

Implementation of good governance principles in village government context in Bantul Regency, Yogyakarta

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Abstract

This study aims to determine the application of good governance principles of the village government in Bantul Regency, Yogyakarta. In Indonesia, village is the lowest level government. The method used in this study was descriptive statistics with data from all villages in Bantul Regency. This study concluded that the implementation of good governance in villages in Bantul was generally good. Good governance indicators have been implemented by more than 50% of all villages even though some indicators still need to be improved. The villages have applied the good governance principles in accordance with the international formulation, namely, efficiency and effectiveness, openness and transparency, innovation, long-term orientation, reliable, and accountable financial management. The implementation can be strengthened through training to the village government and communities, especially regarding innovation and long-term orientation principles that must be possessed so that the villages can become more independent and develop more rapidly.

Keywords: *village governance, good governance, village fund*

JEL Classification: G38, H52, H72

INTRODUCTION

A governance includes three stakeholders, namely: state, civil society, and market. The crisis that occurred in Indonesia in 1998, which had a great impact in all aspects, showed that state, civil society, and market have not played a positive role in realizing good governance. The crisis forced Indonesia to begin implementing a modern governance system so that it could immediately rise from the crisis and catch up. Based on the United Nation Development Program (UNDP) (1997), the principles of governance include Participation, Rule of law, Transparency, Responsiveness, Consensus orientation, Justice (Equity), Effectiveness and Efficiency (Effectiveness and Efficiency), Accountability (Accountability), and Strategic Vision (Strategic Vision). All of these principles are mutually reinforcing and cannot stand independently.

Public sector accounting has a major role in preparing financial reports as a form of public accountability implementation. Accounting and financial statements are a process of collecting, processing, and communicating information that is useful for decision making and for assessing organizational performance (Santoso and Pambelum, 2008). Minister of Home Affairs Regulation No. 113 of 2014 implicitly regulates the application of accounting in the village which includes administration of village finance,

reporting, and accountability. Sinason (2000) argues that higher funding levels have increased the consequences of financial mismanagement and the application of village accounting aims to increase transparency and accountability in financial management to avoid such misconduct. However, the results of a study by the Anti-corruption Commission (Komisi Pemberantasan Korupsi, or KPK) stated that village accountability reports have not followed the prevailing standards and were prone to manipulation (KPK, 2015).

Indonesia is a country that applies a decentralized government system in the form of regional autonomy. All regulations and instructions for implementing regional autonomy are regulated in the law. Based on law number 32 of 2004, regional autonomy is the right, authority, and obligation of the region to independently regulate and manage government affairs and the interests of the local community in accordance with laws and regulations with the aim of improving community welfare, public services, and competitiveness. With regional autonomy, it is expected that regions can properly regulate Regional Own-Source Revenue (Pendapatan Asli Daerah, or PAD) according to their individual needs so that developed and independent regions can be realized.

However, the implementation of regional autonomy can be a potential vulnerability due to weak central control over the regions, which can lead to contradictory rules and conflict-prone situations. In addition to carrying out the mandate of Law number 32 of 2004 concerning regional autonomy, President Joko Widodo has 9 priority agendas, generally known as Nawa Cita, during his first period of government (2014-2019). One of these important agendas is to develop Indonesia from the periphery by strengthening regions and villages within the framework of the unitary state of the Republic of Indonesia. This agenda was then realized in giving authority to villages to manage village-related programs independently. This independence is given to villages to manage village resources and use them to empower village communities. Such improvement of village human resources can be done if the village has a source of funds to carry out various programs. Therefore, the central government decided to provide Village Fund Allocation which could be used to support the program and be regulated in law.

Law Number 6 of 2014 states that customary villages and villages or what are called by other names, hereinafter referred to as Villages, are legal community units that have territorial limits that are authorized to regulate and manage government affairs and interests of local people based on community initiatives, origin, and / or traditional rights recognized and respected in the system of government of the Unitary State of the Republic of Indonesia. Independence of the village leads to an increase in the decentralization process from the central or regional government to the village in terms of administration and financial and resource accountability.

