

Analysis of Village Government Financial Reporting in Ratahan District, Southeast Minahasa Regency

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ABSTRACT

This study aims to assess the financial reporting of village government based on transparency, accountability, and efficiency in Ratahan District (Southeast Minahasa Regency). We adopted a qualitative descriptive approach, and data were gathered from in-depth interviews with village officials, community leaders, and residents. The study highlights major hurdles, such as uneven implementation of fiscal rules in the villages and insufficient practical skills among local government leaders. Overall, the key findings also identify that financial reports are often unclear and do not provide enough detail which ultimately detracts from transparency and accountability. In addition, these specific numbers emphasize the importance of planning processes to address community mental health—as demonstrated by their financial planning and process in the Rasi Village Work Program. The study suggests that training should be increased for village officials, financial reports must be standardized and made accurate, and there should be participation of residents of the planned village finance. These measures are necessary to answer the challenges posed and hence improve financial reporters' practice in village governments.

Keywords: Village government, financial reporting, transparency, accountability, Ratahan District, community involvement, village funds, capacity building.

INTRODUCTION

Decentralization in Indonesia is one of the main ideas stipulated by Act No. 23/2014 regarding Regional Government and revised once more with Law No. 1 on governmental relationships between Central Government and regional governments. This legal basis enables regional governments to manage their local affairs under the unitary state of the Republic of Indonesia. Government Ordinance No. 11 of 2019 is a key part of this legal framework, particularly regarding the implementation of Act No. 6 of 2014 concerning villages.

Villages are financed by the Village Fund and the Village Allocation Fund, two of the most important financial resources for villages in Indonesia. The Village Fund is a budget sourced from the State Income and Expenditure Budget (APBN) that village governments can use to support government administration, development projects, community construction, or empowerment initiatives. The Village Allocation Fund is a fraction of the district or town balance funds deducted with certain financial allocations. Efficient management of these funds is essential for ensuring transparency, accountability, and efficiency in village governance.

However, village governments often struggle with financial reporting, which can undermine their capacity to manage funds effectively and meet community needs. These challenges include inconsistent compliance

with financial regulations by officials, inadequate training for officials, and limited involvement of civil society. This study focuses on the financial reporting practices of village governments in Ratahan District, Southeast Minahasa Regency. By examining these practices, the study seeks to identify potential improvements and measures that could enhance financial accountability and transparency, ultimately contributing to better governance and community development.

LITERATURE REVIEW

Conceptual Review

The core concepts of village financial management are transparency, accountability, and efficiency. Transparency entails providing unrestricted access to financial information for all stakeholders, guaranteeing that the village's financial actions are subject to thorough examination. Accountability necessitates that village authorities be held responsible for their financial management choices and actions, by presenting frequent reports and reasons. Efficiency is the primary concern for using resources in the most effective way to accomplish the financial and developmental objectives of the village (Savitri et al. 2019).

Theoretical Review

The good governance theory is fundamental to understanding financial management in village governments. Good governance principles, including transparency, accountability, and community participation, are essential for effective financial management (Periansya *et al.* 2023). Stewardship theory expects village officials (stewards) to act in the best interests of the community (principals), managing resources responsibly and transparently to achieve public welfare (Donaldson & Davis, 1991). Stakeholder theory also applies, emphasizing that village governments must be accountable to their primary stakeholders—the community members—by providing transparent and reliable financial information (Phillips, 1997).

Empirical Review

Several studies have shown both achievements and challenges concerning village financial management. An example of this may be seen in a study conducted by Savitri *et al.* (2019), which revealed that while village fund administration in Riau Province adhered to established norms, the competence of village officials as human capital remained inadequate for efficient fund management. In research conducted by Periansya *et al.* (2023) in the Lubai Ulu District, it was found that accountability, transparency, and social control had a good influence on community engagement. Recent research conducted by Nurhayati *et al.* (2022) found that the provision of accountability reports and the availability of financial information had a substantial positive impact on transparency and accountability in the administration of village funds.

Village Finance and Village Financial Allocation

The village's revenue is defined as all monetary receipts via its account, which it owns within a year's budget and is not required to reimburse, according to Permendagri No. 113 of 2014. In addition to transfers and earnings, the town receives money from other sources. The first income comes from a variety of sources, such as village business, village wealth, community income and involvement, and other legitimate revenue streams inside the village. Included in the transfer are a village finance fund, district/city regional tax revenue, regional compensation, village financial allocation, and financial support from the provinces, districts, and cities. Grants with no contractual obligations, donations from other parties, and other admissible revenue are examples of additional income types.

