

UDC 332

## **UNCOVERING PROBLEM SITUATIONS IN THE MANAGEMENT OF VILLAGE FUNDS THROUGH SYSTEM MODELS**

**Suryawati Dina\*, Anwar, Rohman Hermanto, Molasy Honest D., Suharsono Agus**

Department of Public Administration, Faculty of Social and Political Sciences,

University of Jember, Indonesia

\*E-mail: [dinasuryawati@unej.ac.id](mailto:dinasuryawati@unej.ac.id)

### **ABSTRACT**

Village autonomy has generated optimism to accelerate rural development in Indonesia. However, their authority to manage funds raises complex problems. This study aims to find the tools for probe village financial management's dynamics and complexities. This paper proposed using Soft Systems Methodology (SSM) as a systems thinking designed to examine complex problem situations. SSM is a research perspective to analyze unstructured problem situations into problem situations structured in a conceptual model appropriate to the existing situation. The findings reveal that the SSM tool's implementation is limited community participation, low capacity and competence of village officials, limited community supervision, and village government accountability. Furthermore, the analysis proposed the models, a system model to increase community participation in village financial management, a system model for strengthening village officials' capacity and competence, and a system model to improve village government accountability and village community supervision in village financial management.

### **KEY WORDS**

Participation, competence, accountability, supervision.

Law Number 6 of 2014 on Villages has brought hopes and challenges at the same time for village governments. The law is expected to become an instrument for creating prosperity and equitable development, so villages become strong, empowered, independent, democratic, and advanced. However, villages are now challenged to create programs to realize community welfare, employment, and economic growth for village communities. Villages also have to deal with such an immense amount of money, in which they have to be accountable to the funds received and have to face criminal charges if they fail to do so (Suswanta, 2019). The central government has allocated IDR 25 trillion for village development from 2015 to 2019. The increasing funds are expected to help to improve per capita income and developing village infrastructure.

Although the village funds given by the central government are increasing, the percentage of underdeveloped villages is still fairly significant. Data from the Central Bureau of Statistics showed 13,232 underdeveloped villages or 17.96% from Indonesia's whole villages ([kominfo.go.id](http://kominfo.go.id) retrieved on December 18, 2020). East Java has 361 underdeveloped villages (<http://kominfo.jatimprov.go.id> retrieved on December 4, 2020). The number of rural poor people is still higher than the urban poor people—rural areas are also exposed to more severe poverty levels than urban areas ([spi.or.id](http://spi.or.id) retrieved in March 2018). Data from the Central Bureau of Statistics in March 2018 showed that the Poverty Gap Index (P1) for urban areas was 1.17 and 2.37 for rural areas. The Poverty Severity Index (P2) for urban areas was 0.29 and 0.63 for rural areas.

The problems are an irony—while the government keeps increasing village funds, the number of poor people in urban areas is still very high. The expectation that village funds would accelerate development progress and improve village prosperity through village autonomy has failed (Aziz, 2016). Indonesian Corruption Watch (ICW) noted that village funds' corruption cases continued to increase significantly ([kompas.com](http://kompas.com) retrieved on December 2, 2020). ICW reported 214 village heads were involved in village fund corruption cases from 2015 to 2018. As many as 66 village heads were involved in village fund

corruption cases in 2017 and 88 in 2018. State losses in those cases reached IDR 107.7 billion. Village governments these days are in a high uncertainty environment (Huseini & Lubis, 2009) with a placid randomized pattern. The complexity of the village environment these days will cause changes in many aspects—social, economic, and political (Pratama & Fauziah, 2019). The challenge for village governments is on carrying out development tasks employing existing resources accountably and adequately. Therefore, a systematic study and the right conceptual model designs are needed to overcome the various problems in village financial management.

## LITERATURE REVIEW

Village governments are an extension agency of the central government with a strategic role to regulate village communities to realize development goals (Sujarweni, 2015). The implementation of Law Number 6 of 2014 concerning Villages has changed village construction—village governments who used to have no authority to manage their villages have turned into the main actor of village management completed with control, including the power to manage village funds (Murtiono, 2016). Village financial management is an implication of political decentralization. Soleh and Rochansjah (2014) have illustrated village funds from the perspective of state finance through the object approach—state finance refers to all rights and obligations of the state that could be valued by money within the scope of legal authority. Village autonomy is a measure of relative financial independence, local and organizational political authority within a nation and a feature of social and political relations that causes each place to be different (Sutoro, 2014). In its independence, village authority is interpreted as the right of a village to regulate, manage, and be responsible for village government affairs and the community (Sujarweni, 2015). Village financial management must be based on participatory, accountable, and transparent principles, and it must be implemented orderly. The primary value in village financial management is that it demands people's money to be enjoyed as much as possible for the people's welfare (Murtiono, 2016). The perspective of the democratic economic dimension requires community involvement in village financial management. Community involvement must be seen within the production, allocation, and control context, in which society is not a spectator but a subject in the economic activity (Indroyono et al., 2018).

Nevertheless, village autonomy, especially financial management, has created problems as follows. (1) Village deliberation forums have been used for specific political or economic purposes (Damayanti & Syarifuddin, 2020). (2) There is lack of socialization and community participation in budget planning and accountability (Wirawan et al., 2015), (Pane et al., 2018), (Syamsi, 2014), (Kurniawan et al., 2016), (Damayanti & Syarifuddin, 2020). (3) The low managerial quality, competence, and regulations (Mondale et al., 2017), (Ardhi, 2016), (Purnamasari & Ramdani, 2018). (4) Weak supervision by and accountability to village communities (Habibi & Nugroho, 2018), (Mondale et al., 2017). Problem situations related to poor managerial quality, competence, supervision, and accountability become the driver for corruption (Fatoni, 2020). Previous studies have mentioned various village financial management problems, yet we still need conceptual models to answer those problems.

The challenge for village governments is on carrying out development tasks employing existing resources accountably and adequately. Therefore, a systematic study and the right conceptual model designs are needed to overcome the various problems in village financial management.

## METHODS OF RESEARCH

Processes and problems in village financial management are systemic, complicated, and multidimensional. The soft system approach is one part of systems thinking. Systems thinking discipline seeks to understand complexity and dynamics by describing unstructured problems with a structured approach (Elias & Cavana, 2000). The Soft System Methodology (SSM) will help managers to structure and organize unstructured problems in a structured

way so that leverage is found to solve problems (Checkland & Jim, 1990),(Checkland & Poulter, 2010) (Senge, 2006).

