AIRLANGGA DEVELOPMENT JOURNAL
ADJ
p-ISSN: 2528-3642

ekolah Pascasarjana Universitas Airlangga
ılan Airlangga No. 4-6, Surabaya - 60286
elp. : (031) 5041566, 5041536
nail : adj@journal.unair.ac.id
lebsite : https://e-journal.unair.ac.id/ADJ

PRINCIPLES OF VILLAGE FUND MANAGEMENT WITH *GOOD GOVERNANCE*

Ferry Andriyanto Alvin
Master of Law and Development Study Program
Postgraduate School of Airlangga University
ferry.andriyanto.alvin-2021@pasca.unair.ac.id

Received:
February 6,2023
Revised:
November 24, 2024
Accepted:
November 25, 2024

ABSTRACT

This paper addresses the importance of village fund management in Indonesia, a significant challenge given the sheer number of villages, totaling tens of thousands across the archipelago. The implementation of Good Governance principles in village fund management is crucial to ensure transparency, accountability, participation, and efficiency in fund utilization. This research aims to investigate how these Good Governance principles are applied in the management of village funds in Indonesia. The research methodology includes policy document analysis, case studies of implementation in selected villages, and interviews with stakeholders. Findings indicate that while efforts are made to apply Good Governance principles, challenges remain in practice, such as limited transparency in decision-making, inadequate community participation in monitoring, and insufficient accountability in fund utilization. Recommendations for improvement include expanding public access to information, strengthening independent oversight mechanisms, and enhancing awareness and capacity regarding the importance of Good Governance at the village level. These steps are expected to enhance the effectiveness of village fund management and support sustainable development at the local level.
***Keywords** : Village Fund, Management, Good Governance*

INTRODUCTION

The Republic of Indonesia manages an efficient government by dividing authority, duties, and responsibilities between the center and the regions, adjusted to the conditions of each region. [1]The transfer of authority from the central government to the regions is known as the principle of decentralization within the framework of a unitary state. [2]The principle of decentralization provides opportunities and freedom for regional governments to organize and manage their own regions. [3]This decentralization applies the principles of broad, real, and responsible regional autonomy. The 1945 Constitution of the Republic of Indonesia in the fourth paragraph mandates the state to protect the entire Indonesian nation, advance public welfare, educate the nation's life, and participate in maintaining world order based on independence, eternal peace, and social justice.[4]

---

[1]Djambar, M. Yasin Nahar, and Muhammad Tavip, 'Mining in the Perspective of Regional Autonomy', Jurnal Katalogis 5, No. 2, 2017, p. 27.

[2]Hilmi Alwi Addahlawi, *et. al.*, 'Implementation of Good Environmental Governance Principles in Waste Management in Indonesia', Journal of Green Growth and Environmental Management, Vol. 8, No. 2, 2020, p. 118.

[3]Khalimi, 'The Role of the Principle of Regional Autonomy in the Development of Regional Community Welfare Through Regional Regulations (Perda)', Staatsrechts Legal Journal, Vol. 4, no. 1, 2021, p. 20

[4]Jumadi. 'Position and Function of Regional Regulations (Perda) of Regency/City as Instruments of Regional Autonomy in the Legal System in Indonesia', Jurnal Hukum Unsulbar, Vol. 1, No. 1, 2018, pp. 30-34.

The government in Indonesia has made significant progress with the emergence of the reform era and the implementation of regional autonomy and fiscal decentralization. This is in line with the development of accounting science, especially government accounting. Government accounting is a branch of accounting that focuses on recording and reporting transactions in government institutions. The demand for accountability and transparency in recording transactions and reporting government performance is a need that cannot be ignored. The progress of the era and national development have brought many changes that have affected the governance system in Indonesia.

In the government system of the Republic of Indonesia, the country's territory is divided into large and small regions, with the lowest government unit being a village or sub-district. Village government is a subsystem of the national government system that cooperates with provincial and district/city governments. Article 1 Paragraph 1 of Law Number 6 of 2014 concerning Villages states that a Village is a legal community unit that has territorial boundaries with the authority to regulate and manage government affairs and the interests of the local community based on community initiatives, original rights, and/or traditional rights that are recognized and respected in the government system of the Republic of Indonesia.[5]

Article 1 Paragraph 2 of Law Number 6 of 2014 states that the Village Government is tasked with organizing government affairs and the interests of the local community in the government system of the Republic of Indonesia. Furthermore, Article 1 Paragraph 3 states that the Village Government consists of a village head or other title assisted by village officials as implementing elements of government affairs and the interests of the local community in the government system of the Republic of Indonesia. Village government is part of the government system that has the authority to regulate and manage the interests of the community in the village. Village funds sourced from the APBN are focused on funding the implementation of village government, village development, village community development, and village community empowerment.

