailing regulations, still faces significant challenges. The stages of planning, implementation, administration, reporting, and accountability generally proceed well, but transparency and community participation remain low. One major issue is the lack of a mandatory announcement of the Village Budget Plan (RAPBDesa) at the beginning of the year, leaving the community without a solid basis to monitor village financial usage from the start. This hinders public oversight and community participation in the village financial management process. Additionally, the effectiveness of supervision by the Regional Inspectorate and Sub-district Heads (Camat) is limited. Although existing regulations, such as Minister of Home Affairs Regulation No. 7 of 2008, outline the scope of the Inspectorate's supervision of village governance, resource constraints like personnel, budget, and time prevent routine inspections of all villages. For instance, in Magelang Regency, the regional inspectorate can only audit two villages per sub-district per year, leaving many villages unaudited. Furthermore, there is no clear mechanism for rewarding or sanctioning villages based on their compliance with the Inspectorate's recommendations, resulting in suboptimal improvements in village financial management.

The management of public complaint channels is also inadequately handled. Only a few districts/cities manage public complaint services to provide information on village government performance. For example, Pasangsari Village, Windusari Sub-district, which offers a public complaint channel regarding village officials, has proven quite effective as a control tool. However, overall, the management of public complaints still needs improvement. The scope of evaluation and supervision by the Sub-district Head over villages is also unclear. Although the role of the Sub-district Head is increasingly important in carrying out guidance and supervision functions, ambiguity in the evaluation mechanisms and scope renders supervision less effective. To address these issues, regulatory improvements and capacity building in village financial management are necessary. This includes revising relevant regulations, such as Minister of Home Affairs Regulation No. 7 of 2008 and Government Regulation No. 43 of 2014, to clarify evaluation and supervision functions and integrate aspects of participatory community oversight, social auditing, and complaint mechanisms. Financial support from provincial/district/city governments is also needed to enhance the capacity of local government officials involved in village financial management. With these improvements, it is expected that village financial management can become more transparent, accountable, participatory, and in line with the principles of village autonomy as stipulated in Law No. 6 of 2014 concerning Villages.

4.2. Suggestions

The government needs to revise Minister of Home Affairs Regulation No. 7 of 2008 and Government Regulation No. 43 of 2014 to clarify the scope and mechanisms of supervision by the Regional Inspectorate and Sub-district Heads (Camat), mandate the announcement of the Village Budget Plan (RAPBDesa) at the beginning of the year, and integrate participatory oversight by the community; enhance the capacity of the Inspectorate and village officials through budgetary support and training, develop a reward and sanction mechanism for villages that comply or do not comply with the Inspectorate's recommendations, ensure each district/city has effective and transparent public complaint services, and ensure serious follow-up on complaints to make village financial management more transparent, accountable, participatory, and in line with the principles of village autonomy as stipulated in Law No. 6 of 2014 concerning Villages.

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