Data was analyzed referring to the seven stages in SSM, according to Checkland and Jim (1990), as shown below:

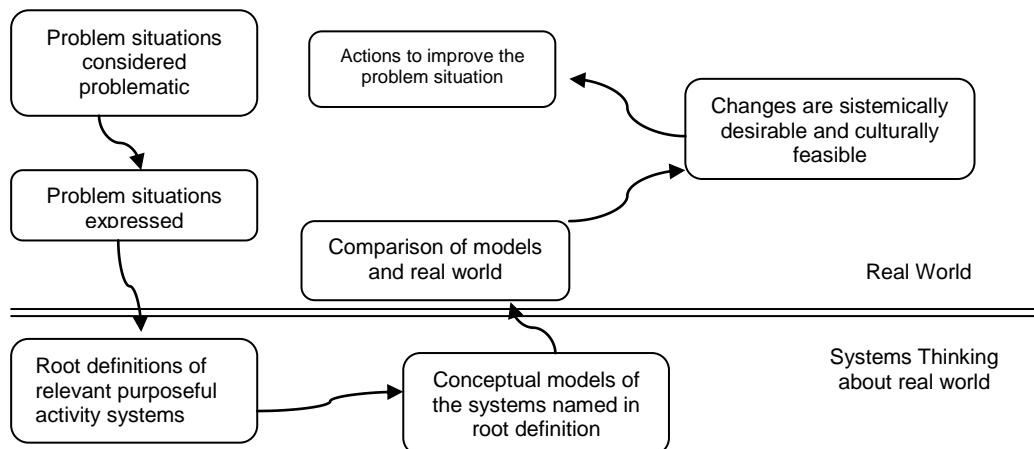


Figure 1 – The conventional seven-stage model of SSM

Source: (Checkland & Jim, 1990)

The *first* stage in SSM is *problem situations considered problematic*. Data related to village financial management problems was collected based on the structure and process in the activities based on the studied phenomenon. The *second* stage is the *problem situations expressed*. Within this stage, problems were structured based on the data and information on the process. As such, the problems identified within the first stage could be classified. The *third* stage is the *root definitions of relevant purposeful activity systems*. This stage aims to reflect on the problem situations explored with the solutions or problem-solving. This stage also includes identifying solutions to the problems—how the problems are solved, who will solve the problems, and how the institutions are interrelated to solve the problems. Checkland and Jim (1990) formulated this relationship as CATWOE (Customers, Actors, Transformation Process, Worldview, Owners, and Environmental Constraints). The *fourth* stage presents the *conceptual model of the systematic review*. This conceptual model is built using the formal system concept about the problems and efforts to solve them using a systems thinking framework. The *fifth* stage is the *comparison of models and the real world*. This stage analyzes problems in the real world with the systems thinking offered, so solutions are made to existing problems. The *sixth* stage is *changes: systematically desirable and culturally feasible*. This stage is about making designs of the desired models and making the desired change models based on the comparison between the real world and the systems thinking done previously. The desirable and feasible model is made within the sixth stage—the model is suitable for various parties' expectations and can be followed up as an action. The *seventh* stage is the *action to improve problem situations*. This stage was not used in the present study because it takes a long time to implement. Three criteria for measuring the model performance according to (Checkland & Jim, 1990) are efficacy, efficiency, and effectiveness.

The study sites were three villages in Botolinggo District, Bondowoso Regency, East Java. The regency was chosen because it had heterogeneity within *Indeks Desa Membangun* (IDM) or Developing Villages Index. Data was collected through interviews, FGDs, and secondary data collection.

## RESULTS AND DISCUSSION

As explained before, the present study employed the SSM approach with six stages as elaborated below:

*Problem Situations Considered Problematic.* The first stage was collecting various information related to problem situations based on the structure and process in the activities based on the studied phenomenon. Village financial management, related to planning, implementation, supervision, reporting, and accountability, is regulated in the Regulation of the Minister of Home Affairs Number 20 of 2018 Article 29. Planning refers to Law Number 6 of 2014, the Government Regulation Number 43 of 2014, the Regulation of the Minister of Home Affairs Number 114 of 2014, the guidance for village development, and the Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration Number 2 of 2015 on Village Deliberations. *Musyawarah Perencanaan Pembangunan* (Musrenbang) or Village Development Planning must involve village stakeholders, such as the government, religious leaders, community leaders, women's representatives, and youth representatives. Unfortunately, the involvement and contribution of these stakeholders were seen merely as a formality. Their representation was not able to accommodate people's needs. Only specific stakeholders actively expressed their ideas and opinions, which leads to subjectivity and contestation (an interview on November 8, 2020). Another problem was the limited information the community had regarding programs, priorities, activities, and budget (an interview on November 8, 2020) because village governments did not do comprehensive socialization of the existing development plans (an interview on November 9, 2020). The limited information led to little communication and community participation in development planning and budget planning.

During the budget implementation stage, the community had limited capacity to exercise control on the budget because the village governments had limited instruments to inform the community (an interview on November 25, 2020). The village governments also experienced obstacles in the implementation stage (an interview on November 25, 2020). One of the problems was the budget difference and budget components for each program. Public participation in budget implementation was also meagre. The community did not participate directly in budget management and implementation due to limited access to information.

Another problem during the administration and reporting stage was village governments' dependence on district officials (an interview on November 28, 2020). The district officials held such a crucial role in the administration and reporting stage. Since the villages had limited human resource capacity to handle the administration and reporting stage, the district officials took the role, which caused heterogeneity of reports for all of the villages. The village community could not supervise village financial management completely because the villages did not have an effective instrument for supervision by the local people (an interview on November 25, 2020). Like the local community, *Badan Permusyawaratan Desa* (BPD) or the Village Consultative Body could not supervise village financial management well.

The government has provided an application named *Sistem Keuangan Desa* (SISKEUDES), or the Village Financial System. SISKEUDES assists village governments in village financial management. The problem is the unstable internet connection and the low human resource capacity operating the system (an interview on November 30, 2020). The low human resource capacity to operate the system has made the village dependent on the district operators, as explained before.

