

Conference Paper

## The Implementation of Village Financial Management Principles in Escalating Indeks Desa Membangun (IDM) Level for Villages: Learning from The Jati Village, Tuban

Zuhda Mila Fitriana<sup>1\*</sup>, Nurjanti Takarini<sup>2</sup>, Endang Iryanti<sup>2</sup>, Anajeng Esri Edhi Mahanani<sup>1</sup>

<sup>1</sup>Faculty of Law, Universitas Pembangunan Nasional "Veteran" Jawa Timur, Surabaya 60294, Indonesia

<sup>2</sup>Faculty of Economic and Business, Universitas Pembangunan Nasional "Veteran" Jawa Timur, Surabaya 60294, Indonesia

\*Corresponding author:

E-mail:

[zuhda.mila.ih@uonjatim.ac.id](mailto:zuhda.mila.ih@uonjatim.ac.id)

### ABSTRACT

The Indonesia Government initiates the SDGs' strengthening focus as realizing the *Nawacita* notion starting from villages. It aims to develop villages under the principles of sustainability in several sectors, such as Economy, Ecology, and Culture. The fundamental aims of this focus are to support the villages' welfare and share an equal level of development. In the end, villages will be the threshold of community changes toward the self-governing community ideas. To support this, the Indonesian government through the Ministry of Village, Development of Disadvantaged Regions, and Transmigration regulate the priority for the village's financial focus in Ministerial Decree No.7 the Year 2021. It also regulates some principles to be obeyed by the village government in designing village regulations or policies regarding the issue of village finances, development plans, and supervisory actions. It is arguable as to whether this regulation has affected the villages to escalate their level of Indeks Desa Membangun (IDM). Applying the legal research methods by using laws as the sources of research, combined with an empirical and conceptual approach, this paper discusses the ideal principles of the financial management system which help the villages to raise their IDM level. Three discussion covers 1. The authority owned by villages in managing its fund sources, 2. The principles of the village financial management, and 3. The experience of Jati Village, Tuban, East Java.

*Keywords: Finance, Indeks Desa Membangun (IDM), Management, Nawacita, and Village SDGs.*

### Introduction

In establishing the concept of a self-governing community, the Indonesian government has opted for villages to be the subject of development. As the consequence, the villages thus have stronger and wider authority to govern themselves according to the Law No. 6 the Year 2014 regarding the Village. To further analyze, it is also required to learn the Government Regulation No. 43 the year 2014 jo. No. 76 the Year 2015 regarding the technical regulation for the Law No.6 the Year 2014. The executor at the village level is the village government according to Article 1 point 2 Law No. 6 Year 2014. The government is defined as the system that rules and regulates the social, economic, and political sectors of a state or creates authorized bodies for it (KBBI Daring, 2016). Moreover, the village government is defined as the administration of government and public interest affairs under the Indonesian Government by the Article 1 point 2 Law No.6 the Year 2014.

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The village government is also authorized to administer itself by the local interests while acting as the executor of the central and regional government policies. Some village authorities as regulated in Article 19 of Law No. 6/2014 concerning Villages include a. authority based on the right of origin; b. village-scale local authority; c. authority assigned by the Government, Provincial Government, or Regency/Municipal Government; and d. other authorities assigned by the Government, Provincial Government, or Regency/Municipal Government by the provisions of laws and regulations. This is in line with the principle of regional autonomy attached to the village. As the subject of development, the village and village government can put village development priorities that can support the escalation of the village IDM level.

The Village Development Index (IDM) is a tool developed by the Ministry of Village, Development of Disadvantaged Regions, and Transmigration to support the achievement of the national SDGs plan. The consideration is that the development of integrated social, economic, and ecological aspects can become a village strength for the welfare of its life and realize an Advanced and Independent Village. Determination of indicators in the Village Development Index is an effort to measure village readiness and achievement which consists of three indices, namely: Social Resilience Index, Economic Resilience Index, and Ecological/Environmental Resilience Index. All three coincide with the achievement of the Village SDGs which are set as priorities for the use of Village Funds since 2021. The Village SDGs Framework is in line with the IDM composite index based on the global SDGs 2030 Indicator Framework. The IDM composite index has five levels: 1. Very Disadvantaged Villages, 2. Disadvantaged Villages, 3. Developing Villages, 4. Developed Villages and 5. Independent Villages (Sukarno, 2020). The maximum level is the Independent Village (part of the self-governance village).

To achieve maximum results from achieving the index, the village government can adjust the principles of village financial management as the main support. This paper will discuss three things: 1. The authority owned by villages in managing its fund sources, 2. The principles of the village financial management, and 3. The experience of Desa Jati, Tuban, East Java.

