

How To Achieve Good Financial Governance by Reconstruction of Management Accounting Information System and Asset Management for Better Village

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Abstract

The purpose of this study is to reconstruct the organizational structure along with the main tasks and functions of village officials in terms of management accounting information systems for village asset management in order to create good village governance. The method used in this study is inductive. The type of research used is qualitative with a phenomenological approach. The researcher conducted field observations with a focus on digging up information on how village assets have been managed so far. The results of the study stated that there must be an additional special official who has the field of village asset management so that village assets and potential can be managed properly. To improve asset management, the village should introduce a Technical Implementer position, specifically a Head of Asset Management, with the following responsibilities like Administration of village assets, Inventory management, Cash flow management for asset operations, and Maintenance and preservation of village assets. Researcher hopes that there will be writing that focuses on researching villages all over the world but with different or the same topics so that there is additional insight for readers.

Keywords: *Management Accounting Information System, Asset Management, Good Financial Governance, Village.*

Introduction

The village is a legal community unit that has the authority to regulate and manage the interests of the local community based on local origins and customs that are recognized in the national government system and are located in the district area. The village is also an area that embodies or is a social, economic, geographical, political, and cultural unity and is inhabited by a homogeneous community, most of whom make a living in the agricultural sector, and at the same time have the power to organize their own government. The village not only carries millennium memories, but also shows the pulse of the development of civilization, and plays an important role in promoting high-quality regional development and the inheritance and development of traditional culture (Fu et al., 2021).

Cupak Village is one of the villages located in Ngusikan District, Jombang Regency, where this village is one of the underdeveloped villages in Ngusikan District which has a more concerning condition than several underdeveloped villages in Ngusikan District and is located in the middle of the forest. With the condition of the village which is still natural, it has a distance of approximately 15 KM from the center of the crowd. There are many natural potentials that have not been properly processed. Among them is the location of the village which is on Mount Pucangan with beautiful natural charm, besides that Cupak Village is the religion of Mount Pucangan. The place which has the remains of the King Airlangga site, is often visited by residents as a historical tourist spot to find out the traces of King Airlangga's journey with the presence of ancient tombs, one of which is the tomb of Dewi Kilisuci.

In addition, the people of Cupak Village have skills in making woven mats made from pandan plants, but have not been able to run because they do not have access to marketing. The problem faced is that the village is less able to manage all the wealth it has because the human resources and systems it currently has are not able to cover it properly. The size of the village and the limited main tasks and functions of the village mean that much information about the village is not recorded properly. Not to mention the problem of a rigid organizational structure and the occurrence of dual functions, making village performance not

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handled properly. So there needs to be a special management accounting information system to record village asset management.

Table 1. Village Clustering

No	Cluster Type	Village Development Index	Indicator
1	Independent Village	>0,8155	Able to maintain social, economic and ecological resilience in a sustainable manner.
2	Advanced Village	>0,7072 - <0,8155	Having potential in social, economic and ecological resources, although they have not yet reached the level of an Independent Village, they are able to manage this potential to improve community welfare.
3	Developing Village	>0,5989 - <0,7072	Village with potential that has not been fully optimized. Despite having sufficient resources, this village is still on the way to progress.
4	Underdeveloped Village	>0,4907 - <0,5989	Disadvantaged Villages face major challenges in managing their social, economic and ecological resources. They have potential but have difficulty managing it, so that the welfare of their people is limited.
5	Very Disadvantaged Village	<0,4907	Villages that are highly vulnerable to natural disasters, economic shocks, and social conflicts. They have great difficulty in managing social, economic, and ecological resources, so that poverty is rampant.

Source: Village Digital Transformation

Budget decision making is one of the efforts to achieve organizational performance by using a systematic process in selecting alternatives. This process can be assisted by an accounting information system, because the accounting information system can produce quality information (Ahmad and Al-Sybiel, 2019). Better decision making by managers is influenced by the reliability of the accounting information system (Hanifi and Taleei, 2015, and Wang and Huynh, 2014). According to Saira and Annuar (2020), the accounting and management information system is a system that processes data and transactions to provide information to users. institutions need to plan, control, and run the organization. The accounting and management information system is a complete concept that collects primary data and transforms the data into financial information that is useful for policy makers (Salehi, Rostami and Mogadam, 2020). Bouwens and Abernethy (2020), said that the role of the accounting and management information system in the success of the organization by considering various dimensions of the accounting and management information system in various strategic directions. The role of accounting and management information systems in strategic management decisions and the attributes of accounting and management information systems at different strategic priorities. Accounting and management information systems are systems that utilize an organization's financial data that combine different accounting methods and tools.

