

Enhancing financial transparency: The impact of Siskeudes application in Kediri Regency

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Abstract

The Village Law (Law Number 6 of 2014) mandates local governments to manage village affairs and funds, leading to the establishment of the Village Fund. This study examines how implementing the Village Financial System (SISKEUDES) application affects transparency and, consequently, the quality of financial reports in Kediri Regency. Using quantitative research with 185 samples from 343 villages, the study finds that SISKEUDES directly improves financial report quality and indirectly through transparency mediation.

Keywords: Village Financial System Application, Transparency, and Quality of Village Financial Reports.



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1. Introduction

The village plays a crucial and strategic role as a recognized legal community. As stated in Article 1, Paragraph 1 of Law No. 6, it is a unit with territorial borders that has the authority to oversee local government operations and address community concerns based on grassroots initiatives, ancestral rights, and customary rights recognized and upheld within the framework of the NKRI government (UU No. 6 on Villages, 2014).

The village law guarantees that each village will receive funding from the government through both the state and regional budgets, with the amount significantly increasing in the village budget. Each village is responsible for preparing its financial reports and providing information to guide the preparation of the following year's budget. Proper management of village finances is essential to prevent fraud and mismanagement of the village budget. To enhance government performance, transparency and accountability in financial management are necessary for the village government.

A measurement of village government performance is the quality of financial reports. In addition, the human resources available, such as village-owned assets and financial management, are expected to be more independent, as they have roles and obligations for implementing these principles with transparency and accountability. Realizing accountability and transparency fosters public trust in the government's financial performance, which has become an essential issue in the management of state finances. Village financial management increasingly requires accountability and transparency; however, in practice, accountability for village financial management remains low. Low accountability and transparency to the public can lead to acts of corruption (Brusca et al., 2018).

Factors inhibiting effective village financial management include the human resource aspect. Some personnel are less supportive of disclosing financial information, resulting in a lack of transparency in financial reports. This creates a high potential for misappropriation of funds (Karyoto et al., 2020). In response to these issues, the government has created a village finance application through the Finance and Development Supervisory Agency (BPKP). The goal is to facilitate financial reporting for village officials, enabling them to produce quality financial reports through the Village Financial System (SISKEUDES) application.

An economic and development supervisory agency has developed the village financial system application. The goal is to improve the quality of the village's economic governance. Before SISKEUDES was launched, most villages prepared budgets, records, and financial reports using Microsoft Excel or other applications with non-standard formats (Rivan & Maksum, 2019). This made it difficult for district and city governments to evaluate APBDes and village financial reports. Additionally, many villages used applications purchased from private developers that could not be updated to meet regulatory standards (Pembangunan BPKD, 2015).

SISKEUDES was developed by BPKP with a local government approach, simplifying the process of compiling financial reports for all villages into LKPD attachments in accordance with statutory regulations. Local governments play a crucial role in fostering its implementation through rules and adherence to laws. The SISKEUDES application accommodates all regulations related to village finances and is

designed as an integrated, user-friendly desktop application with an effective internal control system for producing financial information. It will certainly provide reassurance for financial managers in the villages, helping them achieve accountability in village financial management (Pembangunan BPKD, 2015).

Kediri Regency has 343 villages, all of which have implemented this application. In terms of the village financial system, it provides a platform for village government agencies to access broader information and encourages them to actively convey information. This system simplifies the preparation of village programs, addressing the increasingly challenging and complex tasks faced by village governments. The information and communication system supports villages in implementing transparent and accountable governance, allowing for greater attention to be paid to the village's financial processes (Umayah et al., 2022).

The mechanism and analysis of public fund management in high state institutions, subordinate departments, regional governments, state-owned enterprises (BUMN), regional-owned enterprises (BUMD), NGOs, and social foundations, as well as in projects involving public-private collaboration, is known as public sector accounting (Bastian, 2019). Public sector accounting is the process of recording, classifying, analyzing, and reporting the financial transactions of a public organization (Biduri, 2018). It can be concluded that public sector accounting is an accounting system used by public institutions. Accountability and transparency in financial management by both central and local governments are crucial objectives of accounting and administrative reform. The outcome of accounting is a financial report, and preparing financial statements reflects the need for transparency and supports conditions for accountability through clarity in the management of public funds (Mardiasmo, 2006).

The development of the Village Financial System Application (SISKEUDES) was prepared to anticipate the implementation of Law Number 6 of 2014 concerning Villages. This preparation aligns with the increased attention from Commission XI of the Indonesian House of Representatives and the Corruption Eradication Commission. The application was launched on July 13, 2015. The BPKP Representatives of West Sulawesi Province developed this village financial management application as a pilot project within the BPKP environment in May 2015.