In agency theory, if agent possesses more information than owner, the agent will most likely prioritize personal and/or group interests, which can reduce the level of transparency and alignments with the community. Differences in the ability of human resources at the central or regional level and at the village level can lead to different perceptions in managing and using funds. One of the causes of differences in perception is the lack of socialization from the central or regional government because of the large number and far distance of villages. Community involvement in determining village programs is also low because it only involves village administrators. These factors lead to weak governance in an organization.

Table 1. Good governance definitions

No	Sources	Definitions
1	Rhodes (1996) quoting World Bank, 1994	Good governance is illustrated through predictable and clear policies (through a transparent process); a bureaucracy based on a professional ethos; government executives are responsible for their actions; and strong civil society participates in public affairs and all parties behaves under legal regulations
2	Canadian International Development Agency (CIDA), 1996	Governance is the way in which the government regulates economic and social resources Good governance is an effective, honest, fair, transparent and accountable implementation of all levels of government
3	United Nations International Development Agency, 2005	Good Governance is management that is democratic, transparent, diverse, accountable, and representative where the community participates in adopting the rules; focused on five things: strengthening legislative procedures, decentralization and democracy in local government, anti-corruption, public relations with war, and the development of the rule application
4	Domarkas, 2005	Good governance has characteristics such as large community participation, transparency, subsidization, accountability, diversity, impartiality (equity), easy access, cooperation, and efficiency
5	Kaufmann Kraay, Matsruzzi, 2005	Can be measured by dimensions such as the right to choose, accountable to the external, political stability, no violence, crime, tourists, efficiency management, legal rules, corruption control
6	International Monetary Fund, 2005	Good governance is legal certainty; Development of effectiveness and accountability in the public sector in fighting corruption
7	Barcevicus, 2008	Good governance is the exchange of information both inside and outside the organization; cooperation is carried out when coordinating rules making; citizens are encouraged to participate in the government process
8	Farrington, 2009	Good governance emphasizes democracy, impartial judicial processes, transparency of public agency activities, and citizen participation
9	Negrut, Costhache, Maftai, et all, 2010	Good governance is indicated by five factors: openness, community participation, accountability, efficiency, and relations between government, private sector and society
10	Saparniene, 2010	Good governance is a government that is supported by the principles of democracy that are fair, efficient, accountable and transparent, and clear interactions between the government, the public, the private sector, and non-governmental organizations

Source: data processed

Village funds require the village government to properly manage the organization and align accountability in accordance with the prevailing rules. However, based on the results of a study by the KPK, financial management accountability in villages is still relatively low and there are 14 (fourteen) potential problems in managing village funds.

One way to improve community welfare is the establishment of a Village-Owned

Enterprise (BUM Desa), a business entity whose entire or part of its capital is owned by the village through direct participation from the separated Village wealth to manage assets, services, and other businesses.

The administration of an accountable, transparent, legal, effective and efficient, and fair government with a strategic vision is compulsory to realize good governance. To be able to realize good governance, all institutions from the central level to the village level with various existing limitations need to provide the best service to the community. With village funds allocation, the village government is in the spotlight, which encourages them to apply the good governance principles as community servants.

Kaufman and Metsruzzi (2005) state that poor implementation of good governance can affect people's per capita income. This statement is based on their research in African countries with data covering 8 years using good governance indicators approved by UNDP (1997). The indicators were observed in the community in a government with a large sample.

Saparniene and Valukonyte (2012) found difficulties in defining good governance clearly even though various definitions were available. Their research found that good governance indicators are closely related. The application of one indicator can affect the application of other indicators. For example, indicators of effectiveness and efficiency are closely related to the weaknesses of the strategic plan and implementation effectiveness; Indicators of openness and transparency are closely related to the delivery of information to the public and communication problems. Therefore, the implementation of good governance is highly dependent on the government administration that has moved towards modern system which accommodates the good governance principles.

According to Saparniene and Valukonyte (2012), indicators in the implementation of good governance in government include (1) efficiency and effectiveness, (2) openness and transparency, (3) innovation and readiness to change, (4) sustainability and long-term orientation, (5) reliable financial management, and (6) accountability. These indicators must be applied properly to achieve good governance. This study uses these indicators to measure good governance in villages in Bantul Regency, Yogyakarta. Bantul Regency is one of the regencies that often receive awards in financial management of local governments.

