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## The Impact of Competence, Planning, and Financial Reporting on Village Fund Management through SOP as an Intervening Variable

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**Abstract:**

*The study focuses on the impact of competence, planning, and financial reporting on village fund management, with Standard Operating Procedures (SOP) acting as a mediating variable. The aim of this research is to determine the extent to which these variables influence the effectiveness of village fund management, which plays a critical role in promoting regional development. A quantitative approach using the SEM-PLS method was employed to analyze the impact of competence, planning, and financial reporting on village fund management across four districts in Sidoarjo Regency, with SOP as an intervening variable. The results show a positive and significant relationship between Village Apparatus Competence, Village Fund Planning, and Village Financial Reporting on Village Fund Management, both directly and through the mediation of SOP. When these three factors interact, they have a strong impact, with a path coefficient of 0.619 and a T-statistics value of 3.485. SOP plays a crucial role as an intervening variable, with an indirect effect of 0.355 and a direct effect of 0.782. This model explains 68.2% of the variation in Village Fund Management, with a Goodness of Fit value of 0.640. The study highlights the importance of improving competence, planning, reporting, and SOP to enhance financial governance.*

**Keywords:** Competence, Planning, Financial Reports, Village Fund Management and SOP.

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## **1. Introduction**

Effective management of village funds in Indonesia is crucial for improving rural welfare, requiring a multifaceted approach that includes competence, planning, and financial documentation. Research shows that the expertise of village officials significantly influences fund management, as those with adequate knowledge can make informed decisions and implement programs effectively (Mainunah Sambas & Guntur Eko Saputro, 2024; Usman & Rahmawati, 2024). However, this competence must be paired with strict planning to ensure that resources are allocated wisely and the needs of the community are met, thereby reducing the risk of fund mismanagement (Iwawan Aji et al., 2024; Minarni, et al., 2024). In addition, transparent financial documentation is crucial for accountability, as it fosters trust and enables effective oversight of fund utilization. Establishing Standard Operating Procedures (SOP) can enhance synergy between these elements, ensuring that competence, planning, and financial reporting work cohesively to optimize village fund management and ultimately improve the quality of life for rural residents (Winarsi & Kristianti, 2018).

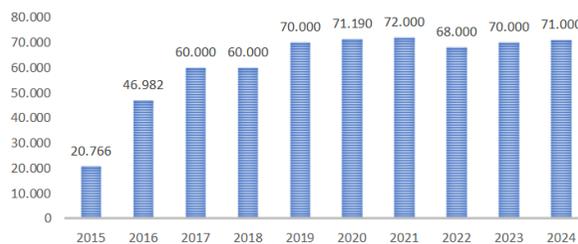
The development of villages is a primary focus at the national level with the aim of reducing the gap between urban and rural areas. Village funds, if managed effectively, are expected to drive economic progress, reduce poverty, and improve the overall quality of life for rural residents. However, the practical implementation of village fund management often faces numerous challenges (Hajar et al., 2022). The main challenge is related to the lack of skills among the designated village authorities in overseeing the management of village funds. The competencies required for village authorities include technical acumen, managerial expertise, and a comprehensive understanding of the regulations and policies governing the use of village funds (Putubasai, 2018).

The lack of competence can lead to suboptimal and ineffective village fund management, increasing the risk of fund misuse. Besides competence, meticulous planning emerges as a crucial determinant in village fund administration. Effective planning must be based on the authentic needs of the village community, involve active participation from community members, and consider the potential and resources available in the village (Syafingi et al., 2020). Without strong planning, village fund allocation is at risk of not aligning with the targeted goals, which consequently hampers the achievement of village development objectives. The challenges faced in village fund planning are often associated with a lack of accurate data, inadequate community involvement, and insufficient coordination between village authorities and higher-level government entities (Hambali & Niode, 2018).

