

EFFICIENCY AND EFFECTIVENESS ANALYSIS OF VILLAGE FINANCIAL MANAGEMENT (VFM) (Case Study Asahan Regency)

Bukit Buchori Siagian¹, Maryunani², Rahmad Krishna Sakti³, Dwi Budi Santoso⁴

¹The Government of Asahan Regency

^{2,3,4}Faculty of Economics and Business, Universitas Brawijaya

Email: ¹bukitbuchori77@gmail.com, ²maryunani2002@yahoo.com, ³kresnayangsakti@gmail.com,
⁴dwibudisantoso@gmail.com

Abstract

As an implementation of decentralized development, village financial management (VFM) is a financing model in a way to closer the needs of development at the village level. Theoretically, the successful objectives achievement of this authority delegation is if VFM can be done efficiently and effectively. This study aimed to analyze these efficiency and effectiveness of VFM and analyze factors inhibiting. The results showed that 1) VFM in Asahan district has not implemented both efficiently and effectively that shown from the weak implementation of both good governance principles and continuous improvement and, 2) Factors inhibiting the efficiency and effectiveness of VFM are, (i) lack of musrenbang transparency specifically the quality of information, access to information, the transparency mechanism of information and the level of information disclosure, (ii) lack of budgeting transparency, in particular the level of information disclosure, access to information and quality of information, (iii) lack of supervision transparency in particular the level of transparency, information quality and information access, (iv) the weak of oversight participation, especially the satisfaction level of participation and involve the community, and (v) lack of monitoring accountability in particular public complaints mechanism, access to the audit report and the responsibility structure.

Keywords: village financial management, efficient, effective

1. INTRODUCTION

The role of government in economic development (Musgrave and Peggy, 1989), namely: (i) the provision of public goods and services, (ii) the redistribution of income, and (iii) the economic stabilization. In Indonesia, the government's role is now decentralized from the previous centralized based on the theoretical advantages of decentralization associated with efficiency, effectiveness (Shin, 2001) and responsiveness (Santoso, 2013). Nevertheless, until now, the implementation of fiscal decentralization in Indonesia felt still less responsive to community needs. Therefore there was a strong urge to give authority to the lower levels of the villages.

An implementation form of decentralization to the village is the village financial management (VFM). But in fact, although it was supported by a governance structure that was much more solid and stable than the villages, even delegated development

authority in the regencies/cities still covered two important issues (World Bank, 2005), namely: (i) the capacity of human resources (HR), and (ii) institutional capacity. The first issue indicate poor ability to build and run either the structure of accountability, transparency and participation that leads to poor governance. While the second issue relates to the availability of regulations that provide space proportionally between innovation and prudence. The regulations are giving space to innovation tends to crash into the principles of prudent and vice versa if to tight against the prudent were concerns that it did not leave room for innovation. These innovation and prudent are the key of the coverage rule that requires continuous improvement.

These issues are the paradox of the spirit of authority delegated to the villages. Therefore, the study of the efficiency and effectiveness of VFM will be very important. For that needs to be translated into two research questions as follows:

1. Is the village financial management in Asahan regency already done efficiently and effectively?
2. If not, what is the problem to realize the efficiency and effectiveness of village financial management in Asahan regency?

2. LITERATURE REVIEW

2.1 The role of government in rural development through village finance

The essence of rural development is the right leveraged (optimal, efficient and effective) of all potentials and resources owned by the village to provide either safety, comfort, orderly and can improve the welfare of rural communities (Muhi, 2011). Theoretically, the ultimate goal of decentralization to the village is the achievement of rapid economic development of the village. The activities of government role as a form of economic and social interventions are divided into ((Dumairy, 1996): (i) The role of allocation, (ii) The role of distributive, (iii) The role of stabilization, and (iv) The role dynamisms.

As one of the village autonomous rights of the decentralized implementation, village financial management (VFM) become an important instrument for creating the accelerated of village development. The village financial is the rights and obligations of the village that can be valued in money and everything (money or goods) that can serve as belonging to the village in connection with the implementation of rights and obligations which give rise to the income, expenditure and village financial management (Law 32/2004 Article 212) that united in the document budget of village revenue and expenditure (APBDesa).

According to the fiscal federalism theory, the budget efficiency and effectiveness are more likely to reach about through the implementation of fiscal decentralization (Shin, 2001). Instead, the objective of decentralization will only be realized if the implementation is can create an increase in the efficiency and effectively of public procurement spending (Barankay and Lockwood, 2007). For VFM context, the idea of good governance and continuous improvement were taken to establish a stable system that is capable of producing optimal, efficient and effective output. Therefore, the success of fiscal decentralization in economic development in

the village is also determined by the village ability of managing public expenditure, related to budget efficiency and effectiveness (Santoso, 2013).

2.2 Good Governance

Governance is a performance management system that aims to improve productivity in an efficient and effective (Harrison and Sayogo, 2014). The United Nations Development Programme (UNDP) in Sukmadilaga, et al, (2015) offers nine indicators of good governance namely 1) participation, 2) rules, 3) openness, 4) sensitivity, 5) oriented group, 6) equity, 7) efficient and effective, 8) accountability, and 9) the strategic objectives. While the Asian Development Bank (2009), further simplifying the concept of good governance into four basic principles, namely: (i) accountability, (ii) participation, (iii) predictability, and (iv) transparency. Harrison and Sayogo, (2014) then narrow the aspects of good governance into transparency, participation and accountability.

2.2.1 Transparency

Transparency according to Florini (2000) is the information release by the relevant institutions. Transparency improves the flow of information in a timely and reliable economic, social and political accessible to all stakeholders (Vishwanath and Kaufmann, 1999). Bauhr and Grimes (2012) prefers a checklist approach, where transparency exists only if certain criteria are met. Williams (2015) makes two general criteria of transparency, namely: (1) on improving the availability of the quantity and quality of information to stakeholders, and (2) of increasing obstacles to public officials to act outside the framework of the rules because of possible demand accountability from the citizens on their action.