This study aims to find out how the principles of good governance are applied by the village government in Bantul. The village is the smallest government agency that directly serves the community. At present, the village is also given the authority to manage finance independently. Because of the allocation of village funds, the village is required to be able to generate independent income through a village business unit called Village-Owned Enterprises (BUMDesa). The authority in financial management must also be followed by the administration of a professional government with a modern system. With good management, conflicts between communities and the government can be avoided. This research is expected to be able to identify the level of good governance implementation and the development that needs to be done to achieve good governance.

The purpose of this study is formulated in the following two questions: a) How are the principles of good governance implemented in the Village Government in Bantul Regency, Yogyakarta?; b) How can the principles of good governance applied in the Village Government in Bantul Regency Yogyakarta be developed?

METHODS

This study used the same indicators used by Saparniene and Valukonyte (2012), namely, (1) efficiency and effectiveness, (2) openness and transparency, (3) innovation and readiness to change, (4) sustainability and long-term orientation, (5) reliable financial management, and (6) accountability. This study used primary and secondary data. Primary data was collected through direct observation and filling in questionnaires by the community regarding government organization related to indicators of openness and transparency and accountability. Data collected is the frequency of village accountability reports, publication of village reports, and community involvement in determining village programs and the Village Revenue and Expenditure Budget (APBDes). Meanwhile, secondary data is the village accountability report and APBDes that were used to measure financial management efficiency and effectiveness and reliability. Effectiveness and efficiency were measured using the ratio determined by the Minister of Home Affairs Regulation Number 13 of 2006 concerning Guidelines for Regional Financial Management while financial management reliability was measured by how the villages fund their operations and their ability to generate income. Other indicators (innovation and readiness to change and sustainability and long-term orientation) were measured by the availability of village vision, mission, goals and programs. This research was conducted in 2016 and 2017 in 75 villages in Bantul Regency, Yogyakarta.

This study uses quantitative methods with descriptive statistics. According to Sugiyono (2008), descriptive research is research conducted to determine the value of independent variables, either one or more variables, without comparing or relating them to other variables. The variables used were good governance indicators used in the study.

The data were then processed using descriptive statistics to find the average value of implementation, which indicators are widely applied, and how indicators that have not been implemented can be developed.

RESULTS AND DISCUSSIONS

Analysis of the application of good governance principles

This research used the principles of good governance that were agreed internationally through UNDP in 1997 and was also used in research by Saparniene and Valukonyte (2012), namely, effectiveness and efficiency, strategic vision, openness and transparency, innovation and long-term orientation, reliable financial management, and accountability. The study found that the level of implementation of these indicators was 52.8% in 75 villages in Bantul Regency which were measured for two years. Indicators that have been well implemented include effectiveness and efficiency, openness and transparency, and accountability, while strategic vision, innovation and long-term orientation, and reliable financial management have not been fully implemented. This figure is relatively high because village funds have only been running for 3 years. It can be said that the village government in Bantul Regency has adopted a more modern governance system. Various indicators have begun to be implemented even though not yet in their entirety, and not even a village has not yet applied the principles of good governance. Some indicators still need to be developed further so that the government administration will improve which will ultimately increase the economic independence of the village community.

Analysis of effectiveness and efficiency

The majority of village governments have applied the principles of effectiveness

and efficiency in managing finances. Effectiveness can be measured by comparing the realization of village revenue with the set revenue target, even though income is only generated from village funds. Meanwhile, the level of efficiency can be measured by comparing costs incurred with income received. In managing finance, this measure is a priority to be implemented as shown in the graph below