Additionally, transparent and accountable financial reporting is a fundamental component of village fund governance. Proficient financial reports should accurately reflect the allocation and utilization of village funds according to the previously established plan while adhering to recognized accounting principles. However, many villages continue to struggle with obstacles in preparing financial reports, such as a

shortage of human resources equipped with accounting knowledge and skills, along with the absence of systems and technologies that facilitate effective financial reporting (Mulyani et al., 2022). Inaccurate or incomplete financial reports can create public distrust and skepticism among stakeholders, thereby hindering the process of evaluating the utilization of village funds. In response to this challenge, establishing clear and consistent Standard Operating Procedures (SOPs) has the potential to enhance the effectiveness of village fund management. SOPs serve as a framework for village governments in carrying out their responsibilities, including planning, implementation, and reporting on the use of village funds (Burhanuddin et al., 2022).

An effective SOP should be formulated based on best practices and adapted to the unique contextual conditions of each village (Arbain & Ariyani, 2019). The introduction of SOPs is expected to establish higher work standards, minimize errors, and enhance transparency and accountability in village fund management. The amount of village fund budget in Indonesia from 2015 to 2024 is shown in Figure 1.1 below:



**Figure 1.**

#### **Village Fund Budget Amount from 2015 – 2024**

In Figure 1 there is an increase in the Village Fund budget from 2015, initially amounting to IDR 20.766 trillion, rising to IDR 71 trillion by 2024. Although there was a decrease in the budget in 2022 to IDR 68 trillion, it has increased again in 2023 and 2024. This increase in the budget indicates that the allocation of Village Funds can be managed effectively. In line with the objectives of the Village Fund, which include improving public services in villages, alleviating poverty, advancing the village economy, addressing disparities, promoting inter-village development, and strengthening village communities as development subjects (Law No. 6 of 2014 on Villages), the Village Fund must be well-managed. According to its management principles, the Village Fund is inseparable from village financial management in the Regional Budget (APBD), involving all layers of the village community in planning, implementation, and evaluation activities. All these activities must be accountable administratively, technically, and legally. This aims to ensure that the Village Fund is used effectively, i.e., in a directed, economical, efficient, effective, fair, and controlled manner.

The planning of the Village Fund budget refers to a plan or allocation of funds to finance village government activities, development implementation, community development, and empowerment. In planning, the Village Head assigns the Kaur

(Head of Administration) and the Kasi (Head of Activities) to execute the budget activities according to their duties, which include preparing the DPA (Budget Implementation Document) no later than three working days after the Village Regulation on the Village Budget and the Village Head Regulation on the Breakdown of the Village Budget are established. This includes the Village Activity and Budget Plan, Village Activity Work Plan, and Cost Budget Plan. The principle of village fund management is based on good governance practices and is outlined in the Minister of Home Affairs Regulation No. 113 of 2014, namely:

- 1) **Transparent:** Village funds must be known by the village community both when the funds are received and when they are used. The flow of funds must be detailed by the village apparatus to all village residents. Thus, this principle ensures that village officials are open about the community's right to accurate, honest, and fair information regarding the administration of village governance while adhering to legal regulations.
- 2) **Accountable:** This involves the obligation to account for the management and control of resources and the implementation of policies entrusted to achieve the established goals. The principle of accountability determines that the activities and outcomes of village governance are in accordance with regulatory provisions.
- 3) **Participatory:** This principle requires that village institutions and community members be involved in the administration of village governance.
- 4) **Orderly and disciplined budget:** The basis or guidelines for managing village finances must be implemented in an orderly and disciplined manner. Several budget disciplines that need to be considered in management include:
  - a) The revenue plan should provide a logically estimated overview of potential revenue from each source, while the budget expenditure represents the maximum limit of spending.
  - b) Expenditures must be supported by the certainty of having sufficient revenue, and it is not permitted to undertake activities for which funding is not available or is insufficient in the Village Budget (APB Desa) or its amendments.
  - c) All regional revenue and expenditures for the fiscal year in question must be included in the Village Budget (APB Desa) and conducted through the Village Cash Account. (Icuk Rangga and Erwin Setyadi, 2019).

