

# INOVATION OF LOCAL VILLAGE BUDGETING MANAGEMENT : "THE CASE STUDY OF BANYUWANGI REGENCY ELECTRONIC VILLAGE BUDGETING"

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***Abstract:** This study aims to describe, analyze, and develop models of transparency and accountability models in village financial management oriented towards village independence in Banyuwangi. Data and information collected in secondary data were taken from villages and sub-districts, while primary data was obtained by structured interviews and in depth interviews, observations (direct observations), and dialogues with community groups or Focus Group Discuss (FGD). It is known that APBD sourced from village original income, Village Fund Allocation, and Village Funds whose financial management based on Electronic Village Budgeting (EVB) proved effective and efficient in realizing transparency and accountability both horizontally and vertically. There have been significant advancements in village fund allocation (ADD) and village funds (DD) which are a large component of the APBDes in improving the Rural Development Index (IDM).*

***Keywords:** Transparency, accountability, electronic village budgeting, rural development index*

## 1. Introduction

Decentralization has had various impacts on the administration and management activities of the local government. Decentralization occurs in two aspects, these are decentralization of government administration and decentralization of financial administration. Both of them are intended to delegate authority to the regions in order to explore the capabilities and potential of each region, so that they can achieve effectiveness and efficiency in providing public services to the community. In general, the goal of decentralization is to bring public services closer to the community, thus people can more easily access and receive benefits. Therefore some authorities are delegated to the regions, including in terms of financial management (Nurtanzila and Kumorotomo, 2015).

Related to regional decentralization, villages have a very important role, especially in public services. Greater authority accompanied by funding and assistance with adequate infrastructure is absolutely necessary to strengthen the village economy towards village independence. With the issuance of Law No. 6 of 2014 concerning Villages, the position of village government is getting stronger. The presence of the Village Law is strengthening the status of the village as a community government, as well as a basis for advancing the community and empowering rural communities. This assumption is not excessive, because with the presence of the Law, each village

receives a significant amount of village funds from the National Budget (Soleh and Rochmansjah, 2015).

Independent villages are currently an important issue that needs to be considered more seriously and studied in depth. Since Law No. 6 of 2014 concerning Villages is ratified, there is a policy from the central government that each village will receive village fund allocations originating from the APBN, Provincial APBD, and Regency / City APBD. These funds can be used to finance village development and establish Village-Owned Enterprises (BUMDes), hence they can improve the welfare of rural communities. The policy in the form of fiscal decentralization to the village shows a form of great alignment from the central government for the priority of increasing regional development in community services in order to realize the welfare of rural communities (Sidik, 2015).

In managing village finance according to Minister of Home Affairs Regulation No.113, a model of transparency and accountability is needed in managing village finances. Transparency starts from planning and implementing activities in village development as contained in the village medium term development plan (RPJDes), development activity plans (RKP), and the process of village income and expenditure budgeting (APBDes). In addition, there is also a need for a model of village financial management accountability. Accountability for village financial management is manifested in the accountability and supervision reports on village finance. Banyuwangi is one of the autonomous regions in East Java which in the last few years has continued to transform into a rapidly developing and independent region. This is evidenced by the increasing development planning in various regions which signifies financial accountability in Banyuwangi which is increasing and fulfilling the principles of good governance which include accountability and transparency. The better financial accountability in Banyuwangi is proven by being the only Regency in East Java applying the method of actual accounting based accounting in 2014 (Banyuwangi in figures, 2014). The existence of standards in financial reporting is an effort to improve the quality and performance of government financial management, hence it is more measurable, structured and comparable according to the indicators used in good governance (Tarigan and Nurtanzila, 2013).

In daily practice, many village heads and village officials in Banyuwangi have difficulties in managing village finances, starting with planning activities, planning the village medium term development plan, RKPDes, and planning for APBDes development. Difficulties are also experienced during the implementation of the Regional Budget, financial administration, reporting and accountability reports. For this reason, a model of transparency and accountability is needed in managing village finance, so that village heads and village officials can carry out village financial management practices properly and correctly according to applicable laws and regulations (Sululing and Ode, 2015). With the existence of a model of transparency and accountability in village financial management, it is hoped that it will become the standard of village government in Banyuwangi in information disclosure to the public.

In addition, it will also be able to become the standard of village governance in Banyuwangi in the mechanism of accountability and supervision patterns in village financial management practices, therefore good governance will be realized.

This study aims to describe, analyze, and develop models of transparency and accountability models in village financial management that are oriented towards village independence in Banyuwangi.

## 2. Theoretical Framework

The term "good governance" was introduced by several bilateral or multilateral organizations (JICA, OECD, GTZ) since 1991, by putting pressure on several indicators including: (1) democracy, decentralization, and increasing government capacity; (2) respect for human rights and compliance with applicable laws; (3) people's participation; (4) efficiency, accountability, transparency in government and public administration; (5) reduction of military budget; and (6) market-oriented economic governance (Keban, 2000). UNDP provides several characteristics of the implementation of good governance (Coal, 2006), including: Participation, Rule of Law, Transparency, Responsiveness, Consensus orientation, Equity, Efficiency and Effectiveness, Accountability, Strategic vision.

Davis in Meijer (2012) says transparency as "lifting the veil of secrecy" or "an ability to see clearly through the point of view of an institution". Whereas Best (2005) defines transparency as available information free and easily accessible to those affected by the decision and that the information provided is adequate through easily understood formats and media. Oye (1986) and Mitchell (1998)'s opinion on transparency is as an action of disseminating information about the internal characteristics of the government in legal, political and institutional structures to actors within and outside the domestic political system and society.

The principle of transparency has two aspects, these are (1) public communication as an obligation owned by the government; and (2) community rights to access information (Coal, 2006). Therefore, it can be said that transparency is an information disclosure to the parties concerned. Transparency is related to the government's obligation to provide information to the public and related to the rights of citizens or the public to obtain public information.

Meanwhile, accountability contains an understanding that every activity carried out by the government, including financial management can be monitored and accounted for by each party involved, especially the community. Consequently, accountability is an absolute necessity in financial management at various levels of government. However Kumorotomo, (2006) states that there is no guarantee that an improvement in the system or regulation will support the accountability of officials if the behavior patterns of regional politicians and bureaucrats are still influenced by old values. The old values here mean not prioritizing public interests, but are always subject to political leadership.

Furthermore, electronic village budgeting (EVB) is a management information system implemented by the Banyuwangi government to support planning, implementing, administrating, reporting. Besides, it also includes time monitoring and evaluating village income and expenditure budgets, where data and information transactions can be carried out electronically to improve effectiveness and efficiency. With EVB, the availability of data and information is easier to trace. Furthermore, the application of the principles of transparency and accountability is more assured.

One reference to look at village development is using the Village Build Index. The Build Village Index is a composite of social, economic and ecological resilience. From 3 dimensions, it is further operationalized in 22 Variables and 52 indicators (see Anwar et al. 2018; 44-45). The Village Build Index classifies villages in five categories, these are: (i) Very Disadvantaged Villages; (ii) Disadvantaged villages; (iii) Developing Villages; (iv) Advanced Village; and (v) Independent Villages. The Village category based on the Village Build Index is also directed to encourage and facilitate villages to reach better categories and to go to independent villages.

### **3. Research Method**

Data and information collected in the form of secondary data were taken from villages and sub-districts, while primary data was obtained through structured interviews and in depth interviews, observations (direct observations), and dialogue with community groups or Focus Group Discuss (FGD). Key informants are selected based on their authority, or actors or interested parties in the implementation of transparency and accountability in the village's financial management. Maintaining the validity of the data is done by triangulation with various sources and techniques.

### **4. Result and Discussion**

In 2016 the total Village Funds sourced from the APBN for all villages in Banyuwangi were Rp. 133,749,263,000.00. While the amount of Village Fund Allocation sourced from the Banyuwangi Regency APBD for all villages was Rp. 83,018,369,000.00. The Village Fund Amount and Village Fund Allocation are spread to 189 villages in Banyuwangi Regency. Based on the calculation of the Village Fund average and Village Fund Allocation received by each village in Banyuwangi Regency that is an average of Rp. 1,146,918,688.00. The proportion of the Village Budget allocation in Banyuwangi Regency in 2016 in detail can be seen in the following figure.

