

Village Fund Management in Indonesia: Impact on Government Performance in Madiun

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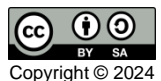
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Abstract

This study examines the strategic impact of village fund management on the performance of village governments in Madiun Regency, Indonesia. Using a sample of 27 villages and 80 respondents, including village heads, secretaries, and financial officers, the research investigates how planning, implementation, transparency, and accountability affect governmental performance. Data were collected through documentation and questionnaires and analyzed using multiple linear regression. The results show that both planning and accountability have a positive and significant influence on village government performance, while implementation also contributes positively. However, transparency does not significantly impact performance. The findings suggest that improving planning and accountability processes is essential for enhancing the effectiveness of village governance. In contrast, transparency efforts, while important, may not directly lead to performance improvements in this context. The study highlights the need for better public access to information and more active participation in performance evaluations to further enhance village fund management and its outcomes

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1. Introduction

The Indonesian government has shown a strong commitment to rural development through the Village Fund program, which has seen significant increases in allocation from IDR 20.8 trillion in 2015 to IDR 72.0 trillion in 2021 (Ministry of Finance, 2021). This program aims to support local-scale development and empower communities, helping to transform the perception of villages from areas of poverty to centers of growth. However, despite its substantial contributions, weaknesses in village fund management still exist, raising concerns about transparency, accountability, and overall governance.

The Village Fund program, initiated through Government Regulation No. 6 of 2014, emphasizes planning, implementation, transparency, and accountability as key components of successful management. The effective use of these funds is essential for enhancing village government performance, especially as villages across Indonesia strive to improve governance and deliver tangible development outcomes. Noverman (2018) found that the alignment of village fund management with legal frameworks is crucial to ensure compliance and transparency in fund allocation. His study on Nagari Bukit Bual revealed that proper adherence to regulations not only fosters accountability but also minimizes the risks of fund mismanagement. Proper village financial management is critical to ensure that these funds are allocated effectively and transparently. According to Herlianto (2017), village financial management encompasses not only budgeting but also the monitoring and reporting of financial activities, ensuring that village resources are managed responsibly and in accordance with regulations. Economic factors such as the open unemployment rate and human development index are also known to significantly impact poverty levels, as evidenced by studies conducted in Central Java (Purboningtyas et al., 2020). Transparency ensures village officials operate under legal and ethical standards, while accountability promotes optimal performance, requiring village officials to be responsible for their actions to the community (Mardiasmo, 2018).

Previous studies highlight the importance of comprehensive planning and accountability in empowering village communities and improving government performance (Afandi, 2019; Permatasari et al., 2021). However,

the relationship between transparency and performance is less clear, with some findings suggesting that transparency efforts, while important, may not directly influence village government performance (Mbipi et al., 2020).

Madiun Regency stands out as a model of efficient village fund distribution, having received recognition for its rapid disbursement of funds in 2022. This achievement underscores the importance of well-structured planning, strong implementation, and robust accountability. However, the question remains whether these factors equally affect village government performance across the region.

This study aims to answer four key questions: (i) How does village fund planning affect village government performance? (ii) Does the implementation of village funds influence performance? (iii) What is the role of transparency in affecting village government performance? (iv) To what extent does accountability impact performance? Through this research, we seek to provide insights that can guide future improvements in village fund management and governance in Indonesia.

2. Literature Review

The management of Village Funds in Indonesia has been a critical area of study, particularly with respect to its impact on village government performance. This section reviews relevant literature on planning, implementation, transparency, and accountability, all of which are key components of effective fund management.

Village Fund Management and Government Performance

The effective management of Village Funds has been linked to improved performance of village governments. According to Afandi (2019), comprehensive planning is one of the most significant factors influencing the success of the Village Fund program. The study emphasized that planning through the Village Medium-Term Development Plan (RPJMDesa) and Village Government Work Plan (RKPDDes) positively correlates with village autonomy and community empowerment. This finding suggests that well-structured planning enhances the ability of villages to utilize funds effectively and efficiently.

