

Analysis Of Village Financial Management Principles at Village Office X

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Abstract

This study aims to analyze the implementation of village financial management principles in Village X based on Home Affairs Ministerial Regulation No. 20 of 2018, with a focus on the principles of transparent, accountable, participatory, and orderly and disciplined budgeting. The study used qualitative methods through interviews and documentation. The results showed that the implementation of village financial management principles is not optimal. In terms of accountable, the village still experiences data input errors in the Village Financial Management System (Siskeudes) and obstacles in the timeliness of reporting, which affects the quality of accountable. In terms of transparent, although budget information is published through billboards, billboard updates are not carried out routinely so that the community does not always receive the latest information. In terms of participatory principles, community involvement in village deliberations is still dominated by village officials and certain figures, while the participatory of general community groups is at an optimal level. In the application of the principles of orderly and disciplined budgeting, budget implementation has not been optimal due to delays in administration, minimal understanding of technical regulations among village officials, and sudden policy changes without adequate training support, so that they are not fully consistent with established plans and schedules. This study recommends improving the competence of village officials, developing flexible internal SOPs, and optimizing the village financial information system as improvement steps to achieve more effective financial governance.

Keywords: Village financial management, accountable, transparent, participatory, Minister of Home Affairs Regulation No. 20 of 2018

INTRODUCTION

Law of the Republic of Indonesia Number 6 of 2014 states that villages have ancestral and traditional rights to regulate and manage the interests of local communities. Village governments have broad rights and authority to plan, budget, implement, report, and be accountable for all development activities within their territories (Megasyara, I., & Imawan, 2023). This authority has been regulated in the Regulation of the Minister of Home Affairs of the Republic of Indonesia Number 20 of 2018 which states that village financial management is all activities that include planning, implementation, administration, reporting, and accountable of village finances by adhering to transparent, accountable, and participatory principles and carried out in an orderly and disciplined budget. The implementation of accountable and transparent in village financial management must be the main concern of all parties involved, including the village government, the community, and local non-governmental organizations, as a strategic effort to realize sustainable village independence (Wahyuni, E. S., & Fatmawati, 2021).

Every year, the central government allocates a significant amount of village funds to be distributed to village governments as a form of support in implementing development and empowering village communities. (Julianto, I. P., & Dewi, 2019). According to the Republic of

Indonesia Law Number 6 of 2014, the allocation of village funds is part of the balancing funds received by the Regency/City, at least 10% of the balancing funds received by the Regency/City. (Kristuti, G. M., Amalia, 2023) stated that the government will distribute 68 trillion rupiah in village funds to 74,961 villages across 434 districts and cities across Indonesia, with the allocation increasing annually. As the allocation of village funds increases, the complexity and potential risks in village financial management also increase (Megasyara, I., & Imawan, 2023). Based on data from Indonesia Corruption Watch (ICW), the village fund budget sector was the most corruption-prone area in 2021, with 154 cases and potential losses reaching IDR 233 billion (Baihaqi, B., Asmawanti-S, D., & Putradana, 2023).

As a step to avoid these potential risks, the government issued a guideline stated in the Home Affairs Ministerial Regulation No. 20 of 2018 so that village governments can prepare financial reports independently and in accordance with established standards (Junaidi, Syahputra, B. E., Sela, E. I., & Mahsun, 2024). Minister of Home Affairs Regulation No. 20 of 2018 comprehensively regulates village financial governance, encompassing planning, implementation, administration, reporting, and accountable for village finances, ensuring they are managed transparently, accountably, participatively, in an orderly, and disciplined manner. Article 2, paragraph 1 of Minister of Home Affairs Regulation No. 20 of 2018 outlines the principles of village financial management, namely transparent, accountable, participatory, and orderly budgetary management. Principles such as transparent, accountable, participatory, and orderly budgetary management must be effectively implemented to avoid potential risks and promote good governance (Baihaqi, B., Asmawanti-S, D., & Putradana, 2023). Transparent can be defined as openness in conveying information, both related to policies and financial aspects, to ensure that the public has adequate access to this information as part of public rights (Sulistyowati, R., & Nataliawati, 2022). According to (Afriansyah, B., Meriana, M., & Paddery, 2022) accountable means an obligation for organizations to openly and routinely explain what has been achieved, both success and failure, as a form of responsibility for their efforts in achieving the goals that have been set.