According to the Minister of Home Affairs Regulation Number 37 of 2007 concerning village finances, this regulation provides a legal basis for village financial management, sources of funds, and the village budget and expenditures. The Financial Report related to the realization of the Village Revenue and Expenditure Budget (APBDes) at the end of each fiscal year is submitted to the Regent/Mayor through the sub-district head, consisting of revenue, expenditures, and financing as stipulated by village regulations. After the village government and the Village Consultative Body (BPD) agree on the financial report for the realization of the APBDes in the form of village regulations, this regulation is submitted to the Regent/Mayor as an integral part

of the village government administration report. The report is communicated to the public in writing and through accessible media. Generally, the indicators based on the Minister of Home Affairs Regulation No. 20 of 2018 are:

- 1) The village head submits a report on the accountability of the realization of the village budget (APBDesa) to the Regent/Mayor at the end of each fiscal year.
- 2) The report on the accountability of the realization of the village budget consists of income, expenditure, and financing.
- 3) The financial report is provided to the community in writing and through media accessible to the community.

Since the enactment of Law Number 6 of 2014 concerning Villages, the significance and strategic role of villages in the context of national development have significantly increased. The main instrument allocated by the government to stimulate development at the village level is the distribution of Village Funds. Village Funds are fiscal resources provided by the central government to facilitate the implementation of development and community empowerment initiatives within villages. The targeted and effective allocation of Village Funds highly depends on skilled management, where the implementation of Standard Operating Procedures (SOPs) emerges as a crucial element in the comprehensive process.

SOPs are comprehensive guides that include documented instructions on how specific tasks or processes should be carried out to ensure consistency and quality outcomes. In the framework of Village Fund management, SOPs serve as an important reference for village governments as they navigate the various stages of fund administration, including planning, budgeting, implementation, and reporting and evaluation. Carefully crafted SOPs can ensure that each phase in the management of Village Funds is carried out in accordance with applicable regulations while reducing the risk of errors or misuse.

Allocations from Village Funds cover a range of activities that require participatory planning, transparent budgeting, effective implementation, and accountable reporting and assessment. Without clearly articulated SOPs, the process of managing Village Funds (Priantono & Vidiyastutik, 2022) Facing significant obstacles, including inconsistencies in decision-making, delays in program implementation, and challenges in financial accountability. Additionally, ambiguities in procedural guidelines can create vulnerabilities that facilitate corruption and misuse of funds, which ultimately negatively impacts the village community. The effective implementation of Standard Operating Procedures (SOPs) in managing Village Funds also plays a crucial role in enhancing the village government's ability to fulfill its responsibilities. Through the application of SOPs, the village government is provided with explicit guidance on the actions to be taken, including the timing and methodology of implementation. This not only improves operational efficiency but also fosters the development of a transparent and accountable work culture at the village level (Viverita et al., 2022).

Nevertheless, despite its importance, the implementation of Standard Operating Procedures (SOP) in the allocation of Village Funds continues to face numerous challenges. Some villages may lack adequate SOPs, or existing SOPs may not align with local conditions and needs. Additionally, challenges related to human resources, including the knowledge and skills of village officials in understanding and applying SOPs, present a significant barrier. Therefore, it is necessary to formulate and disseminate SOPs that match the unique characteristics of each village, in addition to providing adequate training for village officials (Sahabi et al., 2022).

In an effort to improve the effectiveness of Village Fund management, it is crucial for the government and relevant stakeholders to continuously advocate for the implementation of appropriate and effective Standard Operating Procedures (SOPs). This includes developing comprehensive and easy-to-understand SOPs, as well as establishing a strict monitoring and evaluation framework to ensure adherence to these procedures. By doing so, Village Funds can be allocated and utilized to their fullest potential for the benefit of rural communities while also supporting the realization of national development goals (Yustrianthe et al., 2022).

