



# Analysis Village Financial Management In Peace Village, Binjai District, Langkat Regency

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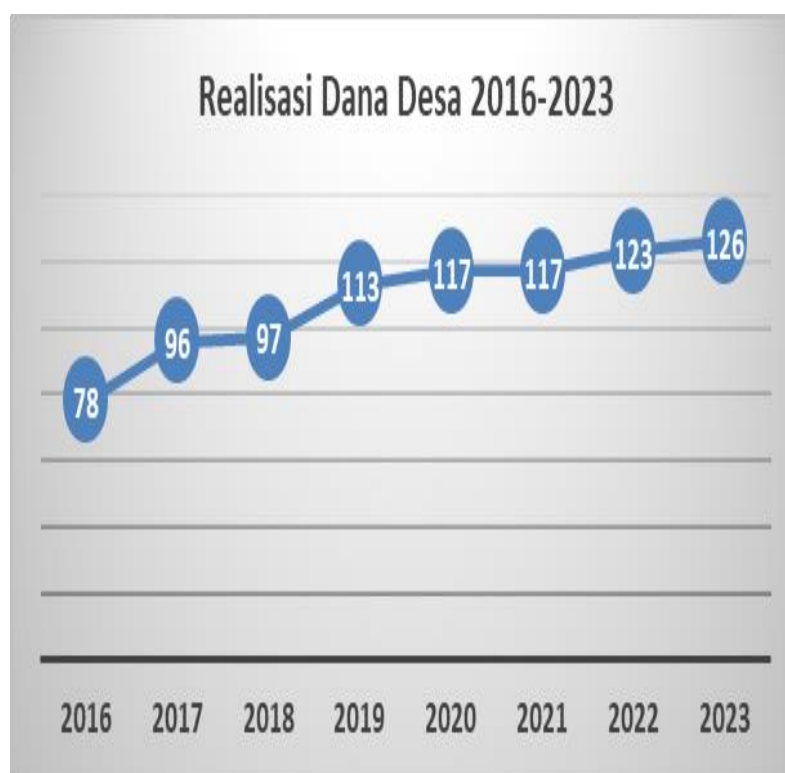
**Abstract:** This research was conducted in the village of Peace, Binjai District, Langkat Regency. This study aims to determine the success rate of village financial management with the Open Budget Index approach. The research model was carried out with a qualitative descriptive approach. Data collection techniques were carried out by observation, interviews with selected resource persons, and distributing questionnaires. Samples were selected as many as 80 samples. Data analysis was conducted using qualitative analysis with the Open Budget Index approach. The results of this study concluded that the level of success of village financial management that has been carried out by the Peace Village Government of Binjai District Regency with an average score of 62%, which means it is included in the 'Sufficient' classification with the 'Substantial' category. The practice of the principle of accountability makes the greatest contribution in determining the value of the success of village financial management with a score of 78%, and community participation contributes the least with a score of 52%. The financial management practices carried out by the Peace Village Government are still constrained in carrying out the principles of village financial management, such as budget realisation reports reported to the public are still simple and simple, there is no other information media available besides infographics that strengthen the quality of transparency, and the supervisory function carried out by the community in monitoring village financial management is still low.

**Keywords:** Village Financial Management, Accountability, Transparency, Community Participation Open Budget Index.

## Introduction

Realizing a just Indonesian society is the ideal of Pancasila as stated in the fifth principle of Pancasila "Social Justice for All Indonesian People". The noble ideals of the founders of the Indonesian nation, make the Indonesian people get equal justice from various aspects, especially justice in welfare, and prosperity in justice. This message is homework for the current Indonesian government, and is a challenge to realize it, because until now the conditions of welfare and justice for the Indonesian people as a whole are still in the discussion and seminar room (Turnip, 2021). Responding to these challenges, the "Nawacita" (nine hopes) program was launched, which was declared in 2014. One of these programs is "building Indonesia from the periphery by strengthening regions and

villages within the framework of a unitary state" (Makalalag et al., 2019). At the same time, implementing a decentralized government system that gives authority to villages to overcome development gaps and improve service functions to the community (Haq & Muzakki, 2023). As a driver of the effectiveness of the program, the government subsidizes additional funds for villages to develop village potential for the progress of the village and its citizens. The subsidy funds in question are village funds allocated for the implementation of village government, implementation of development, community development, and community empowerment (Law Number 6 of 2014). However, unfortunately, many villages have not made maximum use of these village funds to develop potential resources to be developed for village progress (Sari et al., 2017). Until the end of 2023, the Central Government through the Minister of Finance of the Republic of Indonesia has subsidized (transferred) village funds to villages throughout Indonesia amounting to 867 trillion rupiah with the following details:



**Figure 1of rupiah)**

The realization of village funds subsidized to villages shows an increasing trend. This condition shows that the Indonesian government is very concerned about the development, progress and welfare of the Indonesian people. So ideally the increasing subsidy funds for villages will further increase the growth, progress and welfare of village communities. The success of the increased village fund subsidies depends on the major role of the Village Head as the driving force of development in the village which is directly related to the community (Haq & Muzakki, 2023). However, unfortunately there are still

many poor villages because the management of finances (village funds) is not on target, even most of the village funds actually "operate" outside the village (Panjaitan et al., 2023).

The Ministry of Villages, Development of Disadvantaged Regions and Transmigration published that during 2019-2022 the number of misappropriations of village funds carried out by certain Village Heads showed an increasing trend (Amalia, 2023).

**Table 1 Misappropriation of Village Funds**

Year	Number of Cases
2019	45 Village Heads
2020	132 Village Heads
2021	159 Village Heads
2022	174 Village Heads

Source : [www.rri.co.id](http://www.rri.co.id) (2023)

There is a correlation between increasing village funds and misappropriation of village funds. Where increasing village funds has the potential to increase misappropriation of village funds (Amalia, 2023). The misappropriation of village funds that occurs indicates the low integrity of village financial managers (Village Heads) in managing village finances. So the impact that arises is that village growth and development and the welfare of village communities will stagnate if not to say decline. This condition will further burden the Central Government and Village Government in achieving the goals of village financial management and the goals of Nawacita. The low integrity of the Village Head in managing village finances is a manifestation of the deviation of the principles of village financial management, the low responsibility (accountability) of the Village Head in carrying out his responsibilities in managing village finances.

The practice of transparency in village financial management is certain to tend not to run well, which ultimately creates a fictitious and engineered village financial management accountability report. The low participation of village communities in village development and supervision of village financial management, increasingly opens up opportunities for the emergence of fraud in village financial management. In the end, it is certain that the village work program is not in line with the budget that has been set, meaning that the Village Head is not disciplined in using the budget that has been formulated together with the Village Deliberative Body and the village community. Common problems in village financial management are about the effectiveness and efficiency of village financial management, priority scale, leakage, and deviations in professionalism from implementers (Gulo et al., 2022).

On the other hand, Human Resources (HR) also contribute to problems in village financial management, such as low morale and integrity of financial managers, inadequate/inadequate quality and competence of HR in managing village finances, low and limited involvement of village communities, Village Facilitators who do not carry out

their functions optimally, weak supervision/control from higher government institutions (Sub-district Head, Regent, Governor) of village financial management by the Village Head, and the preparation of village development work programs that are not based on the priority scale that is really needed by the village and village community (Sulistio et al., 2019). Another opinion states that the low level of public trust in the existence of village officials in running the government and managing village finances (Mariana, 2022).

Based on this, an assessment is needed that is considered accurate to assess the success of village financial management, one of which is using the *Open Budget Index approach* published by the *International Budget Partnership* which measures the level of local government's ability to manage village finances (Welly et al., 2021). The implementation of village financial management in Perdamaian Village, Binjai District, Langkat Regency has been carried out as optimally as possible, to realize the goal of achieving real village financial management. The Head of Perdamaian Village and other village officials have a great responsibility to carry out the mandate to manage village finances. During 2023, the Head of Perdamaian Village must manage the village finances that have been received by Perdamaian Village for village development and the community of Perdamaian Village. The description of village finances listed in the 2023 Village Budget and Expenditure (APBDes) has been attempted to be spent for the benefit of achieving optimal results and goals. The results of initial observations (pre-survey) in Perdamaian Village, Binjai District, Langkat Regency through interviews with village officials, obtained information on village financial management from the aspect of village financial management principles.

The practice of transparency in village financial management has informed the income and use of village finances for one budget year through infographics. And the Village Government has opened up wide space for the community to participate in village financial management, especially in planning work programs, submitting proposals (ideas) and monitoring village finances. Another condition obtained from the community is that the media used by the Village Government to support transparency in village financial management only relies on infographic media as the only media that supports transparency in village financial management. The Village Government has not provided other information media that can be accessed by the village community to find out more and more reports on village financial management. Likewise, the practice of accountability for village financial management has been informed to the village community in the form of accountability reports that are informed through infographic media to support transparency.

However, unfortunately the contents of the accountability for the use of finances are informed globally (not in detail) so that they do not reflect the essence of a complete accountability for the use of finances. From the aspect of community participation, information was obtained that the village community showed less participation in monitoring activities carried out by the Village Government, even tending to be less active in supervising village development and especially less active in supervising the use of village finances. Based on the above conditions, it is necessary to study further through research on the level of success of village financial management using the *Open Budget*

*Index* (OBI) approach in a study entitled "Analysis of Village Financial Management in Perdamaian Village, Binjai District, Langkat Regency".

## **Methodology**

This study uses a qualitative descriptive research method, namely a research method whose data analysis is carried out by searching for and collecting data, compiling, using, and interpreting existing data (Rusiadi, 2014). Furthermore, this study conducted data analysis using perceptions/opinions sourced from questionnaire results reinforced by interviews with sources as argumentation reinforcement.

## **Research Informants**

The research informants consisted of key informants (7), main informants (9), and additional informants (64) so that the total number was 80 informants. All informants were given questionnaires, and interviews were conducted with several informants representing the informant groups to strengthen the opinions of the questionnaire answers.

## **Data Analysis Techniques**

Data collection techniques are carried out through direct observation to the research location, conducting interviews, literature, and distributing questionnaires. Data analysis techniques with a qualitative approach, where data that has been obtained through interviews supported by the distribution of questionnaires are processed by compiling data, then classifying, and assessing with the *Open Budget Index approach*, and interpreting it. The results of the interviews obtained are used as a reinforcement of the analysis or discussion of the research, so that a more realistic picture of the level of success of village financial management is obtained. In the next stage, answers to the problems/phenomena being studied will be found.

## **Result and Discussion**

### **Overview of Research Object**

Binjai District is one of the Districts in Langkat Regency, North Sumatra Province. Binjai District has 7 villages, namely Kwala Begumit Village, Sambi Rejo Village, Sendang Rejo Village, Tanjung Jati Village, Sidomulyo Village, Perdamaian Village, and Suka Makmur Village. Perdamaian Village is located between several villages, with the following boundaries:

To the north it borders the village of Kwala Bingei

To the south it borders the village of Kwala Begumit

To the east it borders the village of Suka Makmur

To the west it borders Selayang Village/Sei Bingei Village

Perdamaian Village, Binjai District, Langkat Regency is currently led by a Village Head, Bapak, as the Supreme Leader in the Perdamaian village government. In running the government in the village, the Village Head is assisted by 7 village apparatus staff, and 10 Hamlet Heads, and partners with the Village Consultative Body (BPD) consisting of 9 people.

### **Peace Village Financial Management**

The entire budget of Perdamaian village revenue is used for village expenditures which include expenditures for village government administration, village development, village community empowerment, village community development, and expenditures for disaster management and emergencies. There are several work programs that have not been fully implemented, this is due to limited village finances. However, the Village Government will prioritize these programs to be carried out in the following budget year. Information from the Perdamaian village community on the use of village finances has felt the results of village development carried out by the Village Government. The use of village finances has provided benefits for the development of village residents' businesses. The use of village finances has also increased the knowledge of village women, especially knowledge in efforts to increase family economic income through *home industry* training initiated by the Perdamaian Village Government. The Perdamaian Village Government has made maximum efforts to develop the village, especially the physical construction of village roads connecting villages and sub-districts. So that the mobility of village residents is smooth and can support village community activities, especially activities to improve the economy of residents.

The Perdamaian Village community is grateful for the construction and renovation of roads that have been carried out by the Village Government. The community really hopes that the physical construction of this village road will continue every year for other roads in this village. And another hope is that the roads that are built can last in the long term. The quality is prioritized over the amount of road construction itself, so that the use of funds is not wasted.

### **Level of Success of Peace Village Financial Management**

To measure the level of success of Peace Village financial management, an approach is used that is referred to the *Open Budget Index* published by the *International Budget Partnership*. Things that need to be assessed on village financial management include the success of the Village Government in implementing the principle of accountability, implementing the principle of transparency, and the success of inviting the community to participate in every village activity that is sourced from village finances. The implementation of the principle of accountability in the financial management of Perdamaian village was carried out using research data sourced from the questionnaire answers of 80 respondents who provided opinions on indicators of village financial management reviewed from the principle of implementing accountability (responsibility) with 9 questions, transparency with 9 questions, and community participation with 10 questions. The results of respondents' opinions on the implementation of the principles of financial management of Perdamaian village are as follows:



**Table 2**Assessment of Peace Village Financial Management

Indikator	Total Skor	Pertanyaan Kuesioner	Jumlah Responden	Nilai yang diharapkan	Indeks
(a)	(b)	(c)	(d)	(f)	(g)
				c x d	(b/f) x 100%
Akuntabiliti	560	9	80	720	78%
Transparansi	417	9	80	720	58%
Partisipasi Masyarakat	419	10	80	800	52%
Nilai Pengelolaan Keuangan Desa = (Total b/Total f) x 100 = (1.396/2.240) x 100%					62%
Cukup dengan kategori Subtansial					

Source: Data processed by researchers (2024)

Based on the table above, it shows the results of the calculation of the assessment of the level of success of financial management in Perdamaian village through indicators of accountability, transparency, and community participation with the *Open Budget Index approach* resulting in a value of 62% with the qualification of "Sufficient" with the category of "Substantial". This means that the management of village finances carried out by the Perdamaian Village Government shows a quality that is quite good which meets the substantial elements of village financial management. The results of the assessment of village financial management with the status of "Sufficient" with the category of "Substantial" indicate that in the eyes of the village community, the Village Government has carried out its duties in managing village finances on average and has provided a relatively good value in the eyes of the village community.

In terms of legitimacy, the village community relatively trusts what the Village Government has done in managing village finances. The practice of the principle of accountability or responsibility for financial management carried out by the Village Government has been carried out formally to meet the demands of the law so that there are no violations of the law, but on the other hand, the response shown by the village community is not yet satisfied with the model of accountability reports for the use of village finances carried out by the Village Government. The practice of the principle of transparency or openness in financial management carried out by the Village Government has been carried out formally to meet the demands of the law so that there are no violations of the law, but on the other hand, the response shown by the village community is not in line with the practices carried out by the Village Government which believes that infographic media is able to provide transparent information to the community about village financial management.

The Village Government has opened up wide opportunities for village communities to actively participate in village development and village financial management. However, these opportunities have not been optimally utilized by village residents, giving the impression that village community participation in village development is low, especially in supervising village financial management. In fact, village communities have participated in other forms that are not directly related to the development/programs being worked on.

## Village Financial Management

From the accountability aspect, the Perdamaian village government has implemented the principle of accountability as much as possible in being responsible for village financial management. The accountability model is carried out by making reports to the Sub-district Government and higher government and being responsible for village financial management to the village community. In terms of accountability to the village community, the Village Government makes village financial reports in the form of reports on sources of income and use (spending) of the village during the budget year. The report is then published to the village community through infographic media displayed on the village office page, so that it can be accessed by the entire village community. The concept of accountability according to Permendagri No. 20 of 2018 is a form of accountability for financial management reported to the village community which contains reports on the realization of the Village Budget, notes on financial reports, and reports on the realization of activities that have been carried out.

If this concept of accountability is compared with the accountability report on village financial management reported by the Perdamaian Village Government to the village community, there are clear differences or deviations. The accountability report on village financial management reported by the Perdamaian Village Government is very simple and straightforward, where the accountability report does not include clear details of activities and details of the use of program costs, so it does not describe the accountability for the use of village finances that is complete and intact. Based on this, it is concluded that the Perdamaian Village Government has not fully implemented accountability practices in village financial management, where there are still shortcomings and imperfections in providing accountability information on village financial management to the village community. From the transparency aspect, the Perdamaian village government has attempted to report the use of village finances transparently through infographic information media that contains all activities and use of village finances globally.

The transparency media used is through infographic media displayed in the village office so that it can be accessed by all village residents. The concept of transparency in village financial management according to Permendagri No.20/2018 so that information on the use of village finances uses media that is easily accessible to the village community at large. There are two important points in understanding the meaning of transparency, namely the availability of easily accessible media, and ease of wide access. If explained further, the availability of easily accessible media means ease of access anytime, anywhere, not only limited to one media. Easily accessible widely means that the village community gets broad and abundant information about village financial management. The Village Government until now still uses infographic media as the only media that is believed to be able to provide transparent information on the use of village finances.

Honestly, this kind of reason is not yet acceptable, considering that the Village Government must also consider the need for financial management information for village communities that is *up to date* , *comprehensive*, *real time* , and sustainable, so as not to cause



misleading assumptions. So that a contemporary transparency media is needed using information technology that provides many conveniences and is able to contain a lot of information. Thus, it is concluded that the practice of transparency in village financial management carried out by the Perdamaian Village Government has not fully followed the wishes of the Minister of Home Affairs Regulation Number 20 of 2018 which wants village financial management to be informed through easily accessible media and provide a lot of information on the use of village finances to the village community.

