

Planning and Budgeting: The Study of Village Financing Process In Balige Subdistrict

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Abstract: This study aims to understand the management of village funds, especially in the planning and budgeting processes. The focus of the study was on the suitability of the planning and budgeting processes carried out by village governments with applicable regulations, namely the Minister of Home Affairs Regulation (Permendagri) No. 114 and 113 the year 2014. The study employed qualitative methods, and the collection of data was conducted using interview techniques. The study was taken place in Lumban Gaol Village and Parsuratan Village in Balige Subdistrict, South Toba of Indonesia. The results of the study indicate that the planning and budgeting process is not fully following the regulations, especially in Parsuratan Village. Several stages in the planning and budgeting process were not carried out in the village of Parsuratan. This mismatch of the planning and budgeting process is because village officials do not yet have sufficient understanding of the matter. There are also differences in the intensity of community involvement in the planning and budgeting process in those two villages. This difference results in the different quality of the planning documents and the budget. The competency of village officials and intense community involvement play a significant role in the better planning and budgeting process made by the village government.

Keywords: *Planning; Budgeting; Village financing; Subdistrict*

Introduction

Following Regulation No.6 the year 2014 and its implementing regulations, the village government is given the mandate to be more capable and independent in managing the government and all village resources to achieve the development goals and welfare of the village community.

Therefore, the village government needs a source of funds as outlined in the Village Budget. One source of these funds is Village Funds sourced from central government budget intended for the implementation of development and empowerment of village communities. Village fund is transferred through the district/city budget.

In 2017, village funds were budgeted at 60 Trillion Rupiah with an average of 800 million Rupiah per village. Fund transfers from that central government budget require that the village government conduct development and village financial management properly so that the allocation and utilization of the funds are right on target to prosper the village community. In Indonesia Ministry of Home Affairs regulation No.113 the year 2014, it was stated that village financial management consisted of stages of planning, implementation, administration, reporting, and accountability. Planning is the first stage in village financial management carried out in the form of the preparation of the Village Budget (APBDes), which comes from the process of preparing the Village Government Work Plan (RKPDDes).

The result of research by Mewvi, Lintje, Sherly (2017) showed that there is a mismatch of implementation with regulations in the financial planning process in Kauneran Village. It was also explained that the planning process became less targeted due to a lack of public awareness to actively participate in the village development planning stage. The incompatibility of the village financial management process was also found in several villages in Banjar District, South Kalimantan Province, wherefrom the observations of the Banjar Regency experts development it was found that until the end of 2017 a planning process for drafting the 2017 RKPD had not been carried out even though planning had begun in July (www.kompasiana.com). Likewise, there are several villages in Balige district until the end of 2018, have not yet carried out the planning stages of the RKPDDes for the 2019 fiscal year (Martahan Siahaan, S.Sos, Auditor of the Inspectorate of Toba Samosir

Regency). However, in Balige district there is also a very good village in using village funds, namely Lumban Gaol village. This village is included in the "Village Fund Success Stories." Uniquely, this village is a village with a status of "lagging," which is a "pilot project" in the field of agriculture and tourism in Balige Subdistrict (Balige KPPN, 2017).

In this study, the extent to which the village financial planning and budgeting process was under Indonesia Ministry of Home Affairs Regulation No. 113 the year 2014, and the village development planning process following Indonesia ministry of Home Affairs regulation No. 114 the year 2014. With proper planning, it is hoped that village development and governance activities can be carried out well too. The purpose of this study is to identify the suitability of the planning and budgeting process with applicable regulations, in villages that are categorized as developing and lagging, and to find out the factors that support the suitability of the process. This research was conducted in Balige District, Toba Samosir District, North Sumatra Province of Indonesia

Literature Review

Stakeholder Theory

Stakeholders are internal and external parties that have a relationship to influence or be influenced, directly or indirectly by the organization (Luk et al, 2005). In this theory, the village government and the village community are two parties that influence each other, especially in the planning and budgeting process of village finance. The village community is the owner of the village area, which must be prospered by the

management of the village organization, in this case, the village government. Therefore the involvement of the village community will influence the development planning process carried out by the village government. On the other hand, the village government will influence the direction of village development because the village government has limited resources for the welfare of the village community.

Agency Theory

Mardiasmo (2009) stated that public accountability is the duty of an agent as a trustee to give responsibility, present, report, and disclose all activities that are his or her responsibility to the principal who has the right to hold such responsibility. Based on this agency theory, the village government as the mandate holder must disclose all information related to the management of village development and finance contained in the RKPDs and APBDs and the realization of their achievements to the village community in a transparent and accountable manner. Another form of public accountability in the planning process is to include village communities in the planning process.

