

## **THE INFLUENCE OF GOOD GOVERNANCE IMPLEMENTATION ON VILLAGE FINANCIAL MANAGEMENT IN VILLAGES RECEIVING REGIONAL INCENTIVE FUNDS IN TEMANGGUNG DISTRICT**

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**Abstract:** This study aims to analyze the influence of implementing good governance principles on village financial management in village receiving regional incentive fund in Temanggung Regency. The examined good governance principles include accountability, transparency, participation, responsiveness, and effectiveness efficiency. The research was conducted in 11 villages that successfully received regional incentive fund for two consecutive years. A quantitative method with multiple linear regression analysis was employed, and data were collected through questionnaires distributed to village heads and village officials. The result indicates that the application of good governance principles has a positive (though responsiveness has a negative influence) and significant impact on village financial management. The better implementation leads to more optimal financial management, despite existing challenges such as limited human resource and low utilization of technology. These findings imply that village governments should strengthen financial governance and serve as a reference for policymakers to enhance transparency and accountability.

**Keywords:** Good Governance, Village Financial Management, Regional Incentive Funds

## **INTRODUCTION**

### **Introduction**

Villages are the smallest part of the Indonesian form of government, the stipulation of regulation No. 6/2014 on villages confirms that in addressing the village, the village government is inseparable from the regulatory objectives and ideas of implementing village improvement. The main objective of village development is to increase the capacity of local governments to provide services to the community and manage economic resources efficiently for regional progress and prosperity. Good procedures and governance are clearly reflected in the principles of good governance. Law No. 6/2014 on Villages and other relevant regulations explicitly state that village financial management must be transparent, accountable, participatory, orderly and disciplined.

The government provides village fund incentives to well-performing villages to increase motivation for better financial management. These incentives are only given to villages that meet certain criteria, such as transparency of village financial management, achievement of infrastructure development, and reduction of poverty and unemployment. This phenomenon

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reflects a gap in village governance, where only some villages are able to meet these standards, while others still face various challenges and obstacles.

This research was conducted in 11 villages in Temanggung Regency that received regional incentive funds for 2 consecutive years from the Ministry of Finance. This achievement shows the consistency that these villages have managed to sustainably maintain the quality of village financial management.

Regulations on the granting of regional incentive funds have set strict criteria that must be met by villages, such as transparency in financial reporting, community participation, and significant development achievements. However, in reality, only a small proportion of villages have successfully met these criteria. Data from the Ministry of Finance shows that only 18% of villages in Indonesia have met the transparency and community participation standards required to obtain regional incentive funds.

Good governance is a process to create success and accountability in governance as a form of responsibility. The World Bank states that development management should be carried out based on good governance principles to prevent misuse of village fund allocations and corrupt practices. By referring to the principles of good governance applied in Indonesia, the success of government administration can be measured, including government at the village level. This is very relevant, especially in realizing effective and transparent village fund management (Indriani et al., 2023).

Research conducted by Alfie et al., (2022) states that the application of the principles of good governance shows a positive influence on the financial management of village funds. The principle of accountability plays an important role in increasing public trust in the use of village funds and supporting the effectiveness of development programs. Transparency also has a positive influence, although it is limited by the lack of adequate access to information for the community. Community participation in the planning and monitoring of village funds has been shown to improve the success of management, although not all levels of society are actively involved. Responsiveness to community aspirations and complaints also contributes positively, but less responsive management can reduce its effectiveness. The principles of effectiveness and efficiency have limited influence, where constraints in the use of technology and regulatory instability reduce the positive impact of these principles. In contrast to research conducted by Ginting et al, (2024) which states that transparency has no significant effect on partial village financial management, while accountability and community participation have a positive and significant effect on village financial management. The results of this study are reinforced by research conducted by Vinyurintini & Sisdianto (2024) where transparency has a positive and significant effect on the quality of financial reports, while the principles of efficiency and effectiveness have an effect but are not significant because there are still obstacles in managing human resources and technology in several regions. Research conducted by Prihatini & Kurniawan (2021) also states that the application of the principles of accountability and transparency has a positive effect on village financial management, but community participation has no significant effect. This is due to the lack of public awareness and understanding of the importance of managing village funds transparently.

In government, it is necessary to take strategic steps to realize a good governance climate. Good governance refers to the management system applied in all public activities. The aim is to ensure that the government can carry out its duties effectively, efficiently, and in line with the expectations and needs of the community (Pardana & Intan, 2024). According to the United Nations Development Program (UNDP), the principles of good governance are

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guidelines for achieving government management that is efficient, transparent, accountable and responsive to community needs. These principles are used to ensure a government that is trustworthy, fair, and supports sustainable development.