The importance of Standard Operating Procedures (SOPs) in village fund management goes beyond merely establishing procedures; it also fosters a framework that enables villages to engage in more transparent and accountable financial management practices. This is anticipated to build trust among community members and other stakeholders in village administration, while simultaneously strengthening good governance in the village context (Sarifudin Mada, 2017). Thus, SOPs (Standard Operating Procedures) emerge as a fundamental component in ensuring that Village Funds truly generate maximum benefits for the village community.

## **2. Theoretical Background**

In previous research, it was mentioned that to determine how well a village's financial management is, a financial performance analysis is needed (Eva, 2019). Financial performance analysis of village government is a measurement or assessment of the village government's performance regarding the level of achievement in financial activities over a certain period. According to Wasistiono and Tahir (2006) in Noviyanti & Mulyana (E-Journal IPDN Vol.5 No.1, 2018), the weaknesses typically found in village government include:

- 1) The quality of human resources in the village is generally still low.
- 2) The policy regulations regarding village government organization are not yet perfect. Since the issuance of Government Regulation No. 72 of 2005 concerning Villages, additional implementing regulations are still needed, both as guidelines and for operational purposes.
- 3) The low capacity for planning at the village level often results in a lack of synchronization between the output (results) of policy implementation and the needs of the community, which are the inputs for the policy.

- 4) The supporting facilities and infrastructure for administrative government operations are still very limited. Besides disrupting the efficiency and effectiveness of work execution, this also has the potential to lower the motivation of implementing officials, ultimately hindering the achievement of goals, tasks, and work.

Based on a comprehensive review of the existing literature (Sari & Rohman, 2024)(Fitra et al., 2024), Some research gaps require identification:

- 1) The Function of SOP Intervention Has Not Been Extensively Investigated: Although SOPs are recognized as an important component in Village Fund administration, there is a lack of research explicitly analyzing SOPs as an intervention variable. This highlights a lack of thorough examination of how SOPs may mediate or enhance the relationship between village government competence, planning processes, and financial documentation with regard to the effectiveness of Village Fund management.
- 2) Insufficient Quantitative Methodology to Evaluate SOP Effectiveness: Previous investigations have largely employed qualitative methodologies or case study approaches without quantitatively assessing the role of SOPs as an intervention variable. This has led to a significant gap in evaluating the impact of SOPs on Village Fund management.
- 3) Emphasis on Isolated Factors Without Incorporating the Role of SOPs: Several studies address competence, planning, and financial reporting separately. However, research that synthesizes these three elements within a more comprehensive framework considering the role of SOPs as an intervention variable remains scarce.
- 4) Local Context Variability Not Adequately Acknowledged: Previous studies often overlook the variability of local contexts that may influence the effectiveness of SOP implementation. Elements such as local cultural dynamics, human resource capacity, and support from local government have not been sufficiently examined, leading to conclusions that may not be widely applicable.

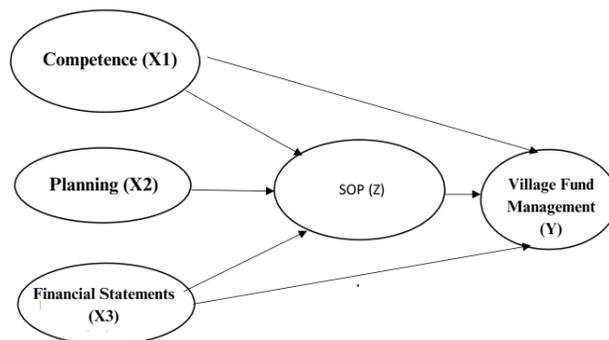


Figure 2. Conceptual Framework

Based on various explanations and relationships between variables as well as the research objectives to test the hypothesis, namely:

- 1) The competence of village officials, planning, and financial reports have partial and simultaneous effects on the management of village funds.
- 2) The competence of village officials, planning, and financial reports have partial and simultaneous effects on the Standard Operating Procedures (SOP) for financial reporting of village funds.
- 3) SOP for financial reporting affects the management of village funds.
- 4) The competence of village officials, planning, and financial reports affect the management of village funds through SOP for financial reporting as an intervening variable.