In the context of fiscal affairs, through the transparency, the citizens will be able to pressure the government to improve the performance and evaluate the effectiveness (Harrison and Sayogo, 2014). The absence of information disclosure is an obstacle to the operation of transparency that limits the understanding of the people affected by the policy (Mukhopadhyay, 2015). Therefore, greater access to information can raise the cost of corrupt behavior and rent-seeking (Kolstad and Wiig, 2009).

2.2.2 Participation

The mechanism of participation can improve two-way flow of information between citizens and governments that is expected to increase the accountability and responsiveness of government to contribute to the welfare (Shah, 2007; Speer, 2012). Citizen participation has a positive dominant influence on the quality of implementation (Drazkiewicz, et al, 2015). Citizen involvement in monitoring and evaluating the implementation of the project might improve the efficiency of public spending (Speer, 2012). The importance of participation is for the reason that the society has better incentivized to monitor (Stiglitz, 2002 in Pagans, 2014).

In the context of the budget, participatory budgeting had increase the portion of the allocated of government spending to education, health and sanitation in Brazil (Boulding and Wampler, 2010), and increasing government spending alignment with the preferences of the poor (Heller, 2001). If done properly, participation contributes to the improvement of efficiency (Schroeter, et al, 2016). Moreover, participation should integrate monitoring approaches for achieving a level of transparency (Lestrelin, et al, 2011).

Botes and Rensburg, (2000) noted the factors that affect participation ranged from social, cultural, political, technology and logistics. Tosun, (2000), was adding institutional factors as external factors other than socio-cultural context as internal factors. Meanwhile, according to Goetz and Gaventa (2001) the citizens' participation interest depends on the costs and benefits of the governance arrangements of perceived participation. However, the information is a prerequisite citizen involvement (Harrison and Sayogo, 2014).

2.2.3 Accountability

Accountability implies that the organization that conducts the affairs of society through the management of public funds ensure the realization of human rights in a way free of abuse and corruption and abide by the rule of law (Aziz, et al, 2015). According to Mogiliansky, (2015) accountability is a composite concept that of consist of three elements: 1) the ability to answer of the obligation to justify one's actions (information);

2) enforcement of the penalty if the actions and/or unsatisfactory reasons (incentives and disincentives); and 3) responsiveness, the responsible willingness for responding the demands (monitoring). Mogiliansky composite concept (2015) implies that the three elements of information, incentives or disincentives as well as monitoring cannot be separated for an accountability rating.

Krina, (2003) developed a set of indicators measuring the accountability principle at the stage of a decision making process such as: 1) a written decision documentation and availability to all citizens in need; 2) compliance with ethical standards in decision-making; 3) clarity of policy objectives and according to prevailing standards; 4) the existence of a mechanism which ensures for compliance; 5) consistency and feasibility of the target operational priorities. Krina, (2003) also developed a number of indicators measuring the accountability principle in the phase of policy promotion: 1) dissemination of a decision information, 2) accuracy and completeness of information on how to achieve the objectives of the program; 3) public access to information on decisions and public complaints mechanism; 4) the availability of management information systems and results monitoring.

3. RESEARCH METHOD

3.1 Research Design

This study uses quantitative methods. Locations were selected by the method of criterion-based selection (LeCompte and Preisle, in Asni, 2013). The respondents numbered are 124 people consisting of villages head, villages secretary, the treasurers of the village, the villages consultative body (BPD), community leaders, and the general public. While at the district level is the section head of the districts community development (Kasi. PMK). For the regency level is agency officials of rural communities empowerment (Bapemas). Data sourced from deployment questionnaire instruments/questionnaires and interviews (Arikunto, 2006). Data questionnaire/questionnaire compiled by providing a list of questions prepared enclosed measured in terms of attitude Likert scale with four alternative answers ranging from strongly disagree (1), disagree (2), disagree (3) and strongly agree (4).

3.2 Method of Analysis

The analytical method used is a confirmatory factor analysis (CFA). This analysis is intended to reveal how well the indicators measuring a latent concept (Dahlan, 2014). Approach to the analysis carried out by the method of Plan, Do, Check, Act (PDCA) (Singh and Singh, 2015).

4. RESULTS AND DISCUSSION

4.1 Testing Data, Assumptions and Model

4.1.1 Testing Data

Tests on the validity and reliability of the instrument were found not all items in each of the indicators are valid. The value of r_{table} for 124 respondents is 0.176. While the invalid correlation values (r_{count}) is Pn.Par2 item of budgetary participation indicators in 0,023.

4.1.2 Testing Assumptions

1. Normality Test

On the data normality test obtained by value of 303.513 CR univariate larger than the critical value of Z table 2.58. Then multivariate CR value of 19.592 is much greater than the value of Z table 1.96. This means that the normality assumption for multivariate and univariate normality has not been fulfilled. In other words, the data is not eligible normality.

2. Outlier Test

Examination of the multivariate outliers performed using mahalanobis criteria at the level of $p < 0.01$. Mahalanobis distance from the table on the data found that the most distant observation point is a point to 34 with a value of Mahalanobis d-squared = 95.889 with value p_1 and $p_2 = 0.002 = 0.242$. The outlier not found in the data because there is no value $p_2 < 0.000$.

3. Multicollinearity Test

Testing research data shows there is no R^2 values greater than 0.90. Thus concluded not found multikolinierity on research data.

4.1.3 Model Test

CFA model is built according to the theory of representation and therefore all questions were arranged in the questionnaire are in accordance with the theory. Therefore, the test result of goodness of fit model CFA which indicates that the model does not fit indicates VFM is still problematic. VFM problem is then that will be explored further in-depth interviews with several key managers VFM.