In a broader context, Permatasari et al. (2021) studied the impact of financial management practices, including transparency and

accountability, on village government performance. Their research found that accountability and oversight had a significantly positive impact on government performance, while transparency played a more complex role. Transparency, while essential, did not always translate directly into improved performance outcomes. This suggests that transparency efforts, such as public disclosure of financial information, must be accompanied by other governance reforms to be effective.

Planning and Implementation of Village Funds

Planning is crucial in ensuring the proper use of Village Funds. Maharini and Utomo (2019) highlight that the planning process in village fund management includes several stages such as community discussions (*musdus*), Village Development Planning Deliberation (*Musrenbangdes*), and the socialization of the Village Budget (*RAPBDes*). Their study found that thorough and participatory planning significantly contributes to the success of development programs at the village level.

Implementation, as another critical phase, was examined by Fahri (2017), who argued that proper execution of planned activities leads to better financial management and program outcomes. The village head and other officials play a central role in this process, ensuring that projects are completed on time and within budget, thereby positively influencing the overall performance of village governments. Rahman (2022) also highlighted the role of integrating village revenue with village fund allocations to optimize village expenditures. His study in *Desa Akkor*, Kecamatan Palengaan, found that aligning village revenue sources with village fund allocations significantly enhanced the capacity of village governments to manage their budgets and improve public services.

Transparency and Accountability

Transparency and accountability are two pillars of good governance in village fund management. According to Mbipi et al. (2020), transparency involves making financial information publicly available to ensure that village officials operate under legal and ethical standards. Nordiawan, Putra, and Rahmawati (2007) highlight that governmental accounting plays a crucial role in ensuring transparency and accountability in the management of public funds. Their work underscores the importance of adhering to established accounting standards to maintain the integrity of

financial management in the public sector, including at the village level. However, their study also pointed out that transparency alone does not always lead to improved performance. Rather, it must be integrated with stronger accountability mechanisms to be truly effective. Azizah and Andayani (2022) further support this by highlighting that both accountability and transparency in village fund management are crucial for improving the overall effectiveness and public trust in local governance. Their study on village fund management practices demonstrates that clear and accountable processes directly contribute to better governance outcomes. This is supported by Ananda (2022), who found that both transparency and accountability in the management of village fund allocations (ADD) play a critical role in ensuring the effectiveness and trustworthiness of village governments in Pangkalan Koto Baru. Utomo and Suharto (2018) emphasized that applying good governance principles in village financial management strengthens accountability and transparency while encouraging community participation in the decision-making process. Their study found that adopting these principles leads to more effective financial management and enhances village government performance.

On the other hand, accountability has a direct and positive impact on village government performance. Research by Kumalasari and Widajantie (2022) found that accountability, especially in terms of legal and procedural adherence, helps to reduce irregularities in fund management. Similarly, Suwanti and Hermanto (2020) found that both accountability and transparency in financial management have a significant positive impact on the performance of village government officials. Their study highlights that effective financial governance not only enhances accountability but also boosts the overall performance of village apparatus. Their study suggests that accountability encourages village officials to work optimally, as their actions are subject to review by the community, enhancing trust and governance effectiveness.

The literature reviewed provides strong evidence that planning, implementation, transparency, and accountability are crucial components of successful village fund management. Studies by Afandi (2019), Permatasari et al. (2021), and others highlight the positive impacts of these

governance mechanisms on village government performance. However, while transparency is often emphasized, its role in improving performance remains nuanced, requiring complementary governance reforms such as stronger accountability and community engagement.

3. Methodology

Research Design

This study employs a quantitative approach using both descriptive and explanatory research designs. Descriptive research is used to describe current practices of village fund management, focusing on how planning, implementation, transparency, and accountability are carried out. Meanwhile, explanatory research is conducted to examine the relationship between these variables and village government performance. This design allows the study to explore not only the characteristics of village fund management but also how these factors influence the overall performance of village governments in Madiun Regency.