Village Finance

Village finance based on Indonesia ministry of Home Affairs regulation No. 113 the year 2014 is defined as all village rights and obligations that can be valued with money, as well as everything in the form of money or goods that can be owned by the village raises expenditure, income, and financing which it must be managed properly. The village financial management cycle includes planning and budgeting,

implementation, administration, reporting, and accountability. Indonesia Ministry of Home Affairs regulation No. 113 the year 2014 stated that the APBDs is the annual financial plan of the village government whose management is carried out directly.

Village Development

Village development is an effort to advance the welfare and quality of life of rural communities. The village government prepares village development planning following its authority by referring to District/ City development planning. Village development planning arranged in time includes Village Medium Term Development Plan (RPJMDs) for six years and The Village Annual Development Plan (RKPDs), or the so-called Village Government Work Plan, is an elaboration of the Village RPJM, for one year.

Village Finance Budgeting

Based on the Indonesia Ministry of Home Affairs regulation No. 113 the year 2014, the preparation of APBDs is based on the principles transparent and accountable, participatory and orderly and budgetary discipline. Transparent and accountable means that the regional budget presents information openly and easily to be accessed by the community, both from the objectives, targets, sources of funds for each shopping object and the relationship between the budget amount and the impact that will be realized from each budgeted activity. Participatory is that in the decision-making process, the preparation and determination of the regional budget must involve the community so that the community knows their rights and obligations in implementing

the APBDes. Orderly and budgetary discipline means that every program planned from existing sources of income must be measured rationally, and budgeted expenditure is the highest limit of expenditure, and all village revenues and expenditures in the fiscal year must be budgeted in the APBDes.

Research Method

This study used qualitative research methods. In qualitative research, the main criteria for the research data are valid, reliable, and objective (Sekaran and Bougie, 2013). The validity of the data is conducted employing triangulation of sources, where the informants interviewed are more than one party, so the results of the interviews can be confirmed. Whereas data reliability is done by selecting informants who are directly involved in the village financial planning and budgeting process, and the documents analyzed are only documents related to village financial planning and management.

Types of data can be divided into two categories, namely primary data and secondary data. Sekaran and Bougie (2013) explain that primary data refers to information obtained from the first hand by researchers on interest variables for specific research purposes, while secondary data refers to information collected from existing sources. Sources of data in this study were; 1) Informants who are primary data sources are sourced from the village government, namely village officials and also the community and 2) The RPJMDes document, RKPDes. APBDes in this study is secondary data sources. APBDes is documents related village budget based activities previously conducted or ongoing activities.

In this study, the research sample was 1 (one) proper village which was piloted in Balige District, namely Lumban Gaol Village and 1 (one) village that was not good in terms of RKPDes and APBDes planning. The two villages will be compared the level of suitability of the village financial management implementation with the relevant regulation. By comparing those two villages, it is expected that key success factors and the problems related to planning and budgeting of village funds can be revealed

Result and Discussion

Lumban Gaol Village - Planning Process

Village development planning should be carried out in accordance with the Indonesia Ministry of Home Affairs regulation No 114 the year 2014, where village planning must be arranged in a timely manner including 1) Village Medium Term Development Plan (RPJMDes) for a period of 6 years; and 2) Village Development Work Plan (RKPDes) for a period of 1 year, which is the elaboration of the village medium-term development plan.

The following are the results of interviews with village officials and community leaders in the village of Lumban Gaol related to the development planning process in the village. The resume from the results of the interview is presented in Table 1 below.

Table 1. Planning Process in Lumban Gaol Village

Planning Process	Planning Process based on Indonesia ministry of Home Affairs Regulation No. 114, 2014	The planning process in Lumban Gaol Village
Preparation of RPJMDes	<ul style="list-style-type: none"> • Establishment of the RPJMDes drafting team • Alignment of the direction of district/city development planning policies • Assessment of the situation of the village • Preparation of the village development plan through village meetings • Preparation of the draft RPJMDes • Compilation of village development plans through village development planning meetings • Determination of the RPJMDes. 	<ul style="list-style-type: none"> • Establishment of the RPJMDes drafting team • Hamlet deliberation • Conduct an assessment of the condition of the village • Preparation of the village development plan through village meetings • Preparation of the draft RPJMDes • Establishment of the RPJMDes through village development planning meetings.
Preparation of RKPDes	<ul style="list-style-type: none"> • Compilation of village development planning through village meetings • Establishment of the RKPDes drafting team • Village indicative ceiling review and program alignment who entered the village • Review of the RPJMDes document • Preparation of the design of the RKPDes • Preparation of Village RKP through Village development planning meetings • Determination of RKPDes. 	<ul style="list-style-type: none"> • Compilation of village development planning through village meetings • Establishment of the RKPDes drafting team • Conducting Village Workshops • Discussion on the design of the RKPDes through village development planning meetings • Determination of RKPDes.