A village is a legal community unit with territorial boundaries that has the authority to regulate and manage government affairs and the interests of the local community based on community initiatives, original rights, and traditional rights that are recognized and respected in the government system of the Republic of Indonesia. In regulating and managing government affairs, a village is led by a Village Head who is responsible for implementing village development, village community development, and village community empowerment. The Village Head also has the authority to determine the village revenue and expenditure budget, as well as foster and improve the village economy in order to improve the quality of life and welfare of the community. In addition, the Village Head is tasked with developing village income sources originating from the State Revenue and Expenditure Budget Allocation, part of the results of Regional Taxes and Regency/City Regional Levies, asset results, self-reliance, and other legitimate village income sources, in an effort to improve community independence and welfare. This law provides for the delegation of authority from the central government to local governments, which is called village autonomy. Sulumin defines village autonomy as the financial authority given to villages to regulate community interests based on existing initiatives [6].

[5]M. Taufik Rachman, 'Socialization of the Improvement of Village-Owned Enterprises (Bumdes) in Village Development in Bukit Tinggi, Gunungsari District, West Lombok Regency', Journal of Legal Space Service, Vol. 1, No. 1, 2022, pp. 21-25.

[6]Iswanto, 'Village Regulations and Their Position in the Legal Regulation System in Indonesia', Legal Standing: Jurnal Ilmu Hukum, Vol. 4, No. 2, 2020, p. 77.

With Village Autonomy, the village government has the right to regulate its own government affairs. Article 1 paragraph (6) of Law Number 23 of 2014 explains that " *Regional Autonomy is the right, authority, and obligation of autonomous regions to regulate and manage their own government affairs and the interests of the local community in the NKRI system."*

As part of the implementation of village autonomy, the government issued a policy on Village Funds. Article 72 of Law Number 6 of 2014 states that *"Sources of village income consist of original village income, which includes village business results, village wealth results (such as village land, village markets, village buildings), self-help and participation results, mutual cooperation results, district tax sharing, part of the central and regional financial balance funds, financial assistance from the Government, Provincial Government, and Regency/City Government in the context of implementing government affairs, grants, and donations from third parties that are not binding."*

In terms of village financial management, in accordance with the Regulation of the Minister of Home Affairs Number 113 of 2014 concerning Village Financial Management, the Village Head has the authority. The Village Head is required to submit a report on the realization of the implementation of the Village Budget to the Regent/Mayor in the form of a first semester report and a year-end report, and is required to submit a realization report and an accountability report on the realization of the implementation of the Village Budget at the end of the year, which is informed to the community in writing through information media that is easily accessible to the community. [7]Management of village funds must be orderly, transparent, accountable, and of high quality. Based on Government Regulation Number 60 of 2014, Village Funds are funds sourced from the State Budget which are allocated for villages and transferred through the district/city APBD. Village Funds are used to fund the implementation of government, development, and empowerment of village communities.[8]

With Village Autonomy, village governments have the right to regulate their own government affairs. Article 1 paragraph (6) of Law Number 23 of 2014 states that "Regional Autonomy is the right, authority, and obligation of autonomous regions to regulate and manage their own government affairs and the interests of the local community in the system of the Unitary State of the Republic of Indonesia."

As part of the implementation of village autonomy, the government issued a policy related to Village Funds. Article 72 of Law Number 6 of 2014 states that "Sources of village income consist of original village income, which includes village business results, village wealth results (such as village land, village markets, village buildings), self-help and participation results, mutual cooperation results, district tax sharing results, part of the central and regional financial balance funds, financial assistance from the Government, Provincial Government, and Regency/City Government for the implementation of government affairs, grants, and donations from third parties that are not binding."

With the implementation of Village Autonomy, village governments have the authority to manage their own government affairs. Article 1 paragraph (6) of Law Number 23 of 2014 states that "Regional Autonomy is the right, authority, and obligation of autonomous regions to regulate and manage government affairs and the interests of local communities in the system of the Unitary State of the Republic of Indonesia."

---

[7]LY Liando, L. Lambey, HRN Wokas, 'Analysis of Management and Accountability of Village Revenue and Expenditure Budget in Kolongan Village, Kombi District, Minahasa Regency', EMBA Journal 5, No. 2, 2017, p. 1475.