### **3. Methodology**

This study adopts a quantitative approach to examine the impact of competence, planning, and financial reports on village fund management, with Standard Operating Procedures (SOP) as an intervening variable. This method is chosen due to its ability to collect and analyze data statistically to measure the relationships between variables with precision. The research population includes all village officials in 4 sub-districts in Sidoarjo Regency (Tanggulangin, Buduran, Taman, and Candi), with a representative sample size determined using Slovin's formula at a 95% confidence level and a 5% margin of error (Yusuf, 2014). Primary data will be collected through questionnaires distributed to selected respondents, covering questions related to village apparatus competency, planning processes, financial reports, SOPs, and village fund management. Data analysis will use Structural Equation Modeling (SEM) to examine relationships between variables and the mediating role of SOPs, including validity and reliability tests of the instruments, descriptive analysis, classical assumption testing, path analysis to test direct and indirect effects, and hypothesis testing. This approach aims to produce findings that can be validated and contribute to a deeper understanding of the factors influencing the effectiveness of village fund management in Sidoarjo Regency, allowing for objective hypothesis testing and generalization of results to a broader population.

The research will be conducted in four sub-districts in Sidoarjo Regency: Tanggulangin, Buduran, Taman, and Candi, using a comprehensive two-stage approach to ensure in-depth and accurate data collection. The first stage involves preliminary research aimed at identifying and understanding existing and emerging phenomena in the research locations, providing rich context and a deeper understanding of local dynamics that may affect the research variables. The second stage involves the distribution of carefully designed questionnaires to collect quantitative data directly related to measuring the research variables, including village apparatus competency, planning, financial reports, village fund management, and SOPs as intervening variables. This two-stage approach allows the researcher to combine qualitative insights from field observations with quantitative data from

questionnaires, creating a strong foundation for comprehensive analysis and nuanced understanding of how these factors interact in the context of village fund management in Sidoarjo Regency (Sugiyono, 2019).

The data collection technique used in the research titled "The Impact of Competency, Planning, and Financial Reporting on Village Fund Management Through SOP as an Intervening Variable" is a questionnaire distributed to respondents in four sub-districts in Sidoarjo Regency: Tanggulangin, Buduran, Taman, and Candi. The respondents involved in this study are village officials who are engaged in village fund management in each of these sub-districts (Kota & Kusumastuti, 2022). This questionnaire contains questions related to the competence of village officials, the planning process, financial reports, the implementation of standard operating procedures (SOPs), and the effectiveness of village fund management. Additionally, there are questions regarding SOPs as an intervening variable. The purpose of this questionnaire is to collect data on village officials' perceptions of factors affecting village fund management. The primary data collection phase in this quantitative research involves distributing the questionnaire directly to village officials at the research site, as well as through online platforms like Google Forms to facilitate more efficient data collection (Hardani et al., 2020). The demographics studied include village officials with various levels of positions and experience in managing village funds. Data collection used a Likert scale with five points, consisting of 1 (Strongly Disagree), 2 (Disagree), 3 (Neutral), 4 (Agree), and 5 (Strongly Agree), which allows the researcher to measure respondents' attitudes and perceptions towards the variables being studied more accurately and comprehensively (Sugiyono, 2019).

To test the relationships between the variables involved, this research uses SEM-PLS (Structural Equation Modeling-Partial Least Squares) application (Purwanto et al., 2021). The SEM-PLS method is a statistical technique used to analyze structural equation models and understand the relationships between those variables (Hair et al., 2019). By using quantitative research methods and applying the Slovin formula, this study has a strong framework for collecting and analyzing the necessary data. Then, by using the SEM-PLS application, this study can analyze the relationships between the involved variables (Ahakwa et al., 2021).

The use of PLS (Partial Least Squares) involves measuring the outer model to test the validