



## Village Financial Management Through Good Governance: Challenges Faced by Village Governments in Managing Village Funds

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### A B S T R A C T

The purpose of this study is to analyze the village financial management model through the principles of good governance. The research method used a qualitative method with a case study design, data collection through observation techniques, in-depth interviews, and document analysis. Data validity was through triangulation of data sources and collection methods. The research informants numbered 17 people. Data analysis included data collection, data presentation, data condensation, and drawing conclusions. The results of the study indicate that accountability exists, but is not accompanied by commitment. Community participation focuses more on development results than on monitoring budget use. The use of village websites for financial transparency is still minimal. Law enforcement still shows non-compliance with regulations in village financial management, so the concept of preventive supervision is needed. Conclusion The study shows that the Kapas Village Government has not fully implemented the principles of good governance in financial management. The limitations of this study relate to the lack of coverage of aspects of equality, vision, strategy, responsiveness, and consensus-oriented principles in village financial management. These limitations can be recommendations for further research. The implications of this study are the development of financial management concepts in village governance in Indonesia.

### INTRODUCTION

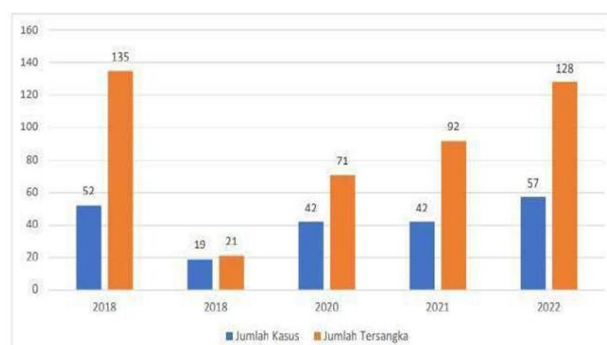
The application of good governance principles is crucial in village financial management to achieve transparency and accountability (Suharto, 2022; Adhinata et al., 2020). This is essential considering that good governance is a key prerequisite for realizing the aspirations of the people to achieve their goals and ideals for the nation (Ayu et al., 2019). Transparency in village financial management is not merely a matter of compliance with regulations, but also the foundation for building public trust and encouraging active community participation in development (Fauziah & Lubis, 2022). This transparency is particularly relevant given the numerous cases of corruption involving village funds that have come to light, indicating that the management of state funds is not yet optimal (Budiasni & Ayuni, 2020). In this context, good governance is defined as the administration of government that is free from corruption, collusion, and nepotism, where transparency is the main pillar in every activity that concerns the public interest, especially in village financial management. The implementation of Law No. 6 of 2014 on Villages marks a paradigm shift in development, whereby villages are now at the forefront of efforts to achieve equitable, sustainable, and equitable economic prosperity and welfare (Njonjie et al., 2019).

Therefore, good and proper governance is needed so that financial management is in line with the objectives of establishing a professional, efficient, effective, open, and accountable village administration (Ali & Saputra, 2020). However, the implementation of these good governance principles often faces various obstacles, including the low level of knowledge and skills of village officials in financial management (Noviarita et al., 2021). In fact, transparent and accountable financial management is the key to the economic strength of villages, which must be managed

professionally by human resources who are competent in the field of accounting. Therefore, it is necessary to revitalize the principles of good governance on an ongoing basis to ensure improved financial management at the village level (Nurliana, 2023; Tawai et al., 2023).

In practice, there are still quite a number of villages that have not implemented good governance in village financial management. This can be seen from the many cases of village financial abuse committed by village heads in various regions of Indonesia. Misuse of state budget management is a serious issue, as errors in financial management at both the central and local levels will impact the direction of national development. Data shows that the highest number of corruption cases occur in East Java Province, with the third-highest number of these cases involving village heads. This highlights the need to optimize budget management and local government services to prevent corruption or misuse of funds.