Table 1 Results of Goodness of fit test CFA

The Criteria	Cut-off Value	Test Result	Information
P	$\geq 0,05$	0,000	Model Less Fit
Chi-Square/DF	$\leq 2,00$	2,145	Model Less Fit
GFI	$\geq 0,90$	0,587	Model Less Fit
AGFI	$\geq 0,90$	0,503	Model Less Fit
TLI	$\geq 0,95$	0,684	Model Less Fit
CFI	$\geq 0,95$	0,728	Model Less Fit
RMSEA	$\leq 0,08$	0,096	Model Less Fit

Sources: Primary data is processed

4.2 Estimation Results Confirmatory Factor Analysis (CFA)

The estimation results of CFA models of VFM yield value of 1,550 degrees of freedom that goes beyond positive value required as a model identified. Furthermore, the model has a chi-squared value of 3432.853 with a p-value of 0.000. To test the significant level $\alpha = 0.05$ p-value is generated (0,000) is smaller than α .

1. Plan (Planning and Budgeting).

The diversity of Plan variable successively more explained by an aspirations container of musrenbang, the mechanism of public complaints of budgeting, decision making standard of musrenbang, decisions documentation of musrenbang, audit system of budgeting, as an aspirations container of budgeting, involving the community of musrenbang, audit system of musrenbang, decisions documentation of budgeting, decision-making standards of budgeting, public complaints mechanism of musrenbang, information disclosure mechanism of budgeting, satisfaction levels of participation of musrenbang and mechanisms of formal objection of budgeting. In other words, empirically, Plan variable is more measured of the indicators.

Meanwhile, the participation satisfaction level of budgeting, the level of information disclosure of musrenbang, formal mechanisms objection of musrenbang, the quality of information of budgeting, access to information of budgeting, mechanisms of information disclosure of musrenbang, access to information of musrenbang, involving the community of budgeting, the level of information transparency of budgeting and quality of information of musrenbang tend strengthened, but not strong enough to explain the variable of Plan.

Table 2 The CFA estimation results of indicators verifiers construct of Plan

Variables	Indicators	SRW	P Value
PLAN	M.Tr1 Information disclosure mechanism of musrenbang	0.435	***
	M.Tr2 The level of information disclosure of musrenbang	0.558	***
	M.Tr3 Access to information of musrenbang	0.409	***
	M.Tr4 Information quality of musrenbang	0.293	***
	M.Par1 Involving the community of musrenbang	0.712	***
	M.Par2 As an aspirations container of musrenbang	0.893	***
	M.Par3 Satisfaction levels of participation of musrenbang	0.628	***
	M.Par4 Formal objection mechanism of musrenbang	0.519	***
	M.Ak1 Decisions documentation of musrenbang	0.772	***
	M.Ak2 The standard of decision making of musrenbang	0.789	***
	M.Ak3 Audit system of musrenbang	0.712	***
	M.Ak4 Public complaints mechanism of musrenbang	0.652	***
	Pn.Tr1 Information disclosure mechanism of budgeting	0.649	***
	Pn.Tr2 The level of information transparency of budgeting	0.305	***
	Pn.Tr3 Access to information of budgeting	0.437	***
	Pn.Tr4 Information quality of budgeting	0.477	***
	Pn.Par1 Involving the community of budgeting	0.395	***
	Pn.Par2 As an aspirations container of budgeting	0.77	***
	Pn.Par3 Satisfaction levels of participation of budgeting	0.573	***
	Pn.Par4 A formal objection mechanism of budgeting	0.615	***
	Pn.Ak1 Decisions documentation of budgeting	0.707	***
	Pn.Ak2 Decisions-making standards of budgeting	0.676	***
	Pn.Ak3 Audit system of budgeting	0.771	***
	Pn.Ak4 Public complaints mechanism of budgeting	0.791	***

Sources: Primary data is processed

Note: SRW: Standardize Regression Weights

*) Significant at the 5% level

2. Do (Implementation).

All indicators are significant to measure Do construct indicated by p-value < 0.05 (significant at the 5% level). Therefore all indicators suitable to be used as a measuring of Do construct.

The diversity of variable Do successively more explained by the mechanism of information disclosure of implementation, access to information of implementation, as an aspiration container of implementation, decision documentation of implementation, the decision-making standard of implementation, information quality of implementation, the level of information disclosure of implementation, audit system of implementation, satisfaction level of participation of implementation, involving the community of implementation, public complaints mechanisms of implementation and formal objection mechanism of implementation. In other words, all the indicators were able to well explain the variable of Do.

Table 6.7 The CFA estimation results of indicators verifiers construct of Do

Variables	Indicators	SRW	P Value
Do	D.Tr1 Information disclosure mechanism of implementation	0.871	***
	D.Tr2 The level of information disclosure of implementation	0.753	***
	D.Tr3 Access to information of implementation	0.818	***
	D.Tr4 Quality information of implementation	0.767	***
	D.Par1 Involving the community of implementation	0.696	***
	D.Par2 As an aspirations container of implementation	0.812	***
	D.Par3 Satisfaction levels of participation of implementation	0.721	***
	D.Par4 Formal objection mechanism of implementation	0.612	***
	D.Ak1 Decisions documentation of implementation	0.778	***
	D.Ak2 Decision making standard of implementation	0.771	***
	D.Ak3 Audit system of implementation	0.748	***
	D.Ak4 Public complaints mechanism of implementation	0.631	***

Sources: Primary data is processed

Note: *) Significant at the 5% level

3. Check (Control)

P-value < 0.05 (significant at the 5% level) means that the path coefficients for all indicators in predicting Check differ significantly in the level of 0,001 (0.1%). In other words, all the indicators of significant form the construct Check. Therefore all indicators suitable to be used as a measuring construct of Check.