Domestic Government Regulation No. 20/2018 Article 2 on the Management of Village Funds establishes several key principles in the management of village funds that aim to ensure village budgets are managed properly, transparently, and accountably. These principles include:

1. Transparency
2. Accounting
3. Participation
4. Budget order and discipline
5. Effective and Efficient
6. Fairness

These principles are in accordance with good village governance and support the creation of advanced, independent, and prosperous villages through responsible financial management.

Incentives in the context of village fund management refer to awards or additional funds given to villages or parties that have successfully demonstrated good performance, especially in the management of village funds. These incentives aim to encourage villages to be more effective and efficient in managing available resources, with the hope of improving the welfare of village communities and improving the quality of public services at the village level. The purpose of providing these funds is to reward the performance achievements of local/village governments in aspects of financial governance, basic public services, government administration, and improving community welfare (Pambudi, 2023).

## **Research purposes**

Analyze the influence and application of good governance principles in financial management in villages receiving regional incentive funds in Temanggung Regency and identify factors that become obstacles in the implementation of good governance in financial management in villages receiving regional incentive funds in Temanggung Regency.

## **LITERATURE REVIEW**

### **Regional Incentive Fund**

The Regional Incentive Fund is part of the Transfers to Regions and Village Funds (TKDD) whose acquisition mechanism is based on the principle of competition. This fund can be seen as a form of fiscal decentralization through the transfer of funds from the APBN to local governments. The purpose of this grant is to reward the performance achievements of local/village governments in aspects of financial governance, basic public services, government administration, and improving community welfare (Pambudi, 2023).

### **Good Governance**

Good governance is a basic principle that becomes the main foundation in the development of organizations, especially in the public sector. This concept not only refers to efforts to create an efficient government, but also emphasizes the importance of openness, accountability, and community participation in the management of public resources. According to (Rahmatullah & Rahmatullah 2021) good governance aims to bring positive changes in the government that is run. According to Law No. 6/2014 on Villages, good village governance involves the active role of the community in resource management and

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public services. This law provides autonomy for villages to manage local government affairs, emphasizing the principles of transparency and accountability as part of good governance. It is expected that with this legal foundation, villages will be able to run a more independent government and be responsive to the needs of the community.

## **Village Financial Management**

Based on Permendagri No. 20/2018, village financial management is defined as all rights and obligations owned by the village that can be calculated in money, as well as all things in the form of money and goods that are directly related to the implementation of village rights and obligations. In managing village funds, there are several stages that must be carried out, starting from planning, implementation, administration, reporting, to financial accountability. Each of these stages serves to ensure that the management of village funds is transparent, accountable, and in accordance with applicable regulations. So that it can encourage the development and welfare of rural communities.

## **RESEARCH METHODOLOGY**

The method used in this research is quantitative descriptive analysis. The techniques used are population and sampling. According to (Sugiyono, 2013) population is a generalization area consisting of objects or subjects that have certain characteristics. The population in this study were all villages receiving regional incentive funds in Temanggung Regency. The sample is a small part of the population that has certain characteristics (Sugiyono, 2013). The purpose of sampling is to minimize bias (perception deviation) and ensure that the research sample can be widely applied with a level of accuracy that matches the expectations of the researcher (Ghozali, 2018). The sample of this study used purposive sampling technique, namely by determining certain criteria. To obtain results that are in accordance with the research objectives, the data that has been collected is processed and analyzed using a quantitative approach. Each analytical technique used has a specific function in revealing patterns, relationships and influences between variables related to good governance in Mangunsari Village, Tegalrejo Village, Banjarsari Village, Pringapus Village, Gununggempol Village, Barang Village, Morobongo Village, Pringapus Village, Sanggrahan Village, Kemiriombo Village and Kalibanger Village.

## **RESULTS AND ANALYSIS**

The results of the study are in the form of answers to questionnaires that have been distributed to responses and processed by the author. The statement items presented in the questionnaire for the accountability variable (X1) are 8 statements, the transparency variable (X2) is 6 statements, the participation variable (X3) is 6 statements, the responsiveness variable (X4) is 4 statements, the effective and efficient variable (X5) is 7 statements and 6 statements for the dependent variable, namely village financial management.

In this study, the classical assumption test consists of normality test, multicollinearity test, and heteroscedasticity test. The results of the classical assumption test are described as follows:

### **1. Normality Test**

The normality test uses one sample Kolmogorov-Smirnov. The basis for deciding whether the data is normally distributed is, if the sig value.  $> 0.05$  then the data is normally distributed. The normality test results show that the significant value is 0.200 or greater than 0.05. based on this, accountability, transparency, participation, responsiveness, effectiveness and efficiency, and village financial management have normally distributed data.

### **2. Multicollinearity Test**

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Based on the results of the validity test, the tolerance value  $> 0.10$  and the VIF value  $< 10$ . So it can be concluded that the variables of accountability, transparency, participation, responsiveness, and effectiveness and efficiency are free from multicollinearity problems.

### **3. Heteroscedasticity Test**

The results of the heteroscedasticity test using the Glejser test use a significance value of 0.711 or more than 0.05. based on these results, there is no heteroscedasticity in the regression model so that the regression model is suitable for predicting village financial management based on the independent variables of accountability, transparency, participation, responsiveness, and effectiveness and efficiency.

Partial and simultaneous hypothesis testing. Partial hypothesis testing using the t test and simultaneously using the F test, the results of hypothesis testing are as follows:

Hypothesis testing both partially and simultaneously. Partial hypothesis testing uses the t-test, while simultaneous testing uses the F-test. The results of the hypothesis testing are as follows:

#### **1. Multiple Regression Test**

$$Y = 7.330 + 0.163X_1 + 0.206X_2 + 0.215X_3 - 0.178X_4 + 0.194X_5$$

#### **2. Coefficient of Determination Test**

From the research findings, the Adjusted R Square value is 0.461. This indicates that 46.1% of the village financial management variable can be explained by the independent variables, namely accountability, transparency, participation, responsiveness, as well as effectiveness and efficiency. The remaining 53.9% is explained by other variables outside this study.

#### **3. Partial Test**

The research results show that the t-table value is 1.98238 or the significance value is less than 0.05 (t calculated  $>$  t table). From the partial test, it can be concluded that the principles of accountability, participation, transparency, effectiveness, and efficiency have a significant positive influence, while the principle of responsiveness has a negative influence on village financial management.

#### **4. Simultaneous Test**

These results indicate that the application of good governance principles in the form of accountability, transparency, participation, responsiveness, as well as effectiveness and efficiency plays an important role in influencing the quality of village fund management collectively. This provides evidence that villages that implement good governance tend to have more directed and optimal financial management.

## **CONCLUSION**

Based on the results of the analysis and discussion, it can be concluded that the application of good governance principles such as accountability, participation, transparency, responsiveness, as well as effectiveness and efficiency plays a crucial role in enhancing the quality of village fund management. Further conclusions regarding the findings of this research are outlined as follows:

1. The principles of good governance (accountability, transparency, participation, and effectiveness and efficiency) have a positive impact on the financial management of villages receiving regional incentive funds in Temanggung District. Meanwhile, the principle of



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responsiveness has a significant negative effect on village financial management. Therefore, it can be concluded that, simultaneously, the studied good governance principles influence village financial management.

2. Factors that hinder the implementation of good governance (accountability, transparency, participation, responsiveness, as well as effectiveness and efficiency) in the eleven villages receiving regional incentive funds in Temanggung District are as follows:

- a. The lack of trained human resources in utilizing information technology.
- b. Not all villages have adequate technological infrastructure to support financial transparency through digital platforms.
- c. The use of digital media for information dissemination is not yet optimal due to technical constraints such as weak internet connectivity in several areas of Temanggung District.
- d. Transparency in the utilization of financial resources in the village through banners is only available at the village hall/village office.

Based on the research findings, several policy implications can be recommended that align with the established research indicators as adaptive steps. There are several suggestions that can serve as input for the village government in eleven villages (recipients of regional incentive funds for two consecutive years) in Temanggung Regency, as follows:

- a. The installation of banners showcasing the use of village funds at the village hall is a good initial step in enhancing transparency. However, to make the information more accessible to the entire community, it is recommended to expand the installation of banners in every neighborhood (RW)/hamlet or at public facilities in the village.
- b. To optimize the use of technology and digital media, it is suggested that the village government reactivate and manage the village website more up-to-date in accordance with Law Number 6 of 2014 Article 86. Additionally, digital training for village officials should also be conducted to enhance their capacity in managing and effectively conveying information to the community.
- c. The village government needs to maintain a balance between responsiveness and systematic planning to ensure that the management of village funds continues to operate optimally and aligns with development priorities. Furthermore, it is essential to establish a prioritization mechanism in responding to aspirations by considering urgency, impact, and alignment with the Village Medium-Term Development Plan (RPJMDes).

This recommendation aims to enhance the application of good governance principles in the management of village finances, thereby increasing the accountability, transparency, and effectiveness of village financial management.

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