Community participatory in managing the village budget is crucial because it helps create transparent and accountable in the use of funds, while also ensuring that the funds are genuinely allocated to meet the needs and preferences of the village community itself (Artika, M., Fitriasuri, F., & Alvia, 2023). According to Regulation of the Minister of Home Affairs (Permendagri) No. 20 of 2018 Article 2, orderly and disciplined budgeting is reflected in the preparation of the Village Revenue and Expenditure Budget (APBDes) as the basis for village financial management for one fiscal year. This budget incorporates the Village Medium-Term Development Plan (RPJMDesa) and the Village Government Work Plan (RKPDesa) aimed at sustainable development and community empowerment, and it is formulated through deliberative meetings that involve community participatory. To realize these principles, an effective and structured system of financial management, reporting, and supervision is required so that the information presented is relevant, accurate, and easily understood by all stakeholders (Mufarrihah, Atikah, L., & Djasuli, 2024).

Several villages have not yet fully implemented the principles of village financial management in accordance with Permendagri No. 20 of 2018 and face various challenges in its implementation, as observed in Tlogoadi, Citanglar, Jagamukti, Kademangan, Wonodadi, and Pranten villages (Ferarow, N., & Suprihanto, 2018) (Anggriani, N., Nurodin, I., & Iskandar, 2019) (Hidayah, N., & Wijayanti, 2017). Tlogoadi Village has not properly applied the principles of transparent and accountable because activities are not openly disclosed to the public, and budget discipline has not

been fully observed due to inadequate financial administration documentation, such as the Budget Plan (RAB) (Ferarow, N., & Suprihanto, 2018). Citanglar, Jagamukti, and Kademangan villages have not implemented transparent principles due to limited public access to financial information and the incomplete public disclosure of APBDes realization reports (Anggriani, N., Nurodin, I., & Iskandar, 2019). Wonodadi Village has also not fully implemented transparent and disciplined financial management, as the village government is reluctant to openly provide financial data to the community, and financial reporting is often delayed and inaccurate (Hidayah, N., & Wijayanti, 2017). Pranten Village has not fully applied the principles of accountable, transparent, and participatory, as accountable is hindered by weak organizational structures and low human resource quality, transparent remains limited due to restricted access to public information, and community participatory is still relatively low in terms of socialization and communication, despite the fact that planning is conducted through village deliberations and implementation involves the community (Mubarok, F. K., & Annisak, 2021).

The main obstacles faced by these villages include the lack of competent human resources, where village officials do not fully understand regulations and technical aspects of financial management due to insufficient guidance and training, resulting in poorly executed administrative processes (Ferarow, N., & Suprihanto, 2018) (Anggriani, N., Nurodin, I., & Iskandar, 2019) (Hidayah, N., & Wijayanti, 2017) (Mubarok, F. K., & Annisak, 2021). Ineffective coordination among village officials also poses a challenge, compounded by vacant key positions in Tlogoadi Village and overlapping roles in Wonodadi Village, which hinder optimal performance (Ferarow, N., & Suprihanto, 2018) (Hidayah, N., & Wijayanti, 2017). Other constraints include limited dissemination of budget information and financial reports, restricted data access, frequent delays in reporting, and easily damaged information boards, all of which contribute to low transparent (Anggriani, N., Nurodin, I., & Iskandar, 2019) (Hidayah, N., & Wijayanti, 2017) (Mubarok, F. K., & Annisak, 2021). Finally, community participatory in village deliberations remains minimal due to a lack of socialization, education, and interest in actively engaging in planning and oversight processes (Anggriani, N., Nurodin, I., & Iskandar, 2019) (Mubarok, F. K., & Annisak, 2021).

