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Real Commitment Or Symbolic Legitimacy? Mattessich's Critique Of The Deposit-On-Call Scheme

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Abstract
This research is based on the philosophy of accounting as formulated by Mattessich. By basing Mattessich's critique on legitimacy theory as the basis for analysis, this study aims to further examine the policy of placing state funds in the On Call Deposit scheme. This policy, taken as part of a real commitment or merely a pseudo-legitimacy, requires further in-depth study. The method used is a qualitative approach with a Critical Discourse Analysis (CDA) framework. The data sources for this research consist of actual news documentation related to the Minister of Finance's policies and the controversies that arose. The analysis is conducted in three stages: (1) linguistic analysis of policy texts and news reports, (2) analysis of discursive practices to identify rhetorical strategies and legitimacy narratives, and (3) analysis of social practices to assess whether the policy reflects a real commitment or merely a pseudo-legitimacy. The research results show that, using legitimacy theory and Mattessich's critique, the policy of placing state funds in the Deposit on Call scheme exhibits a dual character. Legitimacy theory indicates a real commitment, but simultaneously opens up the potential for pseudo-legitimacy if not managed with strong transparency and accountability. This real commitment is evident in the policy's orientation toward lowering bank funding costs, expanding credit capacity, and targeting productive sectors such as MSMEs, which have long been the driving force of the national economy. However, the ethical and moral suitability of this policy remains conditional, dependent on the realization of credit distribution and the equitable distribution of its benefits. If Deposit on Call funds merely increase bank liquidity without any real distribution to the real sector, then the legitimacy established by the government risks becoming symbolic, as Mattessich criticized: narratively appealing but lacking substantial impact on society.
Keywords: Real Commitment, Pseudo-Legitimacy, Deposit on Call

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INTRODUCTION

In recent years, governments across the globe have increasingly used the Deposit on Call (DOC) scheme as a state cash management instrument. This involves placing state funds in callable deposits with the aim of optimizing liquidity and earning higher interest income than regular balances (Abiola-Adams et al., 2021). On the one hand, this policy is seen as evidence of the government's commitment to fiscal efficiency and accountability in managing public funds. However, on the other hand, there is criticism that this policy may only generate a false sense of legitimacy, appearing formal and publicly supported, without fundamental changes in power structures, transparency, or genuine accountability. This research focuses on the question of whether the policy of placing state funds through the Deposit on Call (DOC) scheme reflects a real commitment, or is it merely an attempt to gain legitimacy through image-based measures?

Recently, the Minister of Finance issued a policy through Ministerial Decree (KMK) No. 276/2025 stipulates the placement of Rp 200 trillion in state funds in state-owned banks (Himbara) in the form of Deposits on Call (DOC) without auction, with an interest rate set at 80.476% of the BI 7-Day Reverse Repo Rate (BI7DRR) (Fahroji, 2025). This policy sparked public protests, claiming that their deposit interest rates had decreased, thus reducing interest income. The Minister of Finance defended the decrease in deposit interest rates as part of the policy's objectives: to increase banking liquidity, lower the cost of funds, and encourage the public, including large depositors, to reinvest their money in the real sector, thereby encouraging consumption, accelerating investment, and economic growth.

Based on circulating news, two polemics have sparked uproar in the country's financial sector. One is that this policy offers hope for the lower-middle class, especially MSMEs, who want to use their deposits for financing. On the other hand, this policy will impact depositors, who are less interested in depositing funds due to the decreased interest rate. Therefore, whether this policy from the Minister of Finance reflects a real commitment or is merely an attempt to gain legitimacy through image alone will be examined further from the perspective of legitimacy theory.

Legitimacy theory has been widely developed in the literature of social sciences, public administration, and public finance. Şahiniz et al. (2024) define legitimacy as “the general perception that an entity’s actions are considered desirable, reasonable, or appropriate within a given system of social norms, values, and beliefs” (Şahiniz, et al., 2024). Recent studies have explored public perceptions of institutional legitimacy in various contexts, from public organization reforms, legal authorities, to state financial institutions. For example, Kiwi et al.’s (2025) study, Understanding the Role of Legitimacy During Strategic Change in Public Organizations (Vrije Universiteit Amsterdam and University of Southampton), emphasizes how legitimacy becomes crucial when public organizations undertake strategic change, and how legitimacy challenges relate to the process of policy formulation, promotion, and implementation. Furthermore, the article "Legitimating State Capital: The Global Financial Professions and the Transnationalization of Chinese Sovereign Wealth" by Liu and Dixon (2021)

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demonstrates how states use formally legitimate financial instruments to frame and implement political-economic goals, sometimes contradicting or exceeding their purely public functions.

While the legitimacy literature is rich, there is a relatively underexplored space regarding specific state money management schemes such as Deposit on Call (DOC), particularly in the context of how Mattessich's critique of legitimacy theory can be applied to fiscal policy and public finance. Mattessich, renowned for his expertise in accounting and organizational theory, frequently highlights how practices that appear formally legal or normative can be used to create the appearance of legitimacy, without substantial changes in power structures, policy choices, or the distribution of benefits. To date, there has been little empirical research specifically examining whether state money placement schemes such as Deposit on Call are manifestations of genuine commitment or merely serve a pseudo-legitimacy function, particularly in developing countries or in governance contexts with varying levels of transparency and public oversight.

The novelty of this research lies in three main aspects. First, it combines the theoretical analysis of Mattessich's critique, which has been discussed primarily in accounting and organizational studies, with an analysis of public financial policy in the form of Deposits on Call, a topic rarely touched upon in the literature on state financial legitimacy. Second, it presents contemporary, verifiable and comparable empirical data to determine the extent to which Deposits on Call schemes actually increase state revenue, their effects on liquidity, and the extent to which transparency and accountability are implemented. Third, it situates this case within global discourse, comparing practices and critiques in other countries, thereby offering theoretical generalizations and internationally relevant policy lessons.

This research contributes to global discourse by extending the literature on institutional legitimacy to the realm of practical public finance policy, testing the limits of legitimacy theory's application, and providing empirical evidence that policymakers in other countries can use to consider whether financial instruments such as Deposits on Call actually bring real benefits or pose more risks of pseudo-legitimacy. The objectives of this research are relevant not only to the national context but also to public finance theory, political science, and legitimacy studies globally.

This research is motivated by the need to bridge the discourse on accounting philosophy with contemporary fiscal policy practice. Academically, there is still a gap in the literature regarding the application of Mattessich's critique of legitimacy theory to the context of public finance policy, particularly the Deposit on Call scheme. Practically, the Ministry of Finance Regulation (KMK) 276/2025 has sparked controversy, highlighting the importance of assessing whether this policy truly reflects fiscal accountability or merely generates pseudo-legitimacy. Therefore, this research is relevant not only to the development of legitimacy theory but also to the evaluation of public policy in Indonesia. The research question posed is: Does the Deposit on Call policy reflect a real government commitment or merely create a false sense of legitimacy?

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Furthermore, this research departs from the philosophy of accounting as formulated by Mattessich. By placing Mattessich's critique of legitimacy theory as the analytical foundation, this research aims to examine the extent to which a philosophical accounting framework can be used to understand complex and politically charged fiscal policy practices. Thus, this research contributes to the development of the philosophy of accounting, particularly in bridging the realms of theory and practice.

LITERATURE REVIEW

1. Legitimacy Theory in Public Policy and Finance
   Legitimacy theory is based on the view that every institution or government requires social acceptance for its policies to be considered legitimate and reasonable. Şahiniz et al. (2024) classify legitimacy into three forms: pragmatic, moral, and cognitive, all of which serve as a framework for assessing whether a policy is truly accepted by the public or merely generates symbolic legitimacy. Research in reputable journals confirms this. For example, a study by Arif and Dutta (2024) shows that legitimacy is often used by organizations to respond to public pressure through communication strategies, rather than through substantial structural changes. In the context of public policy, Verhaegen et al. (2021) highlight how legitimacy is produced and maintained through institutional discourse, particularly when policies concern broad public interests such as the management of state funds. However, most research still views legitimacy within a normative framework without critically examining how legitimacy can be used symbolically through public finance policies.
2. Mattessich and Criticism of Legitimacy Theory
   Mattessich is widely recognized in accounting philosophy and organizational theory. One of his key criticisms is that legitimacy theory tends to be normative and permissive, making it vulnerable to being used as a "justification" for institutional actions without examining the substance of those practices. According to Mattessich (2003), legitimacy should not be viewed solely as social acceptance but should be linked to ethical truth, transparency, and real accountability. This criticism is relevant in assessing public policies that appear legitimate on the surface but potentially harbor political motivations or oligarchic interests. Thus, Mattessich's analysis broadens the horizon of legitimacy theory beyond mere public acceptance to critically question whether policies actually provide tangible benefits to society. While Mattessich's critique is relevant, the literature rarely applies this idea to state treasury management policies, opening up further research opportunities.
3. Deposit On Call Scheme in State Money Management
   Deposit on Call (DOC) is a short-term liquidity instrument that allows government funds to be placed in banks with the flexibility to be withdrawn at any time. This policy is widely used in various countries, primarily to optimize state cash management and increase yields on idle funds. However, international research has yielded mixed results. A study by Liu and Dixon (2021) demonstrates how governments use certain financial instruments as a means of

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gaining political and economic legitimacy, rather than solely for fiscal efficiency. Meanwhile, research by Allen et al. (2020) found that state cash management policies are often influenced by domestic political dynamics and government relations with the banking sector, making the effectiveness of Deposit on Call less transparent or objective. Thus, there is a need to integrate the legitimacy literature, Mattessich's critique, and Deposit on Call practices into a comprehensive analytical framework.

METHODS

This research uses a qualitative approach within a Critical Discourse Analysis (CDA) framework. CDA was chosen because of its ability to examine how language, symbols, and narratives are utilized in public policy to construct legitimacy, both substantive and symbolic. This analysis follows the CDA framework developed by Fairclough (1995), focusing on three dimensions: text, discursive practices, and social practices. The choice of CDA is also relevant to Mattessich's critique of legitimacy theory. Mattessich emphasizes the importance of uncovering the symbolic and normative dimensions of accounting and policy practices, which often display a false sense of legitimacy without substantial changes in accountability. CDA, with its focus on language, discourse, and power structures, provides an analytical tool to examine whether policy narratives such as the Deposit on Call scheme reflect real accountability or merely legitimacy rhetoric. Thus, CDA allows this research to move beyond mere normative description to a critical analysis that questions the relationship between policy discourse, political interests, and public acceptance. Furthermore, the use of CDA aligns with the philosophical perspective of accounting, which connects theory with practice. Mattessich's critique of legitimacy demands a methodological approach that goes beyond superficial reading of texts and unpacks the underlying meanings and ideologies. Therefore, CDA is seen as the most appropriate method for bridging accounting philosophy with fiscal policy practice, resulting in a more comprehensive understanding of how legitimacy is formed, maintained, or challenged through public policy.

The data sources for this research consist of actual news documentation related to the Minister of Finance's policies and the controversies that arose. The data corpus includes official documents from Minister of Finance Regulation 276/2025, national media coverage, and statements by government officials. Furthermore, this research utilizes relevant scientific literature and previous research on legitimacy theory, Mattessich's critique, and the practice of state treasury management.

The analysis was conducted in three stages: (1) linguistic analysis of policy texts and news reports. 2) analysis of discursive practices to identify rhetorical strategies and legitimation narratives, and (3) analysis of social practices to assess whether the policy reflects real commitment or merely pseudo-legitimacy. The following is an explanation of the three:

1. Linguistic Analysis of Text

   A linguistic analysis of text was conducted to identify how the Deposit on Call policy and media coverage framed the policy's meaning, objectives, and

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impacts through the language used. This stage began with collecting and building a corpus of data in the form of official government documents, press releases, and media articles related to the policy. Next, the text was analyzed by examining linguistic aspects such as lexical choice (keywords), sentence structure, modality, economic metaphors, and the placement of key actors through manual analysis and corpus language analysis tools such as AntConc or Voyant Tools (Biber, 1998).

2. Analysis of Discursive Practices
   Analysis of discursive practices was conducted to explore how the Deposit on Call policy was produced, circulated, and interpreted by various actors, including the Ministry of Finance, banks, the media, economic observers, and the public. This stage mapped patterns of intertextuality and interdiscursivity to identify prominent rhetorical strategies, such as narratives of increased liquidity, support for MSMEs, or advocacy for lower deposit interest rates (Van Dijk, 2015).
3. Social Practice Analysis
   A social practice analysis was conducted to assess the actual impact of the Deposit on Call policy on the ground and to assess whether the policy represents a substantial commitment or merely symbolic legitimacy. This stage combined empirical data such as MSME credit realization, changes in bank funding costs, audit reports, and public and business responses through official statistical data from the Financial Services Authority (OJK) and Bank Indonesia (BI). Implementation results were then compared with the promises stated in the policy document to measure the degree of congruence between public claims and actual implementation (Suchman, 1995).

The validity of the research was strengthened through triangulation of data sources from official documents, academic publications, and media discourse.

RESULTS

The placement of Rp 200 trillion in state funds in five Himbara banks, including Bank Mandiri, Bank Rakyat Indonesia (BRI), Bank Negara Indonesia (BNI), Bank Tabungan Negara (BTN), and Bank Syariah Indonesia (BSI), through an on-call deposit scheme, as stipulated in Minister of Finance Decree (KMK) No. 276/2025, has sparked a wave of public reaction (Rianti, 2025). This policy, implemented with a six-month, extendable term, requires the funds to be used to distribute credit to the real sector, not to purchase government securities (SBN). This decision took effect on September 12, 2025 (Rianti, 2025).

The placement of funds was carried out with a partner limit at each partner commercial bank: Bank Mandiri at Rp 55 trillion, BRI at Rp 55 trillion, BNI at Rp 55 trillion, BTN at Rp 25 trillion, and BSI at Rp 10 trillion (Rianti, 2025). The Minister of Finance Decree (KMK) stipulates several further provisions and mechanisms, ranging from tenor requirements to the obligation to submit regular progress reports. Placement of state funds with partner commercial banks is carried out in the form of conventional/Sharia-compliant deposits on call, using a non-

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auction mechanism. The interest rate or yield charged is 80.476 percent of the BI 7-Day Reverse Repo Rate (BI 7-DRR Rate) for rupiah placement accounts (Setiyo, 2025).

The Minister of Finance placed state funds from government treasury at Bank Indonesia (BI) to manage excess central government cash. Purbaya assessed that placing state funds in commercial banks is necessary to support financial market deepening and support government programs to stimulate economic growth. One of the Finance Minister's stated statements was, "Slowly (the disbursed funds) will definitely be channeled into credit, so that the economy can move" (Syachruddien, 2025).

From the perspective of the public, particularly MSMEs and the lower-middle class, this policy is seen as a signal of the government's commitment to promoting liquidity and productive credit (Setiyo, 2025). The Minister of Finance stated that the placement of these funds was intended to support the real sector, allowing Himbara banks to disburse credit with greater confidence. The strategy of lowering deposit interest rates is part of macroeconomic logic: with lower deposit rates, large customers are more likely to withdraw or not increase their deposits, and the money can be reused for consumption or investment (Syachruddien, 2025).

According to the Minister of Finance, lowering the cost of funds will encourage banks to be more aggressive in disbursing credit, particularly to the cooperative, village, and MSME sectors (Rianti, 2025). With higher liquidity, she hopes productive credit will increase, reflecting that the policy is not merely symbolic but has a real impact on the real economy. Himbara banks could become overly dependent on government funds, thus delaying efforts to seek long-term public or private funding. If this large influx of funds continues, there is a risk that banks will misuse the placement for liquidity purposes alone, rather than for productive credit expansion (Setiyo, 2025).

From the perspective of deposit customers, especially large customers, such as Hotman Paris, this policy is considered detrimental. Hotman Paris publicly stated that the reduction in deposit interest rates makes it difficult for large customers who rely on returns from their deposits (Setiyo, 2025). The Minister of Finance then emphasized that the logic behind this policy is simple: it is hoped that upper-middle-class people who hold large funds in deposits will be encouraged to spend their money back into the market (Syachruddien, 2025).