Planning and Implementation

Law No. 6 of 2014 About the Village, Article 79, Paragraph 1, states that the village government, within its

authority, prepares the village development plan, taking into account the development plans of the district or city. Village finance plays a key role, as stipulated in PP No. 60 of 2014. Article 19, Paragraph 1, asserts that village finance funds the organization of governance, development, and community empowerment. Article 19, Paragraph 2, prioritizes community development and empowerment through village finance. Article 20 specifies that village finance should refer to the medium-term development plan and the village government work plan. Article 21, Paragraph 1 also requires that the priority of utilizing village funds be determined three months before the start of the budget year by the Minister of the Village, Development of the Deserted Territories, and Transmigration. This is in keeping with Article 22 and Article 23 provisions that provide the mayor the authority to create technical guidelines that follow general ministerial rules for operations that are funded by village finances.

Previous Researches

Multiple studies have examined different facets of village financial management, emphasizing both achievements and difficulties. These valuable insights can be used by village administrations to understand and improve their financial reporting methods. Kasenda et al. (2018) researched the accountability of budget allocation management in Tikela Village, Tombulu District, Minahasa Regency. The researchers sought to assess the extent to which the financial management system in Tikela Village adhered to the norms specified in Minister of Home Affairs Regulation Number 113 of 2014. The analysis found that the money allocation management system in Tikela Village strictly followed the accountability standards specified in the rule. The community leaders demonstrated their commitment by actively participating in the Musrenbangdes forum, where the village administration displayed a commendable degree of openness and responsiveness to community input about village development initiatives.

Savitri et al. (2019) conducted an examination of village fund administration in Riau Province and found that while rules were mostly followed, there were still notable obstacles to overcome. Inadequate community involvement and a lack of human resources were among these issues, which made it difficult to handle finances effectively. The research made clear that in order to increase accountability and transparency, further training is required, as well as increased community engagement.

In the Lubai Ulu District, Periansya et al. (2023) conducted research to investigate the effects of transparency, accountability, and community involvement on village fund management. According to their study, these factors significantly affected how village funds were managed, which led to better governance results. The study emphasized the importance of incorporating good governance principles into village financial management procedures. Nurhayati et al. (2022) examined the presentation of accountability reports and the accessibility of financial information in Kuningan Regency. Their research demonstrated that improving the format and availability of financial reports has a significant impact on the level of openness and accountability in village fund administration. The study emphasized how important clear and intelligible financial reporting is for building trust and advancing effective governance. Collectively, these studies highlight how vital regulatory frameworks and community involvement are to the effective management of village finances. Nevertheless, they also draw attention to enduring problems. Based on these observations, the objective of this research is to examine the financial reporting methods used by village governments in the Ratahan District, Southeast Minahasa Regency. The goal is to identify any areas that need improvement and provide measures to strengthen financial accountability and transparency.

RESEARCH METHOD

Research Design

This study employs a qualitative descriptive approach, utilizing a phenomenological framework to explore

This study employs a qualitative descriptive approach, utilizing a phenomenological framework to explore the financial reporting practices of village governments in the Ratahan District, Southeast Minahasa Regency. The qualitative descriptive approach allows for a comprehensive understanding of the participants' experiences and perceptions, while the phenomenological framework focuses on capturing the essence of these experiences.

Study Population

The study population includes village officials, community leaders, and residents of the Ratahan District. These individuals are directly involved in or affected by the financial reporting practices of the village government, providing valuable insights into the financial management processes and challenges faced by the village governments.

Sampling Techniques

Purposive sampling was employed to select key informants who have direct involvement in financial management and reporting. This technique ensures that participants with relevant knowledge and experience are included in the study, providing rich and detailed data. Key informants included the district head, village officials, members of the Village Consultative Body (BPD), members of the Village Development Board (LMD), community leaders, and ordinary community members.

Data Collection Techniques

Primary data were collected through in-depth interviews with the selected key informants. The interviews were semi-structured, allowing for flexibility in probing and obtaining detailed responses. Interview questions were designed to elicit information about the participants' experiences with financial reporting practices, the challenges they faced, and their suggestions for improvement.

Data Analysis

The data analysis followed a phenomenological approach, involving several steps:

1. **Data Organization:** All collected data were organized to create a comprehensive picture of the phenomenon under study. This involved sorting and categorizing the data into manageable segments.
2. **Immersive Reading:** The data were read thoroughly and repeatedly to immerse the researcher in the details and gain an in-depth understanding of the participants' experiences. Important data points were highlighted, and initial notes were made.
3. **Coding:** Significant statements and phrases relevant to the research questions were identified and coded. These codes helped organize the data into meaningful categories.
4. **Horizontalization:** Each statement was initially treated as having equal value. The researcher identified and grouped the statements into clusters of meaning, ensuring that all perspectives were considered without prioritizing any single viewpoint.
5. **Meaning Units:** The statements were consolidated into meaning units, representing specific aspects of the participants' experiences. These meaning units were then used to develop detailed descriptions of how the experiences occurred.
6. **Textural and Structural Descriptions:** The researcher developed textural descriptions, detailing what happened to the participants, and structural descriptions, explaining how the phenomenon occurred, including the context and conditions that influenced the experiences.
7. **Essence Extraction:** The textural and structural descriptions were synthesized to capture the essence of the phenomenon. This involved distilling the core meanings and insights that emerged from the participants' experiences.

8. **Narrative Explanation:** A narrative explanation was constructed to convey the essence of the phenomenon and the meanings derived from the participants' experiences. This narrative integrated the textural and structural descriptions into a cohesive account.
9. **Reporting:** A detailed report on the findings was prepared, presenting the experiences of each key informant. The report highlighted the key themes and insights related to financial reporting practices in village governments, providing a comprehensive understanding of the phenomenon under study.

RESULTS AND DISCUSSION

Results

The analysis of financial reporting practices in the village governments of the Ratahan District revealed several key findings. These findings are organized based on the themes that emerged from the data analysis.

Challenges in Adhering to Financial Regulations

Village governments face significant challenges in adhering to financial regulations. These challenges are primarily due to inadequate training and understanding of financial management principles among village officials. The lack of comprehensive knowledge about financial regulations leads to inconsistent application of financial management practices.

Need for Training and Capacity Building

The study highlights the urgent need for training and capacity building among village officials. Enhanced training programs focused on financial management and reporting are essential. These programs should cover the technical aspects of financial reporting, regulatory requirements, and best practices to ensure that village officials are well-equipped to manage village finances effectively.

Importance of Community Involvement

Community involvement in financial reporting processes is crucial for ensuring transparency and accountability. The study found that when community members are actively involved in the budgeting and financial reporting processes, there is greater transparency and trust in the village government. Community participation helps in monitoring and ensuring that the funds are used appropriately and effectively.

Transparency and Accountability

The findings indicate that there are efforts to adhere to principles of transparency and accountability in financial reporting. However, these efforts are often hindered by logistical challenges, such as delays in fund allocation and inadequate reporting systems. Improving the timeliness and accuracy of financial reports is necessary to enhance transparency and accountability.

Detailed Financial Planning and Implementation

The detailed financial planning and implementation process in Rasi Village, as exemplified by the preparation and execution of the Village Work Program, highlights the structured approach taken by the village government. The inclusion of various community stakeholders in the planning process ensures that diverse perspectives are considered, promoting transparency and accountability.

Preparation of the Rasi Village Work Program, Ratahan District

The Rasi Village work program was prepared based on the agreements reached at the Musrenbang meeting.

The meeting was attended by the head of the Rasi village guard, five members of the BPD, six Kasie Kaur members, and various community leaders, including representatives from LPMD, the youth organization, religious figures, female leaders, farmer group members, assistants, and members of Bumdes.

Village Government Administration Work Program

Based on the identified problems, a work program plan for village government administration was developed as follows:

- **Non-formal Education:** Implementation of non-formal PAUD/TK/TPA/TPQ and support for PAUD implementation.
- **Community Training:** Development/Educative Rehabilitation (APE) of PAUD, educational counseling, and training for the community.
- **Health Services:** Organizing Posyandu activities, including additional food, pregnant women's classes, and elderly classes.