Table 6.8 The CFA estimation results of indicators verifiers construct of Check

Variables	Indicators	SRW	P Value
Check	C.Tr1 mechanism Information disclosure of supervision	0.822	***
	C.Tr2 The level of information disclosure supervision	0.217	0,005
	C.Tr3 Access to information supervision	0.569	***
	C.Tr4 Quality information supervision	0.398	***
	C.Par1 Involving the community supervision	0.578	***
	C.Par2 As a container aspirations supervision	0.717	***
	C.Par3 Satisfaction levels of participation supervision	0.504	***
	C.Par4 Formal objection mechanism supervision	0.628	***
	C.Ak1 The mechanism of public complaints oversight	0.456	***
	C.Ak2 The structure in charge of supervision	0.596	***
	C.Ak3 System surveillance audit	0.658	***
	C.Ak4 Access to the supervision of the audit report	0.494	***

Sources: Primary data is processed

Note: *) Significant at the 5% level

Based on the calculation of the variable loading indicators that compose the check is known that the variation or diversity variable of Check successively more explained by the mechanism of information disclosure of supervision, as an aspiration container of supervision, auditing systems of monitoring and formal objection mechanisms of monitoring. Meanwhile, the responsibility structure of supervision, involving the community of

supervision, access to information of monitoring, the satisfaction level of participation of monitoring, access to audit report of monitoring, community complaint mechanisms of monitoring, information quality of monitoring and the level of information disclosure of monitoring tend to strengthen, but not strong enough to explain the variable of check.

4. Act (Accountability and Evaluation)

All indicators known significantly measured the construct Act. This is indicated by a p-value < 0.05 (significant at the 5% level). Therefore all indicators suitable to be used as a measuring construct of Act.

Table 6.9 The CFA estimation results of indicators verifiers construct of Act

Varia- bles	Indicators		SRW	P Value
Act	A.Tr1	Information disclosure mechanism of report and evaluation	0.923	***
	A.Tr2	The level of information disclosure of report and evaluation	0.648	***
	A.Tr3	Access to information of report and evaluation	0.755	***
	A.Tr4	Information quality of report and evaluation	0.751	***
	A.Par1	Involving the community of report and evaluation	0.681	***
	A.Par2	As an aspirations container of report and evaluation	0.782	***
	A.Par3	Satisfaction levels of participation of report and evaluation	0.734	***
	A.Par4	Formal objection mechanism of report and evaluation	0.788	***
	A.Ak1	Documentation of decisions of report and evaluation	0.827	***
	A.Ak2	The standard of decision making of report and evaluation	0.676	***
	A.Ak3	Audit system of report and evaluation	0.703	***
	A.Ak4	Public complaints mechanism of report and evaluation	0.674	***

Sources: Primary data is processed

Note: *) Significant at the 5% level

From the values of indicators loading of variable of Act it can be concluded that the diversity of variables of Act successively more explained by the mechanism of disclosure of information on report and evaluation, decisions documentation of report and evaluation, formal mechanisms objection of report and evaluation, as an aspiration container of report and evaluation, access to information of report and evaluation, the quality of information of report and evaluation, the satisfaction level of participation on report and evaluation, system audit of report and evaluation, involving the community of report and evaluation, standard of decision-making of report and evaluation, public complaints mechanism of report and evaluation and information disclosure on the level of report and evaluation. In other words,

all the indicators were able to explain the variable of Act properly.

5. VFM

All indicators are significant known to measure construct of VFM. This is indicated by a p-value < 0.05 (significant at the 5% level). Therefore all indicators are suitable to be used as a measuring construct of VFM.

Table 6:10 The CFA estimation results of indicators verifiers construct of VFM

Varia- bles	Indikator	SRW	P Value
VFM	Plan	0,625	***
	Do	0,572	***
	Check	0,679	***
	Act	0,613	***

Sources: Primary data is processed

Note: *) Significant at the 5% level

From the values of indicators loading of variable of VFM it can be concluded that the diversity of variables of VFM successively more described by Check, Plan, Act and Do. Furthermore, based on the description of the estimation, it is known that all indicators have met all the requirements statistically. Therefore, in the next sub chapter discussion of the estimation carried out in the form of a deepening of the facts relevant to the field of research purposes.

4.3 Discussion

4.3.1 Analysis of village financial management efficiency and effectiveness

The efficiency and effectiveness of VFM referred to in this article are measured from the implementation of continuous improvement and application of the principles of good governance in VFM. In other words, an efficient and effective VFM is applying both aspects. Therefore, the discussion of the results of estimation associated with the implementation of both aspects.

1. Plan (Musrenbang and Budgeting)

A. Musrenbang

Based on estimates on the models known that all indicators on transparency aspects of musrenbang which are the information disclosure mechanism, the disclosure level of information, access to information and quality of information, its loading value not reached 0.6. The low value of the indicators loading indicated that the principles of transparency in village musrenbang have not been strong implemented. On field results also indicate that

information about the activities of the village musrenbang were never distributed to the community. Small number of people who take part in village musrenbang are villagers who have received an invitation from the village government.

According Sedmihradskaa, (2015), only with greater transparency, the improved of efficiency can be achieved because transparency will suppress the possibility of mismanagement. Transparency can improve effectiveness (Heald, 2003). Thus, to the context of village musrenbang transparency should be a priority so that people know everything related to planning meetings so that they can participate. But the fact of this research musrenbang precisely has not been conducted in a transparent manner. Therefore, the weak implementation of village musrenbang transparency is expected to lead to low efficiency and effectiveness of VFM.

Then from the four indicators measuring the level of village musrenbang participation, three of them which are involving the community, as a place of aspiration and the satisfaction level of participation demonstrate the value that is relatively good loading ie between 0.6 to 0.9. Only the indicator of formal objection mechanism that has a loading value below 0.6. The number of indicators loading of musrenbang participation having value above 0.6 indicates that the village musrenbang tend to have been implemented in a participatory manner.

The high level of participation in village musrenbang activities is the result of effort of the manager of the village planning in collecting the citizen's aspirations. This effort done through two ways: through the informal meeting of citizens and official activities carried by village government. Collecting aspirations through informal activities conducted on the activities of citizens associations who regularly held in every Thursday night. Aspirations of the people noted by the head of hamlet (Kadus) in the format of its own fields. While the official activities is the forum of village musrenbang on a schedule determined by involving various stakeholders. Documented aspirations of the people previously brought to the village planning meetings to determine priorities. So although not all citizens attending village musrenbang activities, participation of citizens

realized through the process of aspiration at the neighborhood level.

Through participation in the development planning process, communities gain the same rights and the power to sue or get a fair share of the benefits of development (Krina, 2003). In addition, according to Speer (2012), the mechanisms of participatory governance can improve reciprocal information flow between citizens and government about the preferences of the need for public goods and services. High participation in the planning reflects the effectiveness of public participation in the planning process (Nurudin, et al, 2015). Community participation was found to have a dominant influence positively on the quality of implementation (Drazkiewicz, et al, 2015). Speer, (2012) research in Guatemala showed that participatory planning has increased government spending alignment with community preferences. Based on the description of the theoretical and empirical studies it can be said that high community participation in planning meetings and village support the creation of efficiency and effectiveness of VFM.

Furthermore, the four indicators of accountability of musrenbang show loading values greater than 0.6. The value loading of accountability indicator of musrenbang indicated that villages musrenbang have already implemented accountable.

Basically, this village musrenbang activity is ordinary villagers' forum for discussing the various needs of the community to be addressed through the role of the villages budget planned that openly conducted. After all of the series of musrenbang activities finished then the results are compiled in a document that village planning document of Village Medium Term Development Plan (RPJMDesa) for a period of 5 years and the Village Government Work Plan (RKPDesa) for a period of 1 year.

In line with the views of Speer, (2012), then in the context of this study, activity villages musrenbang tend to be done in a participatory manner will directly benefit to the accountability of the planning results. In other words, the application of the principle of participation in all aspects of planning has also resulted in the achievement of the principles of accountability as well as the principle of transparency. Likewise with a view of Wampler

(2004) that in the planning, the community participation of accountability in the planning is very closely related. Based on the theoretical description then it can be said that the high accountability of village musrenbang support the creation of efficiency and effectiveness of VFM.

B. Budgeting

Budgeting activity is the village government domain as the manager. Nevertheless, the budget documents prior to go through the audit process of regency stakeholders. After that, before being passed into a village law that legally enforceable to be implemented, the documents of APBDesa should be discussed with the agencies village consultative body (BPD). This means that even budgeting is the domain of villages government but that still rules the must be accountable to superiors government.

The estimation results of the models suggest that three of the four indicators measuring the transparency of budgeting had loading values below 0.6. The weak aspects of budgeting transparency indicate low budget honesty (Kopits and Craig, 1998). Moreover, Rubin (1996), considered the government budget transparency as key factors of accountability. Transparency also serves to improve the effectiveness (Heald, 2003). This means that the efficiency and effectiveness of VFM requires a high degree of transparency thus improve the prevention of mismanagement (Sedmihradskaa, 2015). The importance of budget information is the key factor for good governance, because the budget is the most important government policy document (OECD, 2002). Thus, the alleged strength of the transparency of budgeting will lead VFM inefficient and ineffective.

Furthermore, the role of participation in the budgeting aspect sourced from previous stages of musrenbang. Musrenbang aspects involving public participation is intended to capture the aspiration needs to be accommodated in budgeting. That is, the involvement of citizens in the context of policy-making has been accomplished. The estimation results show that of the four indicators measuring participation budgeting, 2 of them are the satisfaction level of participation and involve the community has a loading values were 0.573 and 0.395 or below 0.6. This indicates that the aspect of budgetary

participation is also a problem though not as weak as in the aspect of budgetary transparency. According to Speer, (2012) in addition to bringing the benefits of public policy that actually serves as an accountability mechanism, the impact of participatory governance tends to vary in line with citizen involvement. Citizen involvement in participatory budgeting, for example, tends to have more effect on the response of the allocation of public resources. Boulding and Wampler (2010) research showed that participatory budgeting has increased the portion of government spending allocated to education, health and sanitation in Brazil. Therefore, based on the results of model estimation and analysis of the theoretical aspects of budgetary participation has been supporting the efficiency and effectiveness of VFM.

Meanwhile, all the indicators measuring accountability budgeting shows loading values above 0.6. Robust accountability budgeting indicates that budgeting activity has been made accountable. The role of budgeting accountability in the VFM sourced from the APBDesa audit process conducted by regency stakeholders and the process of discussion with BPD institutions. Despite some weaknesses related to aspects of transparency, this mechanism has been considered as part of the accountability budgeting.

Accountability according to Aziz, et al (2015), requires the management of public funds free from acts of abuse and corruption. Meanwhile, according to Wellens and Jegers, (2014) accountability means is a responsibilities of the external and internal. Therefore, the estimation model indicates that the budgeting aspect has been done accountable would support the achievement of efficiency and effectiveness of VFM.

2. Do (Implementation)

Based on estimates of the model known that the 12 indicators on the implementation aspect shows loading value greater than 0.6. The high value of loading for all 12 indicators on the implementation aspects of the implementation indicates that the VFM tend to be transparent, participatory and accountable. These three aspects are on the implementation of interrelated to create a good VFM.

Robust transparency on the implementation aspect probably because of the

executor must perform transparency to its stakeholders ie public and government employers. Coglianesi (2009) says that transparency can help organize governance in two ways: i) presents a dialogue between policy makers and citizens before decisions are made; and ii) prevent officials errors through increasing threat and overall monitoring by the public. Participating communities would receive information about matters relating to a number of activities if they are involved in it. The public informed what activities are built in their village, what is the budget for the building, how much wages as well as a number of other related information. Thus, this transparency also can prevent fraud and manipulation (Harrison and Sayogo, 2014). Based on these descriptions, the strong transparency on the implementation aspect is a factor that strengthens the efficiency and effectiveness of VFM.

Meanwhile, the robust role of implementation participation strengthening the statement of Drazkiewicz, et al, (2015) that the public participation has a positive dominant influence on the quality of implementation. The role of participation fairly well marked by the involvement of the community in the implementation of activities sourced from village finances. For example, all physical construction activities carried out by using the labor of local villagers. In this context, the role of participation cannot be separated from wages as workers compensation. Therefore, it was natural that the role of participation in this implementation shows good rate for their reward. Based on these descriptions, the strong participation in the implementation of this aspect can be a factor that strengthens the efficiency and effectiveness of VFM.

Lastly, the accountability of implementation is also well contributed in VFM namely upward accountability (Shaoul, et al, 2012). According Wellens and Jegers, (2014) the responsibility of accountability is a means of external and internal to the organization's performance. In the context of VFM, accountability to superiors' government carried as liabilities from village financial manager mandated by regulations. Accountability is done through submission of a report on the progress of implementation of the work that comes from the village budget. When the village government proposed a plan using the

budget for the next stage, must first report work progress. Thus, the high role of accountability in the implementation aspect of this can be said to be an indication of strengthening the efficiency and effectiveness of VFM.

3. Check (Control)

The estimation results of the models show that from 4 indicators measuring the transparency of supervision, only the mechanism of information disclosure that has a value loading of 0.822 (above 0.6). While the three other indicators are the level of information transparency, access to information and quality of information has value loading below 0.6. Low transparency of supervision indicates that the surveillance activities VFM tend not done in a transparent manner.

According to Speers, (2012) the mechanisms of participatory governance will improve the flow of information from the citizens to the government and vice versa. If so then the principle of transparency in oversight will be created through the operation of the principle of participation. Therefore, public participation in supervision should be able to push the manager VFM in implementing all activity originating from APBDesa to act transparently to the stakeholders especially the community. In other words, if there is high level concern of development activities from local village community in the village should in line with the attitudes and actions of financial village operators' transparent in providing information. The availability of information is expected to encourage the community to participate in supervising so that public policies can provide optimal results for society (Harrison and Sayogo, 2014). If disclosure of information does not exist then it will be a hindrance transparency operationalization and limit the people's understanding of the policy (Mukhopadhyay, 2015). Lack of transparency reflects the lack of public accountability (Halachmi and Greiling, 2013). Thus, based on the estimates and theoretical view, it can be said that the lack of transparency of supervision will weaken the efficiency and effectiveness of VFM.

Then, from 4 indicators measuring the level of participation of supervisory activities, 2 of them are as an aspirations container and formal mechanisms of objection had loading values above 0.6. While the two other

indicators that involve the community and the satisfaction level of participation had loading values below 0.6. These estimation results indicate a problem with the participation of oversight. In other words surveillance activities in VFM in Asahan tend still not participatory.

The weak participation role of monitoring in the VFM contrary to Speer (2012) statement. According to Speer, (2012), the involvement of citizens in monitoring the implementation of the project of increasing the efficiency of public spending more. Likewise with the conclusion of the Pagan (2014) that the community participation in surveillance is one of the keys to improving public services in developing countries. The idea behind community participation in monitoring public services is that the members of the community are the ones who ultimately benefit from a successful program. Therefore, they are considered to have better incentives to monitor and should be given the responsibility of oversight (Stiglitz, 2002 in Pagans, 2014). Thus, based on the results of the estimation and review of the literature, the weak participation surveillance allegedly causing VFM inefficient and ineffective.

Furthermore, of the four indicators measuring the accountability of supervisory activities, 3 of which are responsible for the structure, access to audit reports and public complaints mechanism has a loading value below 0.6. Only indicator of auditing system that has a loading value above 0.6. The low value of the indicator loading gauge indicates a problem with the oversight accountability.

In the context of supervision, the type of accountability is upward accountability (Shaoul, et al, 2012). Oversight accountability is to the superiors' government and to the community carried as liabilities from village financial manager mandated by regulations. Accountability is done through submission of progress reports on all activities of resource use APBDesa. When the village government proposed a plan using the budget for the next stage, must first submit a report before the use of funds disbursed. According Faguet (2014) if accountability is not running down to the people who consume the services and local public goods, then the local authorities only have the strong incentive to prioritizes higher response to the government and weak incentive of local residents. It means upward accountability can ignore downward

accountability. Thus, the alleged lack of accountability of monitoring also undermines the efficiency and effectiveness of VFM.

4. Act (report and evaluation)

From the estimation of the model is also known that transparency, participation and accountability are good enough implemented in VFM. This is shown on the 12 indicators on this aspect shows the loading values greater than 0.6. Even the aspect of transparency has the highest loading value compared with other indicators. The high value of the loading of all indicators on aspects of the Act indicates that the stage of report and evaluation has been conducted in a transparent, participatory and accountable.

Kolstad and Wig (2009) said that greater access to information can raise the cost of corrupt behavior and rent-seeking. This means that transparency becomes an important factor to suppress corrupt behavior. Thus, the high loading value of transparency of this report and evaluation indicate that the poor irregularities in VFM. In other words, it has been a factor supporting the efficiency and effectiveness of VFM.

Furthermore, the principle of participation also contributed quite well on report and evaluation stages. The high loading value of participation of report and evaluation indicated of being implemented in a participatory manner. Citizen involvement in monitoring and evaluation, are more likely to improve the efficiency of public spending (Speer, 2012). Therefore, report and evaluation have been implemented in a participatory manner a factor supporting the efficiency and effectiveness of VFM.

While the principle of accountability also contributed quite well on report and evaluation stages. In other words, the high loading value of accountability of report and evaluation indicated that the report and evaluation have been implemented accountably.

Accountability according to Almquist et al, (2013) was among the government to the public against the use of public resources. In terms of report and evaluation VFM, the kind of accountability should upward and downward accountability (Shaoul, et al, 2012). However Faguet (2014) explains that in accountability, local authorities only have the strong prioritizes incentive response to higher government and

weak incentive to the needs of local residents. It means that upward accountability can ignore downward accountability. Thus, based on the estimates and view the literature it can be said to achieve of accountability on report and evaluation support the creation of efficiency and effectiveness of VFM.

Based on the analysis of efficiency and effectiveness of VFM is known that although the aspects of continuous improvement has been made, but there are still some aspects of good governance are still problematic. Problems in the aspect of good governance are known from weak implementation of the principles of good governance in some aspects of continuous improvement, especially in the aspect of Plan and Check. Therefore, in the further section the discussion will be conducted analysis of the factors inhibiting the efficiency and effectiveness of VFM.

4.3.2 Analysis of factors inhibiting efficiency and effectiveness of VFM

As pointed out earlier that the VFM as one of the implementation of village decentralization still has some problems, especially in the aspect of Plan and Check. Allegedly these problems can hinder the creation of the efficiency and effectiveness of VFM. Further analysis of the factors inhibiting the efficiency and effectiveness of VFM is required in order to understand the root causes of weak implementation of the principles of good governance on some aspects of the continuous improvement.

1. Factors inhibiting in the aspect of Plan

Lack of transparency of musrenbang was one of the factors inhibiting the efficiency and effectiveness of VFM. Based on in-depth searches known that this was because the organizers of musrenbang not feel obliged to apply the principle of transparency. It is thus in line with the opinion of Devaney (2016) that implement increased transparency in order to achieve good governance is a difficult job. In addition, the lack of encouragement for the organizers of village musrenbang for implementing transparency may have been caused from rules that do not provide incentives to do so. In regulation 37/2007 and regulation 113 of 2014 which are both on guidelines for the village financial management there are no points of specific and binding villagers financial managers to apply the principle of

transparency. Yet according to Rubin (1996), transparency in government budgets is a key factor of accountability and a means to restore the capacity of the government. Higher transparency, calling for increased efficiency, increased accountability or prevention of mismanagement (Sedmihradskaa, 2015). In other words for this musrenbang context of transparency to the public should be a priority so that the various elements of the community can know and participate participate.

Meanwhile, the transparency of the budgeting activity is also an issue, especially the level of information disclosure, access to information and information quality. Moreover, in this budgeting there is also a problem that the effort involves community participation and satisfaction levels of participation. Based on in-depth search against multiple managers of VFM found possible reason for the low perception of the transparency of budgeting because the activities of budgeting considered to be the domain of the village government as the manager so that people do not have the space to provide input. Their audit process by the stakeholders in the district and mechanisms of joint discussion of APBDesa with BPD during the time felt no more than a mere formality. Some members of the BPD interviewed were not even leave a signature, but in APBDesa document already signed as members of the BPD. Even many members of BPD say never completely read the document of APBDesa. Related to fiscal affairs, transparency serves to improve the effectiveness and enhanced accountability (Heald, 2003). The importance of budget information is the key factor for good governance (OECD, 2002). The weak aspects of budgeting transparency indicate low budget honesty (Kopits and Craig, 1998). In other words, the lack of transparency of budgeting has resulted in inefficient and ineffective management.

The issue of transparency is the information (Florini, 2000). Therefore, the issue of transparency of musrenbang known from the results of this research study is also related to how to keep information about the village musrenbang can reach the whole community of the village. According to Greiling and Spraul (2010), lack of information may be intentional by the government or its officials for a particular purpose. In an effort to increase transparency, Cimpoerua and Cimpoeru, (2015)

suggested the use of internet media to publish the resulting document. The village government can run this principle to the use of e-government mechanisms (Harrison and Sayogo, 2014; Quiles, et al, 2014).

Associated with participation, Nurudin, et al, (2015) research in Malaysia noted the important points of information dissemination to the public as a means of encouraging participation. Poor dissemination of information resulting in people not aware of the activities carried by program. Therefore, the important point to address the low participation can be done by reducing the asymmetry of information between stakeholders, creating a safe environment for participating and actively encourage beneficiaries to participate in the representation (Wellen and Jegers, 2014).

2. Factors inhibiting the aspects of Check

Based on the foregoing discussion known that the aspect of Check, which is a barrier in the efficiency and effectiveness of VFM is weak implementation of transparency, lack of participation and weak implementation of accountability. Theoretically, both the principles of transparency, participation and accountability are part of the principles of good governance that can be interlinked application.

Problems on the principle of transparency in particular are how to encourage an increased level of information transparency, access to information and quality of information. Based on the deepening of key respondent of the village financial managers known that the principle of transparency in supervision would be created if the principle of participation also works. This is in line with Speer (2012). Availability of information theoretically could encourage people to participate in supervising public policy and lack of transparency of information is an obstacle to transparency and limits the operation of public understanding of policies (Mukhopadhyay, 2015). Thus, public participation in supervision should be able to encourage the village financial manager to act transparently to the stakeholders especially the community. However, the high awareness of local residents of the village community development activities in the village are not supported transparent attitude and actions of village financial operators' to information.