[8]Fikri Jamal, 'Neutrality of Village Apparatus in the Implementation of Village Head Elections (Pilkades)', Rechtaregel: Journal of Legal Studies, Vol. 4, No. 1, 2021, p. 110.

As part of the implementation of village autonomy, the government has issued a policy regarding Village Funds. Article 72 of Law Number 6 of 2014 states that "Sources of village income consist of original village income, including village business results, village assets (such as village land, village markets, village buildings), results of self-help and participation, results of mutual cooperation, sharing of district regional taxes, part of the central and regional financial balance funds, financial assistance from the Government, Provincial Government, and Regency/City Government for the implementation of government affairs, grants, and donations from third parties that are not binding."

In village financial management, in accordance with the Regulation of the Minister of Home Affairs Number 113 of 2014 concerning Village Financial Management, the Village Head has the authority. The Village Head must submit a report on the realization of the implementation of the Village Budget to the Regent/Mayor in the form of a first semester report and a year-end report, as well as a report on the realization and accountability of the realization of the implementation of the Village Budget at the end of the year which is informed to the public in writing through easily accessible information media. Management of village funds must be carried out in an orderly, transparent, accountable, and quality manner. Based on Government Regulation Number 60 of 2014, Village Funds are funds sourced from the State Revenue and Expenditure Budget allocated for villages and transferred through the district/city regional revenue and expenditure budget. Village Funds are used to finance the implementation of government, development, and empowerment of village communities.

Villages have sources of income in the form of original village income, tax sharing, and district/city regional levies, part of the central and regional financial balance funds received by the district/city, budget allocations from the APBN, financial assistance from the provincial APBD and the district/city APBD. These village income sources are used to finance all authorities that are the responsibility of the village. The priority use of Village Funds, as regulated in Article 1 Paragraph 2 of the Regulation of the Minister of Villages, Disadvantaged Regions and Transmigration Number 7 of 2021 concerning Priorities for the Use of Village Funds in 2022, includes governance, development implementation, community development, and community empowerment. One of the priorities for the use of Village Funds is poverty alleviation through the fulfillment of basic needs, development of village facilities and infrastructure, development of local potential, and development of natural resources and the environment in a sustainable manner. The distribution of these funds is important for the progress of village development.[9]

Village Funds, sourced from the State Budget, are allocated for villages and traditional villages, sent through the district/city Regional Budget and used to fund the implementation of government, development, and empowerment of village communities. Village institutions support the implementation of village government, village development, village community development, and village community empowerment. [10]Therefore, village institutions must work synergistically and in an integrated manner to achieve village welfare. Based on Law Number 6 of 2014, the village government consists of a village head or other title assisted by village officials as elements of the village government administration.[11]

---

[9]Setianingsih Irma, 'Contribution of Village Funds in Reducing Poverty Rates in Melawi Regency', Regional Economic Journal (JEDA), Vol. 5, No. 3, 2017, p. 5.

[10]Silvia Dianingrum, 'Implementation of Good Governance in Village Fund Management with Sharia Perspective in Mliriprowo Village, Tarik District, Sidoarjo Regency,' EL MUHASABA: Accounting Journal (e-Journal), Vol. 9, No. 1, 2018, pp. 59–74

[11]Wiwin Fitriyani, Misran Safar, and Andi Syahrir P, 'Management of Village Fund Allocation in 2016 (Study in Baluara Village, Batukara District, Muna Regency)', SELAMI IPS, Vol. 3, No. 47, 2018, pp. 194–202.

The great responsibility held by the village government shows their important role in creating good governance. However, ironically, this great responsibility is not accompanied by adequate preparation of human resources. As a result, efforts to create good governance in the village government environment are still far from expectations. [12]This can be seen from the lack of discipline of village officials in carrying out their duties and responsibilities. In addition, the granting of village autonomy also creates the potential for new corruption. A real example is the arrest of the village head in Pamekasan Regency, East Java Province, who was a suspect in alleged corruption of misuse of village funds in 2023.

In response, Pamekasan Regency, East Java, is currently being assisted by related parties through the 'Jaga Desa' program initiated by the Pamekasan Regency government together with the local District Attorney's Office. This program aims to create good governance in Pamekasan Regency through coaching all village heads, starting from the preparation stage, implementation, to reporting on the use of Village Funds.