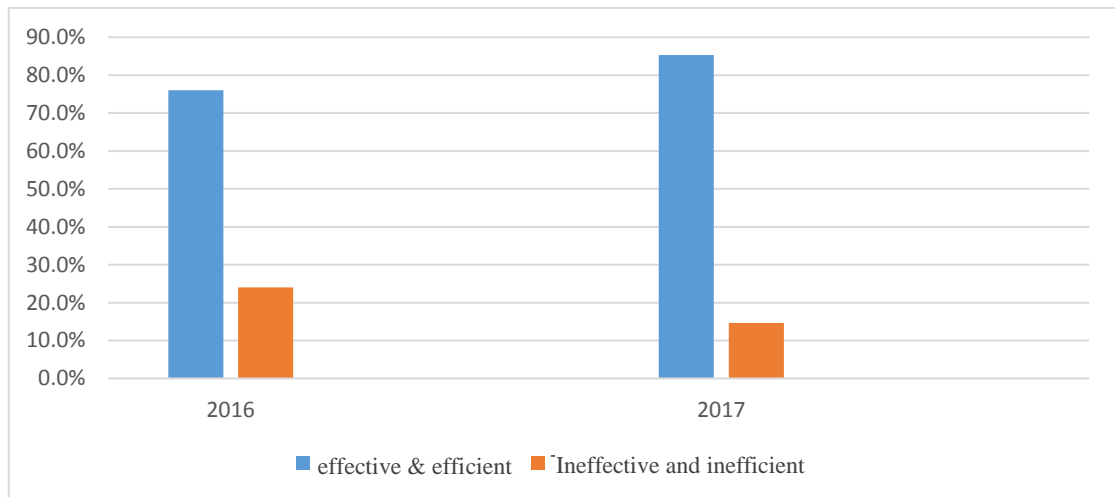


Figure 1. Effectiveness and efficiency indicators

The level of implementation of effectiveness and efficiency indicators in 2016 and 2017 was 76% and 85.3%, which showed an increase of 9.3% both in terms of expenditure and income. Managing costs is an indicator of effectiveness and efficiency.

Analysis of strategic vision

Every organization must be strategic in determining their characteristics because these characteristics are the soul in carrying out their operations to become a superior organization compared to other similar organizations. In addition, the characteristics can also enhance the reputation of the organization.

The strategic vision in village government can be seen from how the village positions itself. Vision must also be valuable and measurable so that its achievements can be evaluated. Villages are no longer the smallest service organization, but sustainability, economic independence, and excellence must also be a priority. The chart below shows the number of villages in Bantul Regency that have a strategic vision during 2016 and 2017.

Figure 2 above shows that 65.3% of all villages have a strategic vision, while the remaining 34.7% have a vision but are not yet strategic. There were no changes in this indicator during 2016 and 2017. The strategic vision is measured by identifying whether the vision is general, can be realized in the short term, and is temporary. For village officials who have not had sufficient competence in determining the strategic vision, after allocating village funds, they are expected to be able to provide special competencies in the development of long-term oriented villages. Based on observations made, they need workshops to support the sustainability of independent villages.

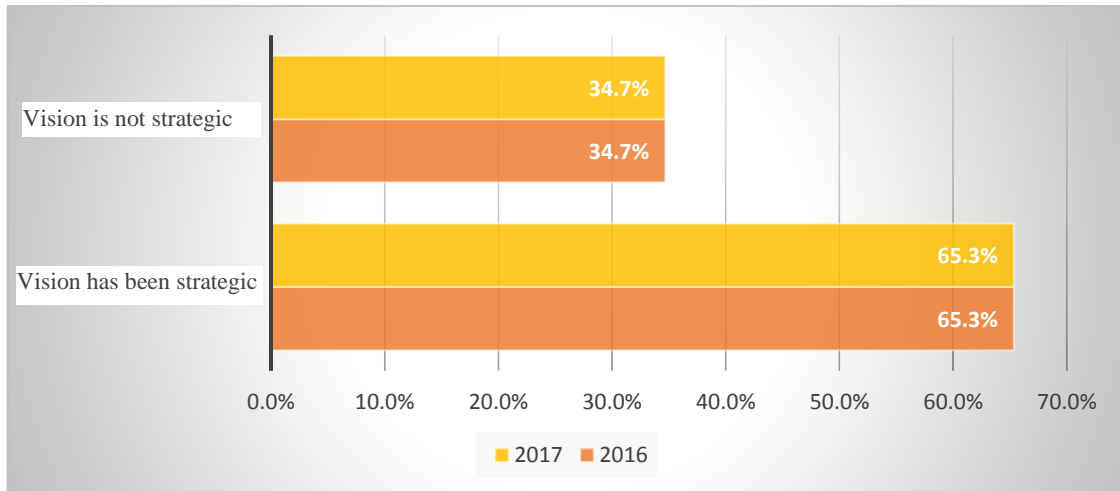


Figure 2. Strategic vision indicator

Analysis of openness and transparency

Transparency in regional financial management is measured using four criteria: availability, accessibility, timeliness of information disclosure, and frequency of disclosure of village financial management documents. Information is deemed available if the indicator documents at each stage of village financial management can be obtained during observation and is made available on the official website of the village government. Furthermore, if the document can be downloaded independently by the public, the information is considered accessible (Adriana, 2017). Based on data collection carried out on village financial planning, implementation and reporting, 70.7% of villages have implemented openness and transparency while the remaining 29.3% have not applied. The application of openness and transparency shows the level of public trust in the village government. This figure can be said to be very good, because the village government has run the administration openly and wants the community to oversee the process. The chart below shows the level of openness and transparency of the village government in Bantul Regency.

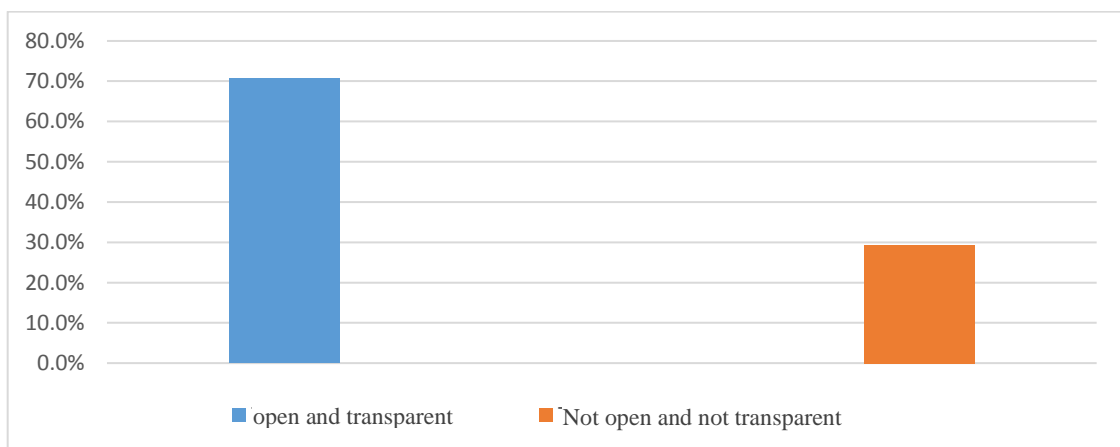


Figure 3. Openness and transparency indicator (Year 2016 and 2017)

Analysis of innovation and long-term orientation

To have excellence and be superior to similar organizations, in addition to strategic vision, innovations and long-term orientation are also needed. These indicators

are closely related to the strategic vision indicator because it should also contain innovation and long-term orientation. Figure 4 shows the level of innovation and long-term orientation of the village government in Bantul Regency.