Population and Sample

The population of this study consists of all village governments in Madiun Regency, which is divided into 15 subdistricts with a total of 198 villages. A sample of 27 villages was selected using quota sampling, representing villages with both high and low fund allocations based on Madiun Regent Regulation No. 65 of 2020. To ensure the sample is representative, a total of 80 respondents participated in the study, comprising village heads, village secretaries, and heads of village financial affairs. These respondents were chosen based on their work experience, with a criterion of 2–4 years in their current positions to ensure familiarity with village fund management practices.

Data Collection

Data collection for this study was conducted through two main methods: documentation and questionnaires. The documentation involved collecting official documents from the village governments, such as Village Budgets (APBDesa), Village Development Plans (RPJMDesa), and Village Government Work Plans (RKPDesa). These documents provided insights into the planning and accountability practices involved in village fund

management. In addition, a structured questionnaire was distributed to the selected respondents. The questionnaire was designed to measure the perceptions of village officials regarding planning, implementation, transparency, accountability, and village government performance. Responses were recorded on a 5-point Likert scale, ranging from "strongly disagree" to "strongly agree."

Variables and Measurement

This study includes several key variables. The independent variables are planning (X1), implementation (X2), transparency (X3), and accountability (X4). Planning refers to the strategic process involved in managing village funds, including preparing the RPJMDesa, RKPDesa, and APBDDesa. Implementation refers to the actual execution of planned activities and programs funded by the village budget. Transparency focuses on how openly village financial information is shared with the public, while accountability reflects the responsibility of village officials to report and justify the management of funds to both the public and higher authorities. The dependent variable in this study is village government performance (Y), which refers to the effectiveness of village governments in achieving their development goals and providing public services.

Data Analysis

The data collected were analyzed using **SPSS version 24**. Descriptive statistics were used to summarize the data, presenting the characteristics of the sample and responses to the questionnaire. To examine the relationship between the independent and dependent variables, multiple linear regression analysis was employed. The regression model used in this study is:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

where Y represents village government performance, α is the constant, and β_1 , β_2 , β_3 , β_4 are the coefficients for the independent variables. The significance of the relationship between each independent variable and the dependent variable was tested using **t-tests** with a significance level of 0.05. Additionally, an **F-test** was conducted to determine whether the independent variables simultaneously affect village government performance. The **coefficient of determination (R²)** was used to assess how

well the independent variables explain variations in the dependent variable.

Validity and Reliability

To ensure the accuracy and consistency of the questionnaire, both validity and reliability tests were conducted. **Validity** was assessed using factor analysis to confirm that the questionnaire items correctly measure the variables of interest—planning, implementation, transparency, accountability, and village government performance. **Reliability** was tested using **Cronbach's Alpha**, where a value of 0.70 or higher was considered acceptable. This test ensured that the questionnaire items consistently reflect the variables they aim to measure.

Ethical Considerations

Ethical considerations were carefully observed throughout the research process. Informed consent was obtained from all participants before they completed the questionnaire, ensuring that they understood the purpose of the study and their rights as participants. The confidentiality of respondents was maintained, with all data being used solely for research purposes. The study followed all necessary ethical guidelines, ensuring that participants were treated with respect and that their privacy was protected.

4. Results

Descriptive Statistics

The descriptive statistics provide an overview of the respondents' perceptions of village fund management and village government performance in Madiun Regency. The average score for village government performance, based on responses using a 5-point Likert scale, was 4.2. This indicates that most respondents perceive their village governments to be performing well. Among the independent variables, planning scored an average of 4.1, implementation 4.3, transparency 3.8, and accountability 4.4. The slightly lower score for transparency suggests that, although considered important, transparency is perceived as less effectively implemented compared to planning, implementation, and accountability, which are viewed positively by respondents.