**Figure 1. Corruption Trends in East Java Province 2018-2022**



Source: ICW 2022 Report on Corruption Case Enforcement Trends

Based on Figure 1, the highest number of corruption cases in 2022 occurred in East Java Province. When broken down further, East Java Province has consistently ranked in the top five in terms of quantity, at least from 2018 to 2022. The main actors involved in corruption were mostly village heads, who ranked third in terms of the number of actors involved in corruption cases. The high number of corruption cases in East Java Province indicates the need for optimization in budget management and government services by the local government as an effort to prevent corruption. Several factors contribute to financial mismanagement, such as a lack of understanding and awareness of the importance of good governance, low levels of oversight and accountability, and insufficient community participation in monitoring village finances, which hinder the implementation of good governance. Financial mismanagement by village heads is a serious issue that can negatively impact village development and public services.



Figure 2. Radar Bojonegoro news report on corruption cases  
Source: Radar Bojonegoro

Based on Figure 2, Bojonegoro Regency is one of the areas facing serious problems related to the misuse of village funds by village heads. According to Radar Bojonegoro, data on corruption cases handled by the police shows that the average suspect in corruption cases is a village head who has abused his authority in the use of village funds and the village fund budget. Eight village heads in Bojonegoro are involved in legal cases, including the village head of Kanten in Trucuk Sub-district, the secretary of Deling Village in Sekar Sub-district, the village head of Punggur in Purwasari Sub-district, four village heads in Padangan Sub-district, and the village head of Kapas in Kapas Sub-district. Seven are involved in corruption cases, while the rest are fraud cases. Given these corruption cases, there is a need for oversight and special attention to the management of Village Funds to ensure that those responsible for implementing activities can carry them out properly and correctly. One case of village financial misuse occurred in Kapas Village, Kapas District, which came under scrutiny due to irregularities in the management of the 2019-2020 Village Revenue and Expenditure Budget (APBDes) by the former Kapas Village Head. This incident demonstrated that financial management failed to adhere to good governance principles and deviated from Minister of Home Affairs Regulation No. 20 of 2018 concerning Village Financial Management.

Good governance is solid, accountable government management based on efficient market principles, capable of preventing corruption both politically and administratively (World Bank). In implementing good governance, there are nine principles that must be upheld, namely accountability, public participation, transparency, efficiency and effectiveness, equality, the rule of law, strategic vision, responsiveness, and consensus (<https://doi.org/10.58835/jspi.v5i3.519>)

orientation (UNDP). The importance of transparency in village financial management also aims to achieve the prosperity of the people, particularly through poverty alleviation efforts, which are the primary focus of village fund allocation (Suprastiyo, 2021). However, the policy formulation regarding the use of village funds is not yet comprehensive enough to address the basic needs of the community, which often results in poverty alleviation efforts not being the main focus in the formulation of fund allocation (Shaleh et al., 2020; Tahir et al., 2022).

In addition, community participation in the planning, implementation, and control of village development is still limited, often positioning them as objects of development rather than active participants. This indicates a gap in the public participation mechanism, which should be the backbone of creating transparent and accountable village financial management (Aryati et al., 2022). This challenge requires an in-depth evaluation of existing accountability mechanisms, particularly in ensuring that every rupiah of village funds is truly utilized for the benefit and welfare of the community in an optimal manner (Muradi & Rusli, 2013). Improving village administrators' understanding of accountability procedures and providing adequate human resources are crucial to overcoming existing obstacles (Lidamona & Ayudiati, 2024).

Good governance must include broad disclosure of information related to activities and budget use, enabling the community to monitor and provide input on every policy decision. Accountability is achieved through systematic and timely financial reporting, from planning to accountability, in order to maintain public trust and the sustainability of village entities (Suhaedi et al., 2022). The village government has an obligation to provide information transparently, including program plans, use of public funds, and government accountability, to ensure that the community's right to know all information related to governance is fulfilled (Arti & Rizky, 2023).

However, the reality on the ground shows that there are still many cases of misuse of village funds, with hundreds of village heads implicated in corruption cases, indicating weaknesses in the oversight and accountability systems that allow fraudulent practices to occur (Ayem & Kusumasari, 2020). Accountability and transparency are the main principles in village financial management in accordance with Ministerial Regulation 113/2014, in line with the principles of state financial management. This phenomenon reinforces the big question of why financial management in villages based on the principles of good governance, including accountability, community participation, transparency, efficiency and effectiveness, and the rule of law, has not been implemented optimally. The formulation of this research is how to manage village finances based on the principles of good governance. The novelty of this research is the village financial management model which emphasizes the principles of accountability, community participation, transparency, efficiency and effectiveness, and the supremacy of law in village financial management.