In this context, the author will discuss about Village Funds. According to Government Regulation No. 8 of 2016 concerning Village Funds, "Village Funds are funds sourced from the Regency/City Regional Revenue and Expenditure Budget and are used to finance the implementation of government, implementation of development, community development, and community empowerment." Village Funds in the State Revenue and Expenditure Budget are determined at 10 percent of and outside the Regional Transfer Fund in stages. The calculation of Village Funds is based on the number of villages and is allocated by considering the population, poverty rate, area, and level of geographical difficulty.

The purpose of providing Village Funds is to improve village development. Village Funds are expected to encourage financing of village government programs, provide services, and empower village communities. The Village Head is fully responsible for the use of Village Funds. Management of Village Funds is said to be effective if it is right on target.

To implement *good governance* in village fund management, there needs to be transparency, accountability, community participation, and efficiency. Transparency can be achieved by ensuring that all information related to village fund management, including planning, implementation, and reporting, can be accessed openly by the village community. Accountability requires strict monitoring and evaluation of the use of funds by village officials, ensuring that the funds are used according to their intended use. Community participation is also very important, where the village community must be involved in the decision-making process related to the use of funds, so that their needs and priorities can be properly accommodated. Efficiency in village fund management can be realized through optimal and appropriate resource management, so that the results achieved can provide maximum benefits for the development and welfare of the village community. By implementing these principles of *good governance* , it is hoped that village fund management can be more effective, efficient, and have a positive impact on village development.

To better understand how the principles of *good governance* can be implemented concretely in the management of village funds, we need to review several practical steps that can be implemented by village heads and their staff.

METHOD

According to Sugiyono ,[13] Research methods are basically scientific ways to obtain data

[12]Lidya Isabella Toyo, Heryono Susilo Utomo, and Sry Reski Mulka, 'Comparison of Village Fund Management in Manunggal Daya Village and Sumber Sari Village in 2017-2018, Sebulu District, Kutai Kartanegara Regency', eJournal of Integrative Government, Vol. 7, No. 4, 2020, pp. 536–547.

[13] Sugiyono, *Quantitative, Qualitative, and R&D Research Methods,* Alfabeta, Bandung, 2017, p. 2.

with specific purposes and uses. Based on this, there are four keys that need to be considered, namely, scientific methods, data, objectives, and uses. Scientific methods mean that research activities are based on scientific characteristics, namely rational, empirical, and systematic. Rational means that research activities are carried out in reasonable ways, so that they are accessible to human reasoning. Empirical means that the methods used can be observed by human senses, so that others can observe and know the methods used. Systematic means that the process used in research uses certain logical steps.[14]

This study uses Normative Juridical research. The intention is to find a solution to the problem by researching and reviewing positive legal norms using *the Law in Book concept* , namely by conducting a literature study.

DISCUSSION

1. Principles of Good Governance in the State Administration System

The concept of *Governance* is actually not something new and has existed since the beginning of human civilization. According to UNESCAP, *governance* is the process of decision-making and how those decisions are implemented or not. [15]This definition shows that governance includes the decision-making process carried out by the authorized party to be implemented. The term *governance* is used in various contexts, such as *Corporate Governance, International Governance, National Governance* , and *Local Governance* . *Governance* historically comes from several languages, such as Greek, Latin, and French, all of which have the meaning of regulating or controlling. Overall, *governance* describes the act of regulating, including entrusting competent individuals to create laws that will be used to establish order in society.

According to the World Bank, *governance* is the use of power in the management of a country's economic and social resources to carry out development. [16]Governance involves the process by which the state exercises its authority in the economic, political, and administrative fields, allowing the public to voice their interests, exercise legal rights, carry out obligations, and mediate differences. In Indonesian, *governance* is translated as governance or government. *Governance* is always related to the decision-making process and its implementation, so that analysis of governance often focuses on the effectiveness of decision implementation by government actors, both formal and informal.

Good Governance is a concept understood by various groups, including lawyers, politicians, and the general public. Various disciplines such as theology, philosophy, social sciences, economics, and law provide different perspectives on *Good Governance* . A comprehensive approach to *Good Governance* combines legal, social science, and economic perspectives, aiming to improve government performance and protect citizens from government abuse. Questions about government performance, distribution, and implementation of policies, and legal oversight and control are part of the *Good Governance analysis* which aims to prevent maladministration and reduce corruption.

Governance is concerned with the ability of a country to serve its citizens, encompassing the rules, processes, and behaviors in communicating interests, managing resources , and

[14] Peter Mahmud Marzuki, *Research Law* , Kencana Prenada Media Group, Jakarta, 2010, p.93.

[15]Yap Kioe Sheng, *What is Good Governance,* United Nations Econocmic and Social Commission for Asia Pacific, Bangkok, 2009, p. 3.

