

CHAPTER I INTRODUCTION

A. Background

The village is the lowest government in the government structure of the Unitary Republic of Indonesia. Villages that are known to have rules in the form of norms and customs that govern the systems and regulations in the village are now regulated in writing in the law. The laws governing village governance and regulations are listed in Law Number 6 of 2014 concerning Villages. In this law what is meant by Village is a legal community unit that has territorial boundaries that are authorized to regulate and administer government affairs, the interests of the local community based on community initiatives, original rights, and / or traditional rights that are recognized and respected in the government system of the State Unitary Republic of Indonesia. Villages that used to be only regulated based on adat that prevailed in the local area, now have the authority to run a decentralized system in Indonesia. So that all activities carried out by the village government have been arranged systematically. This is intended so that the welfare of the Indonesian people is more comprehensive.

One of the principles regarding the implementation of village government is transparent and accountable financial management. Financial reports produced by the village government must be transparent which means the government has an obligation to provide information about the policies to be taken by the government in managing existing resources and

the results of the management of these resources. Financial reports must also be accountable, that is, the government's obligation to account for the results achieved from these management tasks, including regional financial management tasks (Hanifa, et al., 2016). The obligation to prepare accountable and transparent financial statements is inseparable from its quality managers.

According to Shende and Bennet (2004) in a broader sense transparency is also a freedom to access the political and economic activities of the government and its decisions. Transparency enables all stakeholders to see the structure and function of government, the objectives of the policy and its fiscal projections, as well as reports (accountability) of the past period. There must be a principle that guarantees access or freedom for everyone to obtain information about the administration of government, namely information about policies, the process of making, implementing, and the results achieved. According to Krina (2003) this principle emphasizes on 2 aspects namely public communication by the government and the people's right to access information. According to Krina (2003) transparency must contain the provision of clear information about responsibilities, develop a complaint mechanism if there are regulations that are violated or requests to pay bribes, ease of access to information, improve information flow through collaboration with mass media and non-government institutions.

The responsibility of the village head or the relevant government apparatus must be made public. Provide information to the people clearly and uncovered about the performance that has been carried out during his tenure. At present the village head is democratically elected by conveying the vision and mission that will be carried out during the selected period, so that it becomes natural for the village head to convey his performance as a responsibility even without coercion or demands from the people. If the accountability is not conveyed openly to the public, or the accountability that is submitted is not good, then it is not the fault of the community to prosecute. This is in accordance with a verse in the Qur'an, namely:

كُلُّ نَفْسٍ بِمَا كَسَبَتْ رَهِينَةٌ

"Every self is responsible for what he has done" (Q.S Al Mudattsir: 38). The point is that every soul / human being will be rewarded for the crime he has committed, except for Muslims who do obedience. Muslims who obey the rules and carry out their duties properly, then each of them will get a good reward as well as being responsible for their actions.

It is explained in the Regional Government Management Accounting book (Pratolo & Jatmiko, 2017) that "transparency is openness to all actions and policies taken by the government. Financial management transparency is influenced by several aspects, namely: planning, implementation, supervision and accountability".

Transparency is considered important in financial management because of two things, namely:

- As one form of government accountability to its people,
- As a form of efforts to improve government management to the people, as well as good governance and reduce opportunities for corrupt, collusion and nepotism (KKN) practices.

In achieving transparency success, it is shown in several indicators, namely:

- Increase public confidence and trust,
- Increase public participation,
- Increased public insight and knowledge on governance,
- Reduced violations of applicable laws and regulations.

The fact is published by several reports about maladministration about the management of village funds used for personal gain. For example, the allocation of village funds to buy a private car to the cost of marriage (www.kumparan.com). This happens because there is no transparency process in the village budget or funds that should be directly monitored by the people themselves.

And it should also not be forgotten that there are also several incidents that indicate the misuse of village funds. Reported in the online news, according to Indonesian Corruption Watch (ICW) researcher Tama S Langkun explained that during the 2010-2015 period, 133 corruption cases were recorded in the village. 186 of them became suspects and the most were the village heads (www.hukumonline.com). It can be said that the

commitment of the village head himself to implement transparent village financial management is still lacking, because the village head is still secretly diverting funds that should be used for community welfare. The village head should have an obligation to run his government openly or transparently to the community. Considering that the village government is a state institution that provides a service to the community, as well as the source of funding comes from Indonesian citizens. So, it must be ensured that the transparent management of village funds is a fundamental principle for village governments in running their government in accordance with applicable regulations. This is in line with the program promoted by the President of the Republic of Indonesia Joko Widodo who stated that Indonesia will carry out development starting from the periphery, namely through the advancement and strengthening of regions or villages.

Indonesia Corruption Watch (ICW) also highlighted the fictitious village polemic which some time ago had been expressed by Minister of Finance Sri Mulyani. ICW researcher Egi Primayogha said the case needed to be resolved immediately by the state. The reason, ICW noted the Village Fund corruption which continues to increase from year to year. ICW notes, Village Fund corruption in 2015 reached 22 cases. The case increased to 48 cases in 2016 and rose again to 98 and 96 cases in 2017 and 2018. Along with this increase, ICW noted the number of village heads caught in corruption in the village also rose. ICW notes, as many as 214 village heads were involved in corruption cases during this period. The details are: 15

village heads are entangled in 2015, 61 are entangled in 2016, 66 are entangled in 2017, and 89 others are entangled in 2018. Cases of corruption in the Village Fund include budget misuse, fictitious reports, embezzlement, budget bubbles and bribes. This village budget corruption case caused a total loss of the state to reach Rp.107.7 billion (www.cnnindonesia.com).

Transparency issues in village financial management still occur in the Mojokerto region. Villagers from Cendoro, Dawarblandong Subdistrict, Mojokerto Regency, held a protest at the local village office. They demand transparency in the management of the Village Funds 2018 and 2019. Residents have found some oddities in the use of the Village Fund in Cendoro over the past 2 years. One of these characteristics is that the Cendoro Village Government does not provide data on projects that use the Village Fund. Even though the strength of the 2018 Cendoro regional budget reached Rp. 1.2 billion. Whereas in 2019 it will reach Rp. 1.7 billion (news.detik.com).

The regional representative of the Indonesian Ombudsman in Aceh also highlighted many reports on village fund management. The increase in community reports related to village funds is caused by the lack of transparency in the management of village funds and projects that are not in accordance with needs, and are not in accordance with the rules in managing village funds by unscrupulous village heads. These problems have the potential to cause a crisis of trust in the village head. Because the

Ombudsman has received 36 community reports related to village issues (aceh.tribunnews.com).

Research by Soetandy et al (2018) research also explains the polemic of financial transparency of village funds. The management and allocation of funds provided is usually a tradition of antagonists in government to misuse funds supplied from the government, there are elements of village officials who deliberately allocate funds inappropriately, then minimize the targeted budget and cut the funds spent, this is definitely a common thing in this country, so deviant actions need to be watched out for, and anticipated, because these actions will be detrimental and also hinder progress and also have an impact on the village itself, there should be no food for our families with the hearts we spend. itself. This form of fraud is very contrary to the purpose of the village fund itself so that with irregularities and non-transparency of this information there will certainly be sanctions and penalties in accordance with Law No. 14 of 2008 concerning the disclosure of public information to those who misuse the budget, because of this is a small-scale corruption practice that will impact the nation's future. The village is a miniature for a government, something starts from something simple and small and then hacks into a larger unit, so that from a village we are able to see and reflect on the progress and welfare of a country, so the village budget given by the government is a fund that is assumed to be a village development and empowerment facility. Given the village funds are useful to help fund the implementation of the village

government in carrying out development activities and community empowerment. Previous research conducted Hanifa et al (2016) states that the competence of financial managers and regional financial accounting systems has a significant and positive influence on the quality of the financial statements of the Southeast Sulawesi Provincial Government both partially and simultaneously.

If based on previous research, human resources are important things that are key to the quality of financial management. Financial statement managers must understand that to make a report must be based on existing rules / standards, namely Government Accounting Standards. So we need a competent financial manager to get quality financial reports. Financial managers who adhere to the entire contents of government accounting standards, it can be said that the possibility of managers or parties not responsible for small irregularities. In addition, the allocation of village funds will further encourage the quality of village financial managers to improve. The Central Government has budgeted the allocation of village funds which is quite large for each village in Indonesia. The Minister of Finance of the Republic of Indonesia, Mrs. Sri Mulyani in November 2017 stated in the introduction to the smart book of village fund that from 2015 to 2017 the average allocation of village funds each year has increased. In 2015, village funds were budgeted at Rp. 20.7 trillion, with an average of each village receiving an allocation of Rp. 280 million. In 2016, village funds increased to Rp. 46.98 trillion with an average of Rp. 628 million.