Finance Minister Purbaya also stated that with excess liquidity, banks are asked to be more flexible in distributing credit, including to productive sectors such as village cooperatives or other government programs. If used for priority programs, the government will only charge banks 2 percent interest, lower than the standard 4 percent. Purbaya also emphasized that government deposit funds will not be withdrawn for the next six months, thus ensuring banks have certainty in disbursing credit. Purbaya assured that this step will not disrupt the state's financial position, as government reserves at the central bank are still considered much larger (Syachruddien, 2025).

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DISCUSSION

This research will examine (1) linguistic text analysis; 2) discursive practice analysis; and (3) social practice analysis (Suchman, 1995).

1. Linguistic text analysis

   At the linguistic level, the structure of the official policy text in Minister of Finance Regulation No. 276/2025 explicitly affirms the normative objective of allocating Rp 200 trillion in state funds through the Deposit on Call scheme, namely "to channel credit to the real sector," rather than for speculative activities such as purchasing government securities (SBN). The choice of phrases such as "stimulating economic growth," "slowly going to credit," and "the economy can move" demonstrates a persuasive strategy that prioritizes optimism and economic stability. This narrative indicates the use of modalities of ability and necessity, aimed at instilling public confidence that this policy is an instrument of economic reconstruction, not simply managing the government's cash surplus.

   Media coverage demonstrates a pattern of choosing economic metaphors such as "liquidity boost," "economic engine," and "supporting the real sector," reinforcing the government's framing as an agent of economic salvation in the wake of financial uncertainty. Conversely, critical media texts employ risk-based vocabulary such as "deposit interest rate reduction," "harming large customers," "abuse of liquidity," and "dependence on government funds." This semantic contrast reflects a narrative competition to construct policy legitimacy through language.

   Linguistic analysis also found that the use of public figures like Hotman Paris serves as emotional legitimacy in the construction of public opinion. His presence as a representative of a major client creates a symbol of contrasting interests between economic classes, resulting in the policy being perceived as a discursive battle between the financial elite and the lower classes. The linguistic structure of policy documents and the media is not merely descriptive but also serves a political function to secure narrative legitimacy.

2. Discursive practice analysis

   At the level of discursive practice, the Minister of Finance's statements and media coverage illustrate a narrative battle between the government, Himbara banks, MSMEs, and large customers. The government presents a rhetoric of social commitment by highlighting the policy's benefits for the MSME sector through an emphasis on increased credit access and a reduced cost of funds. This narrative demonstrates a pragmatic legitimacy strategy based on expected economic benefits, evident in the view that idle funds in government coffers should be activated in a productive economic system.

   Conversely, the media presents a counter-narrative through public opinion pieces and financial figures like Hotman Paris, who highlight the disadvantages of declining deposit yields. This framing reinforces moral legitimacy through critiques based on interests of justice and individual economic rights to investment returns. When the media cites the dissatisfaction of large customers, it becomes part of a discursive strategy that challenges the government's

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consideration of social risks and the proportional distribution of economic benefits.

This discursive practice also fosters a fundamental debate about whether the Deposit on Call policy is an economic recovery strategy or a political image-building tool. Based on current issues circulating in public discourse, the media facilitates the construction of legitimacy through intertextuality, bringing together government narratives, banking responses, and public perceptions. This struggle for meaning determines whether legitimacy is formed through social acceptance or open controversy.

3. Social practice analysis

The analysis of social practices aims to assess the policy's actual impact on implementation and economic benefits. From the perspective of the public and MSMEs, the IDR 200 trillion allocation is seen as a momentum for broader access to financing, with the assumption that increased bank liquidity will encourage productive credit expansion. The implementation of this policy is an important indicator of whether credit distribution truly reaches the real sector or simply circulates within the banking system.

However, from the perspective of upper-middle-class deposit customers, this policy is considered to have negative consequences that are not socially calculated, as the reduction in deposit interest rates reduces the value of the economic benefits received. Public criticism brings an ethical dimension to the social practice, namely that the benefits of the policy are not evenly distributed and instead place large customers as the ones bearing the burden of economic financing. The social legitimacy of a regulated policy is determined by the government's ability to ensure equitable distribution of benefits across society.

At the macro level, the social practice of this policy serves as a test of government accountability, as this enormous amount of funds has the potential to create banking dependence on state funding. If subsequent credit realization reports are not transparent or do not demonstrate a significant economic impact, then the legitimacy initially perceived as a real commitment could shift to symbolic legitimacy. Therefore, the realization of implementation becomes a key element in determining whether a policy is truly substantively successful or merely economic rhetoric.

Based on the news that has been circulating, as determined by the researcher, this study will examine the legitimacy theory proposed by Mattessich (2003). This will discuss ethical truth, transparency, and accountability in depth.

1. Ethical Authenticity

Based on Mattessich's critical perspective, legitimacy should not operate merely as "social acceptance," but must be tested based on the ethical validity of a policy. The Minister of Finance's policy regarding the placement of state funds in the Deposit on Call (DOC) scheme is essentially claimed as a commitment to supporting MSMEs and the real sector. However, ethically, this policy needs to be tested to see whether it truly prioritizes public welfare or instead strengthens banking interests. Contemporary literature states that policy legitimacy is only

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valid if it aligns with the principles of distributive justice and collective benefit (Deegan, 2019).

Ethical legitimacy also includes policies that avoid moral hazard and do not create new inequalities. Recent research has shown that state intervention in the financial industry can be manipulative if the policy's motives are more symbolic than substantive (Deegan, 2017). If lowering deposit interest rates forces large customers to withdraw funds while credit distribution to MSMEs is not optimal, an ethical dilemma arises: one group is disadvantaged for the sake of an image of favoring another group. According to Mattessich, this situation indicates that the legitimacy structure is shifting from ethical to pragmatic and requires critique.

Based on an ethical framework, it is also crucial to assess whether the Deposit on Call policy considers long-term risks to financial stability. Modern governance literature emphasizes that policies that have the potential to undermine depositor confidence are ethically problematic because they ignore the prudential ethics that governments must uphold (Taylor & Williams, 2020). If lowering deposit interest rates leads to a decline in customer interest in saving, there is a risk of flight to safety. An ethical government must consider this risk, rather than simply pursuing a pro-MSME narrative.

Finally, ethical truth demands that public policy should not be cosmetic or become a tool of pseudo-legitimacy, as Mattessich critiques. Therefore, the effects of Deposit on Call must be measured concretely: the percentage of funds actually flowing to MSMEs, the reduction in loan interest rates, and whether vulnerable groups receive proportional benefits. Critical accounting literature emphasizes that public policy must align moral values, social benefits, and economic outcomes (Kraft & Wolf, 2018). If the actual results do not reflect the government's narrative, then the ethical legitimacy of the policy is questionable.

2. Transparency

Transparency is a fundamental element in modern legitimacy theory. According to literature from the past five years, organizations gain legitimacy not only through performance but also through the quality of information they disclose to the public (Abhayawansa et al., 2021). In the context of the Deposit on Call policy, transparency means not only announcing the nominal amount of funds placed, but also including detailed data on credit realization, recipient profiles, and the effectiveness of disbursement to the real sector. Without such transparency, the public only sees the official narrative, not the operational reality.

In Indonesia, one of the main public criticisms is the lack of detailed reporting on whether Deposit on Call funds are actually disbursed to MSMEs or simply to increase banks' short-term liquidity. Contemporary studies show that the government often uses "selective transparency" to secure symbolic legitimacy, namely only disclosing information that supports a positive narrative (Bauer, 2024). If the government only reports the amount of funds placed without reporting the proportion of productive credit disbursement, such transparency is not substantive.

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Transparency also encompasses the policymaking process. The formula for setting the 80% interest rate from the BI 7-DRR is explained to the public, and consultations are conducted with depositors, banks, and MSME groups. Recent research in public sector accounting confirms that a closed policy process reduces legitimacy, even if the results appear positive (Zimmermann et al., 2022). Therefore, transparency in Deposit on Call must address all stages: design, implementation, and evaluation.

At a deeper level, Mattessich highlights that transparency is not just about data, but also about revealing power structures, incentives, and policy risks. The literature, by Brown & Dillard (2021), states that public policies that fail to fully disclose conflicts of interest or social impacts have the potential to create shallow legitimacy (Brown & Dillard, 2021). If the government fails to disclose risks to deposit stability or banks' potential dependence on state funds, substantive transparency has not been achieved.

3. Accountability

Accountability is a key pillar of substantive legitimacy. Literature from the past five years (Grossi & Argento, 2022) emphasizes that public accountability must include oversight, evaluation, and the public's ability to demand improvements when policies are ineffective. In the case of Deposit on Call, accountability requires a mechanism to ensure that funds actually flow into the real sector and not simply increase bank liquidity. Without regular reporting and independent audits, accountability for this policy is ineffective.

Deposit on Call policies also have the potential to create institutional moral hazard: banks become overly dependent on government funds and delay credit expansion. Recent Q1 research shows that without strict accountability, liquidity stimulation policies often fall short of their targets (F. Allen et al., 2022). This suggests that Deposit on Call requires clear accountability indicators, such as MSME credit targets, monthly realization, and absorption rates in the productive sector.

According to Mattessich, accountability must go beyond formal figures and include moral responsibility. The government is obliged to explain the rationale for the policy, the risks taken, and its impact on various groups. Governance literature emphasizes that accountability must be dialogic, involving the public and stakeholders in monitoring (Brandsma & Meijer, 2022). If large customers disadvantaged by low interest rates are not given the opportunity to voice objections or propose policy alternatives, policy accountability becomes unequal.

Based on the application of legitimacy theory combined with Mattessich's critique, the policy of placing state funds through the Deposit on Call scheme appears to present two competing sides. On the one hand, legitimacy theory suggests that the policy embodies an authentic commitment from the government, but on the other hand, this policy also has the potential to transform into a false legitimacy if transparency and accountability are not consistently implemented. This apparent commitment is reflected in the policy's objectives, which seek to reduce banking funding costs, increase credit disbursement capacity, and direct

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financing distribution to productive sectors such as MSMEs, which are the backbone of the national economy. However, the ethical and moral dimensions of this policy depend entirely on its implementation, particularly regarding the equitable distribution of benefits and the realization of promised credit. If Deposit on Call funds ultimately only increase bank liquidity without actually flowing into the real sector, then the legitimacy the government seeks to build has the potential to be nothing more than mere image building, in line with Mattessich's critique, which argues that such legitimacy is only strong in rhetoric but weak in terms of real impact on the public.

CONCLUSION

Based on an analysis using legitimacy theory and Mattessich's critique, the policy of placing state funds in the Deposit on Call scheme exhibits a dual character. Legitimacy theory indicates a real commitment, but simultaneously opens up the potential for pseudo-legitimacy if not managed with strong transparency and accountability. This real commitment is evident in the policy's orientation toward lowering bank funding costs, expanding credit capacity, and targeting productive sectors such as MSMEs, which have long been the driving force of the national economy. However, the ethical and moral suitability of this policy remains conditional, dependent on the realization of credit disbursement and the equitable distribution of its benefits. If Deposit on Call funds merely increase bank liquidity without any real distribution to the real sector, the legitimacy established by the government risks becoming merely symbolic, as Mattessich criticized: narratively appealing but lacking substantial impact on society.

The implication is that the government must ensure that this policy does not cease to be a fiscal image-building tool, but continues to be directed toward upholding substantial legitimacy through strict oversight, ongoing transparency, and measurable reporting. The government needs to establish specific accountability indicators, such as the proportion of MSME credit disbursement, fund absorption by priority sectors, and risk assessments for the stability of public deposits. For the banking sector, Deposit on Call (DOC) must be a driver of productive credit expansion, not simply a short-term liquidity support. If all these governance components are upheld, this policy can transform from a potential false legitimacy to a concrete commitment that strengthens public trust and the stability of the national financial system.

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Analysis of the Effectiveness and Efficiency of Village Fund Budgeting for the Maintenance of Farm Roads: A Case Study of Anugrah Village, Lantari Jaya District, Bombana Regency

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Abstract
This research aims to determine and analyze the effectiveness and efficiency of village fund budgets in efforts to maintain farm roads. This research uses a qualitative descriptive method with the data used coming from primary data in the form of interviews and secondary data through documentation. The results of this research show that based on the results of the analysis previously presented, it can be concluded that the effectiveness and efficiency of the village fund budget in efforts to improve farming roads in Anugrah Village can be said to be efficient but still less effective. This is because the village budget is still limited by regulations, the obstacle faced is the lack of Village Funds to finance all programs and the climate conditions in Anugrah Village.
Keywords: Effectiveness, Efficiency, Village Fund Budget

INTRODUCTION

National infrastructure development in Indonesia has generally progressed at a relatively slow pace due to multidimensional challenges encountered throughout various stages of project implementation, from project preparation to execution. Weak coordination among stakeholders has frequently hindered timely strategic decision-making. Furthermore, inadequate project preparation, budgetary constraints, and limited fiscal support arising from the imbalance of risk allocation between the government and private sector entities have further exacerbated these challenges. These fiscal limitations have ultimately reduced private sector investment interest in infrastructure development projects in Indonesia (KPPIP, 2015).

To address regional development disparities, the Indonesian government has shifted its development paradigm toward strengthening rural areas. This policy direction was reinforced through the enactment of Law No. 6 of 2014 on Villages, which marked a significant milestone by restoring the state's trust in villages and transforming their role from passive recipients of development into autonomous agents of local governance and development. Guided by the principles of recognition and subsidiarity, villages are granted legal authority to regulate, administer, and manage their own governmental affairs based on community initiatives and customary rights. The law aims to protect and empower villages to become resilient, progressive, self-reliant, and democratic, thereby establishing a strong foundation for achieving equitable, prosperous, and sustainable rural communities.

To support these expanded responsibilities, the Indonesian government allocates Village Funds (*Dana Desa*) financed through the State Budget (*Anggaran Pendapatan dan Belanja Negara*) and transferred through Regional Government Budgets (*Anggaran Pendapatan dan Belanja Daerah*). The management of Village Funds reflects the extent to which village governments successfully plan, implement, and monitor budgetary allocations (Zaki, 2023). These funds must be managed effectively and efficiently because their utilization directly influences

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organizational productivity and the tangible benefits received by rural communities (DJPK, 2021). Accordingly, Village Funds are primarily intended to finance rural development and community empowerment programs aimed at stimulating local economic growth.

Despite these policy initiatives, empirical evidence indicates that deficiencies in village financial governance remain prevalent across many regions of Indonesia. Corruption involving Village Funds is predominantly associated with physical development programs, particularly village infrastructure projects. The broad administrative responsibilities assigned to village governments are often not matched by the capacity of their administrative personnel. Consequently, the ability of village governments to manage substantial financial resources continues to be questioned due to limited human resource capacity and weak internal control systems (Oktafiani, 2018). Therefore, village governments are expected to effectively coordinate all administrative units under their authority to ensure optimal performance, responsiveness, transparency, and active community participation throughout the development process.

One of the most important components of rural economic development requiring substantial budgetary intervention is agricultural infrastructure, particularly Farm Access Roads (*Jalan Usaha Tani*). Adequate transportation infrastructure plays a critical role in facilitating farmers' access to agricultural land and improving the transportation of agricultural products to markets. However, evidence suggests that village governments frequently pay insufficient attention to this essential infrastructure, forcing rural communities to endure longer travel times and higher transportation costs (Bangsetda, 2020). Previous studies have demonstrated that improving farm access roads enhances agricultural distribution networks and supports local economic development. Nevertheless, such infrastructure improvements may also generate unintended externalities, including rising land values that potentially encourage the conversion of agricultural land into residential areas (Suminar, 2018).

A previous study conducted by Setiawati & Farhani (2019) found that village government performance in the development of farm access roads was satisfactory when evaluated based on productivity, responsibility, and accountability indicators. Nevertheless, project implementation continued to face several internal challenges, including limited competencies among village officials and fluctuations in construction material prices, as well as external constraints resulting from inadequate community participation and support.

Similar challenges are also experienced by Anugrah Village, located in Lantari Jaya District, Bombana Regency. As one of the recipients of Village Funds, the allocated budget is expected to support the sustainable development and maintenance of rural road infrastructure. Effective management of these funds is believed to be positively associated with improvements in community welfare, as well-maintained road infrastructure promotes local economic growth, whereas inadequate maintenance may hinder regional economic productivity (Amin, 2022). Based on these empirical observations and theoretical considerations, this study is entitled "Analysis of the Effectiveness and Efficiency of Village Fund Budget Management in Supporting the Maintenance of Farm Access Roads: A Case Study of Anugrah Village, Lantari Jaya District, Bombana Regency."

RESEARCH METHODOLOGY

This study employed a qualitative descriptive research design to provide an in-depth understanding of the phenomenon under investigation without relying on statistical procedures or quantitative measurements (Ahmadi, 2019). Primary data were collected directly through interviews. The research instruments consisted of a semi-structured interview guide (Arikunto, 2013) and documentation tools, including a voice recorder and field photographs (Sugiyono, 2015).

To ensure the trustworthiness of the data, several validation techniques were employed, including prolonged engagement to establish openness and rapport with participants, persistent observation to enhance the depth and consistency of data collection, and triangulation of both data sources and data collection techniques. Subsequently, the data were analyzed inductively using the interactive model proposed by Miles and Huberman, which consists of three concurrent stages (Sugiyono, 2015): data reduction to focus the analysis on the effectiveness and efficiency of Village Fund budget management, data display through objective descriptive-narrative presentation, and conclusion drawing and verification to provide credible answers to the research questions.

Result and Discussions

Result

Description of Research Variables

In this study, the Village Fund utilization variable was examined to identify, measure, and evaluate the extent to which the Anugrah Village Government successfully implemented development programs financed through Village Funds, particularly during the 2021–2023 fiscal years. The effectiveness of Village Fund governance was assessed using quantitative performance indicators, namely effectiveness and efficiency ratios, as well as the tangible impacts (multiplier effects) experienced directly by the local community. The allocation of Village Funds represents the implementation of the mandate stipulated in Law No. 6 of 2014 on Villages, which grants autonomous authority to village governments to administer local governance and accelerate rural development across various sectors. In Anugrah Village, Lantari Jaya District, Bombana Regency, the development and maintenance of Farm Access Roads (*Jalan Usaha Tani*) was established as the primary development priority to optimize public services and improve transportation access for agricultural activities. This priority reflects the village government's recognition of the strategic importance of agricultural road infrastructure in facilitating farmers' access to their farmland while improving the distribution of agricultural products.

Based on the field data collected, the determination of Farm Access Road development programs in Anugrah Village was implemented through a participatory planning mechanism involving community members at multiple stages of deliberative meetings. The process began with the Hamlet Deliberation Meeting (*Musyawarah Dusun*), which served as a grassroots forum where residents were able to express their aspirations and identify local development needs. Proposals agreed upon during the Musdus subsequently became the foundation for preparing the Village Medium-Term Development Plan (*Rencana Pembangunan Jangka Menengah Desa*). The subsequent stage involved the Village Deliberation Meeting (*Musyawarah Desa*), facilitated by the Village Consultative Body (*Badan Permusyawaratan Desa*), to review, prioritize, and determine the proposed development programs submitted by each hamlet. Final decisions regarding infrastructure projects to be implemented during the current fiscal year were reached through consensus during the Musdes. The final stage of the planning process was the Village Development Planning Meeting (*Musyawarah Perencanaan Pembangunan Desa*), which served as the formal basis for preparing the Village Government Work Plan (*Rencana Kerja Pemerintah Desa*) for the subsequent fiscal year.

To ensure program sustainability and prevent the misuse of public funds, Village Fund management in Anugrah Village is supported by a comprehensive monitoring and control system. Internal control is strengthened through continuous assistance provided by Village Facilitators (*Pendamping Desa*), who are responsible for delivering both technical and administrative guidance to village officials. These facilitators ensure that budget implementation complies with

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the applicable legal framework, including national legislation, regulations issued by the Ministry of Finance, the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration, as well as implementing regulations issued by the Regent of Bombana. In addition to formal oversight mechanisms, social control exercised through active community participation plays an equally important role. Community members are directly involved in monitoring infrastructure projects, providing feedback, and evaluating development assistance programs implemented within the village. Through this commitment to information transparency and community involvement, the Anugrah Village Government demonstrates its dedication to upholding the principles of transparency and accountability in promoting sound public financial governance.

Description of Data Analysis Results Regarding Village Fund Budget Effectiveness

The effectiveness analysis was calculated by comparing actual expenditure with the predetermined expenditure budget using the following formula::

$$Effectiveness = \frac{\text{Actual Expenditure}}{\text{Budgeted Expenditure}}\ x\ 100\%$$

The effectiveness level was evaluated based on the criteria established in the Decree of the Minister of Home Affairs concerning regional financial performance assessment. The results of the effectiveness analysis of Village Fund budgeting for the development of Farm Access Roads (*Jalan Usaha Tani*) in Anugrah Village are presented in the following table..

Table 1. Effectiveness Level of Village Fund Budget Management for Farm Access Road Construction

Year	Actual Expenditure (IDR)	Budgeted Expenditure (IDR)	Effectiveness %	Category
2021	135.000.000,00	145.000.000,00	93,10	Effective
2022	155.001.000,00	155.001.000,00	100,00	Highly Effective
2023	142.000.000,00	140.000.000,00	91,50	Effective
Average	432.001.000,00	440.001.000,00	98,18	Effective

Source: Research Data Processed (2024)

As presented in Table 1, the total Village Fund budget allocated for the Farm Access Road (Jalan Usaha Tani [JUT]) maintenance program over the three-year period amounted to IDR 440,001,000, while the total realized expenditure reached IDR 432,001,000. From a yearly perspective, the effectiveness ratio was 93.10% in 2021, indicating an Effective level of budget performance. This performance improved substantially in 2022, reaching 100.00%, which falls within the Highly Effective category, before slightly declining to 91.50% in 2023. Despite this decrease, the effectiveness ratio remained within the Effective category.

Overall, the average effectiveness ratio of Village Fund budget management was 98.18%, indicating that the budget implementation was Effective. These findings demonstrate that the Anugrah Village Government successfully achieved the planned physical development targets through effective budget execution. The high level of budget realization was accompanied by

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tangible improvements in farmers' welfare, as evidenced by the completion of transportation infrastructure that supports agricultural activities and generates direct economic benefits for the local community.

Description of Data Analysis Results Regarding Village Fund Budget Efficiency

The efficiency analysis was conducted to evaluate the extent to which the organization was able to minimize the use of financial resources (inputs) in achieving the planned outputs. The efficiency ratio was calculated using the following formula:

$$Effisiency = \frac{\text{Actual Expenditure}}{\text{Actual Revenue}} \, x\, 100\%$$

The level of efficiency was evaluated based on the financial performance assessment criteria established in the Decree of the Minister of Home Affairs. The empirical results of the efficiency analysis of Village Fund budgeting for the development of Farm Access Roads (*Jalan Usaha Tani*) in Anugrah Village are presented in the following table.

Table 2. Budget Efficiency Level of Village Funds for Farm Access Road Construction

Year	Actual Expenditure	Actual Revenue	Effisiency	Category
2021	135.000.000,00	145.000.000,00	93,10	Less efficient
2022	155.001.000,00	155.001.000,00	100,00	Not efficient
2023	142.000.000,00	140.000.000,00	91,50	Less efficient
Average	432.001.000,00	440.001.000,00	98,18	Less efficient

Source: Research Data Processed (2024)

As presented in Table 2, the efficiency analysis yielded results that contrasted with the effectiveness findings. The Village Fund budget managed by the Anugrah Village Government, in collaboration with the local community, recorded an efficiency ratio of 93.10% in 2021, which was categorized as Less Efficient. The ratio increased substantially to 100.00% in 2022, placing it in the Inefficient category, before declining slightly to 91.50% in 2023, where it remained Less Efficient. Overall, the average efficiency ratio during the study period was 98.18%, indicating that Village Fund utilization for the Farm Access Road program was Less Efficient.

These findings suggest that the financial resources allocated to the program were almost entirely expended, leaving only limited opportunities for cost savings. Consequently, although the program successfully achieved its intended development outcomes, the level of cost efficiency expected by stakeholders had not been fully realized. Nevertheless, the village government consistently implemented budget management in accordance with the principles of orderly and disciplined village financial management as stipulated in Minister of Home Affairs Regulation No. 113 of 2014 on Village Financial Management.

The quantitative findings were further supported by qualitative evidence obtained through in-depth interviews with several key informants. The Head of Anugrah Village explained that the primary objective of the Farm Access Road program was to improve farmers' physical accessibility to agricultural land while integrating transportation infrastructure with other supporting agricultural resources. According to the informant, the program has substantially enhanced agricultural productivity by reducing transportation costs, facilitating the distribution of agricultural products to markets, and improving the overall efficiency of agricultural activities. Furthermore, the availability of improved road infrastructure has enabled greater access to agricultural mechanization, allowing modern farming equipment to be used more effectively for fertilization and the transportation of harvested products.

From the perspective of project implementation, road maintenance activities have been carried out continuously since 2021 through the optimization of social capital using a labor-intensive employment scheme. The village government established recruitment criteria requiring that project workers be local residents, with priority given to economically disadvantaged households. As a result, the program not only improved rural infrastructure but also generated additional income opportunities for village residents and contributed to strengthening the local economy.

The Village Treasurer further emphasized that effective road maintenance depends on the efficient utilization of financial resources from multiple funding sources, particularly the State Budget through the Village Fund program, to ensure uninterrupted project implementation without budget deficits. The provision of adequate public infrastructure also requires careful planning and active participation from all segments of the community, including youth organizations and community leaders. Technical evaluations conducted during project implementation identified the urgent need to construct drainage channels alongside the farm access roads. Such drainage infrastructure is essential for preventing waterlogging and flooding, thereby reducing the risk of premature road deterioration and extending the service life of the infrastructure.

Finally, representatives of the Anugrah Village community expressed strong support for the program by actively participating in mutual cooperation (*gotong royong*) activities, including excavation work, material transportation, and various technical construction tasks. Community members also acknowledged that the leadership of the Village Head characterized by decisiveness, responsiveness in decision-making, and integrity in development planning was a key determinant of the successful implementation of infrastructure projects in Anugrah Village. These leadership qualities contributed to ensuring that project implementation was conducted transparently, effectively, and in a manner that maximized benefits for the community.

Discussion

Indonesia's development has been largely driven by the contribution of its workforce, with the government striving to improve workers' welfare as an essential component of national human resources. Article 27, Paragraph (2) of the 1945 Constitution of the Republic of Indonesia stipulates that "every citizen has the right to work and to a livelihood that is decent for humanity." Accordingly, the government has a constitutional responsibility to create employment opportunities and promote economic conditions that support the welfare of all citizens.

The findings of this study indicate that the utilization of Village Funds for the development and maintenance of Farm Access Roads (*Jalan Usaha Tani*) in Anugrah Village has generally been effective, although there remains room for further improvement. The village government has consistently sought to enhance program implementation from year to year. The Farm Access Road program constitutes one of the village's priority development initiatives and serves as a strategic instrument for improving community welfare. In addition to strengthening rural infrastructure, the program is intended to expand collaborative village development, promote inclusive rural development, and support local economic growth by improving access to agricultural production areas. Interviews with officials of the Anugrah Village Government revealed that during the 2021–2023 fiscal years, Village Funds were allocated to various infrastructure projects, including the construction and maintenance of roads and bridges, with the objective of improving the welfare of the village community.

The results further demonstrate that Village Fund allocations have generated positive impacts on both rural development and community empowerment. The construction and improvement of infrastructure, particularly roads and bridges, have enhanced community productivity and facilitated residents' mobility in carrying out economic activities as well as daily social interactions. These improvements are expected to strengthen community empowerment, improve the quality of life, reduce rural poverty, and narrow development disparities among villages, which are the primary objectives of the Village Fund program. Furthermore, the findings indicate that Village Fund expenditures have been predominantly allocated to the rural development sector rather than community empowerment activities, suggesting that the funds have been utilized more effectively in supporting infrastructure development, particularly the development and maintenance of Farm Access Roads.

Despite these positive outcomes, the study also identified that the utilization of Village Funds for the Farm Access Road program has not yet reached its full potential. Among the various priority programs established by the village government, the Farm Access Road program remains the initiative that has experienced the greatest implementation challenges and has not been executed as optimally as expected.

Therefore, continuous improvements in Village Fund management are required to ensure that all priority programs can be implemented effectively and in accordance with the applicable regulatory framework. Such improvements should include strengthening community awareness regarding the importance of participating in village development, enhancing the capacity of village officials in planning and implementing development programs, and improving the overall quality of Village Fund governance.

Overall, the Village Fund program has contributed to significant improvements in the socioeconomic conditions of the Anugrah Village community compared with the period prior to its implementation. These findings suggest that continued improvements in Village Fund management will further enhance the effectiveness and efficiency of budget utilization, thereby supporting equitable and sustainable rural development in line with the Indonesian government's vision of improving community welfare.

CONCLUSION

The findings indicate that the average effectiveness of Village Fund utilization in Anugrah Village from 2021 to 2024 was categorized as Effective, with effectiveness ratios ranging between 90% and 100%. This level of effectiveness reflects the village government's ability to manage Village Fund revenues and allocate financial resources in accordance with the development priorities and needs of the local community.

In contrast, the average efficiency of Village Fund utilization in Anugrah Village, Lantari Jaya District, during the same period was classified as Less Efficient, as the efficiency ratios also ranged between 90% and 100% according to the applicable assessment criteria. Efficiency emphasizes an organization's ability to achieve its intended objectives while utilizing available resources in the most economical manner. Therefore, although the Village Fund program successfully achieved its planned development targets, the Less Efficient classification indicates that budget utilization has not yet reached an optimal level of cost efficiency, as the financial resources allocated to the program have not been utilized as economically as expected.

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Implementation of Village Asset Planning and Maintenance Based on the Regulation of the Minister of Home Affairs of the Republic of Indonesia No. 1 of 2016: A Case Study of Kota Bangun Village, Ranomeeto District, South Konawe Regency

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Abstract
Law Number 6 of 2014 and Minister of Home Affairs Regulation Number 1 of 2016 mandate transparent and participatory village asset management. However, managerial constraints and weak administration often hamper this regulation at the local level. This study aims to analyze the implementation of village asset planning and maintenance in Kota Bangun Village, Ranomeeto District, South Konawe Regency, and its relationship to the principles of Good Government Governance (GGG). Using qualitative descriptive methods with interactive data analysis and triangulation techniques, this research found that asset planning in Kota Bangun Village has been carried out in accordance with regulations through the Village Development Planning Forum (Musrenbangdes) mechanism involving the Village Consultative Body (BPD) and community elements in a bottom-up manner. Conversely, the asset maintenance function has not met the standards of Minister of Home Affairs Regulation Number 1 of 2016 because the village government has not conducted an inventory due to limited human resource capacity and internal administration. The absence of an inventory master book triggers uncertainty about asset volume, obscures ownership status, and hampers maintenance budgeting. Nevertheless, the implementation of the GGG principle shows a positive trend, where budget transparency is able to reduce suspicion and boost public trust. It was concluded that asset planning had met regulatory standards, but the maintenance sector required fundamental improvements related to increasing the administrative capacity of village apparatus human resources.
Keywords: Asset Planning, Asset Maintenance, Good Government Governance

INTRODUCTION

Law No. 6 of 2014 on Villages marked a significant advancement in the recognition and protection of village assets, encompassing indigenous village property, physical and financial assets, as well as natural resources such as village forests, boat moorings, and natural springs. Through this legislation, the Indonesian government redistributed certain natural resources that had previously been administered by the state while expanding the scope of village financial assets financed through the State Budget (*Anggaran Pendapatan dan Belanja Negara*). This legal framework reaffirmed the position of villages as integral entities within the constitutional system of the Republic of Indonesia rather than merely administrative subdivisions of regencies or municipalities. As an implementing regulation, the Regulation of the Minister of Home Affairs of the Republic of Indonesia No. 1 of 2016 required all village governments to complete an inventory of village assets no later than 15 January 2016. Under this regulation, village assets are classified into strategic assets that directly support community welfare, such as village-owned land, village markets, and community plantations, and non-strategic assets acquired through the Village Revenue and Expenditure Budget (APBDes).

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Despite this regulatory framework, the inventory of village assets mandated under Article 116(4) of Law No. 6 of 2014 on Villages has not been implemented optimally, and many regions across Indonesia have yet to fully comply with this requirement. Inadequate asset administration has resulted in numerous village assets being neglected, while the legal status of asset ownership has often become unclear. The inventory process has also encountered resistance from residents, particularly regarding the documentation of village-owned land that has long been cultivated by local communities. Such resistance is primarily driven by concerns that the village government may reclaim the land, thereby preventing residents from continuing its use. Consequently, village asset records have frequently been limited to basic administrative documentation maintained by village officials or, in some cases, have not been established at all.

