

The Management of Village Funds – Village Fund Policy Implementation (Case Study in Candirejo Village, Nganjuk Regency, East Java Province, Indonesia)

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Abstract—*This study analyzes the management of village funds sourced from APBN (State Budget of Indonesia). The purpose of this study is to analyze the management of Village Funds starting from planning, implementation, administration, reporting and accountability of Village Funds which are then compared with the prevailing regulations in Indonesia. This study uses qualitative research type with case study method. Data were collected using interviews and in-depth analysis of documents. The study analyzes the management of the Village Fund for two budget periods that is 2015 and 2016. The objects in this study are Candirejo Village, Nganjuk Regency, East Java Province Indonesia which is classified as a developing village. The result of this study is that the management of Village Fund in Candirejo Village still has inconsistency with the prevailing regulations. The planning and budgeting stages of RKPDes (Village Government Planning) and APBDes (Village Budget) are carried out far from the deadline in regulation. For the implementation stage, the time and percentage of the Village Fund's revenue in Candirejo Village is still not in accordance with the prevailing regulations. In the administrative phase, the monthly accountability report is not reported to the Village Head. While at the stage of reporting and accountability there is a discrepancy between the realizations of revenue with revenue budget. Semester report differences with accountability reports, makes report information unreliable.*

Keywords—*village funds, APBN, candirejo village, accountability, reporting*

I. INTRODUCTION

Regulation UU No 22 of 1999 regarding Regional Autonomy confirms that a village is no longer an administrative area. This is reinforced by the issuance of UU No. 6 Year 2014 regarding villages. To improve local financial capacity and support regional autonomy by improving the effectiveness of government administration and public services, the government undertook a fiscal decentralization policy. Decentralization is the transfer of planning, decision making or administrative authority from the central government to the central organization in the region [1].

Village financial management is also the autonomous authority of the village government. Management of village finances in Indonesia refers to the Minister of Home Affairs of the Republic of Indonesia (Permendagri) No 113 of 2014 regarding Village Financial Management. Permendagri No. 113 of 2014 states that village financial management is the

whole activity including planning, implementation, administration, reporting, and accountability. Villages should be able to utilize limited resources to improve development. Permendagri No. 113 of 2014, states that village finances are managed on the basis of transparency, accountability, participation, and are conducted in an orderly and disciplined manner.

Government Regulation (PP) No. 60 of 2014 regarding Village Funds Sourced from the State Revenue and Expenditure Budget that has been amended by Government Regulation No. 22 of 2015 declares that starting in 2015, villages have additional sources of revenue from the state budget. The Village Fund is included in the fiscal decentralization program aimed at promoting development for the welfare of the people. It also requires the village government to improve its public accountability.

The management of village funds starts from planning, implementation, administration, reporting and accountability in accordance to the Permendagri No. 113 of 2014. The planning and implementation of the Village Fund is based on PP No. 6 of 2014, PP No 60 of 2014, PP No 22 of 2015, Permendes No 5 of 2015 for priority use of village funds 2015 and Permendes No. 21 of 2015 for priority use of village funds in 2016. Villages in Indonesia receive a Village Fund of approximately Rp 1,000,000,000 per year. Mutiganda [2] says that the more budget that is provided for public sector organizations, the organization is required to be more accountable. This raises the question of whether the village government is able to manage the village fund effectively and efficiently based on the principle of accountability.

One of the village problems managing village finances is the low understanding within the community in understanding village financial management [3]. Village governments have many limitations and weaknesses particularly in the field of human resources [4]. Other problems that can arise are the potential of funds disbursed for the village that are not used in accordance with development priorities and their accountability is not in accordance with actual conditions. Despite its limitations, the village government is still required to manage the Village Fund appropriately. This is because the impact of village fund management is very influential on the development and welfare of the community. Therefore, the researcher is interested to analyze

the management of the Village Fund which is sourced from APBN. Thus, this study can be an evaluation in the management of the Village Fund in the future.

This Study was conducted at Candirejo Village, Loceret District, Nganjuk District, East Java Province in Indonesia. Based on the Village Development Index, Candirejo Village has a high governance index but the infrastructure index is low. With the Village Fund sourced from the state budget, it is expected to increase the development of Candirejo Village which certainly affects the improvement of village infrastructure. Therefore, effective, efficient and accountable village fund management is needed in Candirejo Village.

