**PLANNING AND BUDGETING VILLAGE FINANCING PROCESS**

**IN BALIGE SUBDISTRICT**

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**Abstract**

Village funds provided by the central government to villages in Indonesia are one of the main sources of village development funding in recent years. The management of village funds by the village government must be done well, because the amount of fund is relatively large. This study aims to determine the management of village funds, especially in the development planning and budgeting processes in the village. 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 year 2014. The study used qualitative methods, and the collection of data used interview techniques. The samples studied were Lumban Gaol Village and Parsuratan Village in Balige Subdistrict, South Toba.

The results of the study indicate that the planning and budgeting process is not fully in accordance with 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 different quality of the planning documents and the budget. The ability of good village officials and intense community involvement play a role in the better planning and budgeting process made by the village government.

Keywords: planning process, budgeting process, village finance

**INTRODUCTION**

In accordance with UU No. 6 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 in accordance with their authority. To do this, 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 (*Anggaran Pendapatan dan Belanja Negara*) funds intended for the implementation of development and empowerment of village communities. This fund is transferred through the district / city budget.

In 2017, village funds are budgeted at Rp. 60 Trillion with an average of Rp. 800 million 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 is right on target in an effort to prosper the village community.

In Permendagri No. 113 year 2014, it was explained that village financial management consisted of stages of planning, implementation, administration, reporting, and accountability. The researcher was interested in examining the stages of village financial planning which included village development planning and budgeting. 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 (RKPDes).

The result of research by Mewvi, Lintje, Sherly (2017) shows that there is a mismatch of implementation with regulations in the financial planning process in Kauneran Village I. 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, where from 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 RKPDes 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 (*tertinggal*)" 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 in accordance with Permendagri No. 113 year 2014, and the village development planning process in accordance with Permendagri No. 114 year 2014. With good planning, it is hoped that village development and governance activities can be carried out well too. This research was conducted in Balige District, Toba Samosir District, North Sumatra Province.

**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 needs 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) states that public accountability is the duty of an agent as a trustee to give responsibility, present, report, and disclose all activities that are his 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 RKPDes and APBDes 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 Permendagri No. 113 year 2014 is a sub-system of state finance, which 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. Permendagri No. 113 year 2014 stated that the APBDes 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 in accordance with its authority by referring to District/ City development planning. Village development planning arranged in time includes:

1. Village Medium Term Development Plan (RPJMDes) for a period of 6 (six) years
2. The Village Annual Development Plan (RKPDes), or the so-called Village Government Work Plan, is an elaboration of the Village RPJM, for a period of 1 (one) year.

**Village Finance Budgeting**

Based on Permendagri No. 113 year 2014, the preparation of APBDes is based on the principles :

1. Transparent and accountable, which means that the Regional Budget presents information in an open and easy way 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.
2. Participatory, meaning 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
3. Orderly and budgetary discipline, which 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.

**REASEARCH METHOD**

**Research methods**

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 done by means of 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.

**Data source**

Data can be divided into two, namely primary data and secondary data. Sekaran and Bougie (2013) explain that primary data refers to information obtained from 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 are:

1. Informants who are primary data sources are sourced from the village government, namely village officials and also the community.
2. The RPJMDes document, RKPDes, and APBDes are secondary data sources.

**Sample**

In this study, the research sample was 1 (one) good village which was piloted in Balige District, namely Lumban Gaol Village and 1 (one) village that were 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.

**RESULT AND DISCUSSION**

**Lumban Gaol Village**

**Planning Process**

Village development planning should be carried out in accordance with the Permendagri No 114 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 the table below.