## Material and Methods

This research applies qualitative research methods by collecting literature and analyzing based on legal research approaches. Legal research approaches mean that the sources of discussion are discovered through the statute approach and empirical approach. The statute legal approach is shown by the use of regulation and policies as the basic sources while supporting it with the scholars' point of view and interviewing the village government.

## Results and Discussion

### *The authority of the village government in managing village financial and fund sources*

According to Law No.6 the Year 2014, the village is recognized and legally stated its authority. By that means, the villages have the autonomous rights to manage themselves. The authority of the village relies upon the governance, the headman, and its people. It exceeded the former understanding of the village authority itself. The village authorities are defined into 5 groups: a. the village government administration, b. the village development implementation, c. the village community development, and d. the rural community empowerment based on initiatives and village customs (Jafar et al., 2015).

The preparation and regulation of Villages is a constitutional mandate and is an acknowledgment of one unit of customary law community. The concept of the village is the concept of a traditional heritage that has existed in Indonesia since the pre-independence period. This form of recognition is based on Article 18B paragraph (2) and Article 18 paragraph (7) of the 1945 Constitution. The division between Villages and Traditional Villages is another form of recognition that comes from the merger of the functions of a self-governing community and local self-government. Thus, one of the consequences is that the Village has the authority to exercise its authority in running the government, village finances, village development, and getting assistance

from the government above it such as the Regency/City. This shows that the position of the village government is part of the regional government. As a consequence, in village development and governance, the uniqueness of the village is taken into consideration along with the regulations issued by the central or regional government above it. In addition, referring to the governance paradigm that places participatory principles, governance must be carried out with the community. The meaning of the community includes the citizens and other sectors involved. The three ideal stakeholders to be involved in the theory of developmental governance are the state, private sector, and society (Solekhan, 2014).

Participatory approaches such as focusing on services, development, and empowerment of rural communities can support the acceleration of village development (Solekhan, 2014). If it is associated with the context of the Village authority in managing finances, to develop a composite index of Economic Resilience, the Village through the village government must be able to realize these activities and cooperate with the community and private or third parties concerned. The central government regulates village authority in terms of financial management as part of the development mandate in Law No. 6/2014 that Villages can carry out local economic development. This authority is part of the Village-Scale Local Authority.

### ***The principles of village finance management under the policies during the Pandemic***

During the Pandemic, the focus of the ministry of finance shifted to recovery and strengthening the village economy as an effort to accelerate the achievement of Prosperous Villages based on the Village SDGs targets. The Central Government, in particular the Ministry of Villages PDPT, has designed priority rules for the use of Village Funds according to the needs of achieving both SDGs and IDM, especially during the Pandemic Period. Basically, in determining priorities, the village government should also pay attention to the following principles (Indrawati, 2017):

- a. Justice prioritizes the rights and interests of Villagers without discrimination;
- b. Self-management and based on Village resources with independent implementation using resources in the form of energy, thoughts, and skills of the local Village community;
- c. The form of a Village typology that takes into account the geographical, sociological, anthropological, and ecological conditions of the Village which is the uniqueness of the Village;
- d. Priority needs to prioritize urgent Village interests;
- e. Participatory prioritizes the initiative and creativity of the Village community;
- f. Village Authority, especially those from the Authority of Origin Rights and Local Village Authorities.

Considering the emergency handling of the Pandemic, the Village has the authority to manage village finances by making handling and recovery efforts a priority. In addition to managing according to its authority autonomously, the Village also carries out Village financial management activities during the Pandemic in line with the rules issued by the Central Government, such as PMK 50 of 2020 concerning the Second Amendment to the Regulation of the Minister of Finance Number 205/PMK.07/2019 concerning Management of Village Funds, Ministry of Village, Disadvantaged Region Development and Transmigration Number 6 of 2020 and Number 7 of 2020. Two things that become priorities for the allocation of Village Funds during the pandemic are 1. Self-managed Infrastructure Development with the Village Cash Intensive Work System (PKTD) and 2. Strengthening public health through efforts handling and prevention of Covid-19. One form of shortcut for handling regulated by the Central Government is the provision of Village Fund Cash Direct Assistance. So, it can be said that the Village has 3 priorities for village financial allocation during the pandemic. With the new mandate in managing village finances, the village government must be able to manage village finances well to achieve: SDGs goals, increase IDM levels, and control Covid-19.

