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ANALYSIS OF VILLAGE FUND FINANCIAL MANAGEMENT BASED ON PRINCIPLES OF FINANCIAL GOVERNANCE

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Abstract: Village fund management is a critical mechanism in Indonesia's decentralized governance framework, especially following the enactment of Law No. 6 of 2014 on Villages, which mandated substantial annual budget transfers directly to village governments. This study analyzes the financial management practices of Cipedes Village, Paseh Sub-district, Bandung Regency, through the lens of four core financial governance principles: transparency, accountability, participatory governance, and budget discipline. Using a qualitative descriptive approach based on in-depth interviews with village officials and document analysis, the study finds that Cipedes Village has implemented a systematic financial management system supported by the Siskeudes (Village Financial System) application, public information dissemination through deliberative forums and physical banners, and multi-tiered supervisory mechanisms. However, challenges persist—including low digital literacy among residents, delayed fund disbursement, dependence on BUMDes (Village-Owned Enterprise) revenue as bridge funding, and insufficient contingency planning for unforeseeable events. The study concludes with policy recommendations to improve village financial governance through digital education, inclusive forum scheduling, and greater alignment between village-level realities and higher-level government policies.

Keywords: *village fund, financial management, transparency, accountability, participatory governance.*

Abstrak: Pengelolaan dana desa merupakan mekanisme krusial dalam kerangka tata kelola desentralisasi Indonesia, khususnya pasca-diberlakukannya Undang-Undang Nomor 6 Tahun 2014 tentang Desa yang mengamanatkan transfer anggaran tahunan secara langsung kepada pemerintah desa. Penelitian ini menganalisis praktik pengelolaan keuangan Desa Cipedes, Kecamatan Paseh, Kabupaten Bandung, melalui empat asas pengelolaan keuangan desa, yaitu transparansi, akuntabilitas, partisipatif, serta tertib dan disiplin anggaran. Dengan menggunakan pendekatan deskriptif kualitatif berbasis wawancara mendalam dengan perangkat desa dan analisis dokumen, penelitian ini menemukan bahwa Desa Cipedes telah menerapkan sistem pengelolaan keuangan yang cukup sistematis, didukung oleh aplikasi Siskeudes (Sistem Keuangan Desa), penyebaran informasi melalui forum musyawarah dan baliho, serta mekanisme pengawasan berlapis. Namun, sejumlah tantangan masih dihadapi, antara lain rendahnya literasi digital warga, keterlambatan pencairan dana, ketergantungan pada pendapatan BUMDes sebagai dana talangan, dan kurangnya perencanaan kontinjensi untuk kejadian yang tidak terduga. Penelitian ini diakhiri dengan rekomendasi kebijakan untuk meningkatkan tata kelola keuangan desa melalui edukasi digital, penjadwalan forum yang inklusif, serta penyelarasan yang lebih baik antara kondisi riil desa dengan kebijakan pemerintah di atasnya.

Kata Kunci: *dana desa, pengelolaan keuangan, transparansi, akuntabilitas, partisipatif.*

Introduction

Indonesia's national development agenda has long positioned villages as a fundamental pillar in achieving equitable prosperity across the country's vast and diverse geography. As the smallest unit of self-governing administration, villages hold a strategic role in the delivery of public services and the execution of local development programs. The passage of Law No. 6 of 2014 on Villages (Undang-Undang Nomor 6 Tahun 2014 tentang Desa) marked a watershed moment in Indonesia's decentralization trajectory. The law not only expanded the legal recognition of village autonomy but also mandated the allocation of substantial annual transfers—commonly referred to as Dana Desa or village funds—from the State Budget (APBN) directly to village governments (Arina et all, 2021) .

The growing volume of village fund transfers has introduced significant governance challenges. Village governments, often staffed by officials with limited financial management training, are expected to plan, execute, record, and report expenditures in full compliance with increasingly complex regulatory requirements. Accounting, as a systematic process of recording, classifying, and reporting financial transactions, becomes an indispensable instrument in ensuring that all village financial activities are documented, traceable, and verifiable (Permatasari et all, 2024). Sound accounting practices enable village governments to produce financial reports that are relevant, reliable, and accountable thereby reinforcing good governance at the grassroots level. Village Funds are funds sourced from the APBN allocated for villages and used to support governance, development, community training, and community empowerment. As regulated in Government Regulation Number 60 of 2014, PP Number 22 of 2015, PP Number 8 of 2016 concerning Village Funds Sourced from the APBN, the management of Village Funds must be carried out in a transparent, accountable, and participatory manner.