**Table 4.1 Planning Process in Lumban Gaol Village**

|  |  |  |  |
| --- | --- | --- | --- |
| No |  Planning Process | Planning Process based on Permendagri No. 114 of 2014 | Planning process in Lumban Gaol Village |
| 1. | Preparation of RPJMDes | * 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.
 | * 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.
 |
| 2. | Preparation of RKPDes | * 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 | * 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
 |
|  |  | * Review of the RPJMDes document
* Preparation of the design of the RKPDes
* Preparation of Village RKP through Village development planning meetings
* Determination of RKPDes.
 |  * Determination of RKPDes.
 |

Resume of interview results as stated in table 4.1 above, shows that almost all steps in the process of drafting the RPJMDes in Permendagri No. 114 of 2014 was followed by the village government of Lumban Gaol. One step that is actually 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, 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 4.1, the Lumban Gaol village government has carried out the entire RKPDes drafting process as stipulated in Permendagri No. 114 year 2014. In Permendagri 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 in accordance with what is stipulated in the Republic of Indonesia Minister of Internal Affairs Regulation (*Permendagri*) No. 113 year 2014. The planning stage carried out by the Village is to prepare the APBDes.

**Table 4.2 Process of APBDes Preparation in Lumban Gaol Village**

|  |  |
| --- | --- |
| The process of preparing the Regional Budget is based on Permendagri No. 113 year 2014 | The process of preparing the APBDes in the village of Lumban Gaol was based on interviews and document analysis |
| * 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
 | * 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 4.2 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 Permendagri 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 year 2014. So it can be concluded that all stages in the process of drafting the APBDes in the Lumban Gaool village government are in accordance with those stipulated in Permendagri No. 113 year 2014.

From the two processes of managing village development in Lumban Gaol Village, it can be seen that there is a participation of 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 all activities carried out by the village government must be approved by the community. Therefore community involvement in each stage of village development management is very important, especially at the planning and evaluation stage of the implementation of village development.

**Parsuratan Village**

**Planning Process**

The following are the results of interviews with village officials and the community in the village of Parsuratan.

**Table 4.3 Planning Process in Parsuratan Village**

|  |  |  |  |
| --- | --- | --- | --- |
| No | Planning Process | Planning Process based on Permendagri No. 114 year 2014 | Proses Planning process in the village of Parsuratan |
| 1. | Preparation of RPJMDes | * 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
 | * Village level meetings
* Village level meetings
* Determination of the RPJMDes
 |
| 2. | Penyusunan RKPDes | * Compilation of village development planning through village meetings
* Establishment of a drafting RKPDes team
 | * 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
 | * 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 6 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 in accordance with what is stipulated in Permendagri No. 114 year 2014. Some of the activities requested by Permendagri No. 114 year 2014 for the development of the RPJMDes was not carried out by the village government of Parsuratan, namely the formation of a 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 in accordance with what is stipulated in Permendagri No. 114 year 2014. Although there are stages of activity that are not exactly the same, the essence is the same. In Permendagri No. I14 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 4.4 Budgeting Process in Parsuratan Village**

|  |  |
| --- | --- |
| Budget Formation Process based on Permendagri No. 113 year 2014 | Proses PPPP Budgeting process in Parsuratan Village |
| * 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.
 | * 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
 |

In accordance with the results of interviews with the village secretary, that budgeting in Parsuratan village has not yet followed all the steps stipulated in Permendagri No. 113 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 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 Permendagri 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 concrete 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 in accordance with 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. In addition, community and institution involvement in the village have not been optimal. With regard to 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 was very possible.

**CONCLUSION**

Based on the results of research and discussion on the village financial planning and budgeting process in Balige Sub-district, the following conclusions are obtained:

1. Not all village governments have carried out the planning process with the stages stipulated in Permendagri No. 114 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.
2. 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 actually 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.
3. The ability of village officials in preparing budgets is not evenly distributed. There are still villages where the authorities do not yet have the capacity to prepare a budget properly.
4. The ability of village heads and village officials in carrying out the planning process, involvement of community elements, supervision of the Village Consultative Body (BPD), and guidance from higher institutions is a number of factors that play a role in the planning and budgeting process.

**SUGGESTIONS**

Based on the conclusions and the results of the analysis above, some suggestions that the researchers submitted were as follows:

1. The district / city government as a village development agency needs to be more intense in fostering village government management of village officials, both in relation to the planning, budgeting, budget execution and accountability processes.
2. Village government officials need to improve their capacity, especially with regard to 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.
3. 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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