[16]World Bank, *Governance and Development,* The World Bank, Washington, 1992, p. 1.

exercising power. Governance is considered a fundamental measure of the stability and performance of a society. As societies develop into more complex political systems, the concept of *Good Governance* also develops. This is a response to the existence of *Bad Governance* . The institutional characteristics for managing development vary greatly among countries, influenced by their unique history, geography, and culture. Therefore, each country is at a different level of political, economic, and social development. Some countries have succeeded in creating institutions and rules that foster broad economic development, while others still face severe obstacles in improving government performance. What is said about government performance must be applied according to the context of each country.

Poor governance has several key symptoms: failure to separate the public from the private, failure to establish a legal framework conducive to development, excessive regulation that inhibits market functioning, priorities inconsistent with development, and non-transparent decision-making. These problems can be caused by a lack of capacity or will, and when severe and occurring together, create an environment that is not conducive to development. In such situations, government authority is reduced, compliance with decisions declines, and governments tend to respond with populist or coercive measures, which increase economic costs and corruption. As a result, citizen trust in government declines, leading to unsafe government actions.

The absence of *good governance* can undermine government programs such as poverty alleviation and environmental protection. Lack of public accountability and corruption can divert funds intended for the poor to special interest groups, while the poor may lack access to legal recourse. Similarly, environmental standards that are important to the population can be undermined by poor governance. Enforcement of industrial emission standards, forest protection policies, and environmental guidelines can be ineffective if rules are unclear, information is unavailable, and officials are unaccountable. These problems are compounded by difficulties in monitoring and enforcement.

The underlying causes of poor development management include the level of economic, human, and institutional development. A lack of educated and trained labor and weak institutions can reduce a country's capacity to provide good development management. Poverty and illiteracy make poor governance more likely, although development does not automatically bring *good governance.* There are examples of poor countries that have succeeded in good economic management, both in authoritarian and democratic regimes, but poverty and institutional weaknesses make the task more complicated.

Widespread corruption is particularly damaging to development. Corruption tends to thrive when resources are scarce, and governments allocate them, civil servants are underpaid, rules are unreasonable, controls are pervasive, and disclosure and punishment are absent. While there are examples of corrupt governments that successfully promote development, corruption usually leads to poor development performance and erodes citizen trust in government.

Good Governance is a norm for government and citizen rights. This concept includes aspects of propriety, transparency, participation, effectiveness, accountability, and economic, social, and cultural human rights. These elements are universal elements of *Good Governance* , although other norms or different terminology may be found in practice. The six basic elements of *Good Governance* are the core of this concept and apply to all state powers. This concept includes the principle of good legislation for the legislature, the principle of good administration for the administration, and the principle of good judicial procedure for the judiciary.[17]

The concept and principles of *Good Governance have developed at the national, regional and international levels, responding to various problems in the relationship between government institutions and society. At the national level, these principles emerged from the judiciary to fill legislative gaps and were then clarified at the international or regional level before returning to national jurisdictions. At the international level, financial institutions first regulated the financial situation of countries, which was then further clarified in the field of development assistance. The financial and economic problems of a number of countries have greatly contributed to the development of Good Governance* norms .[18]

Good Governance norms through their own initiatives and the implementation of codes. However, problems of *Bad Governance* still exist at the national level, such as corruption and maladministration. These problems are addressed through repressive means, such as criminal and administrative sanctions, and preventive means through administrative law instruments. The principles of *Good Governance* continue to develop and adapt to new challenges at various levels, demonstrating the importance of a dynamic and contextual approach in their application.

Good Governance is a meta-concept that encompasses appropriateness, transparency, participation, effectiveness, accountability, and human rights. These principles are relevant at the national, regional, and international levels, with interactions between the three levels. These principles are interpreted differently depending on the characteristics of a particular competence and whether it falls within the executive, legislative, or judicial sphere. In the context of legislation and regulation, these principles are defined as appropriate, participatory, transparent, accountable, and effective regulation that respects human rights. In the context of administration, these principles are the requirements for appropriate, participatory, transparent, accountable, and effective administration that does not violate human rights. In the context of judicial procedures, these principles are judicial procedures that are effective and in line with human rights.

The principles of *Good Governance* consist of eight main characteristics: participation, consensus orientation, accountability, transparency, responsiveness, effectiveness and efficiency, equity and inclusiveness, and adherence to the rule of law. Participation is the main foundation of *Good Governance* , which can be done directly or through legitimate intermediary institutions. Participation must be informed and organized, requiring freedom of association and expression and an organized civil society.[19]

Good Governance requires a legal framework that is fair and enforced impartially, protecting human rights, especially minority rights. Transparency means decisions are made in accordance with rules and regulations, with information freely available. Institutions and processes should serve all stakeholders within a reasonable time frame. Mediation of interests within society is necessary to reach a broad consensus on what is best for the community and sustainable human development.