Resume of interview results as stated in Table 1 above, shows that the village government of Lumban Gaol followed

almost all steps in the process of drafting the RPJMDes in Indonesia ministry of Home Affairs Regulation No. 114 of 2014. One step

that is quite crucial in the process of preparing the RPJMDes is not or has not been done by the Lumban Gaol village government, which is aligning the direction of village development with the direction of the district or city development policy.

Based on the results of interviews and document analysis of the planning process, the process of drafting the RPJMDes began with the establishment of RPJMDes drafting team consisting of Village Heads, Village Secretaries, Chairmen and members of LKMD (Village Community Resilience Institutions), Village Devices, KPMD (Village Community Empowerment Cadres), TP PKK (Team for the Promotion of Family Welfare), Head of Hamlet, Head of the Sub-District Health Center. The drafting team of the RPJMDes will make direct observations of the community, institutions, and organizations in Lumban Gaol Village. Then the parties joining the RPJMDes drafting team will participate in the deliberations in each hamlet both Hamlet I, II, and III to participate in discussing and exploring ideas in the context of screening problems, causes of problems, and potential in each hamlet.

Furthermore, conducting a study of the condition of the village resulted in the existence of data on plans for rural area development programs, a recapitulation of proposals for plans for Village development activities from community groups as well as data on plans for District development programs that will enter the Village. The next process is the preparation of village development plans through village meetings to agree on the results of the assessment of the situation of the village in the form of reports. The next step is to compile the Draft RPJMDes which formulates the direction of the Village development policy outlined from

the vision and mission of the village head, as well as the priority plan for the implementation of Village government activities, Village development program, Village community development, and empowerment of the Village community. The designation of the RPJMDes draft into the RPJMDes was carried out through Village development planning meetings.

For the RKPDes drafting process, as shown in Table 1, the Lumban Gaol village government has carried out the entire RKPDes drafting process as stipulated in Indonesia Ministry of Home Affairs Regulation No. 114 the year 2014. In Indonesia Ministry of Home Affairs Regulation No. 114 in 2014, there were no workshop stages, but there were stages of alignment of the indicative ceilings and alignment of the programs that entered the Village and the observation of the RPJMDes document. The whole process of scrutiny was carried out by the Lumban Gaol village government in a village workshop. In the village workshop also discussed the previous year's development evaluation, analysis of the RPJMDes activities, analysis of village supra activities, emergency analysis, village financial analysis, and preparation of the RKPDes activity plan matrix. The drafting of the RKPDes was carried out in the village workshop.

Budgeting Process

The Village Government should carry out village financial management under what is stipulated in the Republic of Indonesia Minister of Home Affairs Regulation No. 113 the year 2014. The planning stage carried out by the Village is to prepare the APBDes.

Table 2. Process of APBDes Preparation in Lumban Gaol Village

The process of preparing the Regional Budget is based on Indonesia Minister of Home Affairs Regulation No. 113, 2014	The process of preparing the APBDes in Lumban Gaol Village
<ul style="list-style-type: none"> • The Village Secretary prepares the Raperdes about APBDes based on RKPDes • The Village Secretary submits the Raperdes to the Village Head to be discussed and agreed upon with the BPD • The APBDes Raperdes will be submitted to the Regent through the Sub-district head • Provision of evaluations by the Regent / Mayor regarding the APBDes Raperdes • The results of the evaluation were followed up by the Village Head • Determination of APBDes 	<ul style="list-style-type: none"> • Preparation of the APBDes Raperdes by the Secretary • The APBDes Raperdes are agreed by the BPD and the Village Head • The APBDes Raperdes are submitted to the Sub-district head • Evaluation from Sub-district head • Improvement by the village government • Determination of APBDes.