## METHOD

This research uses a qualitative approach with a case study in Kapas Village, Kapas District, Bojonegoro Regency. Qualitative research was chosen because it provides a deep understanding of the application of good governance principles in village financial management (Gammelgaard, 2017). The types of data in this

study are primary data and secondary data obtained from informants with a total of 17 people interviewed by the researcher consisting of the Village Secretary, Village Treasurer, Village Consultative Body, Village Community Empowerment Body, Inspectorate, and Village Community. Data collection techniques through observation, in-depth interviews, and document studies. The focus of the research is the village financial management model with the principles of accountability, community participation, transparency, efficiency and effectiveness, and the rule of law. The research locus is in Kapas Village, Kapas District, Bojonegoro Regency. Data analysis uses an interactive data analysis model including data collection, data presentation, data condensation, and drawing/verifying conclusions as something interrelated before, during, and after data collection to build general insights called analysis (Miles, 2014).

## RESULTS AND DISCUSSION

### Accountability

Accountability in village financial management refers to the village head's obligation to be responsible for managing village finances in an open and accountable manner. The village head must ensure that village funds are used for their intended purpose and provide clear and transparent reports to the community. In Kapas Village during the previous term of office, accountability in village financial management was not properly implemented because the village head was not responsible for managing finances.

Based on an interview with the Kapas Village Secretary regarding accountability and reporting on village financial management, the following was noted:

*"So, the village head received financial assistance from the district for the construction of a bridge that was not included in the APBDes (Village Budget), and coincidentally, he was also the contractor and had been approved by the community. Regarding accountability for the use of village funds, the village financial management team (PPKD) had proposed to prepare an accountability report (SPJ). However, the village head refused, saying that his assistant would prepare it. During the implementation phase, previously, to withdraw funds, a withdrawal slip was required, but now there must be a detailed breakdown of how the funds were used, and the funds are automatically transferred from the bank to the village head. The PPKD team wanted to assist in preparing the SPJ but could not do so because they did not know the details of the expenditures. By the end of the year, the SPJ was still not available, leading some parties to report it, and the investigating authorities noted discrepancies. We, the PPKD team, were unaware of anything because when we requested the expenditure receipts, he refused to provide them. Every time we asked for the receipts to assist in preparing the SPJ, the village head kept making excuses" (interview, May 7, 2024).*

This is different from Arti & Rizky (2023) which states that the Village Government has an obligation to prepare accountability reports to ensure that the community's right to know all information related to governance is fulfilled. Accountability is a fundamental principle in village financial management in accordance with Ministerial Regulation 113/2014, in line with the principles of state financial management.

The report on the realization of the 2021 APBDes (Village Budget) for Kapas Village shows good financial management, although there are several points that need attention. The village's

original income did not reach the target, with a shortfall of Rp 75,450,000.00. The overall realization of village expenditure was lower than the budget, with a remaining budget of Rp 120,174,013,00, indicating efficiency in expenditures or some programs that were not fully realized, particularly in the areas of community development and village development implementation, which require further evaluation. The village experienced a deficit lower than the initial budget, with a deficit savings of Rp 44,797,432.97, indicating better financial management than initially anticipated. Revenue and expenditure were realized in accordance with the budget, indicating consistency between planning and implementation in terms of financing. The existence of a budget surplus (SILPA) for the current year of Rp 44,797,432.97 indicates excess funds that can be used for needs in the next fiscal year, namely the 2022 fiscal year.