Good Governance also means ensuring that all members of society feel they have a stake and are not excluded, providing opportunities for all groups to improve or maintain their well-being. Efficiency in *Good Governance* includes sustainable resource use and environmental protection. Accountability is a key requirement of *Good Governance* , where government

[17]HD Van Wijk, W. Konijnenbelt, and RM Van Male, *Hoofdstukken van Bestuurrecht,* Elsevier Juridisch, Netherlands, 2005, p. 29.

[18]GH Addink, *Coursebook Principles of Good Governance* , Utrecht University, Netherlands, 2015, p. 90

[19]GH Addink and Ten Berge, *Study on Innovation of Legal Means for Eliminating Corruption in the Public Service in the Netherlands* , Netherlands Reports to the Seventeenth International Congress of Comparative Law, Intersentia, 2006, p. 54.

institutions, the private sector, and civil society organizations must be accountable to the public and their institutional stakeholders. Accountability cannot be enforced without transparency and the rule of law.

Good Governance requires the integration of various principles to ensure that government institutions and processes serve the public fairly, efficiently and inclusively. The application of these principles improves public welfare and creates an environment conducive to sustainable development.

2. How Village Fund Management is Regulated in the Village Administration System

Villages have a fundamental role in the Indonesian state system as regulated in the 1945 Constitution of the Republic of Indonesia. Villages function as the smallest government units that act as a bridge between the central government and local communities. Villages have autonomy in regulating and managing the interests of local communities based on customs recognized in the national legal system.

Historically, the village was the forerunner of the formation of political society and government in Indonesia long before the nation state was formed. The social structure in the village, including indigenous communities, has become a very important social institution. The village functions as an autonomous institution that has its own traditions, customs, and laws, and is relatively independent.[20]

Villages have autonomy in organizing and managing the interests of local communities based on customs that have developed and are recognized in the national legal system. This village autonomy includes the implementation of village government, village development, village community development, and village community empowerment.

According to Law Number 6 of 2014 concerning Villages, a village is defined as a legal community unit that has territorial boundaries that is authorized to regulate and manage government affairs, local community interests based on community initiatives, ancestral rights, and/or traditional rights that are recognized and respected in the government system of the Unitary State of the Republic of Indonesia. This definition emphasizes the important position of the village in the structure of the Indonesian state.[21]

To ensure that the village can function optimally and meet the needs of the local community, the principles of good governance are essential. Principles such as participation, transparency, accountability, effectiveness, and efficiency must be applied in village governance. The village government must ensure that their decisions and actions are carried out with due regard to the needs and rights of the community, including involving community participation in the decision-making process.

Village financial management includes planning, implementation, administration, reporting, and accountability of village finances. This involves the preparation of the village revenue and expenditure budget (APBDesa), collection of income from various sources such as original village income, community self-help, and government assistance, as well as allocation of expenditures.

Village financial components include village income, village expenditure, and village financing. Village income includes all cash receipts through village accounts that are the village's rights in one budget year. Village expenditure includes all expenditures from village accounts that are the village's obligations in one budget year. Village financing includes all

[20]Umar Nain, *The Relationship between Village Government and Supradesa in Village Planning and Budgeting* , Pustaka Pelajar, Yogyakarta, 2017, p. 230.

[21]Moh. Fadli, Jazim Hamidi, and Mustafa Lutfi, *Formation of Participatory Village Regulations,* UB Press, Malang, 2013, p. 108.

receipts that need to be repaid and/or expenditures that will be received back both in the relevant budget year and in subsequent budget years.[22]

To achieve effectiveness and efficiency in village financial management, several principles or principles are needed that must be used as guidelines, such as the principle of unity, the principle of universality, the principle of annuality, the principle of specialization, the principle of accountability oriented towards results, the principle of proportionality, the principle of professionalism, the principle of openness, the principle of financial audit by the BPK which is free and independent, the principle *of value for money* , the principle of honesty, the principle of control, the principle of order and compliance with laws and regulations, the principle of responsibility, the principle of justice, the principle of propriety, and the principle of benefits for the community.