Village financial management in Indonesia is guided by four foundational principles established in the applicable regulatory framework: (1) transparency, which requires public disclosure of financial information to enable community oversight; (2) accountability, which mandates that all expenditures be justifiable in administrative, legal, and moral terms; (3) participatory governance, which emphasizes community involvement throughout the budget cycle from planning to evaluation; and (4) budget discipline, which demands strict adherence to approved plans and established regulations (Susilo, 2023) . Transparency requires the openness of financial information to the public so that they can monitor budget use (Cuadrado-Ballesteros & Bisogno, 2022; Manjaleni, 2025). Accountability demands accountability that is acceptable to all stakeholders (Cahyani el all, 2026). Participatory emphasizes the active involvement of the public in the planning and monitoring process (Manjaleni, 2024) . Meanwhile, a strict and disciplined budget requires that financial management be carried out according to applicable regulations systematically and consistently (Halim, 2016) .

Cipedes Village, located in Paseh Sub-district, Bandung Regency, West Java, presents an instructive case study for examining how these principles are operationalized in practice. Established in 1934 and home to more than 14,000 residents, the village has undergone significant demographic and economic transformation transitioning from an agrarian community to one dominated by the garment and textile contracting sector. This study aims to: (1) describe the general profile of Cipedes Village including its institutional structure; (2) analyze the implementation of the four financial governance principles; and (3) identify structural and operational challenges that hinder optimal village fund management.

The findings are intended to contribute empirical insights to the ongoing policy discourse on improving village governance in Indonesia, and to serve as a reference for other villages facing similar governance challenges in the post-Law No. 6/2014 era.

Methods

This study employs a qualitative descriptive research design, which is appropriate for examining complex governance phenomena in their natural context. The research was conducted at Cipedes Village, Paseh Sub-district, Bandung Regency, West Java, Indonesia, from May to June 2025. Data were collected through three complementary methods. First, semi-structured in-depth interviews were conducted with key informants, including the Village Head (Kepala Desa), the Village Secretary (Sekretaris Desa), the Head of Finance (Kaur Keuangan), and other relevant village officials. The interview protocol covered six thematic areas: village profile and institutional context; transparency mechanisms and challenges; accountability systems and oversight structures; community participation in budget planning and execution; budget discipline and planning processes; and operational challenges in financial management. Second, document analysis was applied to official village planning and financial documents, including the RPJMDes (Rencana Pembangunan Jangka Menengah Desa-Village Medium-Term Development Plan), the RKPDes (Rencana Kerja Pemerintah Desa-Village Government Work Plan), and the APBDes (Anggaran Pendapatan dan Belanja Desa-Village Revenue and Expenditure Budget). Third, direct observation was conducted of village administrative processes and public information displays. Data were analyzed using thematic analysis, with findings organized according to the four core financial governance principles. The data analysis technique used is qualitative descriptive analysis with the stages of data reduction, data presentation, and drawing conclusions (verification) as stated by Miles and Huberman (Miles et all, 2014) .

Results And Discussions

Profile of Cipedes Village

Cipedes Village was established in 1934 and underwent a territorial reorganization in 1982, which reduced its land area from 640 to 336 hectares. The village is situated at Cipedes No. 20, Paseh Sub-district, Bandung Regency, and is currently led by Village Head Lani Rohandi. With a population exceeding 14,000 residents-overseen through four hamlets (Dusun I–IV)-Cipedes is a densely populated village that has experienced significant social and economic transformation over recent decades.

The village's economic base has shifted markedly from agriculture to the garment and textile industry. The majority of residents are employed in garment contracting (konveksi), sub-contracted sewing (maklon), and as garment workers (buruh jahit). Agricultural activity has declined sharply due to land conversion for residential development and changing occupational preferences among younger generations. This structural shift has created new economic vulnerabilities, including reduced food security and weakened community ties to the land.

Cipedes Village operates a Village-Owned Enterprise (BUMDes) with multiple business units, including party equipment rental, sports hall facilities, and clean water supply services. BUMDes revenue serves as a critical supplementary income source, particularly during the early months of the fiscal year when central government fund disbursements are typically delayed until March or April. The village has received recognition at the sub-district level in areas such as workplace discipline, posyandu (integrated health post) management, and youth organization activities.

Implementation of Transparency

Cipedes Village employs a multi-channel approach to financial transparency. The primary instrument is the Siskeudes (Sistem Keuangan Desa) application, which records all financial transactions from planning through reporting and is subject to direct oversight by the BPK (Supreme Audit Agency), the Kabupaten Inspectorate, and the District Community Empowerment Service (DPMD). This integrated digital platform provides oversight bodies with access to the village's financial data in real time.

Beyond the digital system, the village disseminates budgetary information through physical means-most notably large banners (baliho) displaying APBDes summaries at prominent public locations-and through deliberative forums, including the Musdus (Hamlet Deliberation), Musdes (Village Deliberation), and meetings with RT/RW (neighborhood unit) representatives. The village also maintains an official website as a digital information portal, though its reach is constrained by digital literacy gaps among a portion of the population.

Key challenges to transparency include: (1) low digital literacy among segments of the community, limiting engagement with the village website and online financial information; (2) uneven attendance at village forums, producing information asymmetries among residents; and (3) instances of delayed or erroneous financial reporting, which can trigger intensified scrutiny from oversight bodies and delay the release of subsequent fund tranches (Subroto, 2019) (Umar et all, 2023) . These findings align with broader studies on village transparency in Indonesia, which consistently identify digital and informational access as the primary barriers to effective financial disclosure (Tindi, 2015) .

Implementation of Accountability

Accountability in Cipedes Village is realized through a structured and multi-tiered reporting and oversight system. Following each fund disbursement, the village government presents a financial accountability report to the community through formal musyawarah forums. All expenditures are governed by the APBDes, which is derived from the RPJMDes and the annual RKPDes-a planning cascade that ensures fund usage is grounded in prior community deliberation and formal approval. The village's accountability system features oversight at multiple levels: sub-district monitoring teams conduct regular field visits and provide guidance on budget implementation; district-level authorities evaluate financial reports before approving subsequent disbursements; and external bodies, including BPK and the Kabupaten Inspectorate, conduct periodic audits. Additional oversight is provided by external stakeholders such as the Commitment-Making Officer (PPK) and media organizations.

A clear sanctions framework is in place for financial irregularities. Administrative sanctions include reduced allocations in subsequent fiscal years or the withholding of disbursements until deficiencies are corrected. Cases involving criminal elements or deliberate misappropriation are referred to law enforcement authorities, beyond the jurisdiction of the village government. When unforeseen circumstances arise-such as natural disasters, landslides, or the COVID-19 pandemic-the village convenes a Special Village Deliberation (Musyawarah Desa Khusus or Musdesus) to formally revise the APBDes, ensuring budget adjustments remain within a legitimate deliberative and regulatory framework. This mechanism reflects a responsive accountability system, though it operates reactively rather than through pre-established contingency provisions.

Implementation of Participatory Governance

Community participation is institutionally embedded throughout the financial management cycle in Cipedes Village. The process begins with the formulation of the RPJMDes, for which a dedicated team conducts community surveys to identify local needs, aspirations, and development potential. These insights then inform the RKPDes and are subsequently operationalized in the APBDes. During budget implementation, community members are invited to monitor the progress of village development projects and are provided with open access to information about expenditure patterns. Citizens are encouraged to provide feedback, raise concerns, or report anomalies through available village channels. The institutionalized participatory forums include the Musdus, which captures hamlet-level aspirations; the Musdes, which formalizes input into village plans; and the Musdesus, which handles extraordinary circumstances. These forums involve not only village residents but also representatives from the BPD (Village Consultative Body), sub-district, and district levels.

Community engagement is further expressed through tangible collective action. Residents participate in gotong royong (mutual cooperation) activities such as constructing water channels, building retaining walls, and repairing roads-sometimes contributing personal resources to reduce the burden on village funds. This reflects a community ethos that extends beyond formal deliberative participation to active co-production of public goods.

Implementation of Budget Discipline

Cipedes Village adheres to a structured budget planning and execution cycle. Following the election of a new Village Head, a six-year RPJMDes is developed to establish long-term development priorities. Annual RKPDes documents translate these priorities into concrete activity plans, which are formalized in the APBDes through successive rounds of community deliberation at the hamlet, village, sub-district, and district levels.

Budget discipline is enforced through a sequential disbursement mechanism: each subsequent tranche of village funds is released only after the preceding period's financial report has been verified and approved by sub-district and district authorities. This creates a strong institutional incentive for timely and accurate financial reporting. Internal oversight is further strengthened by the active monitoring role of the BPD on behalf of the community, and by regular field inspections by government monitoring teams.

The primary challenge to budget discipline is the recurring gap between the start of the fiscal year (January) and the typical disbursement of village funds (March or April). During this period, the village relies on BUMDes revenues to cover operational expenses a stopgap that, while pragmatic, introduces financial risk and is not uniformly available to all villages. Additionally, unanticipated events-particularly natural disasters and the COVID-19 pandemic have periodically necessitated mid-year budget revisions, underscoring the need for more robust contingency planning mechanisms.

Challenges in Village Financial Management

Beyond the principle-specific challenges described above, Cipedes Village faces several cross-cutting structural problems. Agricultural land loss due to conversion to residential housing has diminished the village's productive land base and threatened food security. Seasonal water shortages during the dry season affect both household needs and agricultural activities. Limited access to fertilizers at affordable prices further constrains the remaining agricultural sector.

A lack of policy synchronization between village-level realities and higher-level governmental regulations is a recurring concern. Overly uniform policies that fail to account for the specific characteristics of individual villages are perceived as impediments to effective local governance. Village officials express a clear desire for more adaptive regulatory frameworks and stronger policy support from district, provincial, and national authorities. Public understanding of village financial management processes also remains uneven. A segment of the community holds misconceptions about how funds are managed and allocated, generating occasional distrust toward the village government. This points to the need for sustained, accessible, and plain-language communication strategies-beyond formal musyawarah forums-to build community trust and social accountability.

Summary of Findings
The following table presents a consolidated overview of the implementation mechanisms and challenges associated with each of the four financial governance principles in Cipedes Village:

Principle	Implementation Mechanisms	Key Challenges
Transparency	Siskeudes application (monitored by BPK, Inspectorate, DPMD); large banners displaying APBDes summaries; village official website; musyawarah forums (Musdus, Musdes)	Low digital literacy; uneven attendance at forums; delays in financial reporting
Accountability	Formal reporting after each disbursement via musyawarah; APBDes based on RPJMDes and RKPDes; multi-level oversight (sub-district, district, BPK, Inspectorate)	Unexpected events require ad hoc budget revisions via Musdesus; administrative burden of detailed reporting
Participatory	Community involvement from RPJMDes to APBDes; oversight during implementation; Musdus, Musdes, and Musdesus forums; BPD involvement	Unequal community representation; limited capacity of some members to engage meaningfully
Budget Discipline	RPJMDes (6-year) → RKPDes (annual) → APBDes cascade; post-disbursement reporting meetings; conditional sequential disbursement	Delayed disbursement (March/April); BUMDes bridge financing; unplanned events disrupt budget plans

Table 1. Summary of Financial Governance Principles: Implementation and Challenges in Cipedes Village

Discussion
The findings from Cipedes Village illuminate both the achievements and the ongoing tensions in village-level public financial management in Indonesia. The village has made commendable progress in adopting digital financial management tools (Siskeudes), institutionalizing participatory forums, and establishing multi-layered oversight mechanisms-reflecting a genuine commitment to the regulatory expectations established in national village finance legislation.However, the digital literacy gap represents a persistent barrier to meaningful transparency and community engagement. While the Siskeudes application and the village website constitute important transparency tools, their utility is constrained when a significant portion of the population cannot access or interpret digital information. This points to the

need for complementary analog communication strategies alongside investments in community-based digital literacy programs.

The delayed disbursement of village funds is a systemic issue extending beyond any single village's administrative capacity. The reliance on BUMDes revenues as bridge financing, while locally innovative, introduces financial risk and is not a scalable solution for villages without diversified enterprise operations. A more structured approach to early-year expenditure planning-potentially including pre-disbursement operating reserves or revised disbursement calendars at the national level-could alleviate this recurring challenge. The village's experience with unplanned events also highlights a broader gap in contingency planning frameworks. While the Musdesus mechanism provides a formal pathway for emergency budget revisions, it operates reactively. The development of standardized contingency fund provisions within APBDes structures could significantly enhance the resilience and predictability of village financial plans. Finally, the tension between centrally-determined regulatory requirements and local contextual realities underscores the importance of more adaptive governance frameworks and capacity-building support for village financial officers.

Conclusion

This study analyzed the implementation of village fund financial management in Cipedes Village, Paseh Sub-district, Bandung Regency, through the four core principles of financial governance: transparency, accountability, participatory governance, and budget discipline. The findings indicate that Cipedes Village has developed a reasonably systematic financial management framework, supported by the Siskeudes digital system, institutionalized deliberative forums, and a multi-tiered supervisory structure. The village demonstrates a genuine commitment to good governance practices—as evidenced by its transparent information dissemination strategies, structured reporting mechanisms, and inclusive community engagement processes. Nevertheless, several challenges limit the full realization of these governance ideals: low digital literacy, uneven forum participation, delayed fund disbursements, insufficient contingency planning, and misalignments between national policy frameworks and local operational conditions.

Based on these findings, the following policy recommendations are proposed: (1) organize digital literacy training programs to enable broader community engagement with financial information platforms; (2) schedule village deliberations at times accessible to working-age residents and leverage digital communication channels for outreach; (3) develop plain-language financial communication materials to reduce public misunderstanding of fund management processes; (4) support economic diversification initiatives—including food processing, handicrafts, and village tourism—to strengthen local livelihoods as agricultural land diminishes; (5) prioritize investment in water security infrastructure such as boreholes and rainwater harvesting systems; and (6) establish formalized contingency fund allocations within the APBDes to mitigate the impact of unforeseeable events on budget execution.

Future research should examine whether similar governance patterns are present in other villages in Bandung Regency, and explore how varying levels of BUMDes development influence the overall quality of village financial management. Comparative multi-village studies would provide a richer empirical basis for policy recommendations aimed at strengthening village governance across Indonesia.

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