Table 1. Village Revenue and Expenditure Budget for 2022

| DESCRIPTION                                  | BUDGET (RP)      |
|----------------------------------------------|------------------|
| <b>INCOME</b>                                | 471.300.000,00   |
| Village Own-source Revenue                   | 1.643.404.800,00 |
| Revenue                                      |                  |
| Transfer of Other Income                     | 2.100.000,00     |
| <b>TOTAL REVENUE</b>                         | 2.116.804.800,00 |
| <b>SHOPS</b>                                 | 741.814.306,56   |
| <b>Employee Expenditures</b>                 | 935.737.546,41   |
| Goods and Services                           | 147.950.380,00   |
| Expenditures Capital                         |                  |
| Expenditures                                 |                  |
| Contingency Expenditures                     | 311.100.000,00   |
| Employee Expenditures                        | 2.136.602.232,97 |
| <b>TOTAL SURPLUS / (DEFICIT) EXPENDITURE</b> | 19.797.432,97    |
| <b>FINANCING</b>                             | 44.797.432,97    |
| Revenue from SILPA financing                 | 44.797.432,97    |
| in the previous year Financing expenditure   |                  |
| Village capital participation                | 25.000.000,00    |
| <b>FINANCING</b>                             | 25.000.000,00    |
| <b>NETTC FINANCING</b>                       | 19.797.432,97    |
| <b>SURPLUS BUDGET FINANCING</b>              | 0,00             |

Source: APBDes Data for Fiscal Year 2022, Kapas Village

Based on Table 1, the 2022 Fiscal Year APBD of Kapas Village Government, village revenue consists of three main components, namely village revenue, transfer revenue, and other revenue. Village expenditures consist of four main components: personnel expenditures, goods and services expenditures, capital expenditures, and unforeseen expenditures. From the analysis above, Kapas Village has a surplus of Rp 19,797,432.97, meaning that revenue exceeds expenditures. Village payments consist of three main components: financing receipts, the previous year's surplus from 2021, and village capital contributions. Thus, the 2022 Village Budget of Kapas Village has achieved its primary objective: to manage village revenue and expenditures effectively and efficiently.

However, according to the United Development Program Accountability is "the responsibility of a public leader who has been entrusted by the community to manage all matters of interest." In this case, the village head, who has been entrusted by the community to manage village finances, must do so transparently and accountably in accordance with applicable



regulations. However, based on interviews and document studies, the village head has violated applicable regulations and procedures.

### Community Participation

Community participation in village financial management involves the community in supervising and monitoring the use of village funds. In Kapas Village, community participation is implemented by holding regular meetings at the end of each month to discuss village activities, represented by community institutions such as RT/RW, which are then conveyed by the village community. Additionally, village meetings (musdes) are held to establish the RKP (development activity plan). In these meetings, Kapas Village has conducted village meetings (musdes) and village development planning meetings (musrenbangdes) that involve the community in the planning process, aiming to make village budgeting more participatory.

Although there are forums and consultation mechanisms, community involvement in village financial management in Kapas Village is still not optimal. This is because the community's primary focus is on the final results of physical development projects rather than responding to reports or expressing aspirations related to village financial management. The community never asks questions or monitors the use of the village budget in detail, indicating a lack of interest and understanding among the community regarding the importance of transparency and accountability in the use of village funds.

The results of this study are in line with previous research conducted by [Rahmatullah \(2021\)](#) that "community oversight of village funds is still considered weak due to low community participation." Although there are mechanisms for participation through regular meetings, similar to the view stating that "Community participation is a form of active involvement and participation by the community in a series of activities that can be carried out through the expression of opinions and decision-making, either directly or through agencies that can represent their interests."

Based on an interview with the secretary of Kapas Village, it was stated that:

*"...we, the village government, often hold regular monthly meetings to discuss activities in the village, but these are represented by the RT/RW institutions, which will then be conveyed to the community. As for monitoring how much of the budget has been spent, I don't think that ever happens. Because what is important to the community is that physical development in the village is carried out. The community never asks how much of the budget has been spent." (interview, May 7, 2024)*

Community participation takes place in regular consultation meetings held at the Kapas Village Hall, as shown in Figure 3 below:



Figure 3. Village Government Meeting with the Community  
Source: Kapas Village Government, 2024

Based on Figure 3, the Kapas Village Government holds regular meetings at the end of each month to discuss all activities in the village, such as development projects that have been implemented and those that have not yet been implemented. The village government and the BPD (Village Consultative Body) also report on the progress of the APBDes (Village Budget).

That village financial management is not merely a matter of regulatory compliance, but also a foundation for building public trust and encouraging active community participation in development. In addition, community participation in the planning, implementation, and control of village development is still limited, rather than active participation. This indicates a gap in the public participation mechanism, which should be the backbone of creating transparent and accountable village financial management ([Aryati et al., 2022](#)).

In the context of village financial management, community supervision and monitoring of budgets is still not optimal. Community participation is very important in supervising village financial management. This results in a lack of transparency and accountability in village financial management, which can ultimately damage community trust in the village government.