Multiple Linear Regression Analysis

The multiple linear regression analysis examined the relationship between the independent variables—planning, implementation, transparency, and accountability—and the dependent variable, village government performance. The regression model yielded an **R² value of 0.636**, indicating that 63.6% of the variance in village government performance can be explained by the independent variables. The remaining 36.4% is due to factors not included in the model. This result demonstrates that planning, implementation, transparency, and accountability collectively play a significant role in determining the performance of village governments.

Hypothesis Testing

The results of the **t-tests** for each independent variable provide insights into their individual effects on village government performance.

For **planning (X1)**, the **p-value was 0.004**, indicating a significant positive effect on performance. This shows that better planning, including processes such as RPJMDesa and RKPDesa, contributes positively to the effectiveness of village governments.

For **implementation (X2)**, the **p-value was 0.000**, which indicates a highly significant and positive effect on village government performance. Effective execution of planned activities enhances the overall efficiency and outcomes of village programs, thus improving performance.

However, **transparency (X3)**, with a **p-value of 0.255**, was not found to have a statistically significant effect on performance. Although transparency is important for good governance, its direct influence on performance was not evident in this study. This could suggest that transparency alone, without other supporting governance mechanisms, may not lead to immediate performance improvements.

For **accountability (X4)**, the **p-value was 0.001**, indicating a significant positive relationship with performance. Accountability ensures that village officials are responsible for their actions and report to the community, which in turn drives better performance and governance outcomes.

F-Test

The results of the **F-test** confirmed the overall significance of the model,

with an **F-statistic of 32.789** and a **p-value of 0.000**, which is below the 0.05 significance level. This means that the independent variables – planning, implementation, transparency, and accountability – collectively have a significant effect on village government performance. The F-test supports the validity of the regression model, showing that these variables together explain a substantial portion of the variability in village government performance.

The analysis highlights the significant positive effects of planning, implementation, and accountability on village government performance. The strong impact of planning underscores the importance of having well-structured and participatory planning processes, such as the RPJMDesa and RKPDesa, in place to guide village development. Similarly, effective implementation of village projects ensures that planned activities are carried out efficiently, leading to better performance outcomes. Accountability plays a crucial role in maintaining the integrity of fund management, ensuring that village officials are held responsible for their actions and decisions, which ultimately drives better governance.

In contrast, transparency did not have a significant direct impact on village government performance in this study. This may suggest that while transparency is a critical aspect of good governance, its effect on performance might be more indirect or dependent on other factors such as community engagement and stronger accountability mechanisms.

5. Discussion

The findings of this study provide significant insights into the relationship between village fund management and village government performance in Madiun Regency. This section discusses the results in the context of the broader literature, highlighting the implications of planning, implementation, transparency, and accountability for improving governance and performance in village settings.

Planning and Village Government Performance

The study found that planning has a significant positive effect on village government performance. This result aligns with previous research (Afandi, 2019) that emphasized the importance of comprehensive planning, such as the Village Medium-Term Development Plan (RPJMDesa) and the

Village Government Work Plan (RKPDesa), in driving effective village governance. In the context of Madiun Regency, the strong influence of planning suggests that when villages develop clear, strategic plans that involve community participation, they are better positioned to implement development initiatives effectively. Well-structured planning processes ensure that village governments have a roadmap for achieving their goals, which directly contributes to better governance outcomes and improved public service delivery.

Implementation and Village Government Performance

Implementation also showed a highly significant positive relationship with village government performance. This finding reinforces the idea that the successful execution of planned activities is critical for the effectiveness of village governments. Research by Fahri (2017) similarly highlighted that proper implementation of village fund programs contributes to enhanced financial management and program outcomes. In Madiun Regency, village officials who are efficient in executing their plans are likely to see better results in terms of public infrastructure development, social welfare improvements, and community empowerment. This underscores the importance of not only creating plans but also ensuring that these plans are implemented effectively and in a timely manner.