Public sector accounting is closely related to the application and treatment of accounting in the public domain. The public domain itself has a wider and more complex scope compared to the private sector. The broad scope of the public sector is not only due to the diversity of types and forms of organizations within it but also because of the complex environment that affects these public institutions. Institutionally, the public domain includes government agencies (central and local governments and government work units), state-owned enterprises (SOEs and regional-owned enterprises), foundations, political organizations, mass organizations, NGOs, universities, and other nonprofit organizations. Public sector accounting serves as a provider of information for economic, social, and political decision-making.

Public Sector Management Accounting

Public sector management accounting serves as an information provider for economic, social, and political decision-making. The influence of these aspects is significant on public sector organizations. Management accounting in public sector organizations plays a role in strategy planning, providing cost information, investment assessment, budgeting, and determining service costs and tariffs. Thus, with management accounting, all activities within public sector organizations can be well-managed.

Management Accounting Information System

The management accounting information system (MAIS) is a structure that integrates various techniques used by an organization to collect, process, manage, report, store, and retrieve its financial data to assist managers in objective decision-making (Balachandran, 2012). MAIS is an internal structure that provides accounting information necessary for management to plan, implement, control, and regulate business activities. It can be used by all types of organizations, including manufacturing companies, non-profits, and service-oriented businesses (Nikoomaram, 2012; Azize, 2016).

The management accounting information system functions as an organizational control mechanism, serving as an effective tool for providing useful information to predict the potential consequences of various alternatives. It reflects the management planning function by providing information for decision-making, motivating managerial behavior, and enhancing efficiency (Belkaoui, 1980 in Jaryanto, 2008:16). Atkinson (1997) stated that management accounting generates useful information to help workers, managers, and executives make better decisions. Traditionally, management accounting information has been dominated by financial information, but over time, non-financial information has also played a crucial role in determining the system's output.

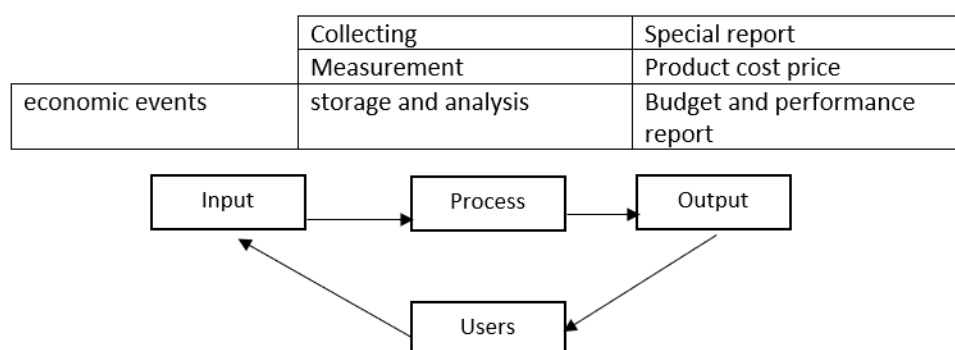


Figure 1. The Concept of Management Accounting Information System

Public Sector Asset Management

Asset management encompasses various activities conducted across different fields, including inventory, valuation, portfolio analysis, auditing, and reporting (Fernholz & Fernholz, 2007). This highlights the necessity of studying fixed asset demand by analyzing the environment (Haynes & Nunnington, 2010) and the strategic objectives of an entity (Conway, 2006; Parida, 2012). Every property must be evaluated based on its current use and compared with its optimal use to determine its market value (Vermiglio, 2011).

All these factors must be considered when making decisions regarding asset disposal, changes in location or building classification, new construction or property purchases in the secondary market, and leases with fluctuating rental rates. One of the most valuable components of government assets, which plays a crucial role in national development, is Fixed Assets, including Buildings and Structures, Equipment and Machinery, and Roads, Networks, and Irrigation Systems. Therefore, the government must implement fixed asset management in accordance with best practices. The objective is to ensure that these assets function optimally, efficiently, and securely. Fixed asset management begins with asset needs planning, budgeting, procurement, implementation, reporting, and auditing. There are critical points in asset management that need close attention to ensure effective governance and utilization.