Similar conditions were identified in Kota Bangun Village, Ranomeeto District, South Konawe Regency. As a village characterized by diverse cultural backgrounds and a variety of public assets managed by the village government, development planning should ideally be coordinated through the Village Development Planning Meeting (*Musyawarah Perencanaan Pembangunan Desa*). Preliminary data obtained from the Kota Bangun Village Office (2023) revealed that several categories of village assets had not yet been comprehensively recorded in terms of both quantity and monetary value. These assets include village-owned land with incomplete records of area and valuation; office equipment consisting of four computers or laptops (IDR 17,000,000), three printers (IDR 4,500,000), eight tables and chairs (without recorded values), one television (IDR 1,000,000), two electric fans (IDR 800,000), and two projectors (without recorded values); as well as public buildings comprising one village hall (20 × 25 m), one kindergarten building (15 × 20 m), one village mosque (20 × 30 m), and one village health post (Poskesdes) measuring 10 × 15 m. Although interviews with the Village Head indicated that additional assets are procured periodically according to operational needs, asset management in practice continues to face significant managerial challenges.

These weaknesses are reflected in the absence of the Village Head's vision and mission from the Village Government Work Plan (*Rencana Kerja Pemerintah Desa*). Furthermore, community understanding of the Musrenbangdes process remains limited. Rather than evaluating development programs that were proposed but not implemented in previous planning cycles, community members tend to submit new proposals each year. Public participation in meetings to determine development priorities also remains relatively low. These challenges are compounded by a rural development approach that continues to position villages as passive recipients of top-down government programs. According to the Regulation of the Minister of Home Affairs No. 114 of 2014 on Village Development, Article 1(10), development planning through the Village Medium-Term Development Plan (*Rencana Pembangunan Jangka Menengah Desa*) should actively involve the Village Consultative Body (*Badan Permusyawaratan Desa*) and all elements of the local community. However, inadequate coordination frequently results in villages implementing government programs that do not correspond to local priorities. Consequently, community members often perceive development initiatives as government "gifts" rather than collectively planned programs, leading to infrastructure development that is misaligned with community needs and implemented ineffectively, inefficiently, and without appropriate timing. Another major concern is the absence of systematic maintenance and rehabilitation of village assets once deterioration or damage occurs.

From a theoretical perspective, implementation refers to the process of translating ideas, concepts, policies, or innovations into practical actions that generate changes in knowledge, skills, values, and attitudes (Haji, 2020). Horn (as cited in Tahir, 2014) defines implementation as the actions undertaken by individuals, public officials, or governmental and private organizations to achieve established policy objectives. Similarly, Mulyasa (as cited in Jasin, 2022) emphasizes that implementation is the process of transforming concepts or policies into concrete actions that produce measurable outcomes. Accordingly, effective village asset management requires a reliable and integrated system encompassing planning, procurement, administration, reporting, and continuous maintenance to ensure compliance with applicable regulations and to prevent administrative irregularities.

Regarding the planning function, Law No. 25 of 2004 on the National Development Planning System, Article 1, defines planning as the process of determining appropriate future actions through a sequence of decisions while considering available resources. National development fundamentally aims to improve human welfare by recognizing individuals as both the subjects and beneficiaries of development. Tjokroamidjojo (1995) defines planning as a systematic process of preparing activities to achieve predetermined objectives effectively and efficiently. Furthermore, planning is viewed as a continuous process that encompasses both policy formulation and implementation while simultaneously serving as a mechanism for monitoring and evaluating development activities (Listyangsih, 2014). Within the context of infrastructure development, planning should also incorporate post-construction considerations, particularly maintenance, which is defined as routine inspection and upkeep intended to preserve the structural integrity and functional performance of both the interior and exterior components of public facilities. Maintenance planning should therefore be integrated into the initial design stage because the ease of maintenance significantly influences long-term operational costs. Post-construction maintenance plays a crucial role in ensuring the durability, structural safety, functional performance, and service life of public infrastructure (Fitriadi, 2011).

Within the broader context of rural development, effective governance requires a balanced partnership between government institutions and local communities. Ahmadi (2001) argues that village development represents a harmonious integration of community participation and government initiatives. Likewise, Suparno (2001) emphasizes the importance of maintaining an appropriate balance in which the government provides essential infrastructure while community members contribute according to their capacities. The importance of this collaborative approach is further supported by the findings of Usman et al. (2016), who demonstrated that effective managerial oversight is essential for ensuring that development activities are implemented according to plan, identifying implementation deficiencies, and facilitating corrective actions. Such oversight enables village institutions to prioritize community aspirations rather than merely pursuing administrative interests. In light of the disparity between the regulatory framework and its implementation in practice particularly regarding weaknesses in administrative planning, community participation, and the maintenance of village assets this study examines the implementation of village asset planning and maintenance in Kota Bangun Village, Ranomeeto District, South Konawe Regency.

LITERATURE REVIEW

Good Government Governance

Good Government Governance (GGG) refers to the principles and practices of sound public sector governance that guide the effective administration of government institutions. The National Committee on Governance Policy (2008), through the Guidelines for Good Public Governance in Indonesia, identifies five fundamental principles of good governance: democracy, transparency, accountability, the rule of law, and fairness and equity. Mardiasmo (2009) defines good governance as the manner in which the state manages economic and social resources to promote sustainable societal development. Furthermore, Government Regulation No. 101, Article 2, stipulates that good governance should be implemented based on the principles of professionalism, transparency, accountability, democracy, quality public service, effectiveness, efficiency, the rule of law, and public acceptability.

Village Concept

Villages possess a distinctive form of original autonomy that differentiates them from

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urban villages (*kelurahan*) and other local administrative units. According to Law No. 6 of 2014 on Villages, a village is defined as a legal community unit with the authority to regulate and administer governmental affairs and the interests of the local community based on community initiatives, traditional rights, and customary institutions recognized within the constitutional framework of the Republic of Indonesia. This autonomous authority is exercised through the direct election of the Village Head and the authority to enact Village Regulations (*Peraturan Desa*), which are deliberated upon and jointly approved by the Village Head and the Village Consultative Body (*Badan Permusyawaratan Desa*).

Assets Concept

According to the Regulation of the Minister of Home Affairs No. 19 of 2016, regional assets (*Barang Milik Daerah*) comprise all movable and immovable property owned by regional governments that is acquired through allocations from the Regional Revenue and Expenditure Budget (*Anggaran Pendapatan dan Belanja Daerah*) or through other legally recognized means. Assets are defined as resources possessing economic value, utility, and ownership rights that are controlled by an organization to achieve its objectives (Kurniawan et al., 2020). Effective asset management requires the application of asset and liability management, encompassing the managerial functions of planning, organizing, actuating, and controlling (POAC) in relation to capital management, fund mobilization, and the utilization of financial resources (Riyadi, 2003).

The Indonesian Institute of Accountants (*Ikatan Akuntan Indonesia*) defines an asset as a resource that embodies future economic benefits expected to contribute to future cash flows. Similarly, the Financial Accounting Standards Board (FASB, 1980) defines an asset as a probable future economic benefit obtained or controlled by an entity as a result of past transactions or events. In the public sector, the Government Accounting Standards (*Standar Akuntansi Pemerintahan*) conceptualize assets as economic resources controlled by the government as a consequence of past events that possess measurable monetary value. These assets include both financial and non-financial resources used to provide public services or preserved because of their historical and cultural significance.

Planning Concept

A sound asset governance cycle always begins with comprehensive and well-structured planning. According to Abe (2002), the term planning is derived from the word plan, which refers to a design or framework outlining activities to be undertaken. From this basic definition, planning encompasses three essential components: objectives (what is to be achieved), activities (the actions required to accomplish those objectives), and time (when those activities are to be implemented). Because planning is inherently oriented toward future actions, it can be understood as a deliberate and systematic response to anticipated future conditions.

Affifuddin (2012) explains that the planning process consists of several fundamental stages, including clearly defining organizational goals and objectives, identifying and evaluating alternative courses of action, allocating the necessary resources, determining the appropriate organizational structure, methods, and procedures, and ultimately formulating the development plan itself..

Maintenance Concept

Once the planning phase has been completed and the physical infrastructure has been constructed, the next critical management function is maintenance. Maintenance becomes an essential component of asset management after a facility has been completed and put into operation. Consistent maintenance activities extend the service life of infrastructure, particularly in terms of its structural integrity, safety, and overall performance. The success of an infrastructure development project can therefore be assessed by the extent to which the facility

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remains functional throughout its intended design life and by the effectiveness of the maintenance practices implemented following construction (Fitriadi, 2011).

Building asset management distinguishes between maintenance and repair activities. Building maintenance refers to activities undertaken to preserve the reliability of buildings and their supporting facilities and infrastructure, ensuring that they remain functional and suitable for use. In contrast, building repair involves restoring and/or replacing structural components, building materials, utilities, or supporting infrastructure to maintain their operational functionality. When repair activities are conducted on a large scale, they are classified as rehabilitation. Rehabilitation projects generally require substantially greater financial resources and often necessitate the temporary closure of the facility during the rehabilitation period. Within the field of facilities management, building maintenance is commonly categorized into three types: routine daily maintenance, periodic routine maintenance, and unplanned maintenance.

RESEARCH METHODOLOGY

This study employed a qualitative descriptive research design. The object of the study was the implementation of village asset planning and maintenance in Kota Bangun Village, Ranomeeto District, South Konawe Regency. According to Umar (2013), the object of a study refers to what or who is being investigated, as well as where and when the research is conducted, together with any additional aspects considered relevant to the research context.

The study utilized two categories of data, namely primary data and secondary data. Primary data were collected directly from key informants through field research, while secondary data were obtained from official documents, regulations, archival records, and other relevant sources. To ensure the trustworthiness of the findings, data validity was established through credibility testing using the triangulation technique.

Furthermore, qualitative data analysis was conducted using an interactive and iterative approach that continued throughout the research process, beginning with the pre-field stage and continuing until data saturation was achieved. The analytical procedure followed the interactive model of qualitative data analysis, which consists of three concurrent stages: data reduction, data display, and conclusion drawing and verification.

RESULT AND DISCUSSIONS

Result

Planning Based on Minister of Home Affairs Regulation No. 1 of 2016

Planning is the process of determining future objectives while formulating the strategic actions required to achieve them. Within the context of public governance, planning constitutes a critical indicator of the successful implementation of government programs, including village asset management, with the ultimate objective of maximizing public benefits. In accordance with the Regulation of the Minister of Home Affairs No. 1 of 2016, village asset planning must be incorporated into the Village Medium-Term Development Plan (*Rencana Pembangunan Jangka Menengah Desa*), which covers a six-year planning horizon, and the Village Government Work Plan (*Rencana Kerja Pemerintah Desa*), which is prepared annually and implemented through the Village Revenue and Expenditure Budget (APBDes) while taking into account the availability of existing village assets. In Kota Bangun Village, both the RPJMDes and RKPDes are formulated through village regulations and subsequently aligned with the development programs of the South Konawe Regency Government.

Field evidence indicates that the officials of Kota Bangun Village do not formulate development plans unilaterally without community approval. Instead, community needs are identified through a participatory planning mechanism implemented during the Village Development Planning Meeting (*Musyawarah Perencanaan Pembangunan Desa*). As explained by the Village Head of Kota Bangun:

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"*Before acquiring village assets for example, purchasing a sound system or any other asset required to support village administration we first prepare a development plan. However, all procurement decisions ultimately depend on community approval. Therefore, whenever we plan to purchase assets that support village governance, we always coordinate with the Village Consultative Body (BPD). If the proposal is approved and the asset is considered beneficial for future village administration, the procurement will proceed. All assets acquired by the village are intended solely to support the administration and public services of the village government.*"

This participatory planning process was further confirmed by the Village Secretary, who explained that the Musrenbangdes is attended by both local village facilitators and sub-district village facilitators. The Village Head personally chairs the meeting, during which community aspirations are gathered through officially distributed invitations. Although community attendance is occasionally limited due to residents' occupational commitments, the deliberation process has generally been conducted effectively. This was also confirmed by Mr. Arifuddin, a community representative, who stated:

"*Regarding the planning mechanism, the village government always informs community members about the implementation of the Village Development Planning Meeting (Musrenbangdes). Although community attendance is sometimes relatively low because many residents are occupied with their work, the meetings are conducted smoothly, and the aspirations expressed by community members are consistently heard and taken into consideration.*"

This participatory planning approach is consistent with the principles of sustainable development, which emphasize the active involvement of local communities in development planning and decision-making. Such participation helps ensure that development priorities reflect community needs, minimizes implementation challenges, and promotes a more balanced and accountable system of village governance.

Asset Maintenance Based on Minister of Home Affairs Regulation No. 1 of 2016

The Regulation of the Minister of Home Affairs No. 1 of 2016, which provides guidelines for village financial management, has significant implications for the maintenance of village assets. Although the regulation does not prescribe detailed technical procedures for physical maintenance, it establishes several interrelated strategic principles: (1) the comprehensive management of village assets through mandatory inventory, valuation, and routine maintenance to ensure their optimal functionality; (2) the preparation of the Village Revenue and Expenditure Budget (APBDes), which must allocate financial resources not only for the acquisition of new assets but also for the maintenance of existing assets; (3) the efficient and transparent utilization of Village Funds for maintenance and repair activities; and (4) the supervision of asset conditions and accountability through the reporting of asset-related expenditures in the village budget realization report.

In Kota Bangun Village, the village government has attempted to implement these regulatory provisions by allocating annual budget provisions for asset maintenance. The Village Head explained:

"*As a concrete measure, we evaluate the condition of village assets every year to determine whether they have been damaged or require maintenance. Therefore, each year we allocate a maintenance budget because these assets inevitably depreciate through continuous use. For example, when a printer is damaged, we retain it as evidence to support requests for replacement or repair.*"

The findings also revealed significant challenges related to administrative capacity and human resources. The Village Secretary acknowledged weaknesses in the village's internal asset management system:

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> "*To maintain village assets, we routinely inspect all assets owned by the Kota Bangun Village Government and classify those that are damaged or require repair. However, we face difficulties because we do not have a comprehensive asset inventory. As a result, the whereabouts of several assets are no longer known. Another major challenge is the limited capacity of our human resources.*"

The consequences of this inadequate inventory system are particularly evident in public facilities that are frequently borrowed by community members. This issue was highlighted by Mr. Arifuddin, a community representative, who stated:

> "*Regarding the maintenance of village assets, we as community members always try to protect and preserve the assets owned by Kota Bangun Village. We work together to take care of them. We also frequently borrow village property, such as plastic chairs that are available for public use. However, the number of these chairs continues to decrease, and there is no accurate record of how many remain.*"

These findings demonstrate that effective village asset maintenance cannot be regarded solely as the responsibility of village officials. Rather, it requires strong collaboration between the village government and the local community to ensure that public assets are properly maintained, sustainably managed, and continue to provide benefits for both present and future generations.

Implementation of Good Governance Principles

Ultimately, the cycle of village asset planning and maintenance in Kota Bangun Village is closely associated with the quality of Good Government Governance (GGG) implementation. The application of fundamental governance principles including transparency, accountability, public participation, fairness, effectiveness and efficiency, compliance with the rule of law, and integrity has proven to be instrumental in fostering social stability and strengthening public trust in village governance. Wahyudi, a resident of Kota Bangun Village, described the positive impact of transparent governance as follows:

> "*In our village, many residents believe that implementing the principles of good government governance is essential for improving their quality of life. One example was the village road construction project carried out several years ago. Initially, there were concerns regarding how the project funds were being used. However, the village government organized a public meeting and displayed the project budget details on the village information board. This transparency helped reduce public concerns and increased the community's trust in the village government.*"

Although the implementation of Good Government Governance in Kota Bangun Village has shown gradual improvement, considerable room for enhancement remains. In particular, greater transparency in budget reporting and a more equitable distribution of social assistance programs continue to be important challenges. Another community representative, Samsul, explained:

> "*During the implementation of social assistance programs, such as food assistance and housing rehabilitation, community members are involved through village deliberation meetings to ensure that assistance is distributed fairly. Nevertheless, several challenges remain, including the need for greater transparency in reporting budget utilization and stronger efforts to involve all segments of the community in the decision-making process. Overall, the implementation of good governance principles in our village has resulted in noticeable improvements. However, the community still expects higher levels of accountability and broader public participation to ensure that all government policies and development programs genuinely benefit every resident.*"

Overall, the perspectives expressed by residents of Kota Bangun Village conceptualize Good Government Governance as a system in which the village government demonstrates

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transparency in budgetary decision-making, accountability in explaining development programs, fairness and equity in the delivery of public services, and strict compliance with legal regulations to prevent any form of abuse of power.

Discussions

Implementation of village asset planning in accordance with Minister of Home Affairs Regulation No. 1 of 2016.

The Regulation of the Minister of Home Affairs No. 1 of 2016 establishes technical guidelines for development planning and village asset management. The regulation provides a framework for implementing village asset planning as an essential component of managing local resources and public infrastructure at the village level. Under this regulation, village governments are required to prepare systematic development and asset management plans. These plans include the inventory, valuation, and mapping of village-owned assets, including land, buildings, and other public facilities.

Village assets are expected to be managed optimally to support rural development and improve community welfare. Asset management encompasses the utilization, maintenance, and development of village assets in accordance with local needs and development potential. Furthermore, the implementation of village asset planning should adhere to the principles of efficiency, transparency, community participation, sustainability, and equity in both the utilization of village assets and the distribution of their benefits. Regional governments, acting in their supervisory capacity, are responsible for monitoring the implementation of village asset planning to ensure compliance with prevailing regulations while also providing technical guidance to village governments regarding asset management practices.

Village governments are also required to submit periodic reports on the implementation of village asset planning to both regional governments and the local community. Accordingly, accountability for village asset management must be maintained through transparent and accountable reporting mechanisms.

In Kota Bangun Village, the preparation of the annual development plan is undertaken prior to the commencement of a new fiscal year or at the conclusion of the current fiscal year. The planning process involves all stakeholders within the village and is intended to accommodate community aspirations regarding development priorities and local needs. Following the Village Development Planning Meeting (*Musyawarah Perencanaan Pembangunan Desa*), the Village Head establishes a planning team responsible for preparing the Village Government Work Plan (*Rencana Kerja Pemerintah Desa*). Members of this team are appointed based on the Village Head's considerations and administrative requirements. Once the RKPDes has been prepared, the planning team submits the draft to the village government for deliberation and approval during the Village Deliberation Meeting (*Musyawarah Desa*).

These findings indicate that the planning practices implemented by the Kota Bangun Village Government, Ranomeeto District, South Konawe Regency, are generally consistent with the provisions of the Regulation of the Minister of Home Affairs No. 1 of 2016. The village government has implemented development planning in accordance with the prescribed regulatory framework while ensuring the participation of various community groups throughout the planning process. For example, residents of Kota Bangun Village proposed the expansion of drainage channels to address recurrent flooding during the rainy season. This proposal was subsequently incorporated into the village development agenda through the Musrenbangdes process and was successfully implemented, demonstrating that community aspirations can be effectively translated into tangible development outcomes through participatory planning mechanisms.

Implementation of village asset maintenance in accordance with Minister of Home Affairs Regulation No. 1 of 2016.

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The Regulation of the Minister of Home Affairs No. 1 of 2016 establishes guidelines for the management and maintenance of village-owned assets in Indonesia. The implementation of this regulation requires village governments to undertake several key activities. First, villages are required to conduct a comprehensive inventory of all village-owned assets to identify their type, physical condition, location, and ownership status. Second, village governments must prepare an asset maintenance plan that includes routine maintenance, repair, and safeguarding measures to ensure that assets remain functional and are protected from deterioration.

The regulation also mandates that Village Funds allocated for asset maintenance be managed in accordance with the principles of transparency and accountability. Through the effective implementation of these provisions, villages are expected to manage their assets efficiently and responsibly, thereby making a meaningful contribution to local development and improving community welfare. Furthermore, village governments are required to formulate comprehensive asset maintenance plans that incorporate strategies for routine maintenance, rehabilitation, and asset protection. In doing so, villages are expected to apply the principles of sustainability and resource efficiency to ensure the long-term functionality and value of public assets.

Effective implementation of the Regulation of the Minister of Home Affairs No. 1 of 2016 is expected to generate positive outcomes for rural development, both in terms of infrastructure quality and community welfare. Proper asset management enables village governments to improve public service delivery, stimulate local economic development, and strengthen institutional capacity and social cohesion within rural communities. One of the regulation's most fundamental requirements is the implementation of a comprehensive asset inventory. Every village is required to systematically document all village-owned assets by identifying their type, physical condition, location, and estimated value. This inventory serves as the primary database for future planning, management, maintenance, and accountability of village assets.

However, the findings of this study reveal that the Kota Bangun Village Government, Ranomeeto District, South Konawe Regency, has not implemented a comprehensive asset inventory as required by the regulation. As a consequence, the village government has experienced difficulties in identifying the categories of assets under its control, maintaining adequate storage facilities for village assets, and determining the estimated value of those assets. These shortcomings indicate that the implementation of village asset maintenance in Kota Bangun Village has not yet complied with the provisions stipulated in the Regulation of the Minister of Home Affairs No. 1 of 2016, particularly with respect to asset inventory and asset administration.

Good Government Governance

Residents of Kota Bangun Village expressed several expectations regarding the implementation of Good Government Governance (GGG) by the village government. Foremost among these is the principle of transparency. Community members emphasized that all aspects of village governance including budgeting, development planning, and project implementation should be conducted openly and that relevant information should be readily accessible to the public. Such transparency enables residents to understand how Village Funds are allocated and utilized while reducing the potential for the misuse of public resources.

The community also places considerable importance on accountability. Residents expect the village government to be responsible for its decisions and actions by providing regular and transparent reports on the implementation and outcomes of development programs and public projects. This level of accountability is regarded as essential for strengthening public confidence in village governance.

Another key expectation concerns community participation. Residents believe that development decisions are more responsive to local needs when community members are

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actively involved in the planning and decision-making processes through Village Deliberation Meetings (*Musyawarah Desa*) and Village Development Planning Meetings (*Musyawarah Perencanaan Pembangunan Desa*). They expect meaningful opportunities to express their opinions, propose development priorities, and contribute to policies that directly affect their daily lives.

In addition, community members emphasized the importance of fairness and equity in the distribution of public services and social assistance programs. They expect government assistance, including food aid and housing improvement programs, to be allocated fairly, transparently, and without discrimination. Furthermore, residents consider effectiveness and efficiency to be fundamental principles of good governance. They expect every development project and public program to achieve its intended objectives through the optimal use of available resources while minimizing waste and ensuring that promised projects are completed according to plan.

Finally, the community highlighted integrity and compliance with the rule of law as indispensable elements of effective village governance. Residents expect village officials to perform their duties ethically, honestly, and in accordance with applicable laws and regulations in order to prevent corruption, abuse of authority, and other forms of maladministration. Overall, community members believe that the consistent application of these principles of Good Government Governance will enhance the effectiveness, credibility, and responsiveness of village administration, ultimately improving the quality of life and overall welfare of the residents of Kota Bangun Village.

CONCLUSION

The findings indicate that the planning practices implemented by the Kota Bangun Village Government, Ranomeeto District, South Konawe Regency, are generally consistent with the provisions of the Regulation of the Minister of Home Affairs No. 1 of 2016. Development planning has been conducted in accordance with the applicable regulatory framework, with active participation from various community groups throughout the planning process. For example, residents proposed the expansion of village drainage channels to address recurring flooding during the rainy season. This proposal was discussed through the Village Development Planning Meeting (*Musyawarah Perencanaan Pembangunan Desa*), incorporated into the village development plan, and subsequently implemented. This finding demonstrates that participatory planning has enabled community aspirations to be translated into concrete development outcomes.

In contrast, the maintenance of village assets has not yet complied with the requirements of the Regulation of the Minister of Home Affairs No. 1 of 2016, particularly with respect to asset inventory management. The inability of the Kota Bangun Village Government to conduct a comprehensive asset inventory has created several significant administrative and managerial challenges. Without systematic documentation and monitoring, numerous village assets—including buildings, land, and public equipment have not been managed effectively. This situation has resulted in uncertainty regarding asset ownership, location, and utilization while simultaneously increasing the risk of asset loss, misuse, or misappropriation.

The absence of an accurate asset inventory has also affected the quality of village planning and budgeting. Without reliable information on existing assets, the village government faces difficulties in making informed decisions regarding budget allocation for asset maintenance, rehabilitation, and future procurement. Consequently, Village Funds may be allocated to procure assets that already exist or to repair facilities that remain in satisfactory condition. Furthermore, inadequate asset administration complicates auditing and accountability processes, increases the potential for abuse of authority and corruption, and ultimately weakens transparency and public confidence in village governance. These findings suggest that the implementation of village asset

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maintenance in Kota Bangun Village has not yet fulfilled the requirements stipulated in the Regulation of the Minister of Home Affairs No. 1 of 2016.

The implementation of Good Government Governance (GGG) principles in Kota Bangun Village has nevertheless generated several positive outcomes. Community members reported tangible benefits from increased transparency in the management of village budgets and development projects. The availability of clear and accessible information has reduced public concerns regarding the utilization of Village Funds and has enabled residents to monitor the progress of infrastructure projects, including road improvements and the renovation of public facilities. Moreover, enhanced accountability practices have contributed to reducing public dissatisfaction and social conflict, as the village government regularly communicates project outcomes and provides explanations regarding policy decisions. These governance practices have strengthened public trust and reinforced confidence in the performance of the village government.

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Analysis of Village Asset Management Based on Regulation of the Minister of Home Affairs Number 1 of 2016 (A Case Study at Lerepako Village, South Konawe Regency)

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Abstract
This research aims to identify and analyze the village asset management process based on the Regulation of the Minister of Home Affairs Number 1 of 2016 in Lerepako Village, South Konawe Regency, and the factors causing the village asset management process to not run optimally. This research uses a qualitative descriptive method with data sourced from primary data in the form of interviews and secondary data through documentation. The results of this study indicate that the village asset management process in Lerepako Village, South Konawe Regency, can be considered good but not fully in accordance with the Regulation of the Minister of Home Affairs Number 1 of 2016 concerning Village Asset Management. The inhibiting factors for optimizing the village asset management process in Lerepako Village, South Konawe Regency, are due to the still inadequate competence of human resources, lack of communication about the implementation of village asset management regulations, some village assets lacking legal certainty of ownership, the implementers' non-compliance with village asset management regulations, as well as other parties unilaterally claiming land. Additionally, the expertise of activity managers in the village asset administration process and the organizational commitment have not been fully maximized.
Keywords: *Asset Management Process, Village Assets*

INTRODUCTION

The Indonesian government is continuously striving to enhance the implementation of national development in order to achieve a balanced relationship between regional, urban, and rural areas. This strategic direction is reinforced through the state's commitment to promoting village autonomy and implementing good governance principles, as stipulated in Law Number 6 of 2014 on Villages. Based on Government Regulation Number 43 of 2014, the Village Head occupies a central position as the highest authority, serving a six-year term and eligible for re-election for one additional term. One of the critical responsibilities of the Village Head, as outlined in the Regulation of the Minister of Home Affairs (Permendagri) Number 1 of 2016, is the management of village assets. As the authority holder, the Village Head is empowered to establish management policies, appoint asset managers, and propose the transfer of strategic assets through village deliberations (musyawarah desa) in order to support financial accountability and deliver maximum benefits for community welfare.

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Village asset management in Indonesia continues to face significant real-world challenges. Under Permendagri Number 1 of 2016, village assets — whether strategic (such as land and markets) or non-strategic (sourced from the Village Revenue and Expenditure Budget/APBDes) — must be managed in a functional, transparent, efficient, and accountable manner. Article 76 of Village Law Number 6 of 2014 explicitly mandates the certification of land and the formalization of ownership documents for village-owned buildings. Field conditions, however, indicate that such management has yet to be conducted optimally. This situation is also evident in Lerepako Village, South Konawe Regency. According to data from the Lerepako Village Government (2024), the village's wealth increased significantly from IDR 814,116,200 in 2022 to IDR 1,048,273,023 in 2023. Nevertheless, preliminary interviews with the Head of the Village Asset Management Board, Mr. Agus Priansyah, conducted on 21 December 2023, revealed administrative irregularities and suboptimal governance not in compliance with existing regulations. This phenomenon underscores the need to enhance the capacity of village administrative staff through regulatory training and the utilization of information technology to mitigate risks of corruption and abuse of authority.

Research by Harpinsyah & Maryanti (2023) identified constraints such as limited staff comprehension, insufficient attention to assets, and numerous uncertified village land parcels. Gumelar et al. (2023) highlighted limitations in human resources (HR), budget constraints, and minimal socialization as primary obstacles. Meanwhile, Subagia (2021) also found that asset security and maintenance aspects are often neglected by village governments.

The gap between regulatory frameworks and actual governance practices in the field necessitates the present study. Unlike previous research that primarily focused on HR or budgetary limitations, this study introduces new dimensions by examining administrative irregularities and weak legal certainty of village asset ownership as key inhibiting factors. Furthermore, this study emphasizes the urgency of regulation-compliant asset management given that the value of Lerepako Village's assets continues to grow annually. In general, this study aims to identify and conduct an in-depth analysis of the village asset management process in Lerepako Village, as well as to uncover the factors that cause the management process to operate suboptimally. Through this approach, the study is expected to make both theoretical and practical contributions to the development of public sector accounting, particularly in the area of village asset governance.

LITERATURE REVIEW

The Concept of Good Government Governance

Good Government Governance refers to the set of behavioral norms pertaining to sound governmental administration. The National Committee on Governance Policy (2008), in its guidelines on Good Public Governance in Indonesia, identifies five principles applicable to the practice of good government governance: democracy, transparency, accountability, rule of law, and fairness and equality. These guidelines serve as a foundational reference for implementing

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good government governance to ensure effective public administration. According to Segara (2017), "good governance in the government environment is commonly known as Good Government Governance (GGG)." Mulyadi et al. (2024) describe good governance in the public sector as a governance framework applied to all public activities to ensure transparent, accountable, and efficient service delivery in alignment with public expectations — consistent with the government's primary objective of serving the public.

Sedarmayanti (2014) identifies the following indicators of Good Government Governance: participation, transparency, accountability, effectiveness, and law enforcement. In contrast, Mardiasmo (2018), citing the United Nations Development Programme (UNDP), identifies a broader set of indicators comprising participation, rule of law, transparency, responsiveness, consensus orientation, equality, efficiency and effectiveness, accountability, and strategic vision. The optimal implementation of good government governance principles is expected to enhance governmental performance and create added value for all stakeholders. The goal of good government governance is the establishment of an effective governance system capable of generating long-term value for all parties and safeguarding public welfare.

The Concept of Village

Law Number 6 of 2014 on Villages grants villages full autonomy to regulate their own governance and community interests. Nurcholis (2011) defines a village as the lowest administrative unit with autonomy rooted in its customs and traditions. Etymologically, the term "desa" (village) originates from Sanskrit, meaning homeland or birthplace. Bintarto (2010) examines it as a geographical, social, economic, and political entity that interacts reciprocally with surrounding areas.

To exercise such autonomy, Village Law No. 6 of 2014 mandates a division of authority between the Village Government and the Village Consultative Body (Badan Permusyawaratan Desa/BPD). The Village Government is led by the Village Head, who serves a six-year term (maximum of two terms) and is assisted by village officials including the Village Secretary, heads of affairs, territorial executives, and technical executors appointed with the approval of the Sub-district Head on behalf of the Regent/Mayor. The BPD functions as the village's legislative body, composed of democratically elected community representatives serving six-year terms, with primary duties of deliberating village regulations, accommodating community aspirations, and overseeing the Village Head's performance.

As the primary capital for development, village assets are defined by Permendagri Number 1 of 2016 as village-owned property originating from original wealth (such as treasury land, markets, and water springs), APBDes expenditures, grants, contract proceeds, and other legally acquired sources. Permendagri Number 1 of 2016 establishes six mandatory governance principles: functional (in accordance with authority), legal certainty (regulatory compliance), transparency (openness), efficiency (appropriate utilization), accountability (public responsibility), and certainty of value (accuracy of balance sheet recording) — all aimed at ensuring village assets effectively contribute to village revenue and community welfare.

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Village Asset Management

Terry (2012) and Utami et al. (2023) define management as a distinctive process encompassing the functions of planning, organizing, actuating, and controlling, utilizing both human and other resources to achieve predetermined objectives. Hasbiyallah & Sujudi (2019) simplify this into three primary functions: planning as preparation for the future, organizing as the alignment of resources, and supervision as an instrument of evaluation and objective correction to prevent waste.

Sound governance (good governance) serves as the foundation for ensuring an organization's credibility, integrity, and operational effectiveness in achieving its vision and mission, while maintaining a balance of interests (Nubatonis et al., 2014). Permendagri Number 1 of 2016 affirms that village asset management constitutes a comprehensive series of activities encompassing planning, procurement, utilization, use, security, maintenance, deletion, transfer, administration, reporting, valuation, guidance, supervision, and control. All stages must be implemented in accordance with the principles of functionality, legal certainty, transparency, efficiency, accountability, and certainty of value — consistent with the mandate of Law Number 6 of 2014 — ultimately aimed at increasing village-sourced revenue and improving community living standards and welfare. Mardiasmo (2018) formulates four optimization strategies that village governments must pursue to achieve professional asset governance:

First, accurate identification and inventorying of the value and potential of assets to support the preparation of the village's balance sheet. Village governments need to know the quantity and value of their assets, including those currently held and those representing untapped potential. The identification and inventorying process is intended to obtain accurate, complete, and up-to-date information on village assets owned or controlled by the village government, which is essential for preparing the village's wealth balance sheet to be reported to the community.

Second, the implementation of a reliable village asset management information system to support transparent accountability reporting. Village governments are required to manage village assets professionally, transparently, accountably, efficiently, and effectively. To do so, village governments need a comprehensive and reliable asset management information system that supports all aspects of asset management, from planning and implementation to supervision. Such a system is beneficial for generating accountability reports.

Third, strict oversight and control of asset utilization with active community participation. Asset utilization must be closely monitored and controlled to prevent mismanagement, loss, and underutilization. The role of the community and village government in enhancing this oversight function is critical. Oversight by both the community and village government should generate feedback for the village government in the form of improved planning and asset utilization.

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Fourth, the engagement of independent appraisers to document year-on-year increases in asset value. Annual increments in village assets need to be recorded and assessed by independent appraisers.

RESEARCH METHODOLOGY

Research Design

This study employs a qualitative-descriptive approach grounded in postpositivist philosophy to examine naturally occurring phenomena (Sugiyono, 2019). This design was specifically selected to provide a detailed account of field realities concerning the 14 stages of village asset management in Lerepako Village as governed by Permendagri Number 1 of 2016. In accordance with Sugiyono's (2019) conceptualization of activity attributes or values, the primary focus of this research is village asset governance itself. Throughout the research process, the researcher acts as the primary instrument (human instrument) to preserve the authenticity and depth of the data collected.

Informant Selection Criteria

To ensure the validity and accountability of research findings, data sources were determined by selecting informants possessing direct competence, authority, and relevance to the subject under study (Heryana, 2020). Based on these criteria, the informants selected in this study consist of key policy stakeholders and primary technical implementors at the village level: namely, the Village Head, the Village Secretary, and the Head of the Village Asset Management Board. These individuals were deemed capable of providing comprehensive information regarding the actual state of asset governance.

Data Collection Methods

Data utilized in this study is classified into qualitative data — including interview transcripts, vision and mission statements, and organizational structures — and quantitative data sourced from village wealth and asset inventory documents (Sugiyono, 2019). In terms of sources, primary data were collected directly through semi-structured in-depth interviews with the Village Head, Village Secretary, and Head of the Village Asset Management Board. Secondary data were obtained through external documents, scientific journals, and relevant regulations. Data collection techniques in this study combine interviews, documentation, and library research as a strategic approach to meet the standards of comprehensive research data (Sugiyono, 2019).

Data Analysis Techniques

To assess the validity of the collected qualitative data, the researcher applied credibility testing through the source triangulation technique (Sugiyono, 2019).

Figure 1. "Source" Triangulation of Data Collection

Source: Sugiyono (2019)

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As depicted in Figure 1, the technique was executed by cross-checking, verifying, and comparing data obtained from multiple informants — namely, the Village Head, Village Secretary, and Head of the Village Asset Management Board — using the same data collection technique to produce consistent conclusions. Subsequently, validated data were analyzed using the qualitative descriptive technique based on Miles and Huberman's interactive model (Sugiyono, 2019). This data analysis activity was conducted interactively and continuously until reaching a saturated stage. As illustrated in Figure 2, the analytical process proceeds through three main stages: (1) data reduction to summarize and focus data on key points; (2) data display in the form of brief descriptions or diagrams to clarify relational patterns; and (3) conclusion drawing/verification to produce final conclusions that are credible and supported by valid evidence.

Figure 2. Qualitative data analysis technique according to Miles and Huberman

Source: Sugiyono (2019)

RESULTS AND DISCUSSION

Results

Description of the Village Asset Management Process in Lerepako Village

The data utilized in this study consist of the Lerepako Village Asset Inventory for the Year 2023, which serves as a basis for evaluating the accountability of the village government's performance in relation to its asset management efforts. In accordance with the Regulation of the Minister of Home Affairs Number 1 of 2016 on Village Asset Management, the management of village assets encompasses the following stages: planning, procurement, utilization, use, security, maintenance, deletion, transfer, administration, reporting, valuation, guidance, supervision, and control.

Table 1. Village Asset Inventory

No.	Type of Item	Item Identity	Origin of Item			Date of Acquisition / Purchase	Remarks	Legal Status
			APBDes	Other Lawful Acquisition	Original Village Wealth/Asset			
1	2	3	4	5	6	7	8	9
1	General Land, Dusun II					2014		
2	Village Office Land				✓	2011		
3	Posyandu Land				✓	2011		
4	Village Garden				✓	2014		

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5	Village Office Building			✓	2011	
6	Posyandu Building			✓	2011	
7	Lerepako Village Mosque		✓		2021	
8	Concrete Bridge, 1 Unit	✓			2016	
9	Village-Owned Bridge, 1 Unit	✓			2022	
10	Village Hall Building		✓		2011	
11	Farm Road Improvement (JUT)	✓			2014	
12	Box Culvert, 4 Units	✓			2014	
13	Clean Water Network Installation	✓			2023	
14	Drainage	✓			2022	
15	Gabion	✓			2022	
16	Lawn Mower, 2 Units	✓			2023	
17	Rice Mol Machine	✓			2018	Severely Damaged
18	Rice Thresher, 1 Unit	✓			2018	Severely Damaged
19	Hand Tractor, 1 Unit	✓			2023	
20	Pest Sprayer, 2 Units	✓			2023	
21	Laptop, 2 Units	✓			2015	
22	Printer, 2 Units	✓			2015	
23	Projector, 2 Units	✓			2023	

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24	Generator, 3200 Watt	✓	2023
25	Microphone, 2 Units	✓	2017
26	Power Strip, 4 Units	✓	2022
27	Village Official Stamp, 1 Unit	✓	2011
28	Hamlet Official Stamp, 3 Units	✓	2011
29	TPK Official Stamp, 1 Unit	✓	2011
30	Archive Cabinet, 2 Units	✓	2023
31	Rack Cabinet, 4 Units	✓	2022
32	Sofa + Table, 1 Set	✓	2022
33	Plastic Meeting Chairs, 81 Units	✓	2020
34	Bureau Desk, 8 Units	✓	2012
35	Wooden Chair, 8 Units	✓	2012
36	Posyandu Wooden Table, 5 Units	✓	2011
37	Village Hall Meeting Table, 2 Units	✓	2023
38	Data Board, 3 Units	✓	2012
39	Calculator, 1 Unit	✓	2019
40	Village Admin Data	✓	2011

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	Books, 25 Units				
41	Iron Ruler 60 cm, 1 Unit	✓		2020	
42	Iron Ruler 30 cm, 1 Unit	✓		2021	
43	Stapler (Medium), 4 Units	✓		2019	
44	Room Trash Bin, 5 Units	✓		2013	
45	Hole Punch, 1 Unit	✓		2012	
46	Sound System, 1 Package	✓		2017	Severely Damaged
47	Plastic Folder, 8 Units	✓		2012	
48	Emergency Light, 1 Unit	✓		2023	
49	Philips Lamp 50W, 4 Units	✓		2023	
50	Official Vehicle (4-Wheel), 1 Unit		✓	2020	
51	Official Vehicle (2-Wheel), 2 Units		✓	2020	

Source: Lerepako Village Government (2024)

Based on the data presented in Table 1 regarding the Lerepako Village Asset Inventory, it is evident that asset management in the form of inventorying requires further optimization. The table indicates that the inventorying process remains incomplete, as the inventory book format does not fully meet established standards — particularly with regard to the item identity column (such as brand or type), which has been left blank. This delay in adopting the latest inventory book format is attributable to a limited understanding of the importance of implementing Regulation of the Minister of Home Affairs Number 1 of 2016 on Village Asset Management, insufficient resources in terms of time available for training, and difficulties in adapting to the new format.

This finding is corroborated by the results of interviews with the Head of the Village Asset Management Board regarding the asset administration aspect of Lerepako Village, who acknowledged that the recording format has not yet been fully implemented in accordance with regulatory standards due to the aforementioned comprehension challenges.

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> *"The inventory book format currently in use does not yet fully conform to the format stipulated in Permendagri Number 1 of 2016." (Interview, 22 February 2024)*

Furthermore, confirmation from the Village Secretary also indicated that several other asset management activities — ranging from utilization, security, deletion, valuation, and guidance to supervision and control — have not been exclusively and comprehensively executed in accordance with the applicable legal framework in the field.

> *"Indeed, in the management of village assets here, particularly based on the Regulation of the Minister of Home Affairs Number 1 of 2016, there are still several aspects of village asset management that have not been fully carried out in accordance with the applicable regulations. For instance, the stages of utilization, security, administration, guidance, supervision, and control have not been fully executed in compliance with the regulations, owing to several inhibiting factors." (Interview, 21 February 2024)*

With regard to asset utilization, although all assets have been functionally employed for their intended purposes, the transfer of assets has been based solely on handover records. The village government has yet to issue a Decree (SK) of the Village Head to formally designate responsible parties, which may give rise to ambiguity in operational accountability. Concerning security, while administrative documents have been systematically archived both manually and digitally, legal certainty of ownership remains a significant challenge. Several village land assets — such as posyandu land, office land, and public land — obtained through grants have yet to be certified under the village's name, as the process of splitting certificates from the previous owners has not been undertaken by the asset management board.

Procedural deviations were also identified in the asset deletion stage for damaged assets. The procedure implemented in Lerepako Village does not employ the formal deletion mechanism mandated by regulation; asset managers merely record the status as "severely damaged" or "lightly damaged" in the inventory book and store the physical items in a makeshift bamboo warehouse as evidence during annual audits conducted by the Supervisory Team. Meanwhile, in terms of valuation, the village government has never engaged a government appraisal team or an independent public appraiser. Economic valuation of assets has relied solely on annual document reviews carried out by District-level Supervisors and Village Facilitators during their visits to the village office.

To address these shortcomings, the Village Head has committed to governance reform through innovations in digital asset management, the organization of advanced training for village officials, and the engagement of external experts to enhance transparency and accountability. This proactive step is considered urgent given that guidance from superior vertical agencies remains extremely limited, with village asset management material typically only being briefly incorporated into general guidance on Village Funds at the district level.

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Analysis of Inhibiting Factors in Village Asset Management in Lerepako Village

Based on data analysis and in-depth interviews, the internal control function embedded in the supervision and control stages in Lerepako Village was found to be still very weak and partial. The Village Head revealed that the majority of supervisory teams from higher levels tend to conduct oversight focused solely on administrative document reviews (desk audits). Physical monitoring is also limited to assets located within the Village Office premises — such as laptops, printers, and projectors — while physical assets outside the office premises are frequently overlooked in direct field monitoring.

> *"As I mentioned earlier, the majority of the supervisory team tends to only review administrative documents related to village assets during inspections. They more frequently monitor assets located within the Village Office such as laptops, projectors, and printers. They rarely pay attention to assets located outside the village office premises. To date, no serious violations have been found in our asset management." (Interview, 20 February 2024)*

This structural weakness in the supervision and control aspect constitutes a significant impediment that hinders the effectiveness of the oversight that should be conducted. Effective supervision and control are expected to be carried out comprehensively, both in documentary form and verbally, particularly during the delivery of the Village Head's Accountability Report (LKPJ). Effective supervision and control should encompass all stages from planning and implementation through reporting. In practice, however, insufficient organizational commitment frequently leads to suboptimal execution of these processes. Documentation that should serve as official records and evaluation tools is often incomplete or poorly structured, rendering it difficult to use as a basis for decision-making. Verbal delivery during the LKPJ hearing is also ineffective without strong organizational commitment to listening, recording, and following up on every point raised.

Overall, the root causes of the suboptimal implementation of the Regulation of the Minister of Home Affairs Number 1 of 2016 on Village Asset Management in Lerepako Village are driven by several closely interrelated primary inhibiting factors that form an inseparable whole. These factors include the low competence, skills, and expertise of village administrative human resources in asset management; insufficient compliance of implementers with normative regulations; the absence of legal certainty regarding asset ownership due to the lack of valid certificates; and inadequate two-way communication and socialization of regulations between the village government and the sub-district or district government. These empirical conditions are consistent with the findings of prior research by Gumelar et al. (2023), which states that the primary challenges of asset governance at the village level generally center on limitations in HR quality, budget constraints, and insufficient socialization from authorized government agencies.

Discussion

Village Asset Management Process in Lerepako Village

Village asset management in Lerepako Village was evaluated using the 2023 Village Asset Inventory Document to assess the extent to which the accountability of the village government's performance has been achieved. Referring to the Regulation of the Minister of Home Affairs (Permendagri) Number 1 of 2016, comprehensive village wealth management encompasses 14 main stages. Based on field findings, the execution of this management cycle is generally categorized as adequate in certain aspects, yet not fully synchronized with or compliant with the normative provisions of the Permendagri. The empirical analysis summarizing the institution's compliance status is concisely presented in the following table:

Table 2. Implementation of Asset Management in Lerepako Village Based on Regulation of the Minister of Home Affairs Number 1 of 2016

No.	Village Asset Management Stage	Status
1	Planning	Fully Implemented
2	Procurement	Fully Implemented
3	Utilization	Not Fully Implemented
4	Use	Fully Implemented
5	Security	Not Fully Implemented
6	Maintenance	Fully Implemented
7	Deletion	Not Implemented
8	Transfer	Fully Implemented
9	Administration	Not Fully Implemented
10	Reporting	Fully Implemented
11	Valuation	Not Implemented
12	Guidance	Not Fully Implemented
13	Supervision	Not Fully Implemented
14	Control	Not Fully Implemented

Source: Processed Data (2024)

Based on Table 2, the planning indicator in Lerepako Village has been operating optimally and in accordance with Article 8 of Permendagri Number 1 of 2016. Long-term asset needs are articulated in the Village Medium-Term Development Plan (RPJMDes), while annual needs are outlined in the Village Government Work Plan (RKPDes) and budgeted through the APBDes. This process upholds the principles of public participation and in-depth consensus through the conduct of hamlet deliberations (musyawarah dusun), which are subsequently carried forward to the village-level deliberations (musyawarah desa) together with the Village Consultative Body (BPD). This bottom-up aspiration-gathering model is consistent with the findings of Bawono (2019) and Khitam et al. (2023), which affirm the importance of hamlet-level deliberation forums in generating strategic decisions that reflect the genuine needs of the

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community. Similarly, in the procurement aspect, village governance has applied the principles of efficiency, effectiveness, transparency, and accountability through the establishment of the Activity Implementation Team (Tim Pelaksana Kegiatan/TPK). The procurement of goods and services is carried out through a self-managed approach (swakelola) by utilizing local material resources and the professional labor of village residents. This is reflected in the practice of cooperative (gotong royong) construction of farm access roads (JUT), which not only reduces costs but also strengthens community participation. Sumpeno (2011) emphasizes that the institutionalization of TPK is an institutional instrument designed to ensure that EETA principles operate throughout every stage of village development.

Regulatory deviations begin to emerge at the utilization stage. Although various office inventories — such as laptops, projectors, official motorcycles, and furniture — have been employed to facilitate the operational functions of village officials as mandated by Article 10 Paragraph 1, their formal legal status of use has not yet been established annually through a Village Head Decree as required under Article 10 Paragraph 2. Asset transfers have so far been based solely on informal handover records without the formal designation of a responsible party. Due to the absence of this management in use activity, periodic evaluations become difficult to monitor, thereby accelerating the risk of asset depreciation resulting from a lack of personal accountability among implementors. In contrast to the utilization indicator, the asset use stage has recorded positive results through a rental scheme that contributes tangibly to Village-Sourced Revenue (Pendapatan Asli Desa/PAD). Commercial assets, such as projectors, are rented exclusively to local residents at a rate of IDR 50,000 per day, while plastic chairs are subject to differential pricing — IDR 100,000 per day for local residents and IDR 150,000 per day for renters from outside the village. Despite technical challenges involving damage to several units of plastic chairs requiring periodic maintenance, this initiative has demonstrably generated financial profit that is returned to the village treasury for infrastructure development and public services. These asset use findings confirm the studies of Gumelar et al. (2023), Sumarno et al. (2025), and Aini & Utami (2024), which indicate that optimizing asset use through the provision of public goods and services indirectly facilitates governance operations and boosts village-sourced revenue.

The security and maintenance stages proceed with administrative disparity. Asset security activities conducted by village officials remain largely confined to bookkeeping, reporting, and archiving of ownership documents. Physical and legal security practices have not yet met the requirements of Article 19 Paragraph 2 of Permendagri Number 1 of 2016, as the village does not possess an adequate warehouse facility for storing logistical assets, the village office building has not been fenced or clearly demarcated, and certain public land parcels (posyandu land and office land) obtained from grants by former landowners have not been formally certified under the village's name, as the legal process of document splitting has not been pursued. Januardi (2023) notes that the absence of legal certainty over grant land frequently becomes a latent source of future conflict due to the potential for unilateral claims by the heirs of the original donors. As for the maintenance of inventory items, the village government has complied with the provisions of Article 20, whereby routine maintenance costs are directly allocated from the goods and services and capital expenditure lines of the Village Revenue and Expenditure Budget (APBDes), overseen directly by the Village Head to ensure the continued usability of organizational resources.

Significant compliance gaps are observed in the deletion, transfer, and administration stages. The Lerepako Village Government has been found to have not executed asset deletion from the village inventory data books in accordance with the mechanism stipulated in Article 21. When assets become damaged, managers merely annotate them with "severely damaged" or "lightly damaged" status without following up with the issuance of a formal destruction report as the basis for a Village Head Decree. Physically damaged items are left to accumulate in a makeshift bamboo warehouse, serving only as evidence during physical audits by the Supervisory Team, thereby introducing inaccuracies in the village's wealth balance sheet data. This administrative disorder in the deletion process is validated by Nihayati & Bawono (2019), who emphasize that the primary function of formal deletion through an official decree is to release the responsible party from both physical and legal liability. Conversely, the transfer indicator has proceeded successfully through the strategic sale of village plantation commodities — specifically coconuts and cacao — executed in a transparent and accountable manner to fund the village's public service programs. With respect to administration, although entries into the master book are routinely conducted in accordance with Article 28 Paragraphs 1 and 2, the format in use is considered outdated and non-compliant with current standards, as the item identity columns (brand and type) are left blank due to limited technical understanding and the absence of a strategic vision for developing village officials' expertise. This non-compliant administration confirms the findings of Hamzah (2019) and Hilman et al. (2023), who describe that failures in administrative organization generally stem from implementors' negligence and ignorance of current inventorying procedures.

The final three stages of village wealth management — namely reporting, valuation, and guidance, supervision, and control — are assessed as follows. Reporting activities, both physical and financial, are categorized as fully implemented as a form of public accountability, submitted periodically to village residents, the sub-district, and up to the district level. However, for valuation (economic appraisal), the village has never engaged a public appraiser or competent government agency as mandated by Article 29 Paragraph 1 and Article 30. Economic valuation of rental rates and plantation commodity prices has thus far been calculated unilaterally by internal village officials based on general market prices. This situation is exacerbated by the minimal guidance, supervision, and control functions from superior vertical authorities. Village facilitators in the field are reported to be overly focused on general Village Fund oversight without allocating specific educational space for asset management, while guidance from the sub-district and district governments appears perfunctory with infrequent operational site visits. External supervision by the sub-district is also very limited and partial, relying solely on documentary reviews (desk audits) without conducting comprehensive physical field inspections of assets. Finally, the internal control function from the village side is also reported to be stagnant and passive, as control is only enforced unilaterally by the district government through the application of rigid regulations

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without accompanying periodic field evaluations. These findings are consistent with Subagia (2021), who concluded that village non-compliance with Permendagri Number 1 of 2016 is invariably triggered by limited educational backgrounds of managers, insecurity of physical assets, and obstructed regulatory communication channels.

Factors Causing the Village Asset Management Process in Lerepako Village to Operate Suboptimally

Based on the results of data analysis and confirmation with key informants, the suboptimal implementation of village wealth governance in Lerepako Village stems from a combination of internal and external factors that are mutually reinforcing. The first and most fundamental inhibiting factor is the inadequate competence of human resources (HR). Limited understanding of legal procedures among village officials has resulted in the stagnation of the asset deletion stage, where village staff encounter administrative difficulties in preparing formal destruction reports, leading to prolonged delays and mismanagement. This finding is consistent with Efendi (2018), who affirms that many village officials do not yet understand the technical procedures for asset inventorying in accordance with Permendagri No. 1 of 2016, resulting in suboptimal village asset management. The second factor is ineffective communication, whereby the lack of two-way socialization between the village government and the sub-district/district levels has resulted in the absence of clear technical guidelines, directly impacting the quality of economic valuation and the stagnation of asset guidance activities. Warman (2021) emphasizes that weak coordination between village and district government levels causes asset management policies to frequently lose their direction of implementation.

The third inhibiting factor stems from the low level of compliance and comprehension among field-level implementors. The apathetic, uncommitted, and insufficiently active attitudes of village officials have led to the disregard of critical policies — such as the issuance of a Village Head Decree to formally establish asset utilization status — thereby preventing the potential of village wealth from being accelerated for the welfare of the community. The low commitment of village officials to regulations is a primary obstacle in the implementation of asset governance. This is consistent with the findings of Nengsi (2023), who demonstrates that weak consistency among officials and insufficient understanding of legislation render the application of Permendagri Number 1 of 2016 at the village level suboptimal. Fourth, the limited expertise of activity managers constitutes a major constraint in the administration process. Village officials have not been equipped with structured training to effectively record, manage, and report regional property. This is evidenced by the failure to complete the item identity columns in the village inventory book, resulting from an inability to adapt to the new format of Permendagri Number 1 of 2016.

The final inhibiting factor underlying all of these administrative weaknesses is weak organizational commitment. The internal supervision and control system is executed without organizational consistency, as operational monitoring is not conducted systematically. Weak internal control systems and suboptimal human resource competence are the primary factors

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impeding the effectiveness of regional asset governance (Perawati, 2021). The review of the Village Head's Accountability Report (LKPJ) documentation tends to be treated as a mere formality without concrete follow-up on physical asset discrepancies in the field. Based on these findings, this study concludes that holistic intervention is required through the enhancement of village officials' HR competencies, improvement of institutional communication, and strengthening of organizational commitment, in order for the principles of transparent, effective, and accountable village asset governance to be fully realized.

CONCLUSION

The village asset management process in Lerepako Village can be described as generally adequate; however, it has not yet achieved full compliance with the Regulation of the Minister of Home Affairs Number 1 of 2016 on Village Asset Management. Non-compliance in village asset management was identified particularly in the stages of utilization, security, deletion, administration, valuation, supervision, and control, in accordance with the established regulations. The inhibiting factors preventing the optimization of the village asset management process consist of six (6) factors: inadequate HR competence among both the village asset management board and the Activity Implementation Team (TPK); insufficient communication regarding the application of village asset management regulations between the village government and the sub-district/district government; certain village assets lacking legal certainty of ownership; non-compliance of implementors with village asset management regulations; limited expertise of activity managers; and organizational commitment that has not been maximized.

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Understanding the Drivers of Fraud Tendency: The Roles of Internal Control, Accounting Compliance, Compensation Schemes, Information Asymmetry, and Managerial Ethics

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Abstract
Fraud is an intentional act to obtain personal gain that harms others. This study examines the effects of internal control, accounting compliance, compensation schemes, information asymmetry, and managerial ethics on fraud tendency in Village Credit Institutions (LPDs) in Ubud District. A total of 96 respondents were selected using purposive sampling, of whom 93 provided usable responses for analysis. Data were obtained through questionnaires and analysed using multiple linear regression. The results show that internal control, accounting compliance, and managerial ethics have significant negative effects on fraud tendency. This means that stronger internal control, greater accounting compliance, and stronger managerial ethics are associated with lower fraud tendency. Conversely, information asymmetry was found to have a significant positive effect on fraud tendency, indicating that greater information asymmetry is associated with higher fraud tendency. Meanwhile, the compensation scheme did not have a significant effect on fraud tendency. These findings indicate that fraud prevention in traditional financial organisations such as LPD needs to be supported by strong internal controls, information transparency, and high ethical values based on Tri Kaya Parisudha from its managers.
Keywords: *Fraud Tendency, Internal Control, Accounting Compliance, Compensation Scheme, Information Asymmetry, Managerial Ethics.*

INTRODUCTION

Fraud is a phenomenon that persists across various sectors, spanning both the private and public spheres. It is defined as a deliberate act of deception for personal gain that causes loss to others (ACFE, 2024). This phenomenon frequently arises from the interplay of pressure, opportunity, and rationalization, as outlined in the fraud triangle theory (Cressey, 1953). ACFE surveys consistently rank the banking sector highest in terms of fraud incidents. In Indonesia, fraud poses a tangible threat to organizational sustainability, including community-based financial institutions such as Village Credit Institutions (Lembaga Perkreditan Desa or LPD). High levels of fraud not only undermine an institution's financial stability but also erode public trust. According to Donelson et al. (2017), the opportunity to commit fraud is a primary driver. Meanwhile, research by Kumar et al. (2018) emphasizes the importance of early detection and the strengthening of legal systems as preventive measures. A concrete example occurred at the LPD in Kedewatan Village, Gianyar, Bali, where the misappropriation of IDR 11.58 billion took place due to weak internal oversight and lapses in the management's morality

(NusaBali.com, 2024). This case illustrates the vulnerability of internal control systems and managerial integrity in preventing fraud.

The urgency of this research is heightened by the significant role LPDs play in supporting village economies. LPDs are financial institutions owned by Balinese indigenous communities, legally regulated under Bali Provincial Regulation Number 3 of 2017. They are managed by "prajuru" (management boards) and overseen by "panureksa" (supervisory boards), which are intended to serve as the primary line of defense against potential fraud. However, reality indicates that existing internal controls have not been fully effective in minimizing fraud. Previous studies have yielded inconsistent results; for instance, research by Suryandari et al. (2023) and Febriani (2019) suggests that internal controls help reduce fraud tendency. Conversely, studies by Juliantari et al. (2021) and Wiguna et al. (2024) indicate that internal controls can actually increase fraud tendency, depending on how the system is implemented. Non-compliance with accounting regulations is another critical factor. According to Dewi (2022) and Amalia (2020), violations of accounting principles can create opportunities for the manipulation of financial statements. This aligns with findings by Cinthyani & Sulindawati (2020), which demonstrate a link between accounting compliance and the potential for fraud. Unfair compensation schemes have also been identified as a cause of increased fraud tendency. Research indicates that inequities in compensation or rewards can lead to dissatisfaction, ultimately driving employees to engage in unethical behavior or fraud within the organization (Sulastri, 2014).

Another frequently overlooked factor is information asymmetry. When management possesses information unknown to owners or other parties, the potential for manipulation is high. Previous research indicates that higher information asymmetry is associated with a greater tendency toward accounting fraud (Adwitya & Sari, 2020). Managerial ethics based on "Tri Kaya Parisudha" represent a psychological aspect that is often difficult to measure yet critically important. These ethics are rooted in Hindu teachings: "Manacika" (pure thought), "Wacika" (pure speech), and "Kayika" (pure action). A lack of ethics makes individuals prone to seeking justifications for their fraudulent actions. Studies by Wahyuni & Helmarini (2020), and Pratiwi & Werastuti (2021) demonstrate that high managerial ethics contribute to fraud prevention. Unfortunately, although internal control, accounting compliance, compensation schemes, information asymmetry, and managerial ethics have been examined in prior studies, their roles in explaining fraud tendency remain inconclusive, particularly in community-based financial institutions. This study addresses this gap by integrating formal governance mechanisms, agency-related conditions, incentive mechanisms, and culturally embedded managerial ethics within a single analytical framework.

In the local context, specifically in Bali, research regarding fraud tendency within LPDs (Village Credit Institutions) remains very limited. This study extends the existing literature by examining fraud tendency through the integration of formal governance mechanisms and culturally embedded ethical values in the context of LPDs. Specifically, internal control and accounting compliance represent formal governance mechanisms, information asymmetry reflects an agency-related condition, compensation schemes represent an incentive mechanism, and managerial ethics based on Tri Kaya Parisudha captures the culturally embedded ethical dimension of fraud prevention. The study examines not only systemic external factors such as controls and regulations, but also internal individual factors, specifically ethics. Consequently, the research is not only theoretically relevant but also of great practical importance for strengthening the governance of LPDs as community financial institutions vulnerable to fraud.

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Although Village Credit Institutions (LPDs) in Bali were established as customary-based financial institutions to support local economic development, fraud remains a concern in their management. This condition highlights the importance of examining both organizational and individual factors associated with fraud tendency. Internal control and accounting compliance represent formal governance mechanisms that may limit opportunities for fraudulent practices, while information asymmetry may create conditions that increase such opportunities. Compensation schemes represent an incentive mechanism intended to align individual and organizational interests. In addition, managerial ethics based on Tri Kaya Parisudha represents an ethical dimension that may discourage the rationalization of fraudulent behavior. Accordingly, this study examines how these five factors influence fraud tendency within the management of LPDs.

RESEARCH METHODOLOGY

This study employs a quantitative approach with an associative research design. The objective is to examine the relationships between internal control, accounting compliance, compensation schemes, information asymmetry, managerial ethics based on Tri Kaya Parisudha, and fraud tendency. The study was conducted at 32 Village Credit Institutions (LPDs) in Ubud District, selected due to the high level of LPD activity and the occurrence of fraud-related phenomena in the area. The study population consisted of 377 LPD employees, with 96 respondents selected using purposive sampling based on the criteria of serving as LPD leaders, treasurers, or tellers. The unit of analysis was the individual employee, with each respondent providing an assessment based on practices and conditions within their respective LPD.

The variables examined in this study were internal control, accounting compliance, compensation schemes, information asymmetry, managerial ethics based on Tri Kaya Parisudha, and fraud tendency. All variables were measured at the individual level based on respondents’ perceptions of practices and conditions within their respective LPDs. Internal control is defined as a process designed to provide reasonable assurance regarding the achievement of organizational objectives concerning the reliability of financial reporting, compliance with laws, and operational efficiency. Its indicators are based on the Committee of Sponsoring Organizations (COSO) framework, comprising the control environment, risk assessment, control activities, information and communication, and monitoring. The questionnaire was adapted from the study by Febriani (2019). Accounting compliance refers to the extent to which management adheres to generally accepted accounting principles and rules. It was measured using three indicators: the application of financial accounting standards, timely reporting, and the appropriateness of recording procedures. These indicators were operationalized through five questionnaire items adapted from Amalia (2020).

The compensation scheme refers to the system of compensation received by employees based on their responsibilities and workload. It was measured using three indicators: fairness, adequacy, and consistency in compensation provision. These indicators were operationalized through five questionnaire items adapted from Gupta & Shaw (2014). Information asymmetry refers to a condition in which management possesses more information than other parties, such as owners or supervisors. It was measured using three indicators: transparency, openness in reporting, and information parity among parties. These indicators were operationalized through five questionnaire items adapted from Syafitri et al. (2021). Meanwhile, managerial ethics based on Tri Kaya Parisudha refers to an individual's moral commitment to performing duties honestly, grounded in the ethical principles of Tri Kaya Parisudha. It was measured using three

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dimensions: pure thought (manacika), pure speech (wacika), and pure action (kayika). These dimensions were operationalized through four questionnaire items adapted from Suryandari et al. (2023). Fraud tendency, as the dependent variable, refers to the tendency toward fraudulent practices in the management of LPDs. Fraud tendency was measured using three measurement items representing the major categories of occupational fraud, namely corruption, asset misappropriation, and financial statement fraud, based on the ACFE (2024) classification and adapted from Suryandari et al. (2023).