Meanwhile, the participation of supervision is also problematic, especially involving the communities and the satisfaction

level of participation. Based on the search is known that the application of the principle of participation in surveillance of VFM work through active involvement of the community independently specifically oversee the work of small-scale basic village infrastructures are sourced from APBDesa. This role can not be separated from the consciousness of ownership of the infrastructure development in their village, as it is said Stiglitz, (2002 in Pagan, 2014). Therefore, it is natural that participation in the permanent oversight by residents even without reward as in the implementation stages. However, because of the participation is done on aspects of this supervision is not a formal involvement thus the community always feel dissatisfied because they do not have adequate access to information. This dissatisfaction weakens the role of participation in the supervision of VFM so contrary to the statement of Speer (2012). In other words, the role of community participation in surveillance of VFM has not carried out efficiently and effectively because of a lack of transparency of VFM manager.

Furthermore, note also known that the issue of supervision is the application of the principles of accountability, especially public complaints mechanism, access to the results of the audit report and the structure of responsibility. Based on the search is known that people who see or know of any fraud that occurs in the field do not have a channel to convey. Even though such can be delivered directly to the head of the village very often just ends up without follow-up.

In the context of supervision of VFM should create upward and downward accountability (Shaoul, et al, 2012). Based on interviews with key respondents known that the surveillance practice is only carried out for the regency inspectorate. While the responsibility for supervision is also owned district authorities have limited number of personnel greatly complicate the course of VFM supervision. The public are also never told of the implementation of VFM from village government either on an informal forum especially on formal forum. Their village government obligations as the administrator of the village finances to submit accountability reports to the public through BPD as stipulated in article 15 (2) of regulation 72 of 2005 on the village was never even implemented. This is evidenced by the absence

of documents of these accountability reports. Therefore, if indeed there is a complaints mechanism would greatly help the creation of supervision of village institutions and the community.

Another problem of the accountability of supervision is not its access to the results of the audit report. The audit results only for village government officials' consumption. This means that people do not know about the results of the assessment to the government official audit of VFM conducted by village government. The **liberation** of control over the results of this audit can create space for cooperation to hide the monitoring result. In this regard, according Iyoha and Oyerinde, (2010) will be difficult to achieve without a strong accounting infrastructures. Weak or strong accounting infrastructures affect accounting practices, which in turn affects the culture of accountability.

Lack of accountability to the public in the financial supervision of village carries implications for the poor future village management. Shaoul, et al, (2012) said that one way of achieving accountability is through transparency and disclosure of necessary and relevant information to the citizens. In the context of accountability for the use of public funds and its relation with VFM according to Said and Hidayah, (2014) can be enhanced through the organization's recognition of responsibility for the society.

In order to improve an important element of accountability, the government should develop and disclose financial information more understandable, comparable, timely and reliable, for the benefit of citizens, supervisory bodies and other stakeholders (Bolivar, et al, 2015). With the creation of public complaints mechanism is expected to help reduce the level of fraud occurring in the field. It could be built by strengthening oversight of either the regency inspectorate or by BPD and society by increasing the number of officers in charge of the affairs of rural development. Thus, through would help create the supervision of the village council and the community.

5. CONCLUSION

This study combines whole aspects of the series of financial management at the village level as a continuous improvement to browse

for the application of the principles of good governance. Based on the results of the discussion it can be concluded the following matters:

1. The implementation of decentralization as reflected in the village financial management (VFM) has not been able to create efficiency and effectiveness of public procurement. It is indicated from the weakness of continuous improvement and the weak implementation of the principles of good governance in VFM. Weak performance of VFM in particular on (i) musrenbang and budgeting (Plan), and (ii) supervision (Check).
2. More specifically, there are five things that the limiting factor in the efficiency and effectiveness of VFM in Asahan regency is caused by the managers have not been able namely,
 - (i) implement musrenbang in transparent manner, in particular creating information quality, open access to information, creating information disclosure mechanism and create a level of transparency of information;
 - (ii) implement a transparent budgeting, in particular creates a level of transparency of information, provide access to information and provide information quality;
 - (iii) implement the transparency of supervision in particular creates a level of transparency of information, providing information quality and provide access to information;
 - (iv) carry out oversight of participation in particular creates a satisfaction level of participation because not involve the community, and
 - (v) carry out the supervision in accountable especially creating public complaints mechanism, open access to the audit report and establishes the structure responsible.

Suggestions

Based on the research conclusions, there are several critical points that impede the efficiency and effectiveness of VFM so that the acceleration of rural development is not optimal. This is due to two main issues, namely:

1. Efficiency VFM in Asahan regency still low. This can be improved by some suggested improvements as follows:
 - a. Sharpen village musrenbang that truly reflects the preferences of rural communities need of public goods and services.
 - b. Improve the competence of village financial managers, particularly in understanding the importance of conducting VFM apply the principles of good governance so that the allocation of expenditure really beneficial to society.
2. Effectiveness of VFM in Asahan regency is also needs to be improved. VFM effectiveness improvements can be made by:
 - a. Maintain consistency of the planning stages village musrenbang to budgeting. Strengthening transparency of musrenbang stages until the budget is expected to minimize inconsistencies of both processes. A strengthening of the aspects of transparency can be done with the concept of reward and punishment.
 - b. Strengthen supervision aspect. The strengthening of these aspects is expected to reduce management distorted so that achievement targets are planned from the budget allocated in APBDesa can be realized. Operationally efforts to strengthen oversight of this can be done by adding personnel of the civil state oversee VFM and increase the frequency of direct supervision to the field. In addition, it also needs to be given to the public to socialize more active role overseeing the activity of VFM.
 - c. To evaluate the concept of continuous improvement is by digging response to the manager and beneficiaries at every stage. Continuous improvement is expected to provide input to the process of continuous improvement in VFM. Integrating this concept of continuous improvement in the regulatory and implementing it should be able to drive efficiency and effectiveness of VFM in the future.

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