Several solutions can be implemented to optimize village financial management, such as fostering innovation through the use of information technology. This includes activating community discussion forums at the neighborhood (RT), community unit (RW), and hamlet levels; utilizing social media to gather public aspirations, complaints, and reports; and openly publishing activities, programs, and accountable reports so they can be accessed, monitored, and evaluated by the community as a manifestation of transparent and accountable village governance (Megasyara, I., & Imawan, 2023). Another solution is for village governments to promote capacity building among officials through continuous education and training relevant to their duties (Afriansyah, B., Meriana, M., & Paddery, 2022). Enhancing the competence of village financial management teams through training, providing adequate facilities and infrastructure, and establishing regulations related to the appointment and development of village officials, financial teams, village consultative bodies, and community institutions are effective measures to strengthen understanding of transparent and accountable principles in order to achieve good village governance (Ferarow, N., & Suprihanto, 2018).

Conversely, several villages have successfully implemented financial management principles in accordance with the guidelines of Permendagri No. 20 of 2018, such as Setro Village. Financial management in Setro Village has adhered to the principles of accountable, transparent, participatory, and orderly and disciplined budgeting. This success is attributed to open

implementation involving community participatory in planning and oversight, public dissemination of financial information through information boards and other media, adherence to official procedures and stages, and the proper use of funds according to plans, timelines, budget ceilings, and approved budgets (Hendrawati, E., & Pramudianti, 2020). Similarly, (Wahyuni, E. S., & Fatmawati, 2021) found that financial management in Kuala Alam Village has applied the principles of responsibility, accountable, transparent, and participatory, and has been carried out in an orderly and disciplined manner across all stages. Planning is characterized by community involvement and budget transparent; implementation reflects procedural compliance through the submission of fund disbursement documents, installation of project information boards, and public participatory; administration is conducted in an orderly manner by the treasurer according to activities; and reporting and accountable are periodically submitted to the Village Consultative Body (BPD) and the Regent as a commitment to public accountable.

Based on the above background, the researcher is interested in conducting a study entitled “Analysis of the Principles of Village Financial Management at Village Office X.” This study focuses on evaluating the extent to which principles such as accountable, transparent, participatory, and orderly and disciplined budgeting have been implemented in accordance with applicable standards, namely Permendagri No. 20 of 2018. The study also identifies the challenges faced by village officials in implementing appropriate village financial management principles. Thus, this research not only examines the application of village financial management principles theoretically but also provides recommendations that can assist village governments in improving financial governance in line with applicable accounting standards.

METHODS

Study Design

This study employed a descriptive qualitative research design to explore and interpret the implementation of village financial accounting practices at Village Office X. A qualitative approach was considered appropriate because the study aimed to understand processes, practices, and meanings related to village financial management from the perspectives of relevant stakeholders rather than to quantify relationships among variables. The research focused on interpreting how village financial accounting is applied in practice based on participants’ experiences and official financial documents.

Research Subjects and Sampling

The subjects of this study were selected using purposive sampling, a technique that intentionally chooses participants who possess relevant knowledge and direct involvement in the research issue. The selected participants included the Village Head, Village Secretary, Head of Village Financial Affairs, Siskeudes operator, members of the Village Consultative Body (BPD), community leaders (RT/RW heads and hamlet heads), representatives of community groups (farmer groups, PKK, youth organizations, and customary institutions), and beneficiary residents. These participants were chosen because of their direct engagement with village financial management and accountable processes.

Data Sources, Instruments, and Data Collection

The study utilized primary and secondary data sources. Primary data were obtained through semi-structured interviews with village officials and community representatives to gain in-depth and contextual insights into the implementation of village financial accounting. The semi-structured format allowed flexibility for participants to elaborate on issues relevant to the study. Secondary data consisted of official village financial documents, including financial reports for the 2023 and 2024 fiscal years, which served as supporting and complementary data. In qualitative research, the researcher acted as the main research instrument, responsible for collecting, interpreting, and reporting the data, supported by interview guidelines and document analysis.

Data Analysis Techniques

Data analysis was conducted using the interactive model proposed (Miles, M. B., Huberman, A. M., & Saldana, 2018), Huberman, and Saldaña, which consists of data condensation, data display, and conclusion drawing/verification. Data condensation involved selecting, focusing, and simplifying interview transcripts and documents to identify key themes related to village financial accounting practices. The condensed data were then presented in the form of narrative descriptions derived from interview results and visual representations of financial documents. Finally, conclusions were drawn through careful interpretation and continuous verification by comparing interview data with documentary evidence to ensure consistency and credibility of the findings.

RESULTS AND DISCUSSION

Understanding of Permendagri No. 20 of 2018

The results of interviews and documentation indicate that the management of Village X's finances refers formally to Permendagri No. 20 of 2018 concerning Village Financial Management. However, the level of understanding among village officials varies significantly. The findings show that only the Village Head demonstrates an adequate understanding of the regulation, while other officials such as the Village Secretary, Head of Financial Affairs, and Siskeudes Operator have limited comprehension and tend to rely on directives from superiors or previous reporting templates.

This condition is reflected in the interview excerpts, where the Village Head emphasized the importance of orderly reporting, accountable, and transparent in recording village expenditures. In contrast, other officials acknowledged their limited understanding and stated that they mainly follow instructions and focus on technical implementation rather than regulatory substance.

On the other hand, the community of Village X generally understands the importance of having regulations governing village financial management. Most community members are aware that village funds originate from the central and regional governments and must be managed according to Permendagri No. 20 of 2018. They associate compliance with the regulation with transparent, accountable, and proper supervision of village finances.

Overall, these findings suggest an imbalance between regulatory understanding among village

officials and the community, where community awareness appears relatively higher than the technical understanding of some implementing officials.

Procedures of Village Financial Management

The findings reveal that the financial management procedures in Village X follow a structured and sequential process. This process begins with *musyawarah dusun* (hamlet deliberation), followed by *musyawarah desa* (village deliberation), formulation and approval of the Village Revenue and Expenditure Budget (APBDes), disbursement of funds per semester, implementation of activities, reporting, and monitoring by the sub-district government.

Village officials consistently described this procedure during interviews. The Village Head explained that proposals originating from the hamlet level are filtered during village deliberations to prioritize urgent needs. After approval by the district government, funds are disbursed in stages and recorded through the Siskeudes system. Subsequent monitoring and reporting are conducted to ensure compliance and accuracy before financial accountable reports (*SPJ*) are finalized.

These findings indicate that procedurally, Village X has complied with the stages mandated by Permendagri No. 20 of 2018, although implementation challenges remain, particularly in reporting accuracy and timeliness.

Accountable, Transparent, Participatory, Orderliness, and Budget Discipline

The results show that accountable in Village X's financial management is implemented through periodic reporting and monitoring conducted at least twice a year. Nevertheless, several obstacles persist, including data input errors in the Siskeudes system and delays in report preparation.

Transparent is applied mainly through the installation of budget banners and billboards displaying APBDes information for fiscal years 2023 and 2024. Information dissemination is also conducted through socialization meetings and hamlet discussions. However, many community members perceive that the information provided is still limited, not routinely updated, and difficult to understand due to technical language and presentation format.

Community participatory occurs primarily through *musdus* and *musdes*. Although residents are invited to propose development programs, participatory is uneven, and not all proposals are realized due to budget constraints. Some community members feel that decision-making remains dominated by village elites, while others acknowledge that their proposals are sometimes accommodated.

Budget orderliness and discipline are implemented through a tiered process that includes planning, staged fund disbursement, systematic recording using Siskeudes, periodic evaluation, and mandatory compliance with official procedures for any budget changes. These findings demonstrate that while the principles of good governance are formally applied, their substantive implementation still requires improvement.

DISCUSSION

Implementation of Permendagri No. 20 of 2018 in Village Financial Management

The findings of this study indicate that although Village X formally applies Permendagri No. 20 of 2018, its implementation has not been optimal. Limited understanding among village officials particularly those directly responsible for financial administration suggests that regulatory

compliance is still procedural rather than substantive. This condition supports previous studies that highlight human resource capacity as a critical factor in effective village financial governance.

The relatively higher awareness among community members reflects the increasing public demand for transparent and accountable in village fund management. This aligns with earlier research emphasizing the role of community oversight in strengthening village financial accountable.

Accountable, Transparent, and Community Participatory

The study results show that accountable and transparent mechanisms in Village X are present but not fully effective. The use of banners and socialization forums fulfills formal transparent requirements; however, limited public understanding indicates that transparent has not yet reached a substantive level. transparent should not only involve information disclosure but also ensure that information is accessible and comprehensible to the public.

Community participatory through deliberation forums reflects compliance with participatory governance principles. However, uneven involvement and limited realization of community proposals suggest that participatory remains symbolic rather than empowering. This finding both supports and extends previous studies, which argue that participatory mechanisms often face challenges due to budget limitations and power asymmetries.

Constraints in Village Financial Management

The main constraints identified include limited human resource capacity, frequent regulatory changes, insufficient training, and technical issues in the Siskeudes system. These challenges are consistent with findings from earlier research that identify system complexity and lack of continuous capacity-building as major barriers to effective village financial management.

Therefore, strengthening technical training, improving regulatory socialization, and enhancing system support are essential to improving compliance with Permendagri No. 20 of 2018 and achieving accountable, transparent, and participatory village financial governance.

CONCLUSION

Based on the research results, administratively, the financial report of village X has been prepared twice a year and monitored by the sub-district. In terms of transparent, the government of Village X has made several efforts, such as installing APBDes billboards, conveying information in hamlet meetings, and conducting outreach to community leaders. Community participatory mechanisms have been facilitated through Hamlet Deliberations (Musdus) and Village Deliberations (Musdes), where residents are invited to submit proposals for priority activities. The application of the principles of orderly and disciplined budgeting in Village X begins with the preparation of the APBDes based on the RPJMDesa and RKPDesa, determination through Musdes, disbursement of funds according to the semester schedule, to reporting and monitoring by the sub-district, which indicates that administratively the village has made efforts to maintain order in the budget management process. However, the application of the principles of village financial management in Village X has not been optimal even though it has referred to the principles regulated in

Permendagri No. 20 of 2018. On the principle of accountable, village financial accountable is still hampered by input errors in the Siskeudes application and delays in report preparation, so that reporting is not fully timely and accurate. On the principle of transparent, the village government has provided publication media in the form of APBDes billboards, but information updates are not carried out routinely so that the community does not receive the latest information regarding budget management. On the principle of participatory, village deliberations do involve the community, but the dominance of village officials and certain figures makes community participatory in general uneven, so that the oversight function of the community is still limited. Meanwhile, on the principle of orderly and disciplined budgeting, budget administration and reporting have not been consistent with the established schedule due to limited understanding of technical regulations and sudden policy changes without adequate training. Therefore, to improve the quality of village financial management, the X Village Government needs to strengthen the capacity of the apparatus through continuous training, update financial information regularly and openly, expand community participatory in every stage of budget management, and develop standard operating procedures that are adaptive to regulatory changes. These efforts are expected to realize transparent, accountable, participatory, orderly, and disciplined village financial management in accordance with the principles of good governance.

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