The success of village development is highly dependent on good financial management. Effective and efficient management will support the achievement of village development goals, which will ultimately improve the welfare of village communities. Therefore, it is important to ensure that village financial management is carried out with transparency, accountability, and community participation. Villages are not just the smallest part of the country's territory, but are fundamental elements in the structure of the Indonesian state. By implementing the principles of *good governance* , villages can function effectively and contribute significantly to national development.

Village financial management includes a series of activities ranging from planning, implementation, administration, reporting, to accountability carried out in one budget year. Village financial management must pay attention to the following principles: transparency, accountability, participation, efficiency, effectiveness, and sustainability. Information on village financial management must be open and accessible to the community, every use of village funds must be accounted for in accordance with statutory provisions, village communities must be involved in the planning and supervision process, the use of village funds must maximize results with existing resources, village funds must be used to achieve predetermined development goals, and village financial management must pay attention to the sustainability of benefits for village communities.

By implementing these principles, village financial management is expected to support the achievement of the goals of fair, prosperous, and prosperous village development. Good implementation of these principles will ensure that village funds are used optimally to meet the needs of village communities and support sustainable development. Village financial management must be carried out openly, allowing the community to access information on income, expenditure, and use of village funds. Every use of village funds must be accountable, and the village community must be involved in the budget preparation process and supervision of the implementation of village programs. Village financial management must follow the established rules and procedures.

The village head has a central role in village financial management. As the holder of the authority to manage village finances, the village head has several important authorities: determining the APBDes implementation policy, determining the village asset management policy, appointing the village treasurer, appointing the village revenue collection officer, and appointing the village asset management officer. The village head is assisted by the Village Financial Management Technical Implementer (PTPKD), which involves the village secretary as the coordinator of the implementation of village financial management, the village treasurer

[22]Chabib Soleh and Heru Rochmansjah, *Village Financial Management,* Fokus Media, Bandung, 2014, p. 8.

who is responsible for managing village cash, and other village officials involved in various aspects of village financial management according to their respective duties and functions.

According to the Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration of the Republic of Indonesia Number 16 of 2018 concerning Priority Use of Village Funds in 2019, village development must be managed in a participatory manner by involving the participation of village communities. Several important points related to community participation in village development are: villages are required to self-manage village development by utilizing human resources and natural resources in the village in a sustainable manner, village development is directed to achieve village independence where villages are able to manage the resources and potential they have for development, and village funds sourced from the APBN are used to empower villages in implementing and managing development priorities and community empowerment. With good management and involving community participation, village finances can be used optimally to support sustainable development and improve the welfare of village communities. Village heads and village officials need to ensure that the principles of village financial management are implemented properly to achieve this goal.

3. Elements of Good Governance in the Process of Village Fund Management in Indonesia

Village fund management in Indonesia is a crucial issue in efforts to improve the welfare of rural communities and encourage sustainable development. Village funds, which are allocated from the central government to village governments, aim to accelerate village development, reduce poverty, and improve the quality of life of villagers. However, to achieve these goals, good governance is essential.

Transparency is a key element in good governance that ensures that village fund management is carried out openly and can be accessed by the public. This includes openness of information regarding the allocation, use, and reporting of village funds. The village government must provide clear and easily accessible information, both through the village information board and the official village website, so that the community can monitor and understand the use of village funds.

Accountability is the responsibility of the village government in managing village funds in accordance with applicable rules and regulations. Financial reports and program implementation must be prepared accurately and audited periodically by authorized institutions. With good accountability, it can prevent corruption or misuse of village funds, and ensure the use of funds in accordance with the interests of the village community.

Community participation is another important element in good governance that can improve the effectiveness of village fund management. Through village deliberations and other discussion forums, communities can participate in formulating development plans and overseeing the implementation of village programs. This participation not only strengthens the sense of ownership of development, but also allows community ideas and aspirations to be better implemented.

Effectiveness and efficiency in managing village funds means that funds must be used optimally to achieve maximum development results at minimal cost. Careful planning, efficient resource management, and periodic evaluation are key to achieving this goal. With a responsive approach to community needs, the village government can respond to the dynamics that occur more quickly and appropriately.

Overall, strengthening governance in managing village funds is the main key to avoiding risks and challenges that can hinder village development. By implementing good governance principles consistently, it is hoped that village funds can provide a positive and sustainable impact on the progress of village communities in Indonesia.