Village finances are managed based on good governance practices. The principles of Village Financial Management are transparent, accountable, participatory and carried out in an orderly and budgetary discipline, with the following descriptions: The principle of being open to the community's right to obtain correct, honest, and non-discriminatory information regarding the administration of village governance while still taking into account the provisions of laws and regulations; 2. Accountability, namely the realization of the obligation to account for the management and control of resources and the implementation of entrusted policies in the context of achieving the goals that have been set. The principle of accountability stipulates that every activity and the final result of village government administration activities must be accountable to the village community following the provisions of laws and regulations; 3. Participatory, namely the implementation of village governance that includes village institutions and elements of the village community; 4. Orderly and budgetary discipline, namely village financial management must refer to the rules or guidelines that underlie it (Government of Republic Indonesia, 2018).

This principle can be implemented in village financial management activities which include planning, implementation, administration, reporting, and accountability (Indrawati, 2017). The implementation of these principles is following the concept of good governance, the better the management of a village's development will result in good development as well (Setyowati, 2019). Thus, it is hoped that good management will help achieve the village composite index.

One example of implementation efforts is to invite the community to participate in setting priorities for the use of Village Funds following Article 10 Ministerial Decree No. 13 the Year 2020 which represents participatory principles in village financial management (Ministry of Village, Development of Disadvantaged Regions, and Transmigration, 2020). In the same rule, the village government is also required to carry out publication and reporting, especially the results of the determination and use of the Village Fund allocation by its use. In addition to the community, the village government is also required to submit a report on the priority setting for the use of village funds using a centralized information system. The goal is that the ministry can supervise and evaluate villages to help realize the improvement of the IDM rating, the achievement of the SDGs, and the control of Covid-19 in the village.

So, it can be concluded, that two factors that support the achievement of maximum village development towards an Independent Village are: 1. A good village governance system and 2. Cooperation or partnerships are built between the government, the private sector, and the community.

### ***The experience of Jati Village, Tuban***

Overall, the East Java Province has ranked third among provinces in Indonesia with a 2.66% growth in IDM level. It is ranked below Bali and Di Yogyakarta Provinces. Compared to its level in 2020, its status is now Developed (Maju) of 7715 villages under the provincial governments. It is shown only 9 villages that remain at the Developing (Berkembang) level.

Among the regencies and cities level, Tuban Regency, our research location, has ranked 67 which also represents a growth of around 3,6%. All the villages under the regency governance have leveled up from Developing (Berkembang) to Developed (Developing) during the 2020-2021 period of time including Desa Jati (Jati Village), Soko District. Soko district has 23 villages under its governance which have shown growth of around 2%.

The increased level of the IDM (Village Development Index) has been influenced by some factors. As mentioned, two distinguishing factors are 1. Village management and 2. The collaboration between stakeholders such as state/ government, community, and private sectors. Indeed, it is also experienced by the Jati Village. According to the interview result with the village government, it has reformed some ways in managing the village. One example is by enhancing collaboration with the stakeholders outside the village governance (state prosecutors) and setting higher educational qualification for the staffs. Furthermore, the staffs altogether with the

headman has initiated asking for support from the ministerial facilitators instead of waiting the turn.

Besides, the village government has also established collaboration with academicians in supporting their economic potential. In 2019, before the pandemic, a team from the university developed an online system to support marketing activities of the village products. In terms of community participation, the headman and the staff have strengthened the role of local people by inviting them to the Development Planning Consultation Forum. Also, it transparently informs the community about the fund spending and management. It implies the principle of accountability in the village's financial management.

Despite the village's achieving growth, the village needs to plan a strategy to support its economic potential. For example, as the local has the tradition of making Tempe, the regency shall work together with the village in adding value to the products. Therefore, it can be a revenue stream for the village which then supports their economy's growth. In the end, it is hoped for the village to be at a higher level of IDM.

## Conclusion

There is a relation between the good governance, particularly in terms of financial management done by the villages to its level of IDM (Village Development Index). As the pandemic has shifted in many ways in our life including the regulation regarding the financial management of the state. Not limited to the state, the focus of regional government fund allocation has been shifted since, taking into account the village fund allocation priority. The change focuses on some sectors: 1. to balance the acceleration of SDGs Village achievement and Covid-19 control at the Village level and 2. To support the development following the composite index created through IDM (Village Development Index). Thus, it is important to analyze the change impact towards the financial management regulation of the village. As the results, it is shown that regardless of the pandemic and priority change of fund allocation the villages in East Java Province can place their level better. In particular, the Jati Village is located far from the central development of the province. The factors of growth are the good governance implementation by the village government and the collaboration created between the government, community, and private sectors. Since the village government has reformed its governance following the principles of the village management alongside the collaboration establishment. By utilizing those factors, the Jati Village thus achieves the Developed status in 2021.

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