The Village Financial Management Technical Executor assists the Village Head in managing the village's finances (PTPKD). The village chief must also appoint the PTPKD. Planning, executing, managing, reporting, and being accountable for village funds are all integral parts of village financial management (PerMen No. 20 Tahun 2018 Tentang Pengelolaan Keuangan Desa, 2018).

Good governance has transparency as one of its key qualities. The foundation of transparency is the ability to access information that directly affects the public interest freely (Yuesti et al., 2020). In the Islamic view, transparency is represented by the concept of Siddiq (honesty). Allah S.W.T.'s word in Surah Al-An'am, verse 152 states: "And do not approach the orphan's property, except in a more beneficial way, until he reaches maturity. And perfect the measures and scales with justice. We do not burden anyone beyond what he can bear; and when you speak, be just, even if it concerns a relative, and fulfill Allah's promise. This is what Allah has commanded you, so that you may remember." (Q.S. Al-An'am: 152, Terjemahan Indonesia, 2002). It can be said that

transparency is a principle that ensures everyone has access to and the freedom to obtain information about how the government operates, specifically regarding its policies, procedures, and the outcomes it achieves. Transparency involves the open and clear dissemination of financial information to the general public, recognizing that the public has a right to know about the government's accountability in managing the resources entrusted to it and its adherence to laws and regulations.

Risya & Nurodin (2017), in their study "Effects of Transparency and Accountability on Village Financial Management," stated that transparency and accountability significantly impact village financial management by 63.68%, while the remaining influences are attributed to unobserved external factors.

According to Puspasari & Purnama (2018), in their study "Implementation of the Village Financial System and the Quality of Financial Reports for the Kuningan Regency Government Village," the use of information technology and competent human resources enhance the impact of the village financial system on the quality of financial reports.

Human resources also affect the quality of the reports produced. Additionally, each year, there are changes in the application's version, which makes it difficult for operators to keep up. Even though retraining sessions are held, they often prove less effective when operators finally master one version, only to have it change the following year. Given the conditions in the village, the implementation of the village financial system application may not be successful. If the application is inadequate, what will be its effect, and how can the government manage its finances properly? The government must be able to provide open information and accountability in the meantime. Researchers are interested in investigating how the application of the village finance system affects accountability and transparency (Hastuti & Setyawan, 2021). Therefore, this research aims to ensure that the continuous improvement of the Siskeudes application is essential, incorporating feedback from its users, namely Village Treasurers, especially those in Kediri Regency.

2. Method

This research was quantitative. In this study, three variables were used: the independent variable (X), namely the SISKEUDES application; the intermediary or intervening variable (M), namely transparency; and the dependent variable (Y), namely the quality of financial statements.

In this study, the researchers took samples using the Slovin formula. Thus, the model for this research included 185 villages out of 343 villages in Kediri Regency. The research location is Kediri Regency, focusing on village officials, especially the village treasurer and financial IT staff, regarding the importance of SISKEUDES. The implementation of SISKEUDES began in early 2018 and is enforced at every stage of village financial management, from the planning stage to the accountability reporting stage.

The techniques for gathering data, primarily questionnaires, relied on secondary data. Questionnaires are data collection tools that present respondents with questions or written statements to answer. According to Sugiyono (2008), questionnaires are considered indirect data collection techniques, as researchers do not directly engage in

questions and answers with respondents. This study utilized a closed questionnaire, which presents respondents with multiple-choice options. Respondents were asked to select one answer from the given options. The scale used was the Likert scale.

3. Empirical Result

Table 1. Regression Test (1) SISKEUDES Application on Transparency

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	,534	,210		2,541	,012
Apl. siskeudes	1,066	,061	,791	17,484	,000

a. Dependent Variable: transparansi

Source: Results of SPSS Data Processing, 2022.

Tabel 2. Regression Test (2) Application of Siskeudes with Transparency as Mediator on the Quality of Financial Statements

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	,331	,055		6,041	,000
siskeudes	-,035	,026	-,028	-1,380	,169
transparansi	,943	,019	1,008	49,740	,000

a. Dependent Variable: kualitas lap_keu

Source: Results of SPS.S. Data Processing, 2022.

The regression analysis results in Table 1 produce Equation 1: $Y = 0.534 + 1.066x$. Transparency (Y) can be achieved at 0.534 without the SISKEUDES application. A value of 1.066 is attained if the SISKEUDES application (x) advances by one level. This means that the level of transparency is 0.534 when the SISKEUDES application is at 0. At a 5% significance level, this finding is substantial. Clarity will increase by 1.066 units for each unit increase in the SISKEUDES application. Again, this finding is significant at the 5%

level. Based on this explanation, we can conclude that the SISKEUDES application significantly influences transparency. Therefore, the SISKEUDES application is a technology-affiliated financial system that must be continuously improved and perfected.