*Problem Situations Expressed.* Within this stage, the problems were structured based on the data and information on the process happening. As such, the problems identified within the first stage could be classified. Based on the first stage, the followings are the structured problem situations in the village financial management:

- People's participation in planning was only a formality. They were not involved in the process and content. Planning also did not involve all elements in the community, such as the leaders of neighbourhoods.
- Their representation was not able to accommodate people's needs. Only specific stakeholders actively expressed their ideas and opinions—and this had led to subjectivity and contestation

- The community had limited access to program priorities and budget planning since socialization was not done well.
- Some programs did not match the planings.
- The community had limited capacity to exercise control on the budget implementation because the village community was not involved in program implementation since the village governments had limited instruments to inform the community
- The low human resource capacity in village financial management made the villages dependent on the district operator.
- The village governments had limited capacity in preparing documents related to planning, implementation, and administration, so the district operators took over the responsibility. Unfortunately, the district operators used the same template for all villages causing heterogeneity in the reports.
- The village governments had limited capacity in operating the SISKEUDES application, so the district operators did all data input.
- The village governments had limited instruments to spread data and information about budget planning and implementation, so only some local people could access the data and information.
- There were no instruments to assess village governments' performance. In some villages, the mechanism for supervising village governments' performance was only billboards. The local community found it difficult to supervise village governments.
- *Badan Permusyawaratan Desa (BPD)* or the Village Consultative Body and the local people could not supervise the village financial management well.

The first stage empirically confirmed 11 problem situations related to village financial management. Those 11 problem situations were classified into three (3) problem situations: (1) limited community participation, (2) low capacity and competence of village officials, and (3) limited supervision systems by the local community.

*Root Definitions of Relevant Purposeful Activity Systems.* Based on the previous stages, three problem situations in village financial management were identified. The first problem situation was limited community participation in planning, implementation, and accountability of village financial management. SSM defines the problem situation using CATWOE (*Customers/beneficiaries and aggrieved parties, Actors/parties doing changes or activities, Transformation process/activities to change inputs into outputs, Worldview/how various parties understand the existing reality, Owners/ those who can stop the transformation, Environmental Constraints/unavoided external or environmental barriers* (Checkland & Jim, 1990), (Checkland & Poulter, 2010) as follows:

Table 1 – Problem Situation: Limited Community Participation

No.	Components in Defining the Problem Situation	Results of Defining the Problem Situation
1	Customers	The village governments, the local community
2	Actors	The village head
3	Transformation process	Involving the local community in all stages of village financial management
4	Worldview	Village commitment to building consensus with the community regarding participation in village financial management
5	Owners	The village head
6	Environmental constraints	The interests of certain parties

Source: primary data processed.

Limited community participation was reflected in their limited ideas in village budget planning. Certain parties dominated the ideas and thoughts related to budget planning, and the budget was incremental. The situation resulted in the villages being less innovative in designing their programs. The *customers* as aggrieved parties of limited community participation were the village governments and the village community. From the perspective of village governments, the limited community participation would result in the village

governments being seen as making no changes because the programs and activities did not reflect the needs and potential of the villages and only referred to the previous year's agenda. From the village community's perspective, their limited participation resulted in programs and activities being neglected when the programs and activities were the rights and needs of the community.

The village head, as the leader, and the village secretary, as the manager, must have the initiative to drive the village community. They must leave their comfort and "safe zone". The village head (*actor*) must take action to encourage local community participation. The *transformation process* can be done through the active involvement of the local community in each village financial management stage, from planning to accountability. The *worldview* can be done by creating commitments, especially from the village governments to involve the local community in all stages of village financial management. The village head as the *owner* has to encourage community participation by gaining their trust through openness and caring for the people. The transformation process will surely face environmental constraints, such as the interests of certain parties—from the internal of village governments or external parties.

The *second* problem situation was the low competence of human resources or the village officials in village financial management, especially related to technical problems or information technology. The following table presents the problem situation related to human resource capacity based on CATWOE.

Table 2 – Problem Situation: Low Capacity of Human Resources (the Village Officials)

No.	Components in Defining the Problem Situation	Results of Defining the Problem Situation
1	Customers	The village governments, the local community
2	Actors	The government through <i>Dinas Pemberdayaan Masyarakat Desa</i> (DPMD) or the Office of Village Community Empowerment
3	Transformation process	Training and education for village officials to improve skills in village financial management
4	Worldview	Village commitment to increase the capacity of human resources (the village officials) in village financial management
5	Owners	The regional leader(s)
6	Environmental constraints	Budget allocation has not included funding for improving the competence of village officials

Source: primary data processed.

The limited competence undoubtedly caused losses for the *customers*, the village governments and the local community. The regency government, through *Dinas Pemberdayaan Masyarakat Desa* (DPMD) or the Office of Village Community Empowerment, as the main *actor* must be responsible for the situation. The *transformation process* must be done through training and education for the village officials to improve village financial management skills. The commitment of the village governments to enhance the capacity of village officials is the *worldview* or the way for various parties to understand the existing problem related to the capacity and competence of village officials. The *owner* that can support the competence improvement of village officials is the regional leader(s) through programs and policies, as well as budget allocation. The activities for improving the competence of the village officials will not run well if the regional government has not allocated enough budget, and this becomes the *environmental constraints*.

The *third* problem situation was the limited accountability of the village officials and little supervision from the local community. The problem was that the community had limited access to village financial management information from planning, implementation, and supervision. The community also had minimal access to assess the performance of the village governments. There were no instruments to evaluate the village governments' performance. The following table presents the problem situation related to limited accountability and supervision based on CATWOE.

Table 3 – Problem Situation: Limited Supervision from the Local Community and Limited Accountability by the Village Officials

No	Components in Defining the Problem Situation	Results of Defining the Problem Situation
1	Customers	The village governments, the local community The regional government through the regency inspectorate as <i>Aparat Pengawasan Intern Pemerintah</i> (APIP) or Government Internal Supervisory Officials and the village community through <i>Badan Permusyawaratan Desa</i> (BPD) or the Village Consultative Body
2	Actors	
3	Transformation process	System improvement as an effort to improve accountability of village financial management
4	Worldview	Policies to improve the accountability system and supervision on village financial management
5	Owners	The central government (the Minister of Home Affairs) and the regional government (the regional head)
6	Environmental constraints	Indifferent village people

Source: primary data processed.

The limited access of the village people to information about village financial management created losses for two *customers*, the village governments and the local community. For village governments, low accountability has caused the low trust of the village community in the performance of the village governments. The village community will not be able to assess the village financial management objectively. The problem situation involved two *actors*: the regional government through the regency inspectorate as *Aparat Pengawasan Intern Pemerintah* (APIP) or Government Internal Supervisory Officials and the village community through *Badan Permusyawaratan Desa* (BPD) or the Village Consultative Body. The two parties must make a *transformation process*, namely system improvement for financial management accountability. The *worldview* refers to policies to improve the accountability system and supervision on village financial management. The effort cannot be separated from the *owners*: the central government (the Minister of Home Affairs) and the regional government (the regional head). These two parties can stop the transformation process. The village people who do not care about supervision and accountability are the *environmental constraint*.

*Conceptual Models of the Systematic Review.* Conceptual models are the transformation model of root definition. The conceptual models are built using the formal system concept on the problems and ways to solve the problems using the systems thinking framework (Checkland & Jim, 1990).

Based on the discusses problem situations, three main situations were found in the village financial management: limited community participation, low capacity and competence of village officials, and limited community supervision and accountability of village governments. The fourth stage deals with the conceptual model. The three conceptual models made in this stage are: (1) the system model to improve community participation in managing village finance, (2) the system model to strengthen capacity and competence of village officials, and (3) the system model to improve the accountability of village government and the supervision by the village community in managing village finance.

*The System Model to Improve Community Participation in Managing Village Finance.* The problem situation has been analyzed on the third stage—the limited community participation in village financial management. Figure 2 presents the conceptual model to improve community participation in managing village finance.

One of the problem situations in village financial management was limited community participation. According to Sujarweni (2015), community participation ideally follows these criteria: (1) involvement in decision-making, (2) involvement in budget planning, (3) involvement in budget supervision, and (4) involvement in assessment. Human capital or low competence of human resources became one of the constraints related to community participation. The other limitation is the structural one—the village governments tend to reject

innovation and changes and the lack of integration between village governments, the local people, and other stakeholders.

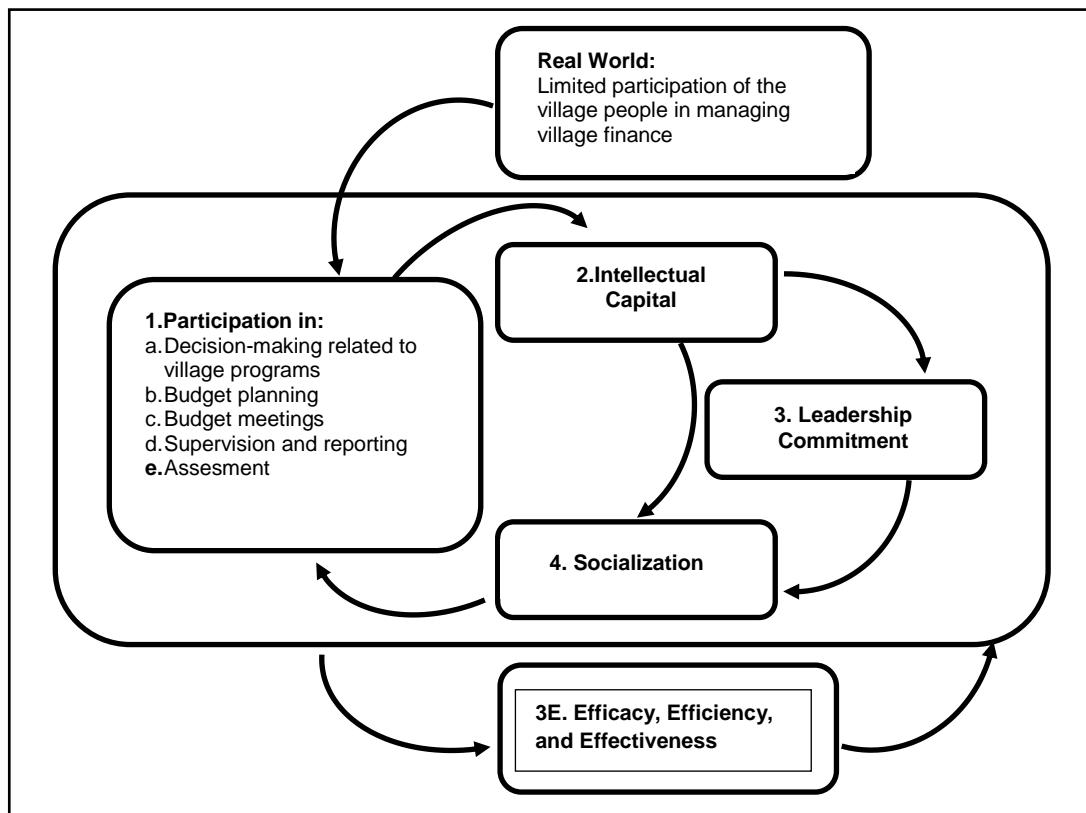


Figure 2 – The System Model to Improve Community Participation in Managing Village Finance  
 Source: findings analyzed

These constraints can conceptually be seen within the intellectual capital context. Intellectual capital can be defined as the amount produced by the three main elements of an organization, namely human capital, structural capital, and customer capital, related to knowledge and technology that can provide added value to a company or competitive advantage (Sawarjuwono & Kadir, 2003). *Human capital* in village financial management refers to village officials, including the village head and the village community. Village officials must be competent in technical and managerial skills. The competence of the village community includes education, experience, and leaders such as traditional leaders, religious leaders, and community leaders. The willingness of the community to participate represents a community's initial ability to develop self-confidence, self-respect, and independence (Ogentho et al., 2020). *Structural capital* refers to the ability of all village government elements to mobilize community participation at every stage of village financial management. *Relational capital* shows a harmonious relationship between village governments and the community to ease efforts to mobilize the role and contribution of the community.

Leadership commitment to realize, develop, and optimize intellectual capital is fundamental. The village head, as a leader, must be open to changes and suggestions from the community. The village head must mobilize organizational resources, including influencing religious and community leaders to participate in village financial management actively. Village financial management is risky and sensitive, so it requires openness and mutual between the leader and the community; it will improve community participation because participation requires a partnership system (Solekhan, 2014).