Methodology

This research employs an inductive method. The type of research used is qualitative. The researcher applies a qualitative approach to explain a problem and systematically outline its solution in depth. This method is suitable for analyzing social and political science issues, allowing researchers the freedom to continuously explore and investigate specific cases. The information sought in this study pertains to the management accounting information system for village asset management. The research approach used is phenomenology. In qualitative research, phenomenology aims to interpret and explain the experiences encountered by the researcher and informants in Cupak Village, Jombang. The researcher seeks to explore, study, and present the phenomena that have occurred in the village over the years concerning governance and administration.

Results: Construction of a management accounting system

Based on the problems experienced by the village, researchers look at the organizational structure and tasks, main points, and functions. There are several improvements that researchers can recommend. The diagram is as follows:

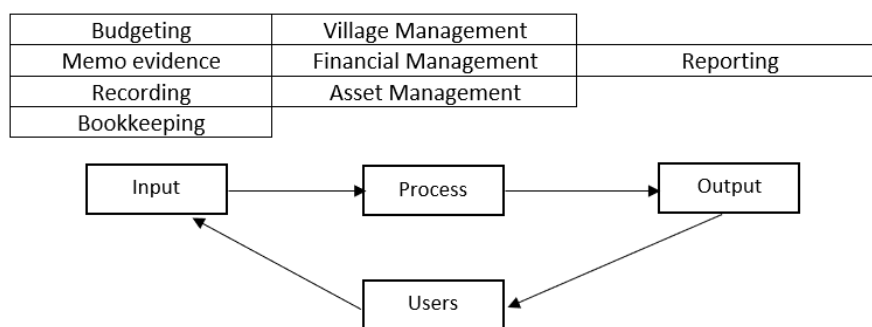
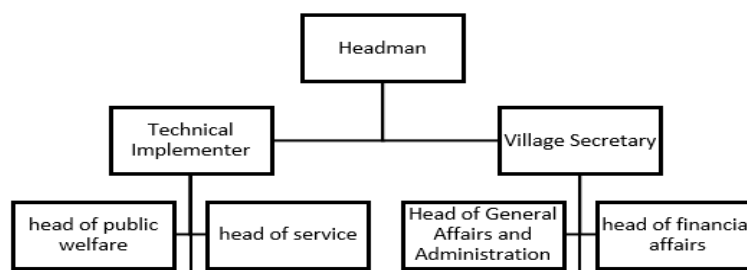


Figure 2. Reconstruction of the Concept of Management Accounting Information System



Main Duties and Functions of Village Officials

1. Village Head – Responsible for administering village governance, implementing village development, fostering community engagement, and empowering village residents.
2. Village Secretary – Assists the Village Head in government administration.
3. Head of General Affairs – Manages administrative affairs, correspondence, and documentation.
4. Head of Financial Affairs – Implements policies related to APBDesa (Village Budget), controls APBDes, and archives financial records.
5. Head of Planning Affairs – Coordinates village planning, prepares APBDes, and monitors and evaluates village government programs.
6. Head of Government Section – Manages village governance, drafts village regulations, and oversees village legal matters.
7. Head of Welfare Section – Conducts socialization and motivates the community in economic, political, environmental, family empowerment, youth, sports, and cultural activities.
8. Head of Public Services Section – Operates village services, conducts outreach and motivation related to community rights and obligations, enhances community participation, preserves social and cultural values, and handles other technical tasks.

Organizational Structure Reconstruction

The researcher proposes a restructuring of the village organization to include a dedicated department for inventorying, managing, and reporting village assets. This recommendation arises due to weak village asset management and the absence of dedicated personnel for asset administration.

Researcher's Recommendation:

To improve asset management, the village should introduce a Technical Implementer position, specifically a Head of Asset Management, with the following responsibilities:

- Administration of village assets
- Inventory management
- Cash flow management for asset operations

- Maintenance and preservation of village assets

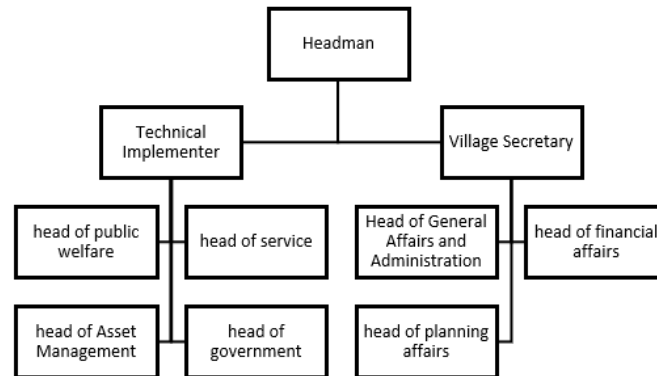


Figure 4: Reconstruction of the Village Organizational Structure

An addition has been made to the Technical Implementer section with the sub-task of Head of Asset Management, responsible for the following duties:

- Administration of village assets
- Inventory management of village assets
- Cash flow management for asset operations
- Maintenance and preservation of village assets

Good Financial Governance

Essentially, the sustainability of Indonesia's development depends on the management of the State Budget (APBN). An ideal state financial management system is based on the principle of good governance, which has become a dynamic pattern in state administration worldwide, moving towards democratic stability. This aligns with the concept of good financial governance.

The implementation of good financial governance in financial management regulations will lead to clean governance. As an application of the principle of legality and legal certainty, the imposition of sanctions for financial mismanagement must be based on applicable laws and regulations while upholding human rights.

Furthermore, these sanctions must be enforced by the authorized institutions after undergoing examination and supervision procedures conducted by the Supreme Audit Board (BPK) and the House of Representatives (DPR). These bodies hold the functions of budgeting and financial oversight, as stipulated in Law No. 15 of 2004 on the Audit of State Financial Management and Accountability and Law No. 15 of 2006 on the Audit Board.

According to Cangara (2020), the emergence of several cases of misappropriation in state financial management is a consequence of the increasing legislative and executive power at the regional level. This situation arose due to Law No. 32 of 2004 on Regional Government, which grants significant authority to local councils in budget management. However, the law does not establish a transparent accountability mechanism for the public. As a result, this extensive authority has led to financial misconduct, with state funds being diverted for personal gain.

One way to uphold transparency and accountability in state financial management is by ensuring that government financial accountability reports adhere to timeliness principles and follow generally accepted government accounting standards (as outlined in Law No. 17 of 2003, Clause 9).

The principles of state financial management, as regulated in Law No. 17 of 2003 on State Finance, Article 3, Paragraph 1, state that: "State finances must be managed in an orderly manner, in compliance with applicable laws, efficiently, economically, effectively, transparently, and responsibly, while considering fairness and propriety."

These financial management principles align with the general principles of good governance. According to the United Nations Development Programme (UNDP), as cited by the State Administration Institute, the key characteristics of good governance include:

- Participation
- Rule of law
- Transparency
- Responsiveness
- Consensus orientation
- Equity
- Effectiveness and efficiency
- Accountability
- Strategic vision (State Administration Institute and Financial and Development Supervisory Agency, 2000:7)

In line with the principles of good governance, the management of state finances within the framework of modern good financial governance must be legally embedded in regulatory provisions that uphold the principles of transparency and public participation (Adam Tomkins, 2005:4).

Thus, as a realization of the implementation of good governance principles, the regulation of state financial management, accompanied by financial oversight and auditing in various Indonesian laws and regulations, must align with the principles of efficiency, economy, effectiveness, transparency, and accountability, while also considering fairness and propriety.

The key issues addressed in this study are:

1. Does the regulation of state financial management in Indonesian laws and regulations adhere to the principles of good financial governance?
2. How are sanctions applied to financial mismanagement within state financial governance?

In line with the principles of good governance, the management of state finances within the framework of modern good financial governance must be legally established in regulatory provisions that uphold the principles of transparency and public participation.

Essentially, the principles of state financial management within the framework of good financial governance are based on the principles of good governance in government administration. Therefore, the study of good financial governance principles is analyzed through the concepts of good governance principles.

From the definitions of governance and good governance, it can be concluded that good governance is not only a concern within the scope of the state but also applies to other sectors, including private enterprises

and society. Additionally, good governance regulates the administration and activities of government institutions to ensure accountability and efficiency.

Conclusion

Based on field observations, the author proposes a reconstruction of the organizational structure to include a specialized division for asset management. This involves the addition of a dedicated official for asset management with the following responsibilities:

- Administration of village assets
- Inventory management of village assets
- Cash flow management for asset operations
- Maintenance and preservation of village assets

The absence of this specialized position could result in neglected village potential and poor asset administration. Furthermore, having comprehensive village officials across all sectors can contribute to good village governance, ensuring that all potential village resources are well-organized and effectively managed.

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