### Transparency

Transparency in village financial management is key to enabling the community to conduct effective oversight. One form of transparency in village financial management is openness regarding access to and information on the use of village finances, so village governments are required to present village financial information to the community so that they can better supervise and monitor. The Kapas Village Government has taken steps to improve transparency in village financial management. One form of openness that has been implemented is the installation of banners containing information on the Village Budget (APBDes) and budget implementation. This allows the community to view village financial information directly.

The Kapas Village Government on transparency in access to information on the use of village funds, based on an interview with the Head of the Village Consultative Body (BPD) as follows:

*"...transparency in village financial management is in accordance with the regulations, and the APBDes is also posted on banners, but its*

*implementation is not in accordance with the regulations. So, if it is said to be transparent, it is not yet because there was a case involving the former village head. However, things are now starting to improve and are in accordance with the regulations" (interview, June 16, 2024).*



**Figure 4.** Banner providing information on the use of APBDes  
Source: Researcher observation (2024)

Based on Figure 4 above, public information disclosure, particularly regarding the budget, has been implemented through the APBDes banner that has been installed. Additionally, Kapas Village already has a website for public transparency; however, the website has never uploaded the APBDes implementation. From the researcher's observations after reviewing the website under village regulations/rules, the APBDes for the 2022 budget year is outlined in Kapas Village Regulation Number: 10 of 2021 on the Village Revenue and Expenditure Budget for 2022, as well as the APBDes accountability report for 2021, which is outlined in Kapas Village Regulation Number: 01 of 2022 on APBDes Accountability for 2021.

Transparency has become particularly relevant given the numerous cases of corruption involving village funds that have come to light, indicating that the management of state funds is not yet optimal. This is also in line with [Sulardi & Erliyana \(2021\)](#) that good governance is defined as the administration of government free from corruption, collusion, and nepotism, where transparency is the main pillar in every activity involving public interests, especially in village financial management.

However, there are still limitations in the implementation and presentation of information. Kapas Village has a website that could be an effective means of publishing village financial information publicly, but the website is not being used to its full potential because budget realization information has never been uploaded to the village website. Many villagers are not yet accustomed to accessing information via the internet. Although there have been efforts to improve transparency in village financial management in Kapas Village, there are still several challenges that need to be addressed. One of these is the use of technology, such as the village website, to improve transparency in budget implementation for the public. The results of this study are not in line with previous research conducted by [Nurliana, \(2023\)](#) who said that "Transparency efforts are reflected in the presentation of village financial reports that are easily accessible to the village community." Transparency is "a fundamental principle established to obtain information about matters of public interest, both directly and in terms of the difficulty of public access to information."

## Efficiency and Effectiveness

Efficiency and effectiveness in village financial management refer to the optimal use of available resources to meet community needs. Efficiency refers to the optimal use of available resources to produce maximum output at minimum cost, while effectiveness refers to the achievement of desired goals or results. In this case, the principles of efficiency and effectiveness in Kapas Village refer to the use of village funds to achieve village development goals and improve community welfare. The principles of efficiency and effectiveness in Kapas Village have been implemented quite well.

Efficiency is assessed based on the existence of labor-intensive cash programs that increase efficiency through community participation in development projects. Involving the village community can reduce external labor costs and empower the local community. In addition, efficiency is assessed by the Village Financial Management Implementation Team (PPKD), which maximizes the use of resources by working in accordance with their respective duties and functions.

Interview with the village secretary regarding the efficient and effective implementation of financial management in Kapas Village, as follows:

*"In managing village finances, our PPKD team is efficient because we always work according to our respective duties and functions. To ensure effectiveness, we measure it through community satisfaction. This is because the community always provides suggestions regarding physical development, but rarely regarding human resource development. The community's needs that are prioritized are, first, roads that are not yet paved and are still made of macadam, so we continue to carry out construction first. Second, there are two hamlets in Kapas Village, namely Sambungrejo Hamlet and Guyangan Hamlet, so we divide it equally to be fair. Third, house renovations are assisted by the Public Works Department, which has taken over the responsibility to reduce the village's burden" (interview, May 7, 2024).*

This statement was also supported by the Village Treasurer, who stated:

*"Efficient and effective are in the cash-intensive village program that involves the community, and the impact of community development also works and does not just watch" (interview, May 15, 2024)*



Figure 5. Connecting Bridge Between Villages

Source: Researcher Observation, 2024

Based on Figure 5, Kapas Village is carrying out the construction of a bridge connecting Kapas Village with Kabunan Village, the construction is a village financial assistance (BKD) from the Regency. Kapas Village received Village Financial Assistance (BKD) in the field of rural infrastructure assistance worth Rp 900,000,000. The construction of this bridge is a problem in village financial management involving the head of Kapas village, so that the construction of the bridge is hampered.

This "efficiency and effectiveness are basic principles that must be applied so that public services become better by guiding every activity and institutional process in an effort to get what is really needed". However, there is a lack of proposals from the community for the human resource (HR) improvement program for the Kapas Village community. While effectiveness in Kapas Village is assessed based on community satisfaction with the results of development. If the community is satisfied with the results of physical development, it shows that village funds are used effectively to meet community needs such as the construction of the Kapas-Kabunan bridge, although it was hampered by the settlement process due to problems involving the village head, but over time it has been resolved and can be beneficial for community accessibility.

### Supremacy of Law

In village financial management, the rule of law ensures that every use of village funds must be transparent, accountable and responsible. If there is misuse of village financial regulations, the rule of law ensures that legal action will be taken to uphold justice and accountability. This is done to build public trust in a village government with integrity and transparency. Likewise with Kapas Village which in 2019-2020 was hit by problems carried out by the village head related to irregularities in the Village Budget. Therefore, researchers conducted interviews with various parties regarding actions to handle and supervise village financial management.

Based on an interview with the Inspectorate which acts as a supervisor of village financial management in Bojonegoro Regency, it stated:

"We are the supervisors of village financial management. For villages in Bojonegoro Regency, all of them have a system that we can monitor called *siskeudes* (village financial system). For us, it is called *siwaskeudes* (village financial monitoring system), in this system, all villages have been monitored which have the highest risk. For Kapas Village, there was a complaint and it was accompanied by evidence, so we audited and checked it, there was indeed an error and it was not in accordance with existing regulations". (interview, June 6, 2024)

The researcher also interviewed the Community and Village Empowerment Service in the Village Government Development Sector which has a role in fostering village financial management in Bojonegoro Regency, who stated:

"The case of village financial management, especially in Kapas Village, Kapas District, which ended with a lawsuit against the Head of Kapas Village. Currently, the trial process for the lawsuit in question has permanent legal force according to the Decision of the Supreme Court of the Republic of Indonesia Number: 3956K/PID.SUS/2023, dated August 1, 2023, the execution of which was carried out on February 19, 2024. The Head of Kapas Village has been dishonorably dismissed through the Decree of the Regent of Bojonegoro Number: 188/175/KEP/412.013/2024, dated May 30, 2024. So that the Village Government in the mechanism for implementing village financial management must be guided by the provisions of the applicable Laws and Regulations, namely Permendagri Number 20 of 2018 and Regulation of the Regent of Bojonegoro Number 58 of 2021". (interview, June 28, 2024)



Figure 6. Siskeudes-Link Application Training

Source: Researcher Data, 2024

Based on Figure 6 above, the Community and Village Empowerment Service of Bojonegoro Regency has a training budget, one of the substances of which is related to Village financial management with the aim of increasing capacity for the implementation of good Village financial management.

The principle of the supremacy of law in village financial management aims to ensure transparency, accountability, and responsibility in the management of village funds. There is a problem of irregularities in the 2019-2020 Village Budget in Kapas Village involving the village head. The village government's initiative to remind about the return of funds used after signing a stamped letter, but in reality did not fulfill the commitment. This shows the village head's non-compliance



with the official written warning. In addition, there are limitations to the village apparatus in handling these irregularities because it is not their authority.

This is in accordance with the view, which states that "the supremacy of law is a political process, society needs legal methods and rules in making public policies in order to realize good governance. The legal framework should be impartial and non-discriminatory, including laws relating to human rights". The supremacy of law is important in ensuring that village financial management is carried out in accordance with applicable legal provisions. Although there is a warning and monitoring system, non-compliance with regulations indicates weaknesses in law enforcement. The results of this study are almost the same as previous research conducted by Tio (2021) that the enforcement of the supremacy of law has been implemented but has not been maximized, because the budget that has been used for the purpose of the activity has not been announced to the village community. The research results are briefly presented in Table 2 below.

Table 2. Research Results Matrix

| FOCUS                        | RESULTS                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Accountability               | Accountability in village financial management in Kapas Village is suboptimal. This is due to the former village head's irresponsibility in managing village finances. Furthermore, there is also non-transparent reporting and accountability letters that do not comply with procedures. This has resulted in discrepancies in the accountability reports.              |
| Community Participation      | Community involvement in overseeing village financial management remains suboptimal. This is due to a lack of interest in monitoring or responding to reports on village financial use. They tend to focus on the physical results of development.                                                                                                                        |
| Transparency                 | Transparency in village financial management in Kapas Village shows positive steps with the installation of banners, however, the use of technology as a means of publicizing budget realization for the public has not been implemented.                                                                                                                                 |
| Efficiency and Effectiveness | The Kapas Village Government has strived to implement efficiency and effectiveness in village financial management, prioritizing it according to community needs. Although hampered by the village head case, over time, community needs have been met according to the urgency of each hamlet.                                                                           |
| Supremacy of Law             | Based on this indicator, Kapas Village has not yet implemented the rule of law. The village head's consistent non-compliance demonstrates weaknesses in law enforcement. Despite a monitoring system in place, non-compliance with regulations still occurs. This demonstrates the need for system strengthening and increased law enforcement to address irregularities. |

Source: Researcher Analysis (2025)

Village financial management plays a crucial role as an instrument for achieving community well-being. The application of good governance principles cannot be ignored, ensuring accountability, community participation, transparency, efficiency and effectiveness, and the rule of law serve as guidelines for managing village finances.

The findings of this study indicate that accountability has been implemented, but it is not accompanied by a strong commitment from the Village Head. Community participation focuses solely on development outcomes rather than monitoring or supervising budget utilization. The use of village websites for financial publications as a form of transparency remains minimal. Non-compliance with regulations governing village financial management remains a key aspect of the rule of law, necessitating the need for preventive oversight.

The practical implication of this research is that good governance principles must be strictly implemented in village financial management, particularly in the aspect of the rule of law, which refers to Minister of Home Affairs Regulation Number 20 of 2018 concerning Village Financial Management. Village governments must also ensure public information disclosure in their financial management. The theoretical implication of this research is the development of management concepts for village financial governance in Indonesia.

The limitations of this study lie in the key informant, namely the Head of Kapas Village who could not be interviewed due to the ongoing legal process and did not include aspects of equality that emphasize equal treatment in terms of services and obtaining benefits from village finances, strategic vision in village financial management, responsiveness in responding quickly to any problems that arise, consensus orientation in discussing village government policies and activities. These limitations can be recommendations for further research.

## CONCLUSION

Village financial management plays a crucial role as an instrument for achieving community well-being. The application of good governance principles cannot be ignored, ensuring accountability, community participation, transparency, efficiency and effectiveness, and the rule of law serve as guidelines for managing village finances. The findings of this study indicate that accountability has been implemented, but it is not accompanied by a strong commitment from the Village Head. Community participation focuses solely on development outcomes rather than monitoring or supervising budget utilization. The use of village websites for financial publications as a form of transparency remains minimal. Non-compliance with regulations governing village financial management remains a key aspect of the rule of law, necessitating the need for preventive oversight.

The practical implication of this research is that good governance principles must be strictly implemented in village financial management, particularly in the aspect of the rule of law, which refers to Minister of Home Affairs Regulation Number 20 of 2018 concerning Village Financial Management. Village governments must also ensure public information disclosure in their financial management. The theoretical implication of this research is the development of management concepts for village financial governance in Indonesia. The limitations of this study lie in the key informant, namely the Head of Kapas Village who could not be interviewed due to the ongoing legal process and did not include aspects of equality that emphasize equal treatment in terms of services and obtaining benefits from village finances, strategic vision in village financial management, responsiveness in responding quickly to any problems that arise, consensus orientation in discussing village government policies and

activities. These limitations can be recommendations for further research.

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