



# Preventing Corruption Behavior in Achieving Good Village Governance: Case Study in Semarang Regency

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**Abstract.** This study provides empirical evidence of the implementation of good village governance, internal control, and societal participation in preventing and detecting corruption. The qualitative study will be conducted through a semi-structured interview with village leaders, village treasurers, and village consultative council members. The findings highlight the potential for misuse, carried out through procuring goods and services involving village staff. They take advantage of various agreed projects for personal interest. Internal control and community participation contribute to the failure to prevent and detect corruption in village government. As a policy maker, the central government must immediately provide internal control regulations for villages to create good governance in eradicating corruption. Moreover, the active involvement of the community in budget implementation is a practical solution that can significantly contribute to this effort. This research contributes to the implementation of good village governance based on internal organizational control functions and community involvement, which can be used to solve the problem of corruption in the village.

**Keywords:** Corruption, Internal Control, Good Village Governance, Societal Participation

## 1 Introduction

Not only is Indonesia a developing country, but it is also an archipelagic country, which requires a lot of infrastructure development to improve the economy. The government has shown their effort, such as building more advanced villages and improving the village's potential. To succeed in building an advanced village, the village government must be able to identify the needs of its community so that it follows actual conditions and makes improving the community's quality of life more manageable. Villages have the autonomy to manage and organize their households; thus, they require good budgeting and implementation. Government support for village autonomy is contained in Law No. 6 of 2014, known as the Village Law, which is intended to improve the welfare of village communities [1][2].

Government support for village development and welfare through the Village Law gives the village government the authority to manage village finances independently.

Based on Permendagri No. 20 of 2018 on village financial management, article 2, paragraph 1 states that village finances are handled monthly. Village financial management is crucial and is in the main spotlight because a significant amount of funds comes from the State Revenue and Expenditure Budget (APBN), namely village funds. The central government gives each village approximately 700 million to 1 billion annually to fund village development and community empowerment. However, even though the law has been implemented, corruption in village government is among the top three corruption cases in the government sector, and it continues to increase yearly [3].

Corruption in Indonesia remains a pressing issue across government sectors, ranking 102nd out of 183 on the Corruption Perception Index in 2020. Village governance, a relatively new area of corruption, has received little research attention in Southeast Asia (most research discussed conditions in China and Africa, particularly in Indonesia, despite the critical role village governments play in alleviating poverty. This research has the potential to significantly impact the understanding and management of governance and corruption in Southeast Asia. Addressing corruption in village governance is crucial as it directly affects these governments' ability to fulfil their poverty alleviation mandate.

Previous studies have linked corruption to good governance, and this topic remains relevant for understanding corruption in villages, as village governance is a new area that has yet to be extensively studied in the public sector. In the past, village governments focused solely on administrative services to the community without being held to the same standards of good governance as other forms of government. However, with the enactment of Law No. 6 of 2014, village governments now have institutional authority and budget responsibilities. Therefore, the concept of good governance is still relevant in explaining the occurrence of corruption in village government. This research investigates good governance practices in depth to explain their effectiveness in preventing and detecting corruption at the village level.

## 2 Literature Review

Villages in Indonesia were previously regulated by Law No. 32 of 2004, which placed villages under regency and gave them little authority to regulate their government. Village community development was slow and did not develop because the function of the village government at that time was only as a community servant who registered births, deaths, and marriages. However, in 2014, a significant change occurred with the enactment of Law No. 6, which aimed to empower rural communities, giving them more authority and control over their development.

With village autonomy, there is a tendency for corrupt behavior among village officials. The agent-principal theory explains that the relationship between the government and citizens, the government is the agent of the citizen, and the citizen is the principal who entrusts his money to the agent [4][5][6]. This relationship is prone to corruption because the government monopolizes information on citizens. Consequently, monitoring government activities and disclosing financial and non-financial information about management processes and outcomes is essential to close the gap between citizens and

government [7]. Because village governments are under the central government, villages are forced to institute governance processes as required by regulations.

Furthermore, institutional theory provides a conceptual framework for analyzing organizational behavior [8]. It is based on the premise that entities do not operate independently but rather interact with each other within an organization, which ultimately aggregates into a society. Institutional theory also emphasizes the importance of legitimacy insofar as these circumstances constrain actions and determine behavioral choices [9]. Therefore, accountability becomes a critical component in organizational legitimacy and corruption detection. Because the village government is entrusted with managing several funds for community welfare, it must be held accountable by providing accurate and reliable economic transaction information. Accountability will also ensure the legitimacy of village governments and will eliminate corruption [10][11].

Despite accountability, the village government must be transparent, meaning they must immediately disclose and convey information openly (transparency). Increasing transparency in governance will enable village communities to monitor government performance because transparency allows citizens to understand government achievements by providing accurate information [12][13]. Because the government exposes essential information to citizens, citizens can understand the government's achievements.

Furthermore, according to the Village Law, villages are drivers of prosperity, that is, not just objects [6]. Previously, active participation of village communities had been implemented by the Republic of Vietnam, as achieved by Vietnam with its community development program, where the policy tried to build village community trust and active involvement in analysing problems and possibilities and developing solutions [14]. Through this concept, the community uses their knowledge to explore the potential, obstacles and limitations of the village and find acceptable solutions.

In the concept of participation, village communities also have the opportunity to provide suggestions and criticism regarding the budget and its realization; therefore, potential corruption can be detected. The detection and prevention of corruption also depends on the internal control (IC) implemented, which varies depending on the characteristics of the organization [15][16]. Apart from that, village government is different from other governments in Indonesia, so in its implementation it must consider the unique aspects of the village. Taking this into account, internal control will effectively prevent and detect corruption because control systems play an important role in local government to be aligned with organizational goals [17].

Therefore, this research aims to investigate how the new village government implements internal control and community participation in creating good village governance for the prevention and detection of corruption in the village government.

### **3 Method**

This research was located in a village in Semarang Regency. This study used in-depth interviews with three groups of participants, namely village heads, village treasurers,

and members of the Village Consultative Body to comprehensively understand the focus of the research. This research uses a case study approach [18]. The village head and village treasurer were interviewed about internal control, accountability, transparency and competence. Meanwhile, members of the Village Consultative Body, which represents the village community, plays the main role in supervising and controlling village government and were interviewed regarding internal control, participation, transparency and corruption perspectives. In addition, semi-structured and open-ended questions were asked to the three groups of informants, then recorded using an audio recorder and then transcribed.

Data analysis in this research is a thematic analysis that consists of six stages: (1) familiarizing yourself with the process of compiling data, making transcripts, reading and re-reading existing ones to get initial meaning; (2) generating initial codes, carrying out a systematic coding process on any data of interest in all existing data sets; (3) looking for themes, identifying themes from transcripts, and adapting them to the theoretical background used, namely good village governance; (4) reviewing themes discovered later in the review; (5) defining and naming themes and subthemes, conducting analysis to select specific themes from the identified themes, and generating appropriate names and definitions for each selected theme. (6) produce a report by writing a detailed analysis of each theme, interpreting the meaning, and describing the relationship between the data and its relevance to similar themes to determine its essence [19].

In this research, the first step is to transcribe while capturing themes intuitively. For example, when compiling the transcripts, we discovered the themes of “internal control,” “community participation,” “propensity for corrupt behaviour,” and “good governance.” Next, often known as coding, we created sub-themes using the NVIVO tool, namely “nodes.”

## 4 Results and Analysis

Corruption often occurs by individuals who have opportunities and opportunities. The smallest organization in the government structure, namely the village, is not immune from acts of corruption by its officials. Goods and services procurement projects are an opportunity for village officials to misuse budgets. The value of procurement of goods and services uses a large enough budget so it is easy to commit fraud. [3] said that the most trending acts of corruption occur in the goods and services procurement sector. The type of fraud or abuse that can be carried out in the procurement of goods and services is collaboration between village officials and suppliers. Suppliers who are able to provide commissions to village officials who have the authority to regulate the procurement of goods and services will be selected, thereby causing an increase in the contract value.