Equation 2 resulting from the regression analysis table 2 above is $Y = 0.331 - 0.035x + 0.943M$, which demonstrates that the Quality of Financial Statements (Y) may be attained at 0.331 without the use of Siskeudes (x) and Transparency (M). Additionally, it decreases by 0.296 if the Siskeudes application is increased by one level without Transparency (M). With a 1-level increase in transparency without the Siskeudes application, the quality of financial reports will be realized at 1.274. If the SISKEUDES application rises by 1 level and clarity rise by 1 class, the rate of financial statements is also increased to 1.239. At 5% alpha, this finding is substantial. This explanation makes it evident that transparency is crucial for appreciating the caliber of financial reports. The Siskeudes application can lower the caliber of financial statements without openness. Therefore, it must be emphasized that the village community must know the financial information generated by the Siskeudes application as a means of transparency. To consistently realize the quality of financial reports, especially in the Village Development Consultation (MUSRENBSNGDES).

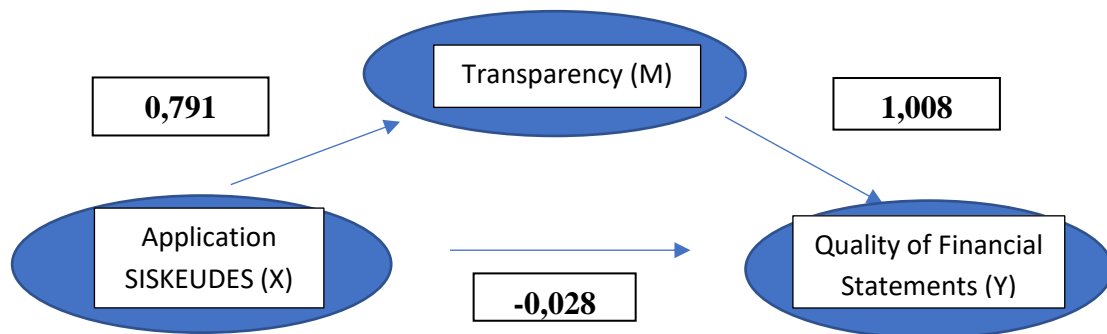


Figure 3. Regression Test Results and Path Analysis

Source: Processed Data, 2022.

In the diagram above, the P1 path value is represented by the standardized beta value for transparency, which is 1.008, while the P3 path value is represented by the standardized beta value of the SISKEUDES application, which is -0.28. This indicates that the SISKEUDES application may be impacted directly and indirectly by the quality of financial statements. The indirect effect is calculated as $0.791 \times 1.008 = 0.797$, while the direct influence has a magnitude of -0.028. If $\beta_1 \times \beta_2 > \beta_3$, or $0.791 \times 1.008 = 0.797 > -0.028$, then transparency can be considered an intervening variable (Z), meaning it has a significant but indirect influence. In terms of enhancing the quality of financial reports, transparency can increase it by 0.797 points. Consequently, transparency is essential for achieving high-quality village financial reports.

The analysis results show that the SISKEUDES application directly affects the quality of financial reports and also has an indirect effect. The magnitude of the direct influence is -0.028, while the importance of the indirect impact is $0.791 \times 1.008 = 0.797$.

Thus, transparency can be regarded as a mediating variable (M), having a significant value. Transparency has a substantial indirect influence on realizing quality village financial reports.

Therefore, it is necessary to emphasize that the application is a tool primarily aimed at achieving high-quality financial reports. The SISKEUDES application must recognize the village's economic progress, which is improving year by year, by enhancing its menus and features. Improvements to the SISKEUDES application can be based on feedback from its users, namely village treasurers in the district. Efforts to gather feedback can be made through symposiums, which can accommodate information and criticism to improve the SISKEUDES application and enhance the quality of village financial reports.

4. Conclusions

Transparency is an intervention or mediation variable (m), namely $0.791 \times 1.008 = 0.797 > -0.028$, significantly influencing the realization of quality village financial reports. The Effect SISKEUDES Application has a significant effect on transparency. The value of $t = 2.541$ indicates it > 1.96 in the table above (t table). Additionally, the Sig value is 0.0005, indicating significance. The Kediri Regency's village financial reports' quality may be directly impacted by the SISKEUDES application and indirectly through transparency acting as an intervening or mediating variable (M). The magnitude of the direct influence is -0.028, while the importance of the indirect effect is $0.791 \times 1.008 = 0.797$. Transparency dramatically influences the quality of financial reports, with a value of 0.797. Therefore, in every annual Village Development Planning Meeting (MUSRENANGDES) activity, it is best to distribute village financial reports to be known and discussed at the event. It is hoped that village development can be sustainable with the current development conditions. Transparency requires the support of the village head and his staff. It can create awareness of the importance of equity in sustainable village development for the welfare of village communities..

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