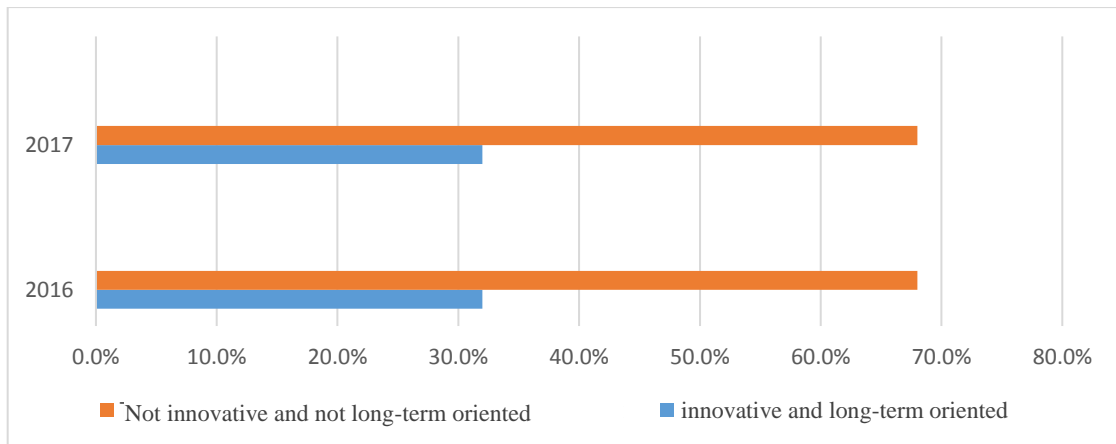


Figure 4. Innovation and long-term orientation indicators

In 2016 and 2017, only 32% of villages had innovation and long-term orientation. These two indicators can be seen from the uniqueness and positive impact of village programs and objectives in village development and not simply imitate the same programs of other villages. Villages with short-term goals that have not produced output that can be used for a long time show that the village has not implemented both indicators and therefore, the use of village funds is still temporary and tends to change even though the problems faced are still relatively the same. Innovation and long-term orientation are influenced by positive creativity. Habits in a critical environment will shape resources capable of innovation and long-term orientation. These indicators can be relatively quickly developed through focus group discussions that hone creative thinking power for the village growth.

Analysis of reliable financial management

Reliability of village government financial management is measured by how villages can generate income that is not sourced from village funds or allocation of funds from the district or province. The village government carries out various creative programs to bring in income that is used for the benefit of the community. BUMDesa is one form of legality so that villages can generate large income. This study found that the majority of villages in Bantul district have not carried out financial management. Villages tend to wait for income from various allocations of funds from the government at a higher level so that economic independence and improved community welfare are difficult to achieve. The low welfare of the village community will encourage urbanization, which will widen the economic gap. Figure 5 below shows the level of reliability of village government financial management in Bantul district

Based on Figure 5 above, it can be seen that out of 75 villages, only 4 villages (4%) showed financial management reliability. The majority of villages in Bantul Regency (96%) rely solely on income from village funds and are unable to generate income from other sources, whereas nowadays villages are required to have productive business units that are able to improve the community economy. The development that can be done to improve the application of this indicator is to provide assistance to village officials and

other village institutions so that they are able to establish income-generating business units. Ownership of business units will increase village independence economically which is expected to have an impact on the community.

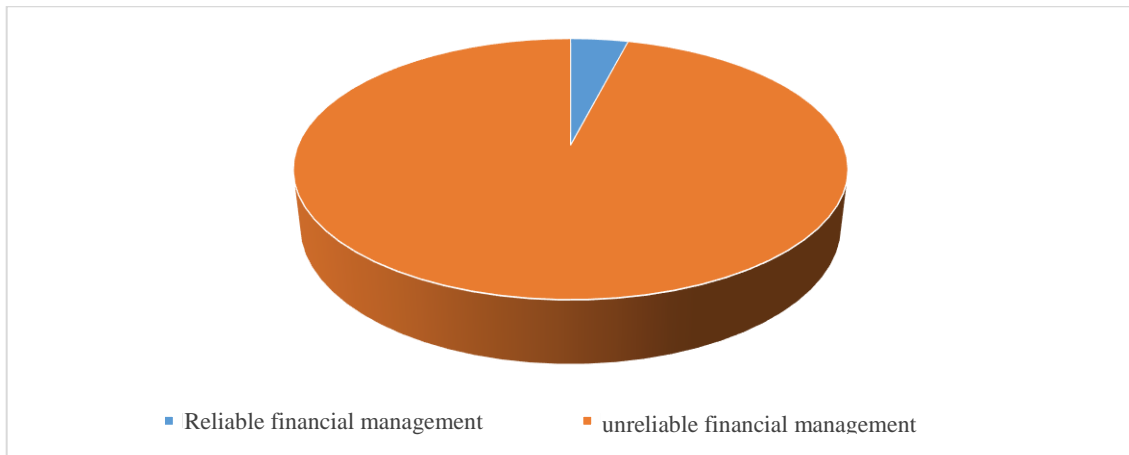


Figure 5. Reliable financial management indicator (Year 2016 and 2017)

Analysis of accountability

Out of 75 villages, 81.3% have applied the accountability indicator. According to Mahmudi (2007), accountability can be seen from various perspectives. This study used two types of accountability: policy and financial accountability. Policy accountability is related to the accountability of public institutions for various kinds of policies and decisions that have been implemented or taken. In this case, public institutions must be able to account for every policy that has been determined both in terms of objectives, reasons for decision making, benefits generated, and various kinds of negative impacts that might be caused by each policy that will or has been taken. Meanwhile, financial accountability is the responsibility of public institutions for money deposited by the public to the government. Public institutions must be able to explain how the money is obtained, where the money is spent, and various other types of accountability (Mahmudi, 2007).

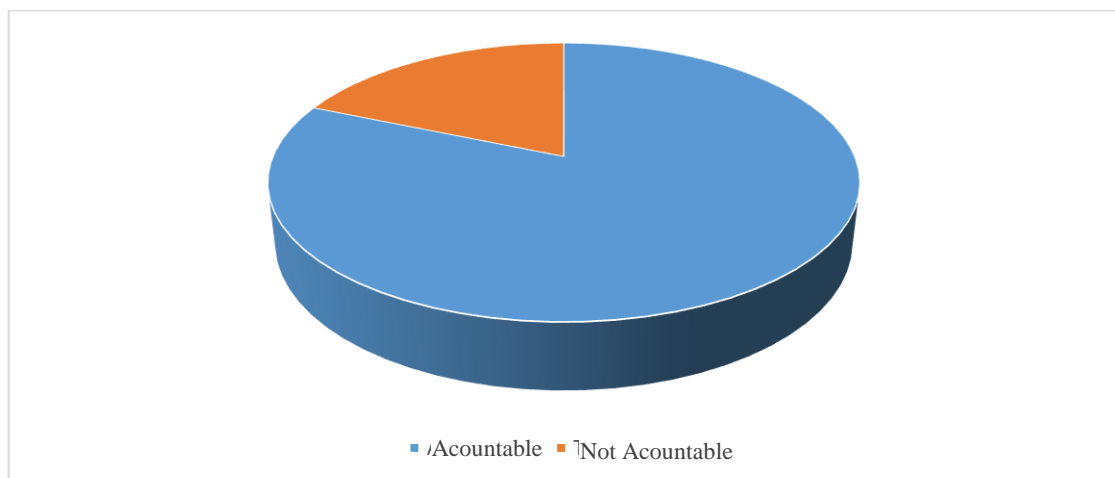


Figure 5. Accountability indicator (Year 2016 and 2017)

The Figure 5 shows the policy and financial accountability of the village government in Bantul Regency. It can be seen that 61 villages (81.3%) have been accountable in 2016 and 2017. This indicator can be strengthened through socialization about the preparation of accountability reports and village policy determination to realize an orderly administrative village so that they are able to account for finances and policies taken and also represent community problems.

CONCLUSION AND RECOMMENDATION

Conclusion

Based on the results of observations and data processing, this study concluded that, first, overall, the level of implementation of the good governance principles in villages in Bantul Regency, Yogyakarta, which had only been running for 3 years, was generally good, although some indicators had not been implemented. Indicators that have not yet been implemented require professionalism, modernization, and experience both from the administrators, the regulatory body, and the community. For example, the financial management reliability, innovation, long-term orientation, and strategic vision really requires learning and adaptation.

Second, several indicators that have not been implemented can be developed by fostering creative and critical thinking that is useful in determining strategic vision, innovation, and long-term orientation. Creative and critical thinking can be improved through workshops, focus group discussions, and mentoring by experienced experts. In these ways, the old government management model can be abandoned and a new public management system (NPM) can be applied to realize villages that are economically independent and having positive reputation. It is natural that some villages have not fully implemented the good governance principles because the authority in independent management has just been recently implemented. In addition, until just recently the village was only the smallest government institution that only served the needs of the community regarding population legal matters. In the new management system, the village carries large demands and responsibilities along with new authority in financial management.

Third, the implementation of good governance in villages in Bantul Regency is generally good and the implementation of several indicators can still be strengthened. Some indicators are still in the process of being implemented because villages are still adapting to changes in village management from traditional systems to the NPM system.

Recommendations

This study replicates the research conducted by Saparniene and Valukonyte (2012), but with different years and objects. In the previous study, research was conducted in the city of Siauliai while this study was conducted in Bantul Regency, Yogyakarta. This study has limitations related to the research method used. With the case study method, the results of the study cannot be generalized to different organizations. Future research can use other methods to obtain results that can be more generalized. Further research can also use respondents from various other levels of government.

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