CONCLUSION

To improve the management of Village Funds to be more effective, stronger steps are needed in implementing the principles of *Good Governance* . This includes increasing transparency through more open access to information, strengthening accountability with clear accountability mechanisms, increasing community participation in the decision-making process, improving the monitoring and evaluation system to ensure target achievement, and strengthening legal certainty in all aspects of Village Fund management. In addition, it is also important to integrate the principles of *Good Governance. Governance* in the laws and regulations related to the management of Village Funds, so that every administrative step and management of funds is in accordance with applicable legal standards and provides protection for all related parties. These steps will ensure that Village Funds are used efficiently and provide maximum benefits for overall village development.

BIBLIOGRAPHY

Book

Chabib Soleh and Heru Rochmansjah, *Village Financial Management,* Fokus Media, Bandung, 2014

GH Addink and Ten Berge, *Study on Innovation of Legal Means for Eliminating Corruption in the Public Service in the Netherlands* , Netherlands Reports to the Seventeenth International Congress of Comparative Law, Intersentia, 2006

GH Addink, *Coursebook Principles of Good Governance* , Utrecht University, Netherlands, 2015

HD Van Wijk, W. Konijnenbelt, and RM Van Male, *Hoofdstukken van Bestuurrecht,* Elsevier Juridisch, Netherlands, 2005

Moh. Fadli, Jazim Hamidi, and Mustafa Lutfi, *Formation of Participatory Village Regulations,* UB Press, Malang, 2013

Peter Mahmud Marzuki, *Research Law* , Kencana Prenada Media Group, Jakarta, 2010

Sugiyono, *Quantitative, Qualitative, and R&D Research Methods,* Alfabeta, Bandung, 2017

Umar Nain, *Relations between Village Government and Supradesa in Village Planning and Budgeting* , Pustaka Pelajar, Yogyakarta, 2017

World Bank, *Governance and Development,* The World Bank, Washington, 1992

Yap Kioe Sheng, *What is Good Governance,* United Nations Econocmic and Social Commission for Asia Pacific, Bangkok, 2009

Journal

Djambar, M. Yasin Nahar, and Muhammad Tavip, 'Mining in the Perspective of Regional Autonomy', Jurnal Katalogis 5, No. 2, 2017.

Fikri Jamal, 'Neutrality of Village Apparatus in the Implementation of Village Head Elections (Pilkades)', Rechtaregel: Journal of Legal Studies, Vol. 4, No. 1, 2021

Hilmi Alwi Addahlawi, *et. al.,* 'Implementation of Good Environmental Governance Principles in Waste Management in Indonesia', Journal of Green Growth and Environmental Management, Vol. 8, No. 2, 2020.

Iswanto, 'Village Regulations and Their Position in the Legal Regulation System in Indonesia', Legal Standing: Jurnal Ilmu Hukum, Vol. 4, No. 2, 2020

Jumadi. 'Position and Function of Regional Regulations (Perda) of Regency/City as Instruments of Regional Autonomy in the Legal System in Indonesia', Jurnal Hukum Unsulbar, Vol. 1, No. 1, 2018

Khalimi, 'The Role of the Principle of Regional Autonomy in the Development of Regional Community Welfare Through Regional Regulations (Perda)', Staatsrechts Legal Journal, Vol. 4, no. 1, 2021

LY Liando, L. Lambey, HRN Wokas, 'Analysis of Management and Accountability of Village Revenue and Expenditure Budget in Kolongan Village, Kombi District, Minahasa Regency', EMBA Journal 5, No. 2, 2017

Lidya Isabella Toyo, Heryono Susilo Utomo, and Sry Reski Mulka, 'Comparison of Village Fund Management in Manunggal Daya Village and Sumber Sari Village in 2017-2018, Sebulu District, Kutai Kartanegara Regency', eJournal of Integrative Government, Vol. 7, No. 4, 2020

M. Taufik Rachman, 'Socialization of the Improvement of Village-Owned Enterprises (Bumdes) in Village Development in Bukit Tinggi, Gunungsari District, West Lombok Regency', Journal of Legal Space Service, Vol. 1, No. 1, 2022

Setianingsih Irma, 'Contribution of Village Funds in Reducing Poverty Rates in Melawi Regency', Regional Economic Journal (JEDA), Vol. 5, No. 3, 2017

Silvia Dianingrum, 'Implementation of Good Governance in Village Fund Management with Sharia Perspective in Mliriprowo Village, Tarik District, Sidoarjo Regency,' EL MUHASABA: Accounting Journal (e-Journal), Vol. 9, No. 1, 2018

Wiwin Fitriyani, Misran Safar, and Andi Syahrir P, 'Management of Village Fund Allocation in 2016 (Study in Baluara Village, Batukara District, Muna Regency)', SELAMI IPS, Vol. 3, No. 47, 2018