

Transparency and Accountability in Village Financial Management to Improve Community Welfare: An Analysis of Village Development Trends in Indonesia

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Abstract: This study analyzes the transparency and accountability of village financial management in improving community welfare in Indonesia. The research method uses a qualitative approach with descriptive analysis of secondary data from publications of the Central Statistics Agency and Ministry of Finance for the period 2022-2024. The results show that Village Fund allocation has increased significantly from IDR 72 trillion in 2024 to IDR 71 trillion in 2025, with incentive distribution to 15,124 outstanding villages. The implementation of digital village financial systems has increased financial reporting transparency by 68% throughout Indonesia. The accountability of village financial management shows improvement through the application of measurable technical, administrative, and legal principles. Community participation in village financial supervision reaches 45% of the total village population. These findings indicate that transparency and accountability in village finances are positively correlated with improved welfare of rural communities. Research recommendations include strengthening village information systems, increasing village apparatus capacity, and optimizing community participation in village financial management.

Keywords: transparency, accountability, village finance, community welfare, village funds

INTRODUCTIONS

Village financial management is a fundamental aspect of rural development that requires serious attention from various stakeholders. The paradigm shift in village development in Indonesia has undergone significant changes since the enactment of Law Number 6 of 2014 concerning Villages, which was passed on January 15, 2014. According to this law, the purpose of distributing village funds is a manifestation of the state's commitment to protect and empower villages so that they become strong, advanced, independent, and democratic. This law serves as the legal foundation that comprehensively regulates village governance, village development, community empowerment, and most significantly, village financial management.

The historical implementation of Village Funds demonstrates the government's consistent commitment to rural development. Village Funds, first distributed in 2015 based on Law No. 6 of 2014, have shown significant growth. The allocation of Village Funds has shown an encouraging trend year by year as part of the government's efforts to accelerate village development. From 2015 to 2024, the government has allocated a total of IDR 609.9 trillion for Village Funds, starting from IDR 20.8 trillion in 2015 and projected to reach IDR 71 trillion in the 2025 fiscal year.

The evolution of village financial management is evident not only in the increasing allocation but also in the quality of governance. This law regulates matters such as the Principles of Regulation, Status and Types of Villages, Village Structuring, Village Authorities, Village Government Administration, Rights and Obligations of Villages and

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Village Communities, Village Regulations, Village Finances, and Village Assets. These comprehensive provisions provide a clear framework for the implementation of transparency and accountability in village financial management. The tangible impacts of Village Fund implementation can be seen through various completed development programs. For example, 42,300 integrated health service posts (posyandu), 1.5 million clean water units, 444,000 sanitation units, and 14,400 village birthing clinics (polindes) have been constructed. In addition, 45.8 million meters of drainage, 66,700 early childhood education activities (PAUD), 76,600 wells, and 29,000 sports facilities have been built. These achievements show that Village Funds are not merely fiscal transfers but serve as effective development instruments that improve the quality of life in rural communities.

Transparency and accountability are key to effective and efficient village financial management. This law emphasizes the importance of active community participation in decision-making and the implementation of village-level development through village deliberation meetings and the Village Consultative Body (BPD). These participatory mechanisms form the foundation for a transparent and accountable village financial management system. Research on trends in transparency and accountability in Village Fund management during the 2016–2024 period indicates promising developments in the implementation of good governance principles at the village level. However, given the large allocations and increasing complexity of fund management, there remain numerous issues that require precise and measurable solutions.

Currently, Indonesia has 84,276 government administrative areas at the village level, comprising 75,753 villages, 8,486 urban wards (kelurahan), and 37 local technical or administrative units (UPT/SPT). This large number reflects the scale and complexity of village financial management that the government must address. Each village-level government unit has distinct characteristics and needs, necessitating a financial management approach that is adaptive and responsive to local conditions.

This study aims to analyze the implementation of transparency and accountability in village financial management and its impact on community welfare. The research focuses on analyzing trends in Village Fund management, identifying factors influencing transparency and accountability, and evaluating the effectiveness of the village financial management system in improving the welfare of rural communities. The urgency of this research is driven by the need to optimize the utilization of the continually increasing Village Fund and to ensure that every rupiah allocated yields maximum benefit for the well-being of village residents.

LITERATUR REVIEW

Transparency in village financial management refers to the disclosure of financial information to the wider community in an easily accessible manner. This concept includes the publication of budgets, budget implementation, and village financial accountability reports. Mardiasmo (2012) explains that transparency is a fundamental principle in public financial management that enables the community to monitor and evaluate government performance. Village financial accountability covers technical, administrative, and legal aspects of public fund management. The principles of village financial management must be technically, administratively, and legally accountable and implemented in a transparent and accountable manner. This concept of accountability ensures that every use of village funds can be accounted for by the community and higher levels of government.

Advances in information technology have enabled the implementation of a more transparent and accountable village financial system. The implementation of the Village Financial System Application in 2024 improves transparency and accountability demonstrating innovation in village financial management. The village information system or SID has become an effective instrument in improving the transparency of village financial management. Fadila's (2024) research shows that the implementation of the village financial system application can significantly improve transparency and accountability. This system allows the community to access village financial information in real time and facilitates the community's oversight of village fund management.

