



Optimizing Smart Villages: The Mediating Role of Good Village Governance Through Accounting Information Systems

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Abstract. This study investigates the relationship between the implementation of Good Village Governance, optimization of Smart Villages, and the outcomes of Accounting Information Systems. Good Village Governance is related to the effective way to govern village, which also serves as a reference point for village financial management. Smart Villages combine information and communication technology with efficient and sustainable village management. Accounting Information Systems enables the collection, processing, and reporting of financial information in an organization. The study uses the Participatory Rural Appraisal (PRA) approach, including analysis, implementation, and evaluation stages, along with questionnaires distributed to village officials. The findings highlight the important role Good Village Governance in optimizing Smart Villages and enhancing the outcomes of AIS, where Good Village Governance is proven to influence the outcomes of AIS as well as influencing the achievement of Smart Village. Meanwhile, Smart Village is not proven to influence the outcomes of AIS, indicating that there are future research opportunities in the future to examine other variables to extend this research scope and results. Through this research, the practical implication that can be taken is that government and organizations involved in Smart Village development should prioritize the establishment of Good Village Governance and the optimal implementation of AIS to achieve sustainable financial goals in a smart village setting.

Keywords: village development; accounting information system, good village governance, smart village

1 Introduction

The Indonesian government issued Law No. 6 of 2014 concerning Villages, aiming to promote the rural economy and address national development disparities by strengthening these areas as development subjects. To achieve this goal, the government began allocating village funds in 2015 to 74,954 villages throughout Indonesia, amounting to 20.7 trillion rupiahs. By 2022, the allocated village funds increased to 72 trillion rupiahs. This significant increase in the disbursement of funds necessitated the implementation of “good village governance” by the village governments.



Fig. 1. Village fund allocation

Sambirejo Village in Sleman Regency, Yogyakarta Special Region (DIY), is an example of a successful transformation. According to Wahyu Nugroho, S.E., the head of Sambirejo Village, this village once known for its poverty and was one of the poorest villages in Sleman Regency in the 2000s, with a village revenue of only 10 million rupiahs per year. Starting in 2015, Sambirejo Village transformed the location of a stone quarry into the Breksi Cliff Park tourist site. Furthermore, they established a Village-Owned Enterprises (Badan Usaha Milik Desa or BUMdes) with six units, including Savings and Loans, Printing, Tourism, Village Shop, and the Village Economic Hall (Balai Ekonomi Desa or Balkomdes).

When we met Wahyu Nugroho at the village office, he mentioned that there were several challenges faced with the growth of Sambirejo Village. Among these challenges were the suboptimal implementation of the accounting information system and good village governance due to the absence of clear job descriptions and functions for each department in the form of flowcharts. Another issue was the lack of supporting documents in various areas, including the Village-Owned Enterprises (BUMdes).

The issues related to good village governance should reflect the values that the organization can create using productive assets compared to the expectations of stakeholders. [1] states that village governance issues are very important due to various influencing factors, such as the management of accounting information systems. [2] expresses that supervision is the main factor leading to poor village governance in the public sector. Furthermore, [3] asserts that the cause of fraud and accounting problems is the weakness in corporate governance. Corporate governance, as a hard structure, emphasizes the soft structure as a supportive mechanism for corporate governance, in the form of compliance with legal regulations and the role of regulators in public institutions. [4] Regulations regarding the implementation of good village governance are outlined in Law No. 28 of 1999. It is stated that the provision of public services should be carried out comprehensively, responsibly, effectively, efficiently, and free from corruption, collusion, and nepotism.

Similarly, [5] and [6] argue that human resource competence consists of knowledge, skills, and abilities. Knowledge is a combination of experience, insights, and previous data, forming organized memory [7]. In addition to knowledge, skills are required to drive improvement in critical processes [8]. One's skills may encompass conceptual skills, interpersonal skills, and technical skills [9]. Furthermore, the ability is a person's capacity to complete tasks assigned to

them by utilizing intellectual skills and physical capabilities [10]. In addition, [11] found that competent resources can reduce the level of fraud in a company.

This research is significant because it provides empirical evidence of the success of the accounting information system and good village governance in achieving a smart village. The results of this research can also be used as material for the evaluation and development of villages in the future.

2 Literature Review

2.1 Accounting information systems

Government service reporting allows users to assess the economy, efficiency, and effectiveness of the services provided, where performance metrics concern the outcomes of public services. Government accounting information systems enable citizens to provide direct feedback on the quality of public service outputs and explicitly express the needs and expectations of citizens. The government can leverage this communication channel to promote public engagement in supporting their decision-making and swiftly disseminate service resources.

Accounting information systems (AIS or SIA) are a crucial factor in business decision-making. Accounting information systems can facilitate accurate reporting, process large-scale transactions, and generate meaningful reports for further evaluation [12]. Literature indicates that AIS can contribute to improving organizational governance and operations [13]. Accounting information systems can be considered as a social concept [14].

2.2 Good village governance

Good village governance is part of the emerging new paradigm that has a significant influence in the post-multidimensional crisis era, aligning with the demands of the reform era [15]. As a developing country with high demands for reform, good governance in Indonesia appears as a new transplant model. It is believed to address the corrupt political bureaucracy, bribery, and abuse of power (various human rights violations). Even after five years since the beginning of the reform, the desire for good governance and a clean government remains far from expectations.

Good village governance means effective village governance, and it serves as a reference point for village financial management. The guidelines for implementing good governance in a village can be based on five principles of good corporate governance or effective organizational governance, which are now applicable within the context of villages. These principles include equitable treatment among stakeholders (fairness), independence, transparency, accountability, and responsibility [16].

Previously, in Indonesia, villages were governed by Law No. 32 of 2004, which placed villages under the jurisdiction of regencies and granted them limited authority to self-govern. Rural community development was slow and stagnant because, at that time, village governments functioned primarily as civil servants responsible for recording births, deaths, and marriages. Ten years later, in 2014, Law No. 6 was enacted to enhance the welfare of rural communities.

The agency theory explains the relationship between the government and citizens, where the government acts as an agent of the citizens, and citizens are the principals who entrust their resources to the agent [17]. This relationship is susceptible to corruption because the government monopolizes information about citizens. As a result, government oversight of activities and the disclosure of financial and non-financial information about management processes and outcomes are crucial to bridge the gap between citizens and the government.

Village governments operate under central government authority and compelled to institutionalize the governance processes as required by regulations. In this context, institutional theory attempts to provide a conceptual framework for analyzing organizational behavior. It is based on the premise that entities do not operate in isolation but interact with each other in what is known as the organizational field, which ultimately aggregates into society. Institutional theory also emphasizes the importance of legitimacy as far as it constrains actions and determines behavioral choices. Therefore, accountability becomes a crucial component in organizational legitimacy and corruption detection. As village governments are entrusted with community funds, they must be accountable by providing accurate and reliable information about government financial transactions for public monitoring. Accountability will also ensure the legitimacy of village governance and help eliminate corruption [17].

Additionally, village governments should promptly disclose and deliver information to meet the concept of transparency. Enhancing transparency in governance will enable citizens to monitor government performance because transparency allows citizens to understand government achievements by providing accurate information [3]. By providing crucial information to citizens, the government allows citizens to understand its achievements.

Furthermore, according to the Village Law, villages are drivers of prosperity, not just objects [18]. Previously, active participation of the rural community has been carried out by the Socialist Republic of Vietnam, as Vietnam achieved it through their commune development program, where policies aimed to build trust in rural communities and active engagement in analyzing issues, possibilities, and developing solutions [2]. Through this concept, grassroots communities use their knowledge to explore the potential of the village, identify obstacles and limitations, and find acceptable solutions. In the concept of participation, village communities also have the opportunity to provide suggestions and critiques on budgets and performance; therefore, the potential for corruption can be detected.

Therefore, this research aims to investigate how village governments implement accountability, transparency, and participation through the institutional concept towards best governance practices for corruption prevention and detection in Indonesia. This study also examines how the accounting information system outcomes is affected by good governance practices and smart village.

3 Research Methods

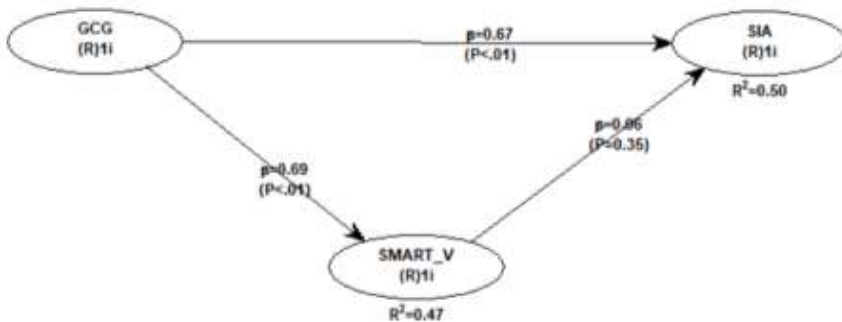
Based on the issues faced by Sumberejo Village, an appropriate approach is needed to achieve the objectives. Upon initial identification, the most optimal alternative is socialization followed by support for Sumberejo Village officials. Based on the explanation above, the method used is the Participatory Rural Appraisal (PRA) approach, meaning that this approach involves participatory field assessments. Village officials actively engage in analyzing problems to find the best solutions that can be directly applied. The implementation process of the PRA method includes three stages: analysis, implementation, and evaluation. In the analysis stage,

activities involve setting goals and analyzing the environment. The implementation stage involves the accounting information system. The final stage is the evaluation stage of Good Village Governance to enhance performance toward a Smart Village.