Price mark-ups being more significant than they are also one way to misuse budgets to procure goods and services [21]. An example is 10% profit from contracts to procure goods and services. Based on the procurement of goods and services, it is permissible to add to the contract value as long as it does not exceed 10%. Besides, reports on

procuring goods and services must follow the added value. For example, the construction of a JUT or agricultural road requires a cost of Rp. 150,000,000 to purchase materials, but this nominal amount is changed to Rp. 160,000,000 in administration, where the difference will go into the personal pockets of the officials organizing the procurement of goods and services.

The factor that causes corruption, especially in the procurement of goods and services, is an internal intention to get more money than the salary that has been earned. Village officials who are in charge of or are directly involved in procuring goods and services have a high sense of position, which accompanies their desire to commit corruption. Corruption is carried out administratively by manipulating data and financially by taking funds into personal pockets. Apart from that, it is accompanied by existing opportunities and a need for more integrity from village officials [22].

Abuse of authority reflects a bad attitude by village officials. Corruption in procuring goods and services results in uneven development, making community welfare unoptimized. This action is detrimental to the state because the procurement of goods and services comes from the State Revenue and Expenditure Budget and the Regional Revenue and Expenditure Budget. Apart from that, bribes from village officials from providers of goods and services result in unhealthy business competition because contract agreements are based on how much commission agreement they can acquire. Furthermore, the decrease in community trust in village officials leads to a lack of cooperation and support, hindering the effectiveness of their roles and responsibilities [23].

The various consequences of corruption in procuring goods and services cause losses to all parties, especially society. The right strategy is needed to prevent corruption, not eradicate it. Therefore, it is necessary to monitor existing activities and programs so that potential fraud or abuse can be detected. Tightening supervision is carried out from the planning process to reporting. If there are indications of committing acts of corruption in procuring goods and services, the deterrent effect is given in the form of legal sanctions. The following is an explanation of several elements that can prevent and detect corruption.

#### **4.1 Implementation of good village governance**

Local village officials have implemented village governance well. Village officials carry out their duties and obligations by applicable regulations. Village officials transparently manage the village so the programs can meet the community's needs and share the information widely. This is done by providing information boards after construction, such as dams, farm roads, bridges, etc. Five principles serve as criteria for assessing good village governance as follows:

- a. **Transparency.** Village officials are open to providing information to the community via notice boards regarding reports on program implementation. It allows the public to understand the policy implementation and assess the field's suitability. Village officials provide massive amounts of information through the website and social media.

- b. **Accountability.** Village officials can be accountable for resource management, especially the procurement of goods and services. It relates to village officials carrying out their duties well and being responsible for the decisions they take.
- c. **Responsibility.** Village officials manage the village according to applicable laws and regulations. It is supported by adequate facilities such as computers, printers, the Internet, etc.
- d. **Independence.** The government manages the village without influence or pressure from parties prioritizing personal interests.
- e. **Equality and fairness.** Village officials can carry out their duties and responsibilities optimally by providing administrative services to the community in a friendly and straightforward manner.

Good village governance is a reflection of the competence of village officials in managing the village [24]. Village officials, with their distinct duties and responsibilities, are interconnected and coordinated. A conducive environment is necessary to achieve effective village management. The importance of an effective organizational structure cannot be overstated, as it is crucial in enhancing and supporting the implementation of good village governance. Village officials play a pivotal role in developing village policies and regulations that are rooted in community needs and aspirations, such as infrastructure development and the protection of fundamental community rights.