Village Development Work Program

The Village Development Work Program implemented based on the Village RKP includes:

1. SPAL Manufacturing for areas 1, 2, and 3
2. Maintenance of Talud Construction in several areas
3. Construction of a 260-meter-long drainage system
4. Construction of a 260-meter-long concrete rebate
5. Construction of a 260-meter decker plate (sidewalk)
6. Development of supporting village information system facilities
7. Creation of sanitation facilities for families without latrines
8. Construction of railings and a primary channel dam network
9. Restoration of clean water networks

Community Development Work Program

The Village Community Empowerment Work Program Plan includes:

- **Training and Workshops:** For increasing the capacity of farmers' groups, utilization of unused land for corn planting, stunting counseling, health counseling for community health cadres, and food security assistance.
- **Technical Training:** Training in village information systems, village financial systems, duties and functions of the Activity Implementation Team (TPK), and village apparatus.
- **Community Services:** Legal training for village heads, computer introduction for apparatus, Posyandu cadres training, technical guidance for BUMdes managers, and provision of free Wi-Fi.

Disaster and Emergency Management Activities

- Spraying public facilities and residents' homes
- Procurement of hand-washing facilities and masks
- Manufacture of COVID-19 awareness materials
- Distribution of direct cash assistance (BLT)

Implementation of the Village Revenue and Expenditure Budget

The implementation of the Village Revenue and Expenditure Budget was determined by Rasi Village Regulation Number 06 of 2021. The budget for Fiscal Year 2021 is as follows:

1. Village Income: Rp. 1,605,346,251

2. Village Expenditure: Rp. 1,498,583,804

- Village Government Administration: Rp. 518,948,706
- Development Sector: Rp. 854,195,098
- Community Development Sector: Rp. 4,000,000
- Community Empowerment Sector: Rp. 63,840,000
- Unexpected Expenditure: Rp. 57,600,000

3. The village Surplus or Deficit Village Financing is as follows:

- Financing Receipt: Rp. 47,237,553
- Financing Expenditure: Rp. 154,000,000

Accountability in APBDes

Interview results and the 2021 Rasi Village APBD Report indicate adherence to Law No. 6 of 2014 and related amendments. The Rasi Village APBDes budget for the 2021 fiscal year totals IDR 1,580,878,196. The budget allocations and expenditures are detailed, with significant amounts dedicated to village government administration, development, community development, empowerment, and disaster management.

Discussion

The findings of this study underscore the importance of addressing the identified challenges to improve the financial reporting practices in village governments. The following discussion elaborates on the key themes and provides insights into how these challenges can be addressed.

Challenges in Adhering to Financial Regulations

The inconsistency in adhering to financial regulations is a significant issue that affects the effectiveness of financial management in village governments. This inconsistency can lead to mismanagement of funds and a lack of accountability. Addressing this issue requires targeted training programs that provide village officials with a thorough understanding of financial regulations and best practices in financial management.

Need for Training and Capacity Building

The need for training and capacity building is evident from the challenges faced by village officials in managing financial reporting. Training programs should be designed to enhance the skills and knowledge of village officials, focusing on areas such as financial planning, budgeting, and reporting. These programs should also emphasize the importance of adhering to financial regulations and maintaining accurate records.

Importance of Community Involvement

Community involvement is crucial for ensuring transparency and accountability in financial reporting. By actively involving community members in the budgeting and financial reporting processes, village

governments can build trust and ensure that funds are used effectively. Community participation also provides a mechanism for monitoring and evaluating the use of funds, which can help prevent mismanagement and corruption.

Transparency and Accountability

Improving transparency and accountability in financial reporting requires addressing logistical challenges such as delays in fund allocation and inadequate reporting systems. Village governments should implement systems that ensure timely and accurate financial reporting. This can be achieved by adopting standardized reporting formats and using technology to streamline the reporting process.

Detailed Financial Planning and Implementation

The preparation and execution of the Rasi Village Work Program demonstrate a structured approach to financial planning and implementation. Involving various community stakeholders ensures that the planning process is inclusive and considers the needs and perspectives of different groups. This promotes transparency and accountability, as community members can monitor the progress of projects and hold the village government accountable for the use of funds.

CONCLUSION

The study concludes that while there is adherence to financial management principles in the Ratahan District, significant improvements are needed in training and community involvement. Enhanced training programs for village officials and greater community engagement are essential to improve transparency and accountability in financial reporting. These measures will ensure that village funds are managed effectively and contribute to the overall development of the community.

RECOMMENDATIONS

1. Implement robust training programs for village officials to enhance their financial reporting skills.
2. Improve financial reporting systems to ensure timely and accurate reporting.
3. Foster active community participation in the budgeting and financial reporting processes.
4. Regularly review and update financial management practices to align with best practices and regulatory requirements.
5. Strengthen oversight mechanisms to ensure compliance with financial regulations.

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