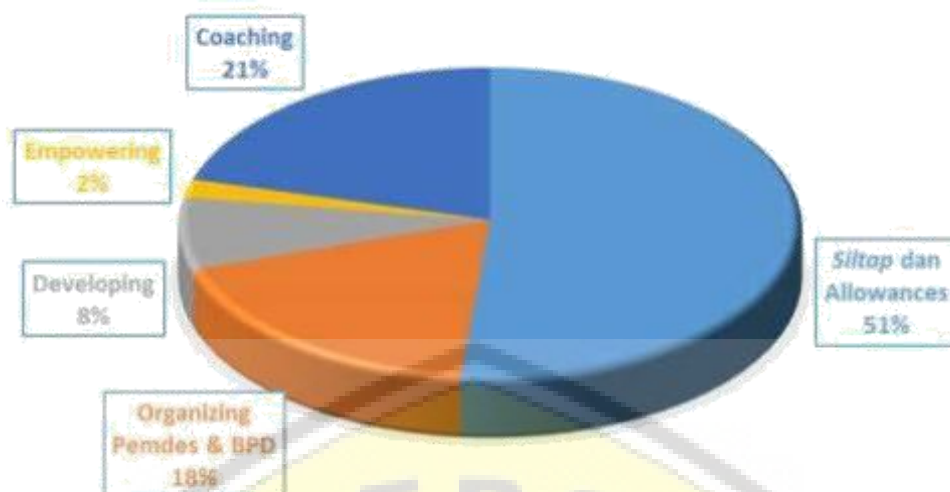


Figure 1. Proportion Allocation APBDesa in 2017.  
Source : APBDesa from the villages in Banyuwangi 2018

From Figure 4.1, we can see the description of the use of Village APB in Banyuwangi in 2016. The Village Budget is mostly used for Siltap and Allowances of 51%, then the Village Budget is allocated to community development by 21%, the implementation of Pemdes and BPD by 18%, Development by 8% and empowerment by 2%.

Regional Regulations and Regent Regulations mandate a number of regional instruments such as the Village Community Empowerment Service and Village Government to organize technical guidance, consultations, and coordination with village governments in each stage of planning, implementation, administration, reporting and accountability of the village revenue and expenditure budget. Technical guidance is conducted privately while consultation is carried out for village government officials who need it. Even the defense of the problems faced by the village government is faced with several interest groups (Interview with the Head of DPMPD in June 2018).

The process of village financial management in Banyuwangi is carried out through Electronic Village Budgeting. This system is a system in managing village finances starting from financial planning, implementing, administrating, and reporting to accountability for village financial management. Based on the results of interviews, the Head of Bappeda (former Head of BPMPD / DPMPD) stated that:

"Through EVB, the Village Head cannot do anything, the DPRD members also cannot do anything. I really don't want to be able to change the plan in the middle of the road even though it is a DPRD member. It is normal that they are in the middle of asking for a project, now they cannot. If you want to make an activity, it must be from the beginning of the musrenbang, enter the proposal there, not in the middle of entering. Through EVB, planning is definitely in accordance with the implementation, so I can't play village finances now."

## Transparency and accountability

Transparency of the planning process consists of transparency upwards (to the District Government) and also transparency to the community. Upward transparency is carried out through E-Village Budgeting (EVB) as a village financial management in Banyuwangi, while horizontal transparency is carried out with Village development planning meetings involving: (a) Village / Village Government, Village Consultative Body, Village Community Empowerment Institution / Kelurahan; (b) religious leaders and traditional leaders; (c) female elements; (d) youth elements; (e) poor family elements; (f) village community organizations, mass organizations in the village / kelurahan; (g) community empowerment cadre (KPM); (h) entrepreneurs, cooperatives, business / marketing groups, farmer groups / fishermen, Field Extension Officers; (i) Education actors; (j) health and family planning personnel; (k) elements of sub-district government officials; Regional Technical Implementation Units in the District; District officials as and members of the Regional People's Legislative Assembly as resource persons. The principle of transparency is carried out both at the planning, implementing, administrating, reporting and accountability stages.