Socialization is one of the ways to show the village head commitment. The village head acts as an agent of socialization. Two methods of socialization are the direct involvement method and the publicity method. The direct involvement method is done by inviting

representatives from the community to formulate development plans and implement budgets. The publicity method means the village governments publish all programs, activities, and funding in representative media, such as on announcement boards, billboards, and village websites.

*The System Model to Strengthen Capacity and Competence of Village Officials.* The next problem situation in the village financial management was the low capacity and competence of the village officials. Competence refers to the village officials' skills, knowledge, and attitudes in doing their duties and functions. The village officials were dependent on district officials when it came to reporting. The district officials understood all matters related to village financial management—the situation occurs in many villages in Indonesia. *Dinas Pemberdayaan Masyarakat Desa* (DPMD) or the Office of Village Community Empowerment is responsible for this matter. Figure 3 presents the conceptual model to improve the capacity and competence of the village officials.

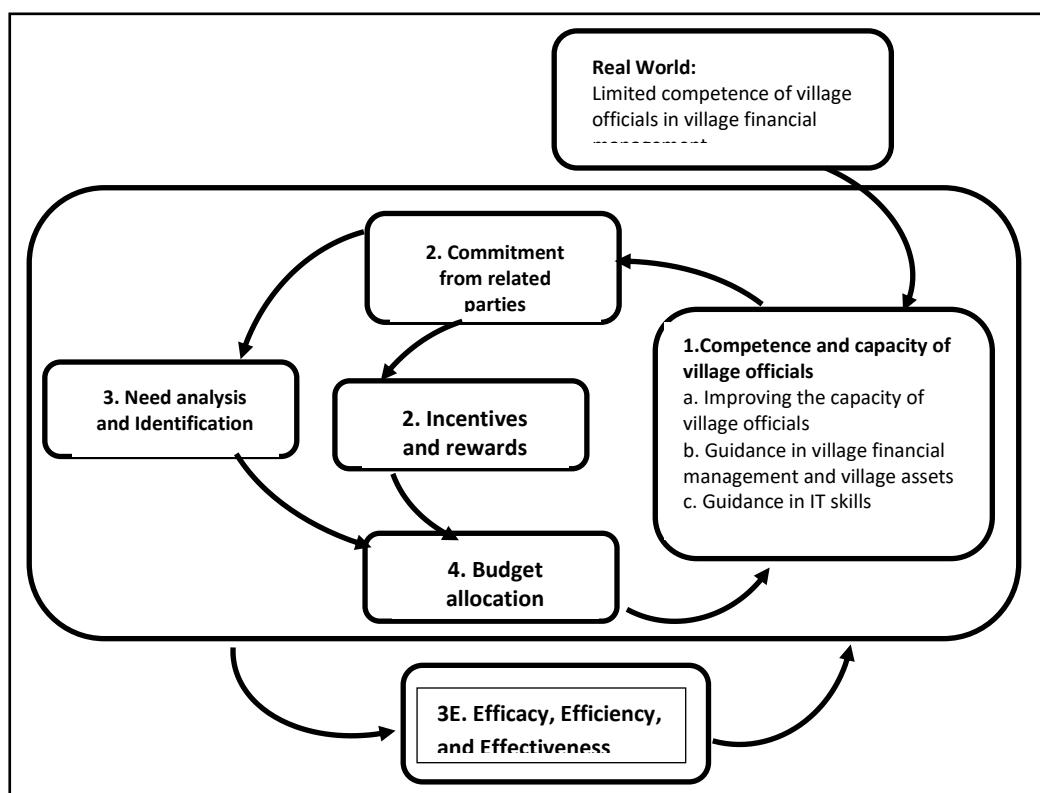


Figure 3 – The System Model to Strengthen Capacity and Competence of Village Officials  
Source: findings analyzed

For government duties and financial management to run correctly and responsibly, organizational capacity is critical in achieving organizational goals (Haning & Tahili, 2018). Capacity is containing and ability of an individual, organization, or system to carry out the function properly (Milen, 2004) (Pamungkas, 2013). In the context of village governments, capacity from a content perspective, according to Pratama and Fauziah (2019), includes three areas of analysis: (1) *capacity as resources* refer to human resources as well as financial and infrastructure capacity, (2) *capacity as capability* refers to the organizations' external relations and coordination with governments at the top level, and (3) *capacity as performance* is seen from decision making and public trust to village governments.

In Indonesia's regional government system, institutionally, *Dinas Pemberdayaan Masyarakat Desa* (DPMD) or the Office of Village Community Empowerment has full responsibility and must be committed to monitoring and identifying problems in the village financial management, especially the competence and capacity of village officials. The commitment should be manifested in the work plan of the DPMD, so a particular budget is

always allocated to improve the competence and capacity of village officials in village financial management. In addition to budget allocation, there must be incentives and rewards for villages whose officials can do village financial management effectively and efficiently following the statutory regulations. Thus, it will motivate each village to manage their finance as well as possible.

*The System Model to Improve the Accountability of Village Governments and the Supervision by the Village Community in Managing Village Finance.* Accountability for village financial management is the obligation of the village governments—the village governments must manage resources, report, and disclose all activities related to the use of public resources (Nurcholis, 2011). Supervision aims to ensure that village financial management runs effectively and efficiently, following plans and existing regulations (Nurcholis, 2011). Efforts to improve accountability and supervision are related to who must be responsible and to whom accountability reports must be presented.