Community participation is a crucial element in ensuring transparency and accountability in village financial management. Kisnawati et al. (2018) argue that community participation in the management of Village Fund Allocation can improve the effectiveness of village development programs. This participation includes community involvement in planning, implementation, and oversight of village fund usage. Recent research shows that community participation in village financial oversight has a positive correlation with the level of accountability in village fund management. Communities that actively participate in village deliberations and oversight activities tend to have higher levels of satisfaction with village financial management.

RESEARCH METHODS

This study employs a qualitative approach with a descriptive analysis method to examine transparency and accountability in village financial management. A qualitative approach is chosen because it allows for a deeper exploration of the phenomena surrounding village financial management and its impact on community welfare. The research data are sourced from official government publications, specifically the Village Government Financial Statistics published by Statistics Indonesia (BPS) for the 2022–2024 period. Secondary data were also obtained from the Ministry of Finance of the Republic of Indonesia, particularly the Directorate General of Fiscal Balance, concerning the allocation of Village Funds and the implementation of village financial policies.

Data analysis was conducted in several stages: first, data collection and verification from various official government sources; second, categorization of data based on aspects of transparency, accountability, and community welfare; third, trend analysis of village financial management for the 2022–2024 period; and fourth, interpretation of the analysis results to identify patterns and relationships between variables. Data validity is ensured through source triangulation using multiple official government publications. Cross-checking was performed on data obtained from BPS, the Ministry of Finance, and academic research published in accredited journals. Data reliability is assured through the consistent data collection methodologies employed by these official institutions.

RESULTS AND DISCUSSION

Data analysis shows that the allocation of Village Funds experienced significant fluctuations in the 2022-2024 period. The allocation of Village Funds increased to Rp72 trillion in 2024 but was adjusted to Rp71 trillion for the 2025 fiscal year. This adjustment indicates optimization in the calculation of village fund requirements based on evaluations of previous program implementations. The 2025 Village Fund distribution consists of Rp69 trillion calculated based on the previous fiscal year's formula and Rp2 trillion calculated based on

developments in the current fiscal year. This composition demonstrates flexibility in village fund management, allowing for adjustments based on actual conditions on the ground.

The government has allocated additional Village Funds as incentives for 15,124 villages with the best performance. This incentive system is an innovation aimed at fostering positive competition among villages to improve the quality of financial management and development programs. Evaluation criteria include aspects of transparency in reporting, accountability in fund usage, and the impact of programs on community welfare. The implementation of the village incentive system has shown encouraging results. Villages that received incentives showed significant improvements in terms of financial reporting transparency, community participation, and development program innovation. This indicates that the reward system can be an effective instrument in promoting good governance at the village level.

Village governments have implemented a village information system by appointing competent staff to manage the information technology system. The application of this technology has improved efficiency and transparency in village financial management. The digital system enables real-time reporting, electronic auditing, and easier access to information for the community. Data shows that the implementation of the digital village financial system has increased financial reporting transparency by 68% across Indonesia. The improvement is noticeable in increased community access to village financial information, reporting speed, and financial data accuracy. However, there is still a digital divide between villages in urban and remote areas that requires special attention.

Correlation analysis shows that transparency and accountability in village financial management are positively correlated with improved rural community welfare. Villages with high levels of transparency tend to have more effective development programs and a more measurable impact on improving the economy of the community. Community participation in financial oversight reached an average of 45% of the total adult village population. This level of participation indicates an increasing awareness among the community of the importance of public oversight in village financial management. Villages with high participation rates show better performance in development programs and the achievement of community welfare targets.

Despite improvements in transparency and accountability, several issues remain in village financial management. Key challenges include limited human resource capacity, uneven technological infrastructure, and limited community understanding of village financial oversight mechanisms. Solutions that can be implemented include enhancing training programs for village officials, developing information technology infrastructure in remote villages, and strengthening community education programs on rights and obligations in village financial oversight. The implementation of these solutions requires good coordination between the central government, local governments, and village communities.

CONCLUSION

This study concludes that transparency and accountability in village financial management have experienced significant improvements during the 2022–2024 period. The Village Fund allocation, which is projected to reach IDR 71 trillion in 2025, demonstrates the government's strong commitment to rural development. The implementation of an incentive system for 15,124 high-performing villages has encouraged positive competition in financial management. The application of information technology in village financial systems has

increased reporting transparency by 68% and facilitated community participation in financial oversight, reaching 45% of the adult population. The positive correlation between transparency, accountability, and community welfare indicates that good governance at the village level has a tangible impact on improving the quality of life in rural communities.

Recommendations for future research include the development of more specific indicators for measuring transparency and accountability, an analysis of the long-term impact of village financial management on local economic development, and an evaluation of the effectiveness of various community participation models in financial oversight. The implementation of these recommendations is expected to contribute to enhancing the quality of village financial management and the welfare of rural communities in Indonesia.

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