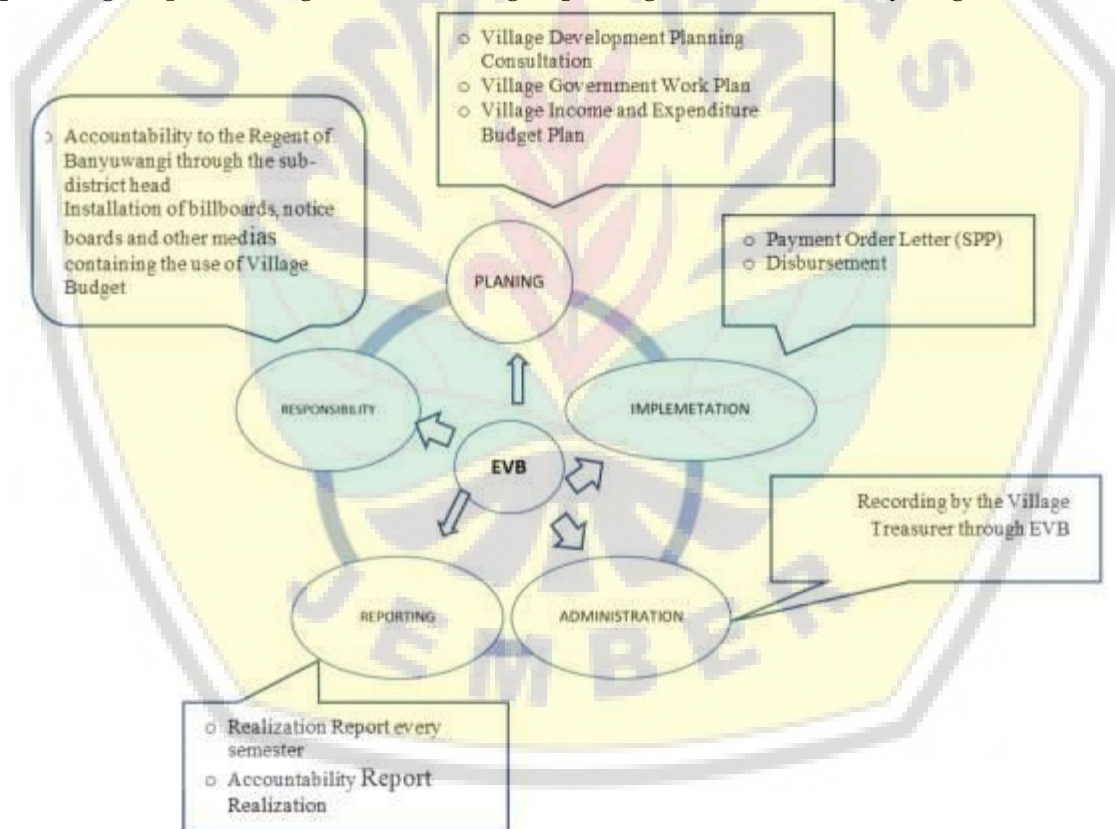


Figure 2 The Cycle of Village Financial Management in Banyuwangi

The involvement of these components in the village development planning deliberation process sufficiently varied from very participatory and quality forums to merely fulfilling the requirements of mere formalities. It depends very much on the

acceptability of the village community with the elected village head and his capacity to mobilize the community (Interview with the Head of DPMPD in June 2018).

In the formulation of the Village Medium Term Development Plan, Village Government Work Plan and Village Budget Acceptance and Expenditure Plan formally the involvement of stakeholders is fulfilled, but the final results will be determined how the quality of the village development planning forum is able to accommodate the various aspirations that arise will determine the RAPBDesa realistic. However, the reality of the forums in the hamlet view, and village development planning meetings, and village meetings is generally dominated by formal figures and informal village leaders (Interview with the Head of Banyuwangi DPMPD July 2018).

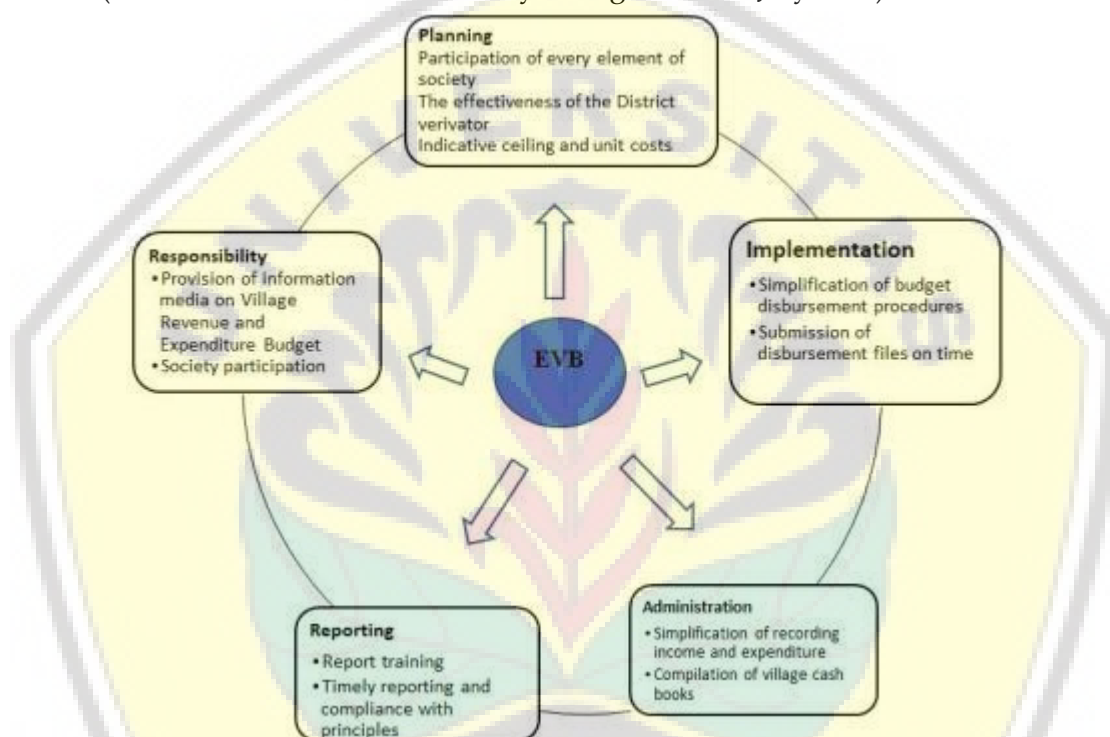


Figure 3 Transparency and Accountability Model of Financial Management in Banyuwangi

The weak human resources of village government officials in Banyuwangi in information technology, bookkeeping, preparation of budget plans, and tax obligations have resulted in the implementation of information technology-based APBDes budgeting facing a number of obstacles. Some villages in remote areas often face the problem of "blank spots" so that the transfer of data and information becomes hampered.

### Village Build Index

The allocation of Village Funds and Village Funds, which are important parts of the Village Budget and Expenditure Budget since 2015, have had a significant impact on the movement of the village building index in Banyuwangi.

Meanwhile, based on a comparison of 2015 data with 2017, the shift in the village category in Banyuwangi also made significant progress. It also shows that the limited financial resources in the APBDesa are important factors in the process of accelerating development in the village.

## 5. Conclusion

Law No. 6 of 2014 concerning Villages and legislation governing further and in detail gives new hope for village governments to develop their capacity and administrative capabilities to build and empower their communities towards prosperous communities. The new hope arises because the authority and village affairs are clearer, the position of village government is getting stronger, the support of financial resources comes from village funds and village fund allocation. Efforts to build transparency and accountability in village financial management in Banyuwangi were carried out through Regional Regulations and Regents of the Regulations which mandated a number of regional instruments such as the Village Community Empowerment Service to hold technical guidance, consultation and coordination with village administrations. The application of the Banyuwangi government electronic village budgeting (EVB) to support planning, implementing, administrating, reporting and at the same time monitoring and evaluating instruments on village income and expenditure budgets aims to improve the effectiveness and efficiency, transparency and accountability of APBDes management.

The quality of village government apparatus resources in Banyuwangi in general has not been able to optimally implement village financial management in a transparent and accountable manner. It is especially related to understanding the dynamics of village legislation and its implementation rules, as well as planning and budgeting capabilities, accounting and tax obligations. for village financial management.

Banyuwangi needs to make continuous efforts to develop the capacity of village government, especially the capacity of the village government apparatus through a number of technical guidance, education and consultation training and a wider space for village government so that the village is able to develop itself for the welfare of its people.

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