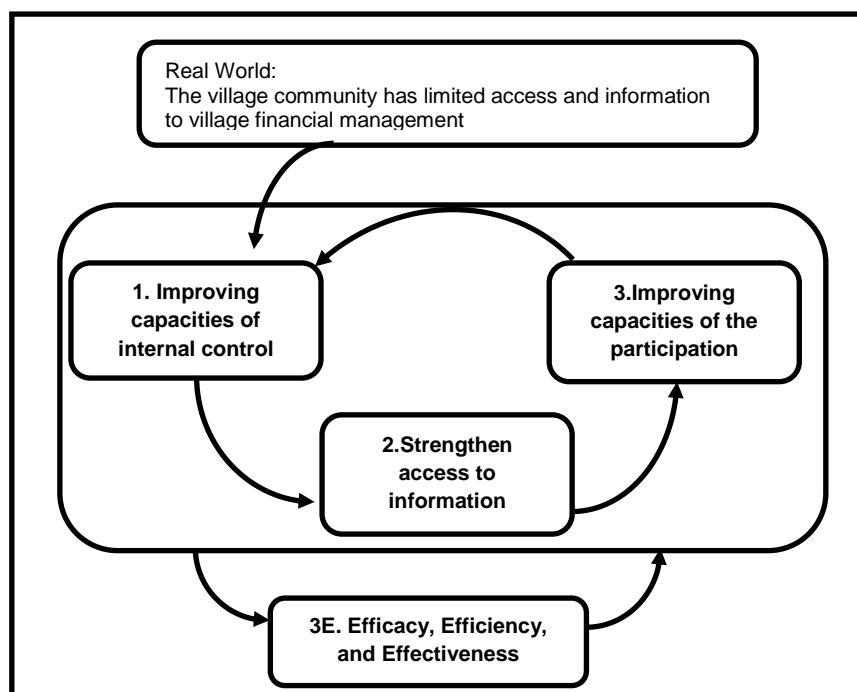


Figure 4 – The System Model to Improve the Accountability of Village Governments and the Supervision by the Village Community in Managing Village Finance (Source: findings analyzed)

Empirically, the problem was the weak accountability of the village governments due to the village institution's lack of internal commitment. The first thing to solve the problem is improving the capacities of internal control or the village itself. It is crucial because internal organizational control significantly affects organization achievements and performance (Afiah & Azwari, 2015). The development and internal control of the organization will help ensure accountability (Spitzer, 2018).

Internal control is an essential component of providing information and insight and creating public trust in the organization (Younas & Md Kassim, 2019) (Aziz, 2016). Internal control is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance (Mcnally, 2013). Internal control ensures that organizational goals are achieved, financial reporting is reliable, and legal compliance can be done (Jones, 2008) (Babalola, 2020). Key actors in internal control include the board of directors, management, and other personnel who can guarantee the three main organizational goals (Jones, 2008) (Babalola, 2020).

Internal control in village management can be seen within two contexts: the village governments and the regional government. Internal control within the village governments refers to supervision by the village internal organization. However, within the village

organizational structure, there is no space for this type of internal control. Based on the existing structure, village heads hold such responsibility. Village heads must guarantee that all financial activities follow the previously set objectives and the current regulation. Leadership styles, competence, and openness are the key to organizational accountability (Aziz, 2016).

For the regional government, internal control is found within the Government Regulation Number 12 of 2017 on Mentoring and Supervision of Regional Governments. Article 19 states that the regent/mayor must mentor and supervise the village governments. In mentoring and supervision, the regent/mayor is assisted by the district head and inspectorates. The regional government can form a special team to improve accountability and supervision of village financial management—the team members are *Dinas Pemberdayaan Masyarakat Desa* (DPMD) or the Office of Village Community Empowerment, *Aparat Pengawasan Intern Pemerintah* (APIP) or Government Internal Supervisory Officials, *Badan Pengawas Daerah* or Regional Supervisory Agency, and the police.

Communication is what will connect village governments and the community. APIP is the institution held responsible for building such communication. APIP must motivate village governments to improve their internal control and give information to the village community openly. *Strengthening access to information* is crucial for the village community and stakeholders. Scaeffer (2005) classifies accountability through information access into four main activities. The *first* is the *provision of information*, in which the government provides information through annual reports, brochures, bulletins, and publications in newspapers. The *second* is *financial disclosure*, in which timely accounting and budget information, as well as budget updates, must be disclosed periodically and regularly, at least once in three months. The *third* is *financial management systems*, which means the local government must have effective financial management systems to produce effective financial information and budgets. The *fourth* is *competitive procurement*, in which the local government procurement must be transparent and competitive. Limited community participation may cause democratic gaps in village governance (Gibson et al., 2005) (Indroyono et al., 2018). Increasing public access to public information can be done by *improving the capacities of participation*. Village heads become the most important actor to encourage community participation. *Badan Permusyawaratan Desa* (BPD) or the Village Consultative Body plays a vital role in supervision, empowerment, and political education for the people, so they are aware of developing their village independently (Djuni et al., 2001).

*Comparison of Models and Real World.* This stage compares problems in the real-world with the systems thinking offered to make solutions. The following is the comparison between the conceptual model and the problem situations.

*Changes: Systematically Desirable and Culturally Feasible.* Within this stage, we designed a model desirable and acceptable by all parties based on the comparison of real-world activities and systems thinking done previously. The model must be systematically desirable and culturally feasible.

We built three models in this stage based on interrelated elements and relationships to form theoretical constructs. Every model has essential elements, but there is one most sensitive element that functions as leverage.

The *first* model is the model system to improve community participation in managing village finance with three elements: *intellectual capital*, *leadership commitment*, and *socialization*. The most sensitive and vital element is leadership commitment. Leadership commitment is very much needed to drive community participation. Committed and transparent leaders will interactively approach the community. Leaders must understand the strength and characters of the community they lead. Such a thing is important because community participation and support in the form of collective capacity building is the bargaining power to deal with destructive power (Indroyono et al., 2018).

The *second* model is the model system to strengthen village officials' capacity and competence with four elements: *commitment from related parties* (village governments and DPMD), *need analysis and identification*, *budget allocation*, and *incentives and rewards*. The most sensitive and essential element is the commitment from related parties: village

governments and *Dinas Pemberdayaan Masyarakat Desa* (DPMD) or the Office of Village Community Empowerment. The four elements play such a crucial role in improving the capacity and competence of village officials.

