

CHAPTER I

INTRODUCTION

A. Background

The development of village micro institutions, one of which is Village Owned Enterprises (VOE), is one strategy for fostering economic progress in rural areas. VOE is a village business institution that is run by the locals and the village government in an effort to boost the local economy and foster social cohesion in the community. It was created in response to the requirements and potential of the village (Maryunani, 2008). The Regulation of the Minister of Home Affairs of the Republic of Indonesia Number 39 of 2010 serves as the legislative foundation for the establishment of VOE. Only one VOE unit may be created in each village, and its formation is based on village community discussion and approval by village regulations (Perdes).

The government's efforts to promote economic growth in rural areas through a variety of programs have not yet provided the best outcome for local residents. Village-Owned Enterprises (VOE) are one type of approach that is predicted to be capable of shifting the economy in rural areas through economic organizations that are completely controlled by local community. According to Government Regulation No. 72 of 2005 article 78 paragraph 1, the village government may create a village-owned enterprise in line with the requirements and potential of the village owned in order to boost the revenue of the community and the village. According to Law No. 6 of 2014 concerning Villages, Village-Owned Enterprises, or VOE for short, are legal entities whose entire or substantial share of capital is owned by the Village through direct participation derived from Village assets which are separated to manage assets, services, and other businesses for the greatest welfare of the village community.

According to Budi Arie Setiadi, Deputy Minister of Villages, Development of Rural Areas, and Transmigration, rural residents are highly suited to guide Indonesia in its recovery from the Covid-19 pandemic. The impact of Covid-19 cases in villages, in Budi Arie's opinion, backs up the argument that rural areas will be the engine of the country's economic revival. The agricultural industry has a lot of potential for villages. In contrast to other economic sectors, the agricultural industry is currently one that is still expanding strongly. Truth be told, the economy of more than 80% of Indonesian villages is primarily based on agriculture.

Village-Owned Enterprises (VOE), which are established based on the needs and potential of the village, are village business organizations that are managed by the community and village government in an effort to strengthen the village economy. VOE must separate from other economic organizations in rural areas because it is part of all such institutions. This is performed in express purpose that the presence and effectiveness of VOE will significantly improve the welfare of the community. Things considered, to reduce the negative impact of a capitalist economic system in the countryside that might undermine societal values Because the effects of VOE activities can be long-lasting and affect the village economy, VOE itself has a significant impact on village communities. VOE has the power to shift the local economy because local funds will remain in the community and continue to be circulated there, reviving the local economy.

The primary aim of starting a business is to generate revenue. In a business that prioritizes profits, income plays a significant role. Because income will have a significant effect on the amount of profit that is projected to guarantee the company's survival, revenue is an essential element in the running of the business. According to Kartikahadi, et al. (2012: 186), the interpretation of income is a rise in economic benefits over the

course of an accounting period, whether in the form of income, additional assets, or a decrease in liabilities that results in an increase in equity alone without involvement of investors. The following is how Greuning, et al. (2013: 289–290) define income: Income is referred to in IAS 8 as an inflow of economic benefits from regular company operations. The definition of revenue is the gross inflow of economic benefits during the period that result from ordinary business operations and increase equity in a manner that is obviously unrelated to owner equity contributions.

It can be determined that community involvement will be attained if the programs to be implemented are in line with the requirements of the community because community involvement is one of the contributing factors that determine the success of programs related to village development (Hardianti et al., 2017). To use the results of the research conducted by Mada et al (2017) The accountability of village fund administration in Gorontalo Regency is positively and significantly impacted by community involvement. This implies that managerial accountability is improved by increased community involvement. According to research by Kasila & Kolopaking (2018), involvement, specifically among young people, continues to have a moderate impact on the growth of VOE. In contrast to the study performed by Hardianti et al. (2017), it is noted that community involvement in terms of growth is very low in their study. This is a result of the general public's ignorance of the significance of their involvement in supporting the development initiative.