From Table 2 above, it can be seen that in the process of preparing the APBDes in the village of Lumban Gaol, there was no evaluation process for the APBDes Raperdes by the Regent or Mayor, there was only an evaluation process by the Sub-district head. However, the process of drafting the Regional Budget conducted by the Lumban Gaol village government does not violate the rules in Indonesia Ministry of Home Affairs Regulation No. 113 year 2014, because the Regent / Mayor can delegate an evaluation of the Village regulation draft to the Sub-district Head, according to Article 23 No. 1 113 the year 2014. So it can be concluded that all stages in the process of drafting the APBDes in the Lumban Gaol village government are following those stipulated in Indonesia

Ministry of Home Affairs Regulation No. 113 the year 2014.

From the two processes of managing village development in Lumban Gaol Village, it can be seen that there is a participation of the community, higher government agencies, and all village officials as stakeholders from the village government. The village head as the highest leader of village governance has a role in involving the community in both stages of the village development management process, namely planning and budgeting. The village head realizes that the village government is the agent of the community as the village owner so that the community must approve all activities carried out by the village government. Therefore community involvement in each stage of village

development management is essential, especially at the planning and evaluation stage of the implementation of village development.

Parsuratan Village

Planning Process

The following in Table 3 is the results of interviews with village officials and the community in the village of Parsuratan.

Table 3. Planning Process in Parsuratan Village

Planning Process	Planning Process based on Indonesia Ministry of Home Affairs Regulation No. 114, 2014	Planning Process in Parsuratan Village
Preparation of RPJMDes	<ul style="list-style-type: none"> • Establishment of the RPJMDes drafting team • Alignment of the direction of district/city development planning policies • Assessment of the situation of the Village • Preparation of the Village development plan through Village meetings • Preparation of the draft RPJMDes • Compilation of Village development plans through Village development planning meetings • Determination of the RPJMDes 	<ul style="list-style-type: none"> • Village level meetings • Village level meetings • Determination of the RPJMDes
Preparation of RKPDes	<ul style="list-style-type: none"> • Compilation of village development planning through village meetings • Establishment of a drafting RKPDes team • Observation of the Village indicative ceiling and alignment of programs that enter the Village • Review of the village medium-term development plan document • Preparation of the draft RKPDes • Preparation of RKPDes through village development planning meetings • Determination of RKPDes 	<ul style="list-style-type: none"> • Compilation of village development planning through village meetings • Establishment of a drafting RKPDes team • Conducting Village Workshops • Conduct Village Development deliberations • Determination of Village RKP

In this study, researchers did not obtain the RPJMDes document, so the analysis was only based on the results of the interview. Based on the results of interviews with village officials, the process of preparing the village medium-term development plan (RPJMDes) carried out in the village of Parsuratan only went through three activities, namely deliberations in the hamlet led by the hamlet head. In this activity, it was accommodated and discussed proposals from the Village community about what would be planned for the next six years. Subsequent activities carried out Village level deliberations which were held at the Office of the Village Head. It is attended by the Institutions in the Village and representatives from each of the hamlets that existed by bringing the results of the decisions of each hamlet according to the wishes of the people in their hamlets. In this village-level deliberation, the priority scale of the activity program will also be recorded in the RPJMDes draft. After the Village level deliberations are held, the results of the agreed decisions are made into RPJMDes of Village Parsuratan.

The process of drafting the RPJMDes in Desa Parsuratan is not yet by what is stipulated in Indonesia Ministry of Home Affairs Regulation No. 114 the year 2014. Some of the activities requested by the Indonesia Ministry of Home Affairs Regulation No. 114 the year 2014 for the development of the RPJMDes was not carried out by the village government of

Parsuratan, namely the formation of an RPJMDes drafting team, assessment of village conditions and alignment of the direction of village development policy with the direction of district/city development policies. The failure to carry out these activities can result in the inadequate RPJMDes being determined by village conditions and the direction of the district/city development policy.

For the process of drafting the RKPDes in the village of Parsuratan, it is by what is stipulated in Indonesia Ministry of Home Affairs Regulation No. 114 the year 2014. Although there are stages of activity that are not exactly the same, the essence is the same. In Indonesia Ministry of Home Affairs Regulation No. 114 the year 2014 there were indicative ceiling alignment activities and a review of the RPJMDes and the drafting of the RKPDes. In Parsuratan village, these activities were carried out all at the village workshop.