Transparency and Village Government Performance

Contrary to expectations, transparency did not have a significant direct impact on village government performance. Although transparency is often regarded as a cornerstone of good governance, the findings suggest that it may not have an immediate or direct influence on performance outcomes in this context. One possible explanation is that transparency in the form of public disclosure of financial information may not be sufficient on its own to improve performance. For transparency to be effective, it likely needs to be coupled with active community engagement and robust accountability mechanisms. This result is consistent with findings by Mbipi et al. (2020), who noted that transparency without corresponding oversight and accountability may have limited impact on performance. Therefore, while transparency is essential for ensuring openness in fund management, its direct influence on performance may depend on the presence of other

governance elements.

Accountability and Village Government Performance

The study revealed that accountability has a significant positive effect on village government performance. This finding is consistent with the broader literature (Kumalasari & Widajantie, 2022), which emphasizes that accountability ensures that government officials are responsible for their actions and must justify their decisions to the public. In the context of village fund management, strong accountability practices help prevent misuse of funds, promote responsible decision-making, and build trust between the government and the community. In Madiun Regency, the positive influence of accountability on performance suggests that when village officials are held accountable for the management of funds and are required to report their activities to the community, the overall governance and effectiveness of the village government improves. This reflects the broader importance of accountability in maintaining the integrity of public fund management and ensuring that public resources are used effectively.

Implications for Village Fund Management

The findings of this study have several practical implications for improving village fund management and governance in Madiun Regency and other similar regions. First, village governments should continue to strengthen their planning processes, ensuring that they involve community members in the development of RPJMDesa and RKPDesa to create plans that are both strategic and reflective of community needs. Second, implementation should be prioritized to ensure that planned activities are carried out efficiently. This may involve capacity building for village officials to improve their ability to execute programs and manage resources effectively.

While transparency did not show a direct impact on performance, it remains a crucial element of good governance. Village governments should focus on making financial information accessible to the public and fostering greater community participation in decision-making processes. This could strengthen the overall governance environment, even if transparency alone does not directly influence performance.

Finally, accountability should be reinforced through mechanisms that require village officials to regularly report their activities to the public and

higher authorities. By ensuring that village governments are answerable for their use of public funds, the likelihood of mismanagement is reduced, and performance is enhanced. These accountability measures could include more frequent audits, public reporting sessions, and active involvement of community oversight bodies.

6. Conclusion

This study aimed to analyze the impact of planning, implementation, transparency, and accountability on village government performance in Madiun Regency. The findings reveal that three key factors—planning, implementation, and accountability—have a significant positive influence on government performance, while transparency did not show a direct impact.

Planning plays a crucial role in ensuring that village governments develop clear, strategic plans that align with community needs and long-term development goals. A well-structured planning process not only provides direction but also fosters greater involvement from the community, thereby enhancing government performance.

Implementation was found to have the strongest influence on village government performance, highlighting the importance of executing planned activities effectively. Successful implementation ensures that village projects are completed efficiently, leading to improved public services and infrastructure development.

Accountability also showed a significant positive effect on performance, reinforcing the idea that village officials must be held responsible for their actions. Accountability mechanisms, such as regular reporting and community oversight, help ensure that public funds are managed properly, which in turn leads to better governance outcomes.

However, **transparency** did not have a significant direct impact on performance in this study. While transparency is a fundamental aspect of good governance, its effect on performance may depend on the presence of other supporting factors, such as stronger accountability frameworks and community engagement. Village governments may need to focus on integrating transparency with other governance practices to fully realize its potential.

In conclusion, this study highlights the importance of strengthening planning, implementation, and accountability to improve village government performance. Although transparency is essential for ensuring openness in fund management, it may require additional mechanisms to produce direct performance improvements. The findings of this study can guide future efforts to enhance the effectiveness of village fund management, ultimately contributing to better governance and development outcomes in Madiun Regency.

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