The ability to perform a job or activity to a predetermined standard is known as competence. To increase their competence or quality, public servants must possess strong skills or at least the desire to acquire more. Aini et al. (2014) indicate that the

accountability of the performance of government agencies and the competence of public officials have a favorable relationship. This is consistent with research by Putri et al. (2015), which found a link between government officials' competence and the performance accountability of their organizations. In contrast to the study by Rofika and Ardianto (2014), this study claims that the effectiveness of the government officials has little bearing on the success of government agencies' accountability. Achieving agency performance accountability does not depend on the workers' competence.

Utilizing information technology successfully helps employees process data more quickly, effectively, and efficiently, maximizing the amount of information services available to the general public. Utilization of information technology is defined by Thompson et al. (1991) in Anggraeni et al. (2019) as the advantages anticipated by information system users in performing their duties; the measurement is based on the intensity of utilization, frequency of use, and number of applications or software used. The accountability in the management of VOE will rise as information technology is used more frequently.

Accountability is an obligation of a person or group of people in providing accountability related to activities or actions that have been carried out to interested parties (Institution of State Administration, 2003). This is in accordance with the Qur'an Surah Al-Mudatsir verse 38:

كُلُّ نَفْسٍ بِمَا كَسَبَتْ رَٰبِيَةٌ (38)

Which means: "everyone is responsible for what he has done".

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Previous research says that the effect of community participation on accountability has not been consistent. The researcher suspects that the effect of community participation on accountability will be effective if community participation in the form of inputs is used for strategic planning. If the strategic planning is implemented, and executed properly, it can increase accountability. Based on previous researchers, the effect of competence on accountability has not been consistent. Researchers suspect that in carrying out strategic planning, it does not only involve smart people, but must also involve competent people. With the competence of good VOE managers, they can carry out strategic planning well. Then, if the strategic planning that has been prepared by competent people is carried out properly, it can increase accountability.

The aims behind VOE program is to promote increased economic growth and independence for village communities. Despite the fact that VOEs were established to boost the local economy, many of them runs to negative trend. Based on news announced by the Kulon Progo Regional Secretariat of the House of Representatives says that there are major number of VOEs in Kulon Progo that are experiencing slow development. This was also supported by Ariadi as Chair of the Community and Village Empowerment Office, stating that of the 88 existing VOEs, only six of them were classified as developed Village-Owned Enterprises.

Based on previous research, the researchers replicated the research of Mada et al., (2017). The difference between this study and previous research is that the research sample was taken in Bantul Regency. This study also eliminates the organizational commitment variable which is replaced by the use of information technology variables and replaces the accountability variable for managing village funds into VOE management accountability and this study will use sample data taken from VOE in Kulon Progo Regency. Thus, based on the background that has been described, this research is entitled: **"The Influence of Community Participation, Utilization of Information Technology, and Competency of Village-Owned Enterprise Managers on Accountability of Village-Owned Enterprises Management mediated by Strategic Planning (Empirical Study on Village-Owned Enterprises in Kulon Progo Regency)"**

B. Research Problem

The following sections describe the research's formulation of the problem:

1. Does strategy planning impact VOE management's accountability?

2. Does community involvement affect VOE management's accountability through strategy planning directly or indirectly?
3. Does the use of information technology have a direct or indirect impact on the strategy planning-based accountability of VOE management?
4. Does the accountability of VOE management through strategy planning rely directly or indirectly on the skill of VOE managers?

C. Research Objectives

The goals of this study are:

1. To determine whether strategy planning affects VOE management's accountability.
2. To determine whether community involvement affects VOE management's accountability through strategy planning directly or indirectly.
3. To determine whether the strategy planning accountability of VOE management is impacted directly or indirectly by the use of information technology.
4. To determine whether strategy planning has a direct or indirect impact on the management's accountability for VOE.

D. Research Benefits

1. Theoretical Benefits

This study is anticipated to serve as a reference point for future research, particularly for accounting majors. This is related to Indonesia's limited level of public sector study on parties affected to VOE management.

2. Practical Benefits

For the government, this research is expected to be able to provide input and consideration regarding the accountability of VOE management, competence of

VOE managers, utilization of information technology and community participation, as a review for the future in order to improve skills in managing VOE.