Table 4 – A Comparison Matrix: Between the Conceptual Models and the Real World Situations

Model Activities	of How the Activities are Done	Who Does the Activities	Real World	Suggestions for Improvements
	<i>Strengthening Intellectual Capital (human, structural &amp; relational)</i>	Village heads as the main driver	Village heads are not responding well to the condition of the local community	<ul style="list-style-type: none"> <li>• Technical and managerial training for village officials</li> <li>• Developing communication between the village governments and the local community</li> </ul>
<i>The system model to improve community participation in managing village finance</i>	<i>Building leadership commitment</i>	Village heads	Village heads are not responding well to the condition of the local community	<ul style="list-style-type: none"> <li>• Village heads must be open and have the initiative to involve the village community in village financial management</li> <li>• Building good relationships with leaders</li> <li>• Inviting community representatives in budget planning meetings</li> <li>• Involving the village community in activity implementation</li> </ul>
	<i>Socialization</i>	Village governments (village head and officials)	Limited socialization efforts	
<i>The system model to strengthen the capacity and competence of village officials</i>	<i>Improving commitment of related institutions</i>	Village governments and DPMD	The training held has not been able to eliminate the dependency of village officials on district operators	More intensive training is needed with full guidance so village officials can be independent
	<i>Need analysis and problem identification</i>	DPMD	Training tends to be top-down or not based on real needs in the field	Training mapping is crucial because each village has different needs
	<i>Budget allocation</i>	Regional governments through DPMD	The budget has been allocated for village official training	The budget must be used for its purpose of improving official skills
	<i>Giving incentives and rewards</i>	Regional governments through DPMD	No incentives and rewards have been given	There must be incentives and rewards for village governments who can manage village finance transparently and adequately and involving the village community
	<i>Improving internal control capacity</i>	APIP and the village governments	Indifferent village communities	The village governments and APIP must be committed to involving the local people in accountability reports by the village governments
<i>The system model to improve accountability and supervision</i>	<i>Improving information access</i>	Village governments	Information can only be accessed through announcement boards and billboards	Information access must be made easier started from planning to supervision
	<i>Improving participation</i>	The village governments (village heads)	Limited community involvement in village financial management	The local people must be involved in all stages of village financial management

The *third* model is the system model to improve the village governments' accountability and the village community's supervision in managing village finance. The model has three elements: *improving internal control capacities, strengthening access to information, and improving participation*. Organizational internal control at the village level is done by building effective communication internally and externally. *Aparat Pengawasan Intern Pemerintah* (APIP) or Government Internal Supervisory Officials must encourage the village governments to make good and continuous communication with the local community to provide sufficient information related to village financial management.

Based on the models built, community participation plays a vital role in village financial management plays. Community participation can be manifested if the community is responsive to the idea to empower itself (Das & Chattopadhyay, 2020). According to Panday and Chowdhury (2020), three things affect the community's responsiveness to the participatory process: (1) capacity, including self-confidence, competence, and self-awareness to be part of the development process; (2) compliance, meaning obedience and a sense of belonging; and (3) networking, referring to the relationship between various stakeholders. The active involvement of the community in every stage of village financial management will open up the way to improve accountability (Ogentho et al., 2020) (Das & Chattopadhyay, 2020).

## CONCLUSION

Three main problem situations existed in village financial management: (1) limited community participation, (2) low capacity and competence of village officials, and (3) limited community supervision and accountability of village governments. Leadership commitment plays a vital role in overcoming the situation of limited community participation. Leadership commitment is shown by leaders being open, establishing communication with stakeholders, and engaging in interactive approaches and communication with the community.

The low competence of village officials is an inhibiting factor in village financial management. Local governments must be committed to identifying weaknesses and the need for training and assistance for village officials in village financial management. Local governments must allocate a sufficient budget to improve village officials' competence and provide incentives and rewards to villages that can manage their finances effectively, efficiently, transparently, and accountably following the existing laws and regulations.

Internal control within the village governments refers to supervision by the village internal organization. However, within the village organizational structure, there is no space for this type of internal control. Based on the existing structure, village heads hold such responsibility. Village heads must guarantee that all financial activities follow the previously set objectives and the current regulation. Leadership styles, competence, and openness are the key to organizational accountability and village financial management.

## REFERENCES

1. Afiah, N. N., & Azwari, P. C. (2015). The Effect of the Implementation of Government Internal Control System (GICS) on the Quality of Financial Reporting of the Local Government and its Impact on the Principles of Good Governance: A Research in District, City, and Provincial Government in Sou. Procedia - Social and Behavioral Sciences. <https://doi.org/10.1016/j.sbspro.2015.11.172>.
2. Ardhi, I. (2016). Analisis Faktor-Faktor yang Menyebabkan Keterlambatan Penyaluran Dana Desa Studi Kasus pada Kabupaten Pacitan. Indonesian Treasury Review Jurnal Perbendaharaan Keuangan Negara and Kebijakan Publik. <https://doi.org/10.33105/itrev.v1i3.46>.
3. Aziz, N. L. L. (2016). Otonomi Desa and Efektivitas Dana Desa. Jurnal Penelitian Politik. <https://doi.org/10.14203/JPP.V13I2.575>.
4. Babalola, B. J. (2020). Governance and internal control in public institutions. Governance and Internal Control in Public Institutions. <https://doi.org/10.13140/RG.2.2.14521.52321>