The provision of administrative services that are clear, friendly, and swift is a key element in effective village management, serving as a reflection of the integrity of village officials. Village governance is key to equitable development and community welfare. Good village governance reflects integrity in village officials' duties and authority. Fulfilling the previous principles is a form of good village governance that can prevent corruption and increase public confidence in the suitability of its implementation.

## **4.2 Internal control**

Internal control is one of the methods used to monitor and evaluate financial management periodically. The better the existing internal control system, the more impact it will have on the smooth running of an organization. Villages that can implement internal control are believed to manage the village well. Based on the Government Regulation of the Republic of Indonesia Number 60 of 2008 concerning the Government's Internal Control System, the elements of the internal control system consist of the control environment, risk assessment, control activities, information and communication, and internal control monitoring. The institutions that are supervised at the village level are the Village Consultative Body, regional government, and central government. Parties must monitor to prevent fraud in village management so that the reliability of the report information produced is guaranteed.

Village officers need internal control to monitor and evaluate their implemented programs. It starts from the highest level and authorized officials such as assistants from regency, districts and sub-districts, village consultative bodies, village heads, and influential figures. Internal control provides adequate confidence regarding the village

government implementation process in village management, especially the procurement of goods and services so that planning, implementation, supervision, and accountability are carried out effectively and efficiently. The mechanism for procedures for procuring goods and services has been regulated by existing regulations such as the Republic of Indonesia Government Goods/Services Procurement Policy Institute Regulation Number 12 of 2018 concerning Guidelines for Preparing Procedures for Procurement of Goods/Services in Villages. The various regulations issued by the government are intended to serve as guidelines for the procurement of goods and services so that village officials cannot abuse them.

Village coordinators, particularly those from the Inspectorate as the Government's Internal Supervisory Apparatus, are integral to the procurement process. Their role is to ensure that village officials with authority in procuring goods and services refrain from spending their funds. This supervision is carried out to ensure compliance with the applicable regulations. Audit reports are used to monitor the procurement of goods and services for follow-up, underscoring the value of the village coordinators in this process [25].

The internal control should provide adequate confidence that all village management activities, especially in the procurement of goods and services, are conducted according to the rules and procedures established and supervised by the competent authorities. Supervision starts with the process of planning goods and services, budget disbursement, implementation in the form of purchasing goods and services, and reporting on the procurement of goods and services.

### **4.3 Community participation**

Communities that actively participate or are involved in the decision-making process, as well as the supervision and monitoring of the performance of village officials, are an effort to prevent and detect corruption. The village government involves the community in the decision-making process so that it can provide input on development priorities and urgent village needs. The community's influence in the financial decision-making process is significant, as they participate in discussion forums to determine village needs and budget planning. This process starts with the smallest forum meeting from the hamlet deliberation and then moves up to the village deliberation, ensuring that the community's voice is heard in every financial decision.

Community participation ensures that information about procuring goods and services is widely open and accessible to the public. Village officials must provide transparent information regarding the budget allocated, the procurement process, criteria for selecting providers of goods and services, and contracts made. Accessible information allows the public to monitor the procurement of goods and services, reducing the risk of budget misuse.

The community bears the responsibility of supervising activities carried out by village officials, particularly in the procurement of goods and services. This role ensures that the process is conducted with integrity, free from personal interests or specific groups. It also serves as a deterrent to potential bribes from providers of goods and services to officials authorized to procure, ensuring fair selection. The community's

vigilance extends to monitoring the goods and services received, ensuring they meet agreed specifications and adhere to the contract.

## 5 Conclusion

Procurement of goods and services is an area that is prone to abuse or is often subject to abuse, namely corruption by authorized village officials. A person can do various things if there is a chance or chance. Precautions are needed in the process without a person's interests involved. It can be done by implementing good governance, carrying out internal control through supervision, and the community actively participating. The process of procuring goods and services must meet the principles of good governance, such as transparency, accountability, responsibility, independence and equality, and fairness. Internal control is carried out by various parties to maintain the appropriateness of the role of village officials. The community jointly supervises the implementation of each program carried out.

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