Budgeting Process

The results of interviews with village officials in Parsuratan village, the budgeting process has not followed the stages as stated in Permedagri No.113 year 2014. The following are the results of interviews regarding the budgeting process in Parsuratan village

Table 4. Budgeting Process in Parsuratan Village

Budget Formation Process based on the Indonesia Ministry of Home Affairs Regulation No. 113, 2014	The budgeting process in Parsuratan Village
<ul style="list-style-type: none"> • The Village Secretary prepares the Raperdes on the APBDes based on the RKPDes • The Village Secretary submits the Raperdes to the Village Head to be discussed and agreed upon with the BPD • The APBDes Raperdes will be submitted to the Regent through the Sub-district head • Provision of evaluations by the Regent / Mayor regarding the APBDes Raperdes • Evaluation results are followed up by the Village Head • Determination of APBDes. 	<ul style="list-style-type: none"> • The APBDes Raperdes were directly carried out jointly by the village head, village secretary and village officials who were present at the budgeting meeting, accompanied by local village facilitators

Following the results of interviews with the village secretary, that budgeting in Parsuratan village has not yet followed all the steps stipulated in Indonesia Ministry of Home Affairs Regulation No. 113 the year 2014. The process of drafting the APBDes Raperdes was conducted in a meeting of village officials with local village facilitators. This is due to the Secretary of the Village and other village officials such as the Village Treasurer and head of a planning affair, not having the skills and knowledge to carry out the budgeting process to the fullest. At present, the village officials are still learning to be able to prepare the budget according to the regulations stipulated in Indonesia Ministry of Home Affairs Regulation No.113 year 2014.

The results of the interview with the Village Consultative Body (BPD), stated that at the time of budget realization there were still activities whose cost realization was different from the Cost Budget Plan (RAB) although not significant. Differences in realization with the budget or changes to this budget are always consulted with local village facilitators. The village government should work based on the Budget Plan (RAB). This is due to the lack of understanding of village officials to prepare a budget. Examples of concrete, rebate development activities where the lengths built differ between those budgeted for the actual length in the field. Another example is the cancellation of the particular rebate development program because the community protested and did not agree with

it. This makes the government unable to work, and the realization is not under the stipulated budget plan. Protests came from people who did not participate in village workshops. The village government should invite representatives from all components of the community so that when the budget is implemented, there are no obstacles.

From what happened in Parsuratan Village, we can see that understanding the importance of each stage in the planning process has not been very good, especially for medium-term planning. Besides, community and institution involved in the village have not been optimal. About budgeting, it can be seen that the capacity of village officials in preparing budgets is still lacking. This can result in a lack of synchronization between planning and budgeting, and budget effectiveness is not achieved. Community involvement in the budgeting process also did not occur in the village of Parsuratan, so that community rejection of village government programs or activities is possible.

Conclusion

Based on the results of research and discussion on the village financial planning and budgeting process in Balige Sub-district, not all village governments have carried out the planning process with the stages stipulated in Indonesia Ministry of Home Affairs Regulation No. 114 the year 2014. Villages that are left behind are not all showing deficiencies, especially in the process of developing development plans, and vice versa. This can be seen in the lagging Lumban Gaol village, but the process

of drafting development plans is better than lagging unregistered villages.

The involvement of elements of the community in the mid-term and short-term planning process has not been evenly distributed in each village government. The village government realizes that the involvement of community elements is very important because the community is the owner of the village. However, in the implementation of village development planning, the intensity of community involvement in the planning process differs between villages. The ability of village officials in preparing budgets is not evenly distributed. There are still villages where the authorities cannot yet prepare a budget properly. The ability of village heads and village officials in carrying out the planning process, the involvement of community elements, supervision of the Village Consultative Body (BPD), and guidance from higher institutions are many factors that play a role in the planning and budgeting process.

Village officials that the village government needs to pay attention to factors that hinder development management and village finance so that the village government will be better at carrying out the mandate of the community. Academics, that assistance from academics in order to improve the ability of villages to manage development and finances, is essential so that the village government becomes more advanced

This study has limitations in terms of the study sample, which was only two villages. Also, the researchers did not make observations directly related to the planning and budgeting process in the village, relying solely on the results of interviews and

document analysis. Researcher's direct observation will be very helpful to get more accurate data about the problem under study

Based on the conclusions and the results of the analysis above, some suggestions made. The district/city government as a village development agency needs to be more intense in fostering village government management of village officials, both about the planning, budgeting, budget execution, and accountability processes. Village government officials need to improve their capacity, especially concerning planning and budgeting. This is important because planning and budgeting are the initial stages of village development and financial management. If the two processes are not carried out properly, then village development and village financial management become ineffective. The next researcher can examine other factors that influence the success of village development and financial management, including the leadership style of the village head, the gender of the village head, community trust in the village apparatus, and the role of the Village Consultative Body.

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