And in 2017 it will again increase to Rp. 60 trillion with an average of Rp. 800 million.

An evaluation conducted by the Ministry of Finance regarding village fund management can be said to be good. Because many villages can improve existing facilities and infrastructure and make BUMDes an effort to improve the community's economy.

In the 21st century it has become a digital era, where technology must indirectly be mastered by those who want progress. Therefore, using existing technology will create quality programs and accelerate the progress and strengthening of regions or villages. The technology can be used as a means of information to the public on programs or performance results that have been achieved. So that, technically, it is hoped that there will be no such thing as behind important information on each program and policy of the village government. This is evidenced by the application of the village financial system made by the Financial and Development Supervisory Agency (BPKP) as a form of oversight of the program to progress Indonesia.

As a form of organizational achievement, Organizational Commitment is a factor that has an important role. Organizational commitment's desire to remain a member of the organization. Someone who has a strong commitment to the organization will show a willingness to maintain membership in the organization and try hard in the organization. If the employee feels his soul is bound to existing organizational values, he

will feel happy at work, so he has responsibility and awareness in running the organization and is motivated to report all activities by carrying out financial accountability and transparency through his financial report (Ratifah and Ridwan 2012).

In Maksyur research (2015). Organizational commitment is used as an independent variable, while research conducted by Rahmawati (2015) and Siwambudi, Yasa and Badera (2016), organizational commitment is used as a moderating variable. Based on the above research, there are differences in research in treating organizational commitment.

In this study Organizational Commitment is made as a moderating variable, because Organizational Commitment has the potential to influence the relationship between HR Capacity, Utilization of IT and transparency in village fund management. Researchers argue that, strong organizational commitment will encourage members to work hard to achieve organizational goals. Quality transparency is one of the objectives of the village government, so that the village government will increase the capacity of human resources, and utilize information technology so that transparency in the management of village funds increases. Another reason Organizational Commitment is made a moderating variable because there are differences in research. In Rahmawati's research (2015), Organizational Commitment significantly moderates the influence of Human Resources Capacity on the Quality of Regional Government Financial Reports, whereas in Siwambudi, Yasa, and Badera's (2016) research, the interaction

of Organizational Commitment and Human Resource Capacity has no effect on Report Quality Regional Government Finances and the interaction of Organizational Commitment with Internal Control Systems has no effect on the Quality of Regional Government Financial Statements, so researchers want to re-examine the *“The Effects of Human Resource, Utilization of Information Technology on Transparency in Village Financial Management with Organizational Commitment as a Moderation Variable” (Case Study in villages in Bantul Regency)*.

B. Research Question

Based on the background description, the formulation of the problem in this study is as follows:

1. Does human resources have a positive relationship with transparency in village financial management?
2. Does the utilization of information technology have a positive relationship with transparency in village financial management?
3. Does the organizational commitment strengthen the relationship between human resource and transparency in village financial management?
4. Does the organizational commitment strengthen the relationship between the utilization of information technology and the transparency of village financial management?

C. Research Purposes

Based on the formulation of the problem, the purpose of this study is to find out:

1. Effect of Human Resources on Transparency in Village Financial Management
2. Effect of Utilization of Information Technology on Village Financial Management Transparency
3. The effect of the interaction of Organizational Commitment with Human Resource Capacity on Transparency in Village Financial Management
4. The effect of the interaction of Organizational Commitment with the Use of Information Technology on Transparency in Village Financial Management

D. Significance of Research

The benefits that will be obtained in this study include two things:

- 1) Theoretical benefit

This research is expected to contribute to further research and broaden insights and information related to public sector accounting, public sector financial accounting, public sector management, and village financial management / management.

- 2) Practical benefits

- a) Benefits for village government

It is hoped that this research can provide benefits to the village government in the form of providing information on:

- Improve the performance of village governments so that they can be accounted for properly.
- Increase the human resources that carry out financial management to be more qualified.
- Increase the use of information technology so that it is used as an effective means of delivering information to the public.
- Improve the village financial management system to be better.
- As one of the evaluation materials so that village governance becomes more systematic so that it supports the progress of the village.

b) Benefits for universities

- Assist the development of science in accounting.
- If research is published in a journal and published regularly and academically it can help in terms of the accreditation of study programs and universities.

c) Benefits for the community

- Increase the level of public trust in the government.
- Increase knowledge and insight on government performance.
- Provide information on village government accountability to the community.