II. LITERATURE REVIEW

A. *Institutional Theory*

Institutional theory is a theory that explains the actions of individuals and organizations [5]. Ferry Roen [6] mentions that the institutional theory is the formation of organizations caused by environmental pressures to form institutionalization. Goddard et al. [7] argues that institutional theory is a powerful theory when explaining the application of innovation by the institutionalization of the organization. Aspects of relevant institutional theory for analyzing a public sector organization are legitimacy, Isomorphism and loose coupling [7]. Meyer and Rowan [8] argue that the main idea of institutional theory is to survive, in which a public sector organization must be able to convince the public that they are legitimate and worthy of support. Powell and DiMaggio [9] explain that isomorphism is an organizational tendency to adopt similar forms and procedures with organizations in similar fields to gain legitimacy from society. Goddard et al. [7] states that isomorphism is useful in understanding the relationship between external factors of the organization as well as organizational practices such as accounting practices and accountability. The third institutional theory aspect is loose coupling [7]. This happens if existing rules are not combined with actual practices that are often due to power and personal interests conflict [10].

B. *Accountability*

The Governmental Accounting Standards Board in Concept Statement No. 1 on the Objective of Financial Reporting states that accountability is the foundation of all government financial reporting. Accountability is an obligation of governments to manage, report and disclose all activities and activities related to users of public resources should be mandatory [11]. An organization can be said to be accountable according to Supriyono [12] if in performing the task has fulfilled the requirements: (a) determine the appropriate objectives; (b) develop standards for the achievement of objectives; (c) disseminating the effective application the use of standards; (d) develop operating and organizational standards effectively and economically.

C. *Village Funds and Village Funds Management*

The Village Fund is one of the village incomes used by the Indonesian Village Government in realizing the village objectives. The central government of Indonesia budgeted the Village Fund nationally in the state budget. PP No. 60 Year 2014 on Village Funds Sourced from the State Budget

and State Income means Village Fund as funds sourced from APBN for villages transferred through district / city APBD. Village Funds are used to finance the implementation of governance, development implementation, community development, and empowerment. Village Fund Management in APBDes is implemented in accordance with the provisions of the legislation in the field of village management is Permendagri No. 113 Tahun 2014 about Village Financial Management. Financial management is an overall activity that includes planning, implementation, administration, reporting and accountability of village finances as well as the Village Fund. The holder of the village finance management authority is the village head assisted by the Technical Executive Manager of Village Finance (PTPKD). PTPKD consists of village secretary, head of section and village treasurer.

D. *Previous Research*

The Financial and Development Supervisory Board (BPKP) in 2015 [13] conducted a study regarding Village Funds that are sourced from the State Budget (APBN). The BPKP study aims to identify potential weaknesses that may arise in the management of village funds. The result of the BPKP study is the potential for weakness in accountability of Village Fund management due to the late issuance of regulations concerning the Village Fund. Another review of the Village Fund was conducted by the Corruption Eradication Commission (KPK) in 2015. The KPK Review [14] revealed that there is potential for corruption and fraud in the management of the Village Fund because it is not always carried out in accordance with the regulations.

III. RESEARCH METHODS

This research uses the qualitative approach in the form of descriptive method. Miles and Huberman [15] explain that qualitative data can keep the chronology sequence clear, see which events are causing certain consequences, and produce satisfactory explanations. Descriptive research is a research that attempts to describe, take note, analyze and interpret the conditions that occur [16]. This study was conducted by case study. According to Yin [17], case studies are qualitative research methods used to investigate contemporary phenomena in depth with a real-life context.

Descriptive research is designed to collect data that illustrates the character, event and situation of the organization. researchers do not control the factors outside the focus of research (no contrived setting). The involvement of researchers in influencing the object of research is also very minimal (minimal interference). The data collection in this research is provided in two ways: data analysis and interview. The data review is conducted to find out and understand the elements needed in the analysis of Village Fund management. Interviews were conducted with semi-structured interview techniques. This technique combines two techniques: structured techniques and unstructured techniques.

Data analysis is carried out by analyzing the documents and the interview results, then comparing them with the applicable regulations. The analysis of the overall stages of the management of the Village Fund is conducted using a comparison analysis with Permendagri No. 113 of 2014. In

particular documents and interview results on planning and budgeting stages will also be analyzed in comparison with Permendes No. 5 of 2015 and Permendes No. 21 of 2015. As for the implementation phase, in comparison with Permendagri No. 113 of 2014, will also be compared with UU No. 60 of 2014 as amended by UU No. 22 of 2015.

IV. EMPIRICAL RESULT

Candirejo village at the planning and budgeting stage of 2015 had not included the Village Fund in its RKPDes. Based on interviews with Candirejo Village Secretary on November 27, 2017, the inclusion of Village Fund in the 2015 budget year due to the reference used to prepare the Candirejo RKPDes is the previous year which is 2014. In the year 2014, there was no Village Fund revenues sourced from APBN. While RKPDes Candirejo for fiscal year 2016 had included the Village Fund. Candirejo Village Funds in 2014 and 2015 had been budgeted pursuant to Permendes No. 5 of 2015 and Permendes No. 21 of 2015 on the priority of the use of the Village Fund. These priorities are in the field of development and the field of community empowerment.

The financial planning and budgeting of Candirejo Village, including the Village Fund, can be said to be inconsistent with the Minister of Home Affairs Regulation No. 113 of 2014 regarding Village Financial Management. Some discrepancies typically occur in the timeline of the Candirejo RKPDes and APBDes Candirejo for both 2015 and 2016 budgets. The new RKPDes was passed in January of the current year, it should have been and passed in October of the previous fiscal year so that APBDes could be ratified in December, but the new APBDes are ratified in May of every year. Obviously this is a very disturbing development activity because the new Village Fund will become effective after APBDes is legalized. This timeline of planning and budgeting mismatch is outside of time limits, which may impact on activities that use the Village Fund as a source of funds. Candirejo village secretary in the interview mentioned that this is not only happening in the village of Candirejo only, but had happened to all villages in Nganjuk regency.

The implementation phase of Village Fund management in Candirejo Village still has a mismatch with PP No 60 Year 2014 About Village Fund which is sourced from APBN as already amended by Government Regulation No. 22 Year 2015. Such incompatibility is the delay of acceptance of Village Fund by Candirejo Village because APBDes Candirejo procrastinated in May of the current fiscal year which should have been passed in December of the previous fiscal year. In addition, the percentage of distribution of Village Funds for Candirejo Village is not in accordance with the regulations. Village funding phase one in 2015 is channeled by 49.1% which should be 40%, the second stage is 33.9% which should be 40% and the third stage is 17% which should be 20%. Revenue of Village Fund in 2016 is only provided in two stages with percentages of 60% and 40%, whereas according to Government Regulation No. 60 Year 2014 that has been changed in Government Regulation No 22 Year 2015 About Amendment of Government Regulation No 60 Year 2014 About Village Fund Sourced from APBN. The village funds should still be provided in three stages. The different stages of the distribution of the Village Fund cannot be confirmed because the authority of

Nganjuk Regency Government, Candirejo Village Government has not provided a reason.

The third stage of Village Fund management is the administration stage. This stage is responsibility of the Village Treasurer. However, in the village of Candirejo, this administrative phase is carried out by Candirejo Village Government staff. This is due to the lack of knowledge and ability of the Village Treasurer in Candirejo regarding the operation of the computer. Revenues and Expenditures of Villages Funds are recorded using three books, namely General Cash Book, Bank Cashbook, and Tax Payer Book. In its administration Candirejo Village uses the application of Village Financial Management System (Silokdes) provided by the Government of Nganjuk Regency for the management of village finances in Nganjuk District. Administration in Candirejo Village is not good. Based on interviews with one of the Candirejo village government staff, there are still mistakes in recording transactions such as data entry error or account placement error. This is due to frequent renewal of features in the Silokdes application. Every year, the Candirejo village administration staff who administer the administration are accountable to the Regional Inspectorate of Nganjuk Regency. However, despite closing the books every month, the administration does not report or account to Candirejo Village Head every month so there is no control of financial administration in Candirejo Village. Any new financial administration mistake will be established when the Regional Inspectorate of Nganjuk. According to Permendagri No. 113 of 2014, administration accountability every month should be reported to the Village Head.

Candirejo Village Government has produced a Realization Report of Village Fund Usage for 2015 and 2016. Submission of semester report of Candirejo Village had not been conducted on time in August, it was actually supposed to be July. The Secretary of the Village said that the submission of the first semester report in August not only occurred in Candirejo Village but the average Village in Nganjuk District submissions in the first semester report are not timely. The second semester report has been executed on time. In the Realization Report of Village Fund Usage 2015, there are peculiarities, namely the total difference of Village Funds received by Candirejo Village with the budget in APBDes. The excess cannot be explained by the Candirejo Village Government and this makes the information in the report unreliable.

The last stage of Village Fund management is the stage of accountability. Candirejo Village has made an Actual Liability Report on APBDes Realization which includes the realization of the Village Fund for each year. Accountability Reports of APBDes Candirejo Realization for the 2015 Fiscal Year was submitted in a timely manner to Bupati Nganjuk. However, there is a substantial difference between the Accountability Report of Realization of APBDes and the Report on the Realization of the Use of Village Funds for semesters one and two. The difference is in the realization of the Village Funds revenue and the disbursement of the Village Fund for the 2015 activity program. As explained in the analysis of the reporting of Candirejo Village Fund, the difference in Village Fund receipts cannot be explained by the Candirejo Village Government. Differences in making these reports make the data unreliable. The Secretary Candirejo Village explains the possibility of such errors are

due to the absence of prior evaluations made by the Village Head and BPD against the Accountability Report Realization APBDes. In addition there is the possibility of Nganjuk Regency Government did not conduct an evaluation of the accountability report. The village of Candirejo tends to see other village reports as a reference for reporting liability. This is done in order to gain legitimacy from the community, but if it is forced, that this is the actual incident occurring in the village is not considered.

To fulfill public accountability, Candirejo Village Government submits Accountability Report of Realization of APBDes and Report of Realization of Village Fund Usage for both year 2015 and 2016, through meeting exposure of realization of APBDes and Dana Desa Candirejo followed by community. After an open exposure of the realization of APBDes and Dana Desa, Candirejo Village Government posted the Realization and Accountability Report on the bulletin board located at Candirejo Village Office. It is intended that other people who do not have exposure to read or understand the realization report and accountability of Candirejo Village Government.

V. CONCLUSIONS AND RECOMMENDATIONS

The Village Fund Management that has been run by Candirejo Village still has a non-conformity with the prevailing regulations. APBDes Candirejo for 2015 and 2016 was not ratified on time, so the first-stage funding of the Village Funds were withheld. This resulted in the delaying of the implementation of activities by using the Village Fund as a source of funding, especially in the field of development. The priority use of Candirejo Village Fund for 2015 and 2016 has been in accordance with Permendes No. 5 of 2015 and Permendes No. 6 of 2016.

The implementation phase of Village Fund management in Candirejo Village has been implemented in accordance Permendagri No. 113 for Year 2014. However, the implementation of the Village Fund revenue is not in accordance with Government Regulation No. 60 of 2014 as already amended into Government Regulation No. 22 of 2015. The Village Fund for 2015 has been disbursed to the third stage, but the timing and percentage of Village Fund disbursements are not in accordance with the regulations. The Village Fund for 2016 was still not in accordance with the rules because it only disbursed in two stages.

At the Administration Stage, the Candirejo Village Treasurer did not make monthly accountability reports to Candirejo Village Head despite closing the books. The administrative accountability report is only made when requested by the Regional Inspectorate of Nganjuk Regency. The reporting stage has been carried out in accordance with Permendagri No. 113 of 2014, but there is still delay in delivering the Report Realization of the Use of Funds Village Candirejo for the first and second semesters in 2015 and 2016. There is a discrepancy between the budget and the realization of revenue in Candirejo Village Fund for 2015, i.e., excess of Village Funds receipts.

The accountability stage of Candirejo Village Fund management for 2015 and 2016 has been concluded on time. However, there is a difference in revenue and expenditure of Candirejo Village Fund for 2015, so the information

contained in the report is not reliable. Candirejo Village Government submitted an Accountability Report and Realization Report of Village Fund Usage 2015 and 2016 to the public through open exposure, this report was posted on a bulletin board at the village office.

This study has the following limitations because case study research has only been carried out on one village only, namely Candirejo village which is a developing village. The study only covered two years, namely in 2015 and 2016 because the Village Fund sourced from the new APBN began to be implemented in 2015. The sources in this study are only two people namely Candirejo Village Secretary and a member of Candirejo Village Government Staff who administers financial management. Consequently there is still information that cannot be obtained that relates to the realization of revenue and budget absorption. Subsequent research is expected to increase the sample of research so that not only one village is involved and increase the number of interviews, and increase the number of research years.

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