Aspects of community participation in village financial management, the Perdamaian Village Government has attempted to invite and invite villagers to actively participate in village discussions discussing program plans and selecting activities to be implemented in the village. So far, the village has opened up wide opportunities for villagers to participate in village development. However, it is very unfortunate that the response of the village community is still low to participate in any form. The participation of the village community in village development is not entirely as expected by the Village Government. Due to various reasons, the villagers have not provided active participation in village development. It turns out that some villagers participate in other forms, such as participating in monitoring development carried out by the Village Government, and there are some people who participate by maintaining and preserving the results of development carried out by the Village Government.

The participation model provided by some villagers has not touched on participation in supervising development and supervising village financial management, so from this aspect the supervisory function by the village community is relatively low. Based on these conditions, it can be concluded that the participation of village communities in village development and village financial management has not fully demonstrated active participation, especially in supervising development and supervising the use of village finances for village development and village communities.

### **Village Financial Management Success Rate**

The assessment of the success of village financial management in Perdamaian Village, Binjau District, Langkat Regency obtained results that the value obtained through the *Open Budget Index* (OBI) approach was 62%, meaning that the quality of financial management of Perdamaian Village is included in the "Sufficient" classification with the "Substantial" category. This assessment shows that the quality of financial management of Perdamaian village is quite good in carrying out the mandate to manage village finances, where the principles of accountability, transparency, and village community participation show relatively strong values supporting the overall financial management assessment to receive the predicate "Sufficient" with the category "Substantial".

Accountability practices received a relatively high response from the village community with an index of 78%. There are at least 3 important points that encourage the creation of village financial management assessment results, such as; accountability for village financial management is free from legal issues, accountability for village financial management has changed the village and villagers for the better, and the Village Head

and village apparatus routinely monitor the community for village financial management that has been carried out for village development. On the other hand, there are also at least three important things that have the potential to make the assessment of financial management low, such as; the village financial management accountability report is reported not in detail and not in detail, and does not include reasons (information) for activities that have not been completed, the Village Government has not provided special media that can be used to provide feedback in the form of criticism, suggestions and the like on the performance of village financial management, and the Village Government tends not to involve the village community in every decision-making for village development and village community development.

The practice of transparency received a relatively low response from respondents (village communities) with an index value of 58%. There are at least 3 important points that strongly encourage the creation of village financial management assessment results, such as; budget information and realization of village financial management are informed to the public right at the beginning of the new budget year, budget information and realization of its use provide many benefits to village residents, and the Village Government accepts every question submitted by the village community to the Village Government regarding village financial management and village development. On the other hand, there are also at least three important things that have the potential to make the assessment of financial management low, such as; The Village Government has not provided information media that supports the quality of transparency in village financial management such as websites, social media and so on, the Village Government has not provided a complaint box or the like for village residents to convey their complaints, and village residents still feel that they have not had easy access to village financial management information in the past few years, because the Village Government has not provided media for these needs.

The assessment of village residents' participation in village financial management and village development received a relatively low response from respondents (village community) with an index value of 52%. There are at least 3 important points that strongly encourage the creation of the results of the village financial management assessment, such as; the village community strongly opposes people who want to damage the results of village development that have been implemented by the Village Government, the village community enjoys the results of village development and village community development that have been implemented by the Village Government with funds from village finances, and the village community actively participates in maintaining and preserving every development result that has been implemented by the Village Government.

On the other hand, there are at least 3 important things that have the potential to give a low value to community participation, including: village communities tend to be less active in supervising the management of village finances by the Village Government, village communities are reluctant to involve themselves voluntarily in every village development activity and village community development, and village communities still feel dissatisfied with the development results that have been implemented by the Village

Government with funds originating from village finances. From several points of advantages and disadvantages of the assessment of aspects of village financial management which include aspects of accountability, aspects of transparency, and aspects of village community participation, the final conclusion was obtained that the success of the financial management of Perdamaian village was at a level of success with a value of 62% included in the "Sufficient" classification with the "Substantial" category.

## Conclusion

1. The success rate of village financial management carried out by the Perdamaian Village Government, Binjai District, has an average score of 62%, which means it is classified as "Sufficient" with the "Substantial" category.
2. The practice of accountability principles provides the greatest contribution in determining the value of village financial management success with a score of 78%, and community participation contributes the least with a score of 52%.
3. Financial management carried out by the Perdamaian Village Government is still constrained in implementing the principles of village financial management, such as budget realization reports reported to the community are still simple and uncomplicated, there is no other information media other than infographics that strengthen the quality of transparency, and the supervisory function carried out by the community in supervising village financial management is still low.

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