The data collection instrument was a questionnaire utilizing a five-point Likert scale (ranging from 1 = strongly disagree to 5 = strongly agree). Prior to the main analysis, item validity and internal consistency reliability tests were conducted to assess the adequacy of the questionnaire items. Data analysis was performed using multiple linear regression, preceded by classical assumption tests specifically normality, multicollinearity, and heteroscedasticity using SPSS software. The analysis was used to examine the effect of each independent variable on fraud tendency within the LPD context.

RESULTS AND DISCUSSIONS

The discussion of the research findings begins with an overview of the respondent profile, followed by the results of the research instrument testing, classical assumption tests, and multiple linear regression analysis examining the influence of each independent variable on fraud tendency at Village Credit Institutions (LPDs) in Ubud District.

Respondent Profile

Of the 96 questionnaires distributed, 93 were returned and considered usable for analysis. While the majority of respondents were female, the gender distribution was relatively balanced. With over six years of work experience and an age of more than 25 years, the respondents are assumed to possess a solid understanding of the control systems, accounting processes, and governance structures within their respective institutions. Regarding educational background, the majority of respondents held a high school or vocational high school qualification.

Table 1. Respondent Profile

Gender	Amount (%)	Work experience	Amount (%)
Male	44%	< 2 Years	1%
Female	56%	2– 6 Years	10%
		'> 6 Years	89%
Respondent's Age	**Amount (%)**	**Education**	**Amount (%)**
≤ 25 years old	3%	Senior High School / Vocational High School	71%
26-45 years old	43%	Diploma Education Program	13%
> 45 years old	53%	Bachelor	16%

Source: Processed from questionnaire data (2025)

Instrument Test Results

The questionnaire was assessed for item validity and internal consistency reliability. The item validity test showed that all questionnaire items for internal control, accounting

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compliance, compensation schemes, information asymmetry, managerial ethics, and fraud tendency had correlation coefficients above 0.30, indicating that all items met the predetermined criterion for item validity. Internal consistency reliability was assessed using Cronbach's Alpha. All constructs had Cronbach's Alpha values above 0.70, indicating acceptable internal consistency.

Table 2. Validity and Reliability Test Results

Variable	Measurement Item	Correlation Coefficient	Cronbach Alpha
Internal Control (IC)	IC_1	0,811	0,919
	IC_2	0,908	
	IC_3	0,856	
	IC_4	0,928	
	IC_5	0,842	
Accounting Compliance (AC)	AC_1	0,839	0,905
	AC_2	0,905	
	AC_3	0,790	
	AC_4	0,863	
	AC_5	0,858	
Compensation Scheme (CS)	CS_1	0,801	0,818
	CS_2	0,833	
	CS_3	0,823	
	CS_4	0,779	
	CS_5	0,832	
Information Asymmetry (IA)	IA_1	0,686	0,867
	IA_2	0,791	
	IA_3	0,869	
	IA_4	0,850	
	IA_5	0,851	
Managerial Ethics (ME)	ME_1	0,906	0,912
	ME_2	0,896	
	ME_3	0,819	
	ME_4	0,939	
Fraud Tendency (FT)	FT_1	0,939	0,940
	FT_2	0,947	
	FT_3	0,954	

Results of Classical Assumption Tests and Multiple Linear Regression

The normality test yielded an Asymp. Sig. (2-tailed) value of 0.178, indicating that the regression residuals did not significantly deviate from normality. Multicollinearity test results indicate that all independent variables have tolerance values greater than 0.10 and Variance Inflation Factor (VIF) values below 10, leading to the conclusion that no multicollinearity exists. The Glejser test results show that all independent variables have significance values greater than 0.05, indicating that the regression model is free from heteroscedasticity. Similarly,

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the F-test shows a calculated F-value of 38.62 with a significance level of <0.001, leading to the conclusion that the five independent variables simultaneously influence fraud tendency. The Adjusted R-Square value of 0.673 indicates that the independent variables included in the model explain 67.3% of the variation in fraud tendency, while the remaining 32.7% is attributable to other factors not included in the model.

Table 3. Multiple Linear Regression Results

Model	Coefficient	t	Significance	Tolerance	VIF
Constant	13.453	8.688	<0.001		
Internal Control (IC)	-0.156	-2.562	0.013	0.340	2.948
Accounting Compliance (AC)	-0.215	-2.439	0.018	0.224	4.490
Compensation Scheme (CS)	0.061	1.121	0.267	0.432	2.322
Information Asymmetry (IA)	0.113	2.368	0.021	0.567	1.769
Managerial Ethics (ME)	-0.202	-2.279	0.026	0.254	3.960

Source: Data processing results (2025)

The regression equation in this study is:

$$FT = 13.453 - 0.156\ IC - 0.215\ AC + 0.061\ CS + 0.113\ IA - 0.202\ ME$$

Based on Table 3, it can be seen that internal control, accounting compliance, and managerial ethics can reduce fraud tendency. Information asymmetry can increase the potential for fraud tendency, whereas the compensation scheme has no effect on fraud tendency.

Table 4. Heteroskedasticity Test Results

Model	Coefficient	t	Significance
Constant	3.299	3.845	<0.001
Internal Control (IC)	0.049	1.445	0.153
Accounting Compliance (AC)	-0.071	-1.448	0.153
Compensation Scheme (CS)	-0.002	-0.025	0.982
Information Asymmetry (IA)	-0.052	-1.954	0.055
Managerial Ethics (ME)	-0.087	-1.758	0.084

DISCUSSIONS

This discussion is presented based on the results of regression analyses performed on each independent variable. Each section is analyzed starting with the statistical results, interpreted through relevant theories, supported by prior research, and contextualized within the actual management practices of Village Credit Institutions (LPD) in Bali.

Internal Control and Fraud Tendency

The negative association between internal control and fraud tendency suggests that effective control mechanisms are important in limiting opportunities for fraudulent practices within LPDs. This finding is particularly relevant because LPD management involves relatively close interactions among managers, employees, supervisors, and members of the customary village, making clear authorization, segregation of duties, and monitoring essential for reducing opportunities for misconduct. In theory, these findings support the fraud triangle theory (Cressey, 1953), especially the opportunity element. Fraud usually occurs because of opportunities that are not covered by the system. Effective internal control through separation of duties, layered authorization, continuous monitoring and transparent communication can close these gaps. The internal control system is not only an administrative instrument, but is

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also a fundamental mechanism for preventing irregularities, increasing accountability, and ensuring the quality of financial reports (Valentina et al., 2025). From the fraud triangle perspective, effective internal control reduces opportunities for fraudulent behavior by strengthening supervision, authorization, segregation of duties, and monitoring mechanisms. Consistent and comprehensive implementation of internal control will improve corporate reputation, reduce the risk of corruption, and build public trust in the company (Mabyuni et al., 2025).

Empirically, the findings of this study are consistent with Febriani (2019), who identified a significant negative effect of internal control on fraud. However, these results differ from those of Juliantari et al. (2021) and Wiguna et al. (2024), who noted that internal controls can sometimes be exploited by perpetrators to conceal fraud. In the context of LPDs, this can be attributed to the social closeness between administrators and supervisors, which may compromise the independence of control mechanisms. Practically, LPDs need to strengthen internal audits, clarify Standard Operating Procedures (SOPs), and ensure the independent functioning of the "panureksa" (supervisory) role. Controls that are merely administrative in nature are insufficient to eliminate opportunities for fraud.

Accounting Compliance and Fraud Tendency

The negative relationship between accounting compliance and fraud tendency indicates that adherence to accounting rules can serve as an important governance mechanism within LPDs. Consistent recording and reporting practices reduce managerial discretion in processing financial information and make irregular transactions easier to identify, thereby limiting opportunities for fraudulent practices. Accounting compliance refers to an organization's obligation to observe applicable financial recording and reporting rules. From an agency theory perspective, accounting compliance can reduce agency problems by improving the reliability and transparency of financial information available to principals, thereby limiting managers' opportunities to exploit information advantages.

These findings are consistent with Cinthyani & Sulindawati (2020), who demonstrated that accounting compliance has a significant negative effect on fraud. These findings are consistent with Cinthyani and Sulindawati (2020), who demonstrated that accounting compliance has a significant negative effect on fraud. In the context of LPDs, compliance with accounting rules may reduce managerial discretion in recording and reporting financial transactions, thereby limiting opportunities for fraudulent practices. In the context of LPDs, the requirement to account for financial statements at the year-end meeting creates social pressure, making accounting compliance a crucial factor in preventing fraud. From a practical standpoint, regular accounting training is essential, as many fraud cases stem from a poor understanding of accounting regulations.

Compensation Schemes and Fraud Tendency

The absence of a significant relationship between the compensation scheme and fraud tendency suggests that financial compensation alone may not be sufficient to shape fraudulent tendencies among LPD employees. In the LPD context, employee behavior may be influenced not only by financial incentives but also by internal control, ethical considerations, organizational responsibilities, and the social environment surrounding the institution. These findings suggest that providing fair, adequate, and consistent compensation does not

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automatically prevent employees from committing fraud. In other words, even when compensation aligns with responsibilities and workload, individuals may still engage in fraudulent acts if there is strong motivation or opportunity. This aligns with the views of Hasanah et al. (2025)dan Kusuma & Rosita (2023), who state that if an individual intends to commit fraud, appropriate compensation does not automatically deter such actions. Consequently, compensation is not the sole determinant in preventing fraud; rather, there is a need to strengthen other factors such as integrity, supervision, and internal control systems.

The results of this study are consistent with previous studies indicating that compensation schemes do not significantly influence fraud tendency (Angkabrata et al. 2025; Nugroho & Bone, 2025). They argue that deviant behavior is driven more by internal factors such as morality and ethics and external factors, such as weak oversight and non-compliance with rules. This reinforces the argument that compensation is merely a "hygiene factor"; while its presence is essential for maintaining satisfaction, it is not a sufficiently strong factor to govern employees' ethical behavior.

From the perspective of agency theory, compensation is intended to align the interests of the agent (manager/employee) with those of the principal (owner/supervisor). However, the results of this study indicate that compensation mechanisms are ineffective in mitigating the agency problem of fraud. Thus, efforts to prevent fraud at LPDs cannot rely solely on improving compensation systems; instead, a more comprehensive approach is required. This approach entails stricter oversight, the internalization of ethical values based on Tri Kaya Parisudha, and the consistent, firm enforcement of rules regarding violations. Integrating aspects of morality, organizational culture, and control systems is considered more effective at minimizing the propensity for fraud than merely addressing financial aspects such as compensation.

Information Asymmetry and Fraud Tendency

The positive relationship between information asymmetry and fraud tendency highlights the importance of information transparency in LPD governance. When managers possess information that is not equally accessible to supervisors or other stakeholders, their informational advantage may provide greater discretion to conceal irregularities or manipulate financial decisions. Agency theory explains that information asymmetry arises when agents possess more information than principals, creating opportunities for agents to use this informational advantage in ways that may increase fraud tendency.

Empirically, the results of this study are consistent with Adwitya & Sari (2020), who found that information asymmetry increases the tendency toward accounting fraud. However, Amalia (2020) reported different results, finding that information asymmetry was not significant when strict external auditor oversight was present. In the context of LPDs, external oversight is limited, as supervision is largely conducted by internal “panureksa” (internal supervisors). Customers often lack detailed access to financial reports, creating opportunities for misconduct such as the manipulation of loans and profit figures. Consequently, information transparency is crucial; financial reports need to be made more accessible and understandable to the public, and the use of information technology can help narrow the information gap.

Managerial Ethics and Fraud Tendency

The negative relationship between managerial ethics and fraud tendency indicates that ethical values can function as an internal restraint against fraudulent behavior. In the LPD context,

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managerial ethics based on Tri Kaya Parisudha may strengthen individual responsibility by emphasizing consistency between ethical thought, speech, and action in carrying out organizational duties. From the fraud triangle perspective, managerial ethics are particularly relevant to the rationalization dimension, as stronger ethical values may reduce an individual's ability to justify fraudulent behavior even when opportunities are present.

These findings are supported by Wahyuni & Helmarini (2020), who state that management morality has a significant negative effect on fraud. However, Setiawan & Nuansari (2025) report different results, finding that morality does not significantly influence fraud. This finding may be understood within the LPD context, where managerial ethics based on Tri Kaya Parisudha emphasize ethical thought, speech, and action in carrying out organizational responsibilities. The practical implication is that moral development and the internalization of local cultural values must be integrated into fraud prevention strategies, alongside technical mechanisms such as controls and regulations.

Overall, this study confirms that fraud tendency is influenced by a combination of structural and personal factors. Internal controls and accounting compliance serve as formal mechanisms affecting fraud tendency, while managerial ethics act as a moral safeguard against rationalization. Meanwhile, information asymmetry is a risk factor that must be mitigated through data transparency. However, incentive schemes were not found to be a driver of fraud tendency within LPDs. The findings are largely consistent with fraud triangle and agency theory, while also enriching the literature by incorporating the local, customary-based context of LPDs. The findings indicate that managerial ethics based on Tri Kaya Parisudha are associated with lower fraud tendency, complementing formal governance mechanisms such as internal control and accounting compliance. Thus, this study contributes to the literature by integrating formal governance mechanisms with managerial ethics based on Tri Kaya Parisudha in explaining fraud tendency within community-based financial institutions.

CONCLUSION

Based on the data analysis and discussion, this study concludes that fraud tendency within Village Credit Institutions (LPDs) in Ubud District is influenced by a combination of structural and personal factors. Regression results indicate that internal control, adherence to accounting standards, and managerial ethics have a significant negative impact on fraud tendency; in other words, the stronger the internal control system, the higher the compliance with accounting regulations, and the stronger the managers' ethical standards, the lower the likelihood of fraud. Conversely, information asymmetry was found to have a significant positive impact on fraud tendency, indicating that a greater information gap between managers and external parties increases the potential for the abuse of authority. However, the compensation scheme was not a significant factor in determining fraud tendency. Thus, fraud prevention cannot rely solely on formal mechanisms but also requires a balance with ethical considerations and individual integrity.

These findings carry several important implications. From a practical standpoint, LPDs need to strengthen internal controls by clarifying the segregation of duties, tightening oversight mechanisms, and enhancing the independence of the "panureksa" (internal supervisors). Accounting compliance should be improved through continuous training for management to ensure financial reports meet standards and offer greater transparency. Furthermore, information asymmetry must be minimized by providing financial reports that are easily understood by village residents and by leveraging information technology to boost transparency. At the same time, strengthening managerial ethics based on Tri Kaya Parisudha may reinforce managers' ethical commitment by emphasizing responsible thought, speech, and action in carrying out their organizational duties.

From a theoretical perspective, this study reinforces the relevance of fraud triangle theory and agency theory by showing that internal control, accounting compliance, information asymmetry, and managerial ethics based on Tri Kaya Parisudha are significantly associated with fraud tendency. The inclusion of managerial ethics based on Tri Kaya Parisudha provides an additional ethical perspective by showing that stronger managerial ethics are associated with lower fraud tendency. This enriches the literature by showing that fraud is determined not only by formal mechanisms but also by personal dimensions and cultural values. The study also offers practical contributions to the management of LPDs. The findings can serve as input for LPD administrators to improve financial governance, and for local governments and LPD associations to formulate more effective guidance and oversight policies. In particular, strengthening information transparency, internal control, accounting compliance, and managerial ethics is essential to support effective fraud prevention and maintain public trust in community-based financial institutions.

LIMITATIONS & RECOMMENDATIONS

This study has several limitations. First, the study was conducted only in Ubud District, which may limit the generalizability of the findings to LPDs in other regions of Bali. Second, the study relied on self-reported questionnaire data, including responses related to fraud tendency, which may be subject to social desirability bias because of the sensitive nature of the topic. Future research could expand the geographical coverage and employ qualitative, mixed-methods, or multi-source data to provide a more comprehensive understanding of fraud tendency in LPDs.

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