5. Checkland, P., & Jim, S. (1990). *Soft System Methodology in Action*. John Wiley & Sons Ltd.
6. Checkland, P., & Poulter, J. (2010). Soft systems methodology. In *Systems Approaches to Managing Change: A Practical Guide*. [https://doi.org/10.1007/978-1-84882-809-4\\_5](https://doi.org/10.1007/978-1-84882-809-4_5)
7. Damayanti, R. A., & Syarifuddin, S. (2020). The inclusiveness of community participation in village development planning in Indonesia. *Development in Practice*. <https://doi.org/10.1080/09614524.2020.1752151>.
8. Das, M., & Chattopadhyay, S. (2020). Understanding peoples' participation in urban local government in West Bengal. *Development in Practice*. <https://doi.org/10.1080/09614524.2019.1630368>.
9. Djuni, S., Prihatin, & Suyatna, H. (2001). Badan Perwakilan Desa: Harapan Bagi Pembaharuan Desa. *Jurnal Ilmu Sosial and Ilmu Politik*, 5, 237–251. <https://doi.org/10.22146/jsp.11398>.
10. Elias, A., & Cavana, R. Y. (2000). Stakeholder Analysis for Systems Thinking and Modelling. *Public Management*.
11. Fatoni, A. (2020). Fiscal Decentralization Dilemma in Indonesia: Between Corruption Accountability and Probability at Local Levels. *Jurnal Bina Praja*. <https://doi.org/10.21787/jbp.12.2020.101-110>.
12. Gibson, P., Lacy, D., & Dougherty, M. J. (2005). Improving Performance and Accountability in Local Government with Citizen Participation. *The Public Sector Innovation Journal*.
13. Habibi, F., & Nugroho, A. (2018). Penerapan Dimensi Akuntabilitas Publik dalam Pencegahan Korupsi Dana Desa di Kabupaten Pandeglang. *Jurnal Ilmu Administrasi: Media Pengembangan Ilmu and Praktek Administrasi*. <https://doi.org/10.31113/jia.v15i2.161>.
14. Haning, M. T., & Tahili, M. H. (2018). Strengthening The Capacity Of Village Government In The Implementation Of Village Fund Policy At Maros Regency Of South Sulawesi Province. <https://doi.org/10.2991/aapa-18.2018.36>.
15. Huseini, M., & Lubis, H. (2009). *Teori Organisasi: Suatu Pendekatan Makro*. Jakarta: Pusat Antar Ilmu-ilmu Sosial UI.
16. Indroyono, P., Suyatna, H., Santosa, A., Wibowo, I. A., & Firdaus, R. S. M. (2018). Democratic Model for Village Economic Resource Management in Nglanggeran, Gunungkidul. *Jurnal Ilmu Sosial and Ilmu Politik*. <https://doi.org/10.22146/jsp.28738>
17. Jones, M. J. (2008). Internal control, accountability and corporate governance. *Accounting, Auditing & Accountability Journal*. <https://doi.org/10.1108/09513570810907474>.
18. Kurniawan, H., Made, A., & Yogivaria, D. (2016). Akuntabilitas Pengelolaan Alokasi Dana Desa (Studi Kasus Di Desa Sukowilangun Kecamatan Kalipare Kabupaten Malang tahun 2014). *Jurnal Riset Mahasiswa Akuntansi Unikama*.
19. Mcnally, B. J. S. (2013). The 2013 COSO Framework & SOX Compliance The 2013 COSO Framework & SOX Compliance. *The Association of Accountants and Financial Professionals in Business*.
20. Milen, A. (2004). *Pegangan Dasar Pengembangan Kapasitas*. Yogyakarta: Pondok Pustaka Jogja.
21. Mondale, T. F., Aliamin, A., & Fahlevi, H. (2017). Analisis Problematika Pengelolaan Keuangan Desa (Studi Perbandingan pada Desa Blang Kolak I and Desa Blang Kolak II, Kabupaten Aceh Tengah). *Jurnal Perspektif Ekonomi Darussalam*. <https://doi.org/10.24815/jped.v3i2.8231>.
22. Murtiono, Y. (2016). *Modul Tata Kelola Keuangan Desa*. Infest. [https://issuu.com/infest/docs/modul\\_tata\\_kelola\\_keuangan\\_desa](https://issuu.com/infest/docs/modul_tata_kelola_keuangan_desa).
23. Nurcholis, H. (2011). *Pertumbuhan and Penyelenggaraan Pemerintah Desa*. Jakarta: Erlangga.
24. Ogentho, P. M., Munene, J. C., Kamukama, N., & Ntayi, J. M. (2020). Citizens' Behaviour and Accountability: The Power of Social Capital in Sub-Saharan African Local Governments. *International Journal of Public Administration*.

[https://doi.org/10.1080/01900692.2020.1729186.](https://doi.org/10.1080/01900692.2020.1729186)

25. Pamungkas, G. (2013). Ekowisata Belum Milik Bersama: Kapasitas Jejaring Stakeholder dalam Pengelolaan Ekowisata (Studi Kasus: Taman Nasional Gunung Gede Pangrango). *Journal of Regional and City Planning*. <https://doi.org/10.5614/jpwk.2013.24.1.4>.
26. Panday, P. K., & Chowdhury, S. (2020). Responsiveness of local government officials: insights and lessons from participatory planning and budgeting. *Asia Pacific Journal of Public Administration*. <https://doi.org/10.1080/23276665.2020.1742753>.
27. Pane, D. N., Fikri, M. EL, & Ritonga, H. M. (2018). Perencanaan Partisipatif dalam Penyusunan Rencana Pembangunan Jangka Menengah Desa di Kabupaten Pangandaran. *Journal of Chemical Information and Modeling*.
28. Pratama, A. B., & Fauziah, N. M. (2019). Kapasitas Pemerintah Desa: Sebuah Model Kerangka Konseptual. Yogyakarta: K-Media.
29. Purnamasari, H., & Ramdani, R. (2018). Manajemen Pemerintahan dalam Pembangunan Desa di Desa Lemahabang Kecamatan Lemahabang Kabupaten Karawang. CosmoGov. <https://doi.org/10.24198/cosmogov.v4i2.16131>.
30. Sawarjuwono, T., & Kadir, A. P. (2003). Intellectual Capital : Perlakuan, Pengukuran and Pelaporan. *Jurnal Akuntansi and Keuangan*.
31. Scaeffer, M. (2005). Local government accountability: challenges and strategies.
32. Senge, P. M. (2006). The fifth discipline: the art and practice of the learning organization. US: Currency.
33. Soleh, C., & Rochansjah, H. (2014). Pengelolaan Keuangan Desa. Bandung: Fokusmedia.
34. Solekhan, M. (2014). Penyelenggara Pemerintah Berbasis Partisipasi Masyarakat. Malang: Setara Press.
35. Spitzer, E. (2018). Government's Place in the Market. In *Government's Place in the Market*. <https://doi.org/10.7551/mitpress/9111.003.0002>.
36. Sujarweni, V. W. (2015). Akuntansi Desa: Panduan Tata Kelola Keuangan Desa. Yogyakarta: Pustaka Baru Press.
37. Suswanta, S. (2019). Kontradiksi Kelembagaan, Regulasi and Pendekatan dalam Tata Kelola Pemerintahan Desa serta Implikasinya Terhadap Desa. Yogyakarta: K-Media.
38. Sutoro, E. (2014). Desa Membangun Indonesia. Yogyakarta: Academia Edu.
39. Syamsi, S. (2014). Partisipasi Masyarakat Dalam Mengontrol Penggunaan Anggaran Dana Desa. *Jurnal Ilmu Sosial and Ilmu Politik Universitas Tribhuwana Tunggadewi*.
40. Wirawan, R., Mardiyono, & Nurpratiwi, R. (2015). Partisipasi Masyarakat Dalam Perencanaan Pembangunan Daerah. *JISIP: Jurnal Ilmu Sosial and Ilmu Politik*.
41. Younas, M. A., & Md Kassim, D. A. A. (2019). Essentiality of internal control in Audit process. *International Journal of Business and Applied Social Science*. <https://doi.org/10.33642/ijbass.v5n11p1>.