4 Results and Discussion

After undergoing testing using SPSS software, this research reveals that the questionnaire employed in this study can be categorized as a valid and reliable instrument. The questionnaire's validity was assessed by considering content validity and construct validity criteria. The test results indicate that the questions in the questionnaire accurately reflect the constructs under investigation, with a high level of congruence.

Furthermore, the questionnaire's reliability was also assessed using statistical analysis conducted with SPSS. The test results demonstrate that the questionnaire exhibits a high level of consistency among its items. The reliability coefficients generated, such as Cronbach's Alpha, reach an acceptable level, indicating that the questionnaire can be relied upon for measuring the constructs under investigation.



Path coefficients			
	SIA	GCG	SMART_V
SIA		0.665	0.058
GCG			
SMART_V		0.686	

P values			
	SIA	GCG	SMART_V
SIA		<0.001	0.353
GCG			
SMART_V		<0.001	

This research represents a comprehensive investigation into the intricate dynamics between Corporate Governance (CG) and Accounting Information System (SIA), as well as the potential influence of Smart Village initiatives on SIA outcomes. Employing advanced statistical analysis techniques, specifically the Partial Least Squares (PLS) method, this study sought to ascertain the degree of significance characterizing these relationships. In the sections that follow, we

present an in-depth exploration of our key research findings, offering a detailed perspective on the implications derived from our analysis.

A cornerstone of our investigation centered on the connection between Corporate Governance (CG) and the process of Accounting Information System (SIA). The outcomes of our statistical analysis painted a compelling picture. Our findings unveiled a substantial, positive relationship between CG and SIA. Of paramount importance, the associated p-value was found to be less than 0.01, signifying a profound level of statistical significance.

This remarkable result substantiates our primary hypothesis, which posits that CG plays a pivotal role in shaping the outcomes of SIA. It further underscores the assertion that organizations that diligently adhere to strong CG practices are distinctly more adept at achieving superior results in their SIA endeavors. This suggests that the principles of ethical governance, marked by transparency and accountability, wield a significantly positive influence on an organization's ability to fulfill its social responsibility commitments.

In stark contrast to the potent impact of CG on SIA, our analysis of the potential influence exerted by Smart Village initiatives on SIA outcomes presented an intriguing revelation. The computed p-value for this relationship stood at 0.35, a figure markedly exceeding the conventional threshold of 0.01 for statistical significance. Consequently, our statistical analysis did not lend support to the hypothesis positing that Smart Village initiatives wield a substantial, direct impact on SIA outcomes.

The implications arising from this outcome are profound. It signifies that the statistical analysis failed to establish a strong, causal relationship between the presence of Smart Village initiatives and Accounting Information System (SIA) outcomes. While Smart Village initiatives remain undeniably essential for the broader objectives of rural development and sustainability, they appear to exhibit a limited direct influence on the specific outcomes of SIA. This suggests, other factors and variables may have a more pronounced role in shaping SIA outcomes.

4 Conclusions

In conclusion, the findings emerging from this research represent a significant contribution to the existing body of knowledge concerning Corporate Governance, Smart Village initiatives, and Accounting Information System (SIA). The robust statistical evidence underscores the pivotal role of CG in determining SIA outcomes. Organizations and stakeholders are encouraged to prioritize and enhance their CG practices to engender responsible and ethical operations and, in turn, bolster their social responsibility endeavors.

However, it is crucial to acknowledge the nuanced nature of the relationship between Smart Village initiatives and SIA outcomes. While Smart Village initiatives remain a vital component of sustainable development and rural upliftment, their direct influence on the specific outcomes of SIA may be more subtle than anticipated. Therefore, organizations and policymakers are advised to adopt a holistic approach that integrates best practices in CG with Smart Village initiatives to achieve comprehensive and sustainable social impact.

In light of these research findings, organizations are encouraged to reevaluate their strategies, emphasizing the importance of ethical governance while recognizing that the effects of Smart Village initiatives on SIA outcomes may be mediated by other factors. These insights serve as a foundation for further exploration and strategic decision-making in the domains of governance and sustainable development, contributing to a more comprehensive understanding

of the complex interplay between corporate practices, social initiatives, and their ultimate impact on society.

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