

# The Impact of Financial Transparency Perception to Public Participation with Satisfaction as Mediation on Taneon Funan Bumdes in Oben Village Nekamese Sub-District

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***Abstract***—The objective of this current research was to know the impact of BUMDes financial transparency perception to the public interest to be involved in the whole management stages of Taneon Funan BUMDes in Oben village Nekamese sub-district, with the satisfaction as mediation variable. There were 200 people as samples. The sampling technique was purposive sampling, collecting data conducted by sharing the questionnaires in 4 hamlets in Oben village. The data analysis technique used Partial Least Square (PLS) analysis. The testing consisted of Outer Loading test and Inner Model test. The result of data test showed that financial transparency had impact significantly to public participation. The public satisfaction became the intermediate variable, between financial transparency variable and public participation variable.

***Keywords***— *Financial Transparency; Participation; Satisfaction; BUMDes.*

## I. INTRODUCTION

BUMDes can run simple social business that serves general service to the villagers by obtaining financial profit[1]. So that BUMDes is expected to be the contribution to public interest as the social service provider and it contributes in gaining profit to maximize all the potential resources that available in the village. Therefore the management in running BUMDes is required to apply transparency principles, professionalism, accountability, public satisfaction and public participation in controlling BUMDes institution.

BUMDes as the public institution that its budget comes from APBDes is expected to work hard transparently. Transparency is to share financial information openly and honestly to the public[2]. Therefore the transparency in managing BUMDes will cause various perceptions from the public. The research result[3], [4], [8], [9], [10] showed that variables of transparency, satisfaction and participation had mutually influencing correlation.

Taneon Funan BUMDes in Oben village was established through discussion forum that involved the villagers and all the public elements. But, as time goes by, from the observation that conducted in Taneon Funan BUMDes, it was discovered that the presence of BUMDes has not run based on the concept and the early idea of BUMDes. It is proved by minimum public participation level in supporting the BUMDes program, BUMDes disability in providing public basic needs, indifferent attitude to the existence of BUMDes and public unwillingness to discuss the things related to BUMDes. The problem that would be studied in this research was how did the public perception impact to the financial transparency of Taneon Funan BUMDes and public participation need on Taneon Funan BUMDes with the satisfaction as the mediation variable. This research was aimed to know the impact of BUMDes financial transparency perception to public participation on BUMDes and satisfaction role as the mediation variable between financial transparency perception to public participation.

II. LITERATURE REVIEW

2.1 Village –Owned Enterprises

The Law No. 6 Year 2014 about Village, Chapter X Article 87 requires the establishment of Village –Owned Enterprises then it is called BUM Desa, is an enterprise which all or in part of village property that separated to manage assets, service, and the other business that most of it is given to the villagers welfare[5]. Then the existence and BUMDes management is described in the Regulation of Minister of Village, Development of Disadvantaged Regions, and Transmigration Republic Indonesia Number 4 Year 2015 about The Establishment, Arrangement and Management and Dissolution of Village-Owned Enterprises. BUMDes management that involves the public directly is expected to be able to support the community economy in improving public welfare[1].

Village-Owned Enterprises, then it called BUM Desa, is enterprise that all or in part of its capital owned by the village through direct participation that comes from separated village property in order to manage assets, service, and the other business to villagers welfare as big as possible[1]

2.2 Financial Transparency

According to [6] the meaning of transparency is as follows : “ Transparency means openness of the government in sharing information related to public resources management activity to the parties that need information”. Transparency dimensions according to [6] are as follows: 1) *Informative*, 2) *Openness*, 3) *Disclosure*

2.3 Public Participation

Public participation is an active process from the public in planning, implementation to development program evaluation. Public participation level in development process divided into some stages; (1) program planning stage, (2) program implementation stage, (3) program evaluation stage. Generally, public participation can be seen from the forms of participation that given in real and unreal forms. The forms of real participation such as money, property, energy, ability. Whereas the forms of unreal (abstract) participation such as idea, suggestion and decision – making[7]. The public participation level has correlation with the success of BUMDes role[8]. The research [9] showed that there were 56% respondents who thought that public participation was one of the factors that influenced the achievement of BUMDes goal.

2.4 Satisfaction

Basically, the customer has the right to assess the company in realising output both products and services in fulfilling the customers expectation otherwise making the customers annoyed. The fulfilled customer

expectation will bring to the emotional condition toward satisfaction and in contrary if the customer expectation is not fulfilled, the customer will feel unsatisfy then they can do voice action (critic and complaint)[9]. The research result [19] showed that service quality variable had significant impact to customers satisfaction in Mitra Baru BUMDes.

2.5 Conceptual frame

Conceptual frame needs to be described in order to obtain more clearly understanding about the impact of financial transparency to public participation and public satisfaction as the mediation variable.

The conceptual frame of this research is as follows:

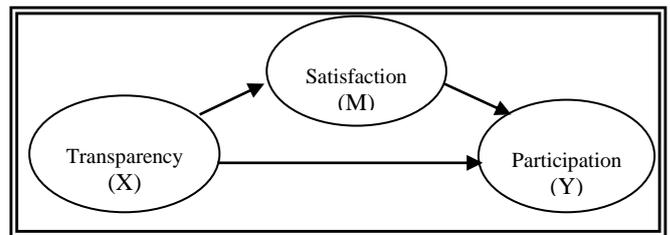


Figure 1. Conceptual Frame

2.6 Research hypothesis

Based on the research objective and conceptual frame above, therefore hypothesis formulas that applied in this research are as follows:

- H<sub>1</sub>: Financial transparency impacts on public satisfaction.
- H<sub>2</sub>: Public satisfaction impacts on public participation.
- H<sub>3</sub>: Financial transparency impacts on public participation.
- H<sub>4</sub>: Public satisfaction becomes the correlation intermediate variable between financial transparency and public participation.

2.7 Research Road map

This research road map is begun by performing problem analysis related to BUMDes financial condition, then the notion of research result is become the reference by the local government/village or BUMDes management in making the decision or the policy of management service improvement in order to achieve the improvement of BUMDes product which later it is marketed to the broader market. This research road map is described in Figure 2, as follows

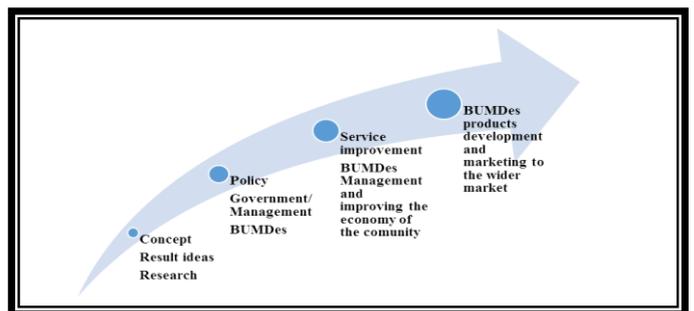


Figure 2. Road Map Penelitian

III. RESEARCH METHOD

This research was descriptive quantitative research. The population was all the villagers in Oben village, Nekamese Sub-district. The sampling technique used purposive sampling. The number of samples used 200 people that taken evenly from 4 hamlets in Oben village. The questionnaires that were completed by the villagers as the respondents were later analyzed by Tools Partial Least Square (PLS) analysis with SmartPLS 3.3.3 application. The test consisted of Outer Model quality test that done to test convergent validity, discriminant validity, composite reliability and the second test was Inner Model quality test to test R Square ( $R^2$ ), predictive relevance ( $Q^2$ ) by the formula  $Q^2 = 1 - (1 - R_1^2)(1 - R_2^2) \dots (1 - R_p^2)$  and hypothesis test (*Bootstrapping*).

IV. RESEARCH RESULT

4.1 Research Object Description and Respondents Characteristic.

Oben village was established in 1968 and located on region of Nekamese Sub-district Kupang District. Oben village has 5(five) Hamlet regions, they are : Hamlet I (Kaemeu), Hamlet II (Oeselan), Hamlet III (Tanenofunan), Hamlet IV (Nunboni) and Hamlet V (Oben) there are 339 families and the number of people are 1368 people, the men are 642 people and the women are 726 people.

The local government of Oben village has an enterprise that is Village-Owned Enterprise Taneon Funan BUMDes. This BUMDes was established based on Village Regulation Number 4 Year 2017 about The establishment of Village-Owned Enterprise. The first capital of Taneon Funan came from APBDs in 2017, it was Rp 99.264.384 and Taneon Funan BUMDes has one Business Unit, that is multipurpose shop (WASERDA)

The respondents character are as follows:

Table 1. Respondents Characteristic

No	Characteristics of Respondents	Amount	Percentage
1	<b>Gender</b>		
	Man	108	54%
	Women	92	46%
	Sum	200	100%
2	<b>Age</b>		
	17- 25 years old	46	23%
	26-35 years old	39	20%
	36-45 years old	45	23%
	46-55 years old	43	22%
	56-65 years old	27	14%
	Sum	200	100%
3	<b>Educational</b>		
	Primary School	47	24%
	Junior High School	56	28%
	High School	81	41%
	Bachelor's	16	8%
	Sum	200	100%

(Source : Processed primary data,2021)

4.2 Statistic test

1) Outer loading test

The following is outer loading test result to show outer loading value by using SmartPLS (v3.3.3) analysis tool.

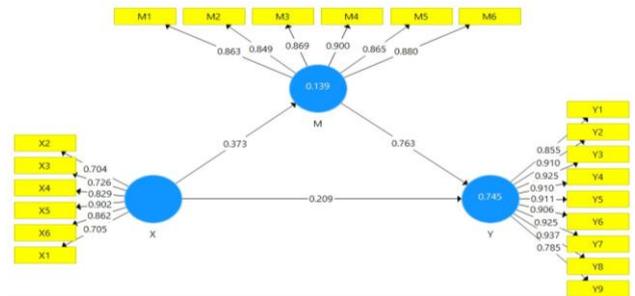


Figure 3. Outer Loading Test Result

The conclusion of measurement model quality refers to rule of thumbs according to [12]

Table 2. Parameter of validity and Reliability Test

Test	Parameters	Rule of thumbs
Convergent Validity	Faktor Loading ( <i>Outer Loading</i> )	>0,7
	Average Variance Extracted (AVE)	>0,5
Deskriminan Validity	<i>Cross Loading (Discriminant Validity)</i>	>0.7 in one variable
	<i>Fornell- Laker Criterion</i>	Correlation between latent construction variables > 0.7
Reliability	<i>Cronbach Alpha</i>	>0,7
	<i>Composite Reliability</i>	>0,7

Source: (Chin 1998; Hock and ringle, 2006;15) ; Setiaman,Sobur (2020)

a) Convergent Validity Test

Convergent validity is used to know the instrument item that can be used as indicator from the whole latent variable, convergent validity test can be seen from loading factor for each construct indicator. To see clearly about loading factor score, construct indicator data from transparency variable, partisipation and satisfaction is presented in table 3 as follows:

Table 3. Outer Loading Test

Variable	Indicator	Outer Loading
Transparency (X)	X1	0.705
	X2	0.704
	X3	0.726
	X4	0.829
	X5	0.902
	X6	0.862
Participation (Y)	Y1	0.855
	Y2	0.91
	Y3	0.925
	Y4	0.91
	Y5	0.911
	Y6	0.906
	Y7	0.925
	Y8	0.937
	Y9	0.785
Satisfaction (M)	M1	0.863
	M2	0.849
	M3	0.869
	M4	0.9
	M5	0.865
	M6	0.88

(Source : Processed primary data, 2021)

Table 3 shows the whole outer loading have the value higher than 0.7. Therefore convergent validity requirement in this research case is completed.

b) Discriminant Validity Test

Other than looking at the value of construct loading factor as validity test, in measurement model is also done Discriminant Validity test. The goal of this test is to know whether the construct has adequate discriminant that is by comparing loading value on objected construct must be higher than other value that compared, The measurement criterion refers to [12] rule of thumbs in table 2. Whereas measurement result of discriminant validity test is on Table 4, below.

Table 4. Discriminant Validity: Fornell-Larker Criterion

Variabel	Satisfaction	Transparency	Participation
Satisfaction (M)	0.871		
Transparency (X)	0.373	0.792	
Participation (Y)	0.841	0.494	0.897

(Source: Processed primary data, 2021)

Table 4 above shows that Fornell- Larker Criterion Correlation value of satisfaction is 0.871, higher than correlation between transparency construct and participation. Transparency is 0.792 higher than satisfaction construct correlation and participation is 0.872 higher than satisfaction and participation. Therefore it can be concluded that all the constructs in estimated model meets the discriminant validity criteria.

c) Composite Reliability Test

Composite Reliability test is done to prove the accuracy, consistency and instrument exactness in measuring a construct. [12] said that an instrument is reliable if it has the value of *Composite Reliability* >

0.7. The result of AVE index, Composite Reliability, and Cronbachs Alpha can be seen at Table 5 below.

Table 5. Composite Reliability

Variable	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Transparency (X)	0.886	0.909	0.627
Participation (Y)	0.969	0.974	0.805
Satisfaction (M)	0.938	0.95	0.759

(Source: Processed primary data, 2021)

The result of composite reliability test shows that transparency has value of 0.909 > 0.7, participation variable 0.974 > 0.7, and satisfaction variable with the value of 0.95 > 0.7. This result shows that all the variables are stated reliable. Therefore variable indicators in this research have completed construct reliability.

2) Inner Model Test

Inner model evaluation is structural model to predict causality correlation between latent variables using bootstrapping test. To predict the influence of structural model (inner model) used R-square for dependent construct. Stone Geiser Q Square test for predictive relevance and t test and significance from structural line parameter coefficient. The parameter of inner model test according to [12] is as follows:

Table 6. Inner Model Test Parameter

Criteria	Rule of thumbs
R-Square ( $R^2$ )	0,75; 0,50; and 0,25 indicates a strong, moderate, and weak model structure (Hair et al.2011)
$Q^2$ Predictive Relevance	$Q^2 > 0$ indicates the model has predictive relevance and if $Q^2 < 0$ indicates that the model lacks predictive relevance.
Significance (two-tailed)	t-value 1.65 (significance level 10%)
	t-value of 1.96 (significance level 5%)
	t-value 2.58 (level significance 1%)

(Source: Setiaman,Sobur (2020))

a) R-Square ( $R^2$ ) test

R-square is used to measure how big is the influence of exogenous latent variable to endogenous latent variable. The value of determination test(*R-Square*) showed by table 7 below.

Table 7. R-Square

Variable	R Square	R Square Adjusted
Satisfaction(M)	0.139	0.135
Participation(Y)	0.745	0.743

(Source : Processed primary data, 2021)

The conclusion of R Square score test is that R-square for public satisfaction is 0.139 , it means that

structure model in this variable is weak, it can be interpreted that financial transparency variable has impact to satisfaction variable of 13.9%, the rest influenced by the other variable out of this variable. Whereas R-square score for public participation is 0.745 shows that structure model is very strong, it means that financial transparency variable has impact of 74.5% to participation variable, the rest influenced by the other variable out of this variable.

**b) Q-Square (Q<sup>2</sup>) test**

Q-Square predictive relevance for structural model, measures how well is observation value that generated by the model and also its parameter estimation. The value of Q-square > 0 shows the model has predictive relevance; whereas if the value of Q-Square ≤ 0 shows that the model is lack of predictive relevance.

Predictive relevance value is obtained by the formula:

$$Q^2 = 1 - (1 - R_1^2)(1 - R_2^2) \dots (1 - R_p^2)$$

$$Q^2 = 1 - (1 - 0.139)(1 - 0.745) = 0.780$$

$$Q^2 = 0.780$$

The quantity of Q<sup>2</sup> has the value with the range of 0 < Q<sup>2</sup> < 1, where getting closer 1 means the model is better. The result above shows the predictive relevance value is 0,780, this value is > 0. Therefore it means that 78% variation on the variable is explained by the variable that used on the model. 22% is explained by the other factor out of the model. Therefore, it can be concluded that this model has predictive relevance value.

**c) Significance test (Bootstrapping)**

Significance test is done to know whether the hypothesis is accepted or not. This test is done by observing significance value between the construct, t-statistic and p-values. Where the research hypothesis can be accepted if t-statistic > 1.96 and or the value of p-values < 0.05, then H<sub>a</sub> accepted and H<sub>o</sub> rejected and the other way around. The result of bootstrapping process can be seen on Table 8 below.

Table 8. Bootstrapping test

Hypothesis Test	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
<b>Path Coefficient</b>					
Transparency -> Satisfaction	0.373	0.379	0.056	6.662	0
Satisfaction -> participation	0.763	0.765	0.022	33.993	0
Transparency -> Participation	0.209	0.208	0.04	5.253	0
<b>Specific Indirect Effect</b>					
Transparency -> Satisfaction -> Participation	0.285	0.291	0.045	6.387	0

(Source: Processed primary data, 2021)

Based on Table 8 above, the determination of whether the hypothesis is accepted or rejected is explained as follows.

**H<sub>1</sub>:** Financial transparency has a significant impact on community satisfaction.

Hypothesis testing to determine whether financial transparency has an impact on community satisfaction shows that the t-statistic value is 6.662 > 1.96 and the p-value is 0.00 < 0.05. Based on the results of these calculations, it is concluded that hypothesis 1 is accepted and it can be stated that financial transparency has a significant impact on community satisfaction. These results are consistent with the results of the study [11] which show that public perception and community satisfaction have a positive influence on CSR.

**H<sub>2</sub>:** Community satisfaction has a significant impact on community participation.

Hypothesis testing to determine whether community satisfaction has a significant impact on community participation shows that the t-statistic value is 33,993 > 1.96 and the p-value is 0.00 < 0.05. Based on the results of these calculations, it is concluded that hypothesis 2 is accepted and it can be stated that community satisfaction has a significant impact on community participation.

These results are in accordance with research [4] which states that the willingness of the community to participate in each program cannot be separated from the level of satisfaction. Job satisfaction is a mediating variable between budget participation and managerial performance of the Pempek family business in Palembang City.

**H<sub>3</sub>:** Financial transparency has a significant impact on community participation.

Hypothesis testing to determine whether financial transparency has an impact on community participation shows that the t-statistic value is 5.253 > 1.96 and the p-value is 0.00 < 0.05. Based on the results of these calculations, it is concluded that hypothesis 3 is accepted and it can be stated that financial transparency has a significant impact on community participation.

These results are consistent with the results of research [3] showing that transparency in the management of BUMDes will lead to various public perceptions of the work program of Dwi Amertha Sari Jinengdalem BUMDes, so that community participation in the BUMDes program is quite high.

**H<sub>4</sub>:** Community satisfaction is the intermediary variable for the correlation between financial transparency and community participation.

Hypothesis testing shows that the variable of community satisfaction is an intermediary for the correlation between financial transparency and community participation. This is indicated by the t-statistic value of  $6.387 > 1.96$  and the p-value of  $0.00 < 0.05$ . Based on the results of these calculations, it is concluded that hypothesis 4 is accepted and it can be stated that community satisfaction is the intermediary variable for the correlation between financial transparency and community participation.

#### V. CONCLUSIONS AND SUGGESTIONS

Based on research objective and hypothesis that have been made and the discussion that has been conducted, therefore it can be concluded as follows:

1. Financial transparency on management of Taneon Funan BUMDes has significant impact to public satisfaction on management of Taneon Funan BUMDes Oben Village Nekamese Sub-district Kupang District.
2. The public satisfaction on management of Taneon Funan BUMDes has significant impact to public participation in Taneon Funan BUMDes Oben Village Nekamese Sub-district Kupang District.
3. Financial transparency on management of Taneon Funan BUMDes has significant impact to public participation in Taneon Funan BUMDes Oben Village Nekamese Sub-district Kupang District.
4. Public satisfaction is proved as the mediation intermediary of financial transparency to public participation in Taneon Funan BUMDes Oben Village Nekamese Sub-district Kupang District.

Based on the conclusions above, then the suggestions that are given to the public, management of Taneon Funan BUMDes and Oben village government are as follows:

1. It is suggested to improve the quality of BUMDes management transparently and in a participatory way.
2. Village government is suggested to assist in improving socialization to the villagers of Oben village about the public role and participation on BUMDes management.
3. The local government and villagers are suggested to control and to supervise BUMDes role in implementing village development continuously, in particular the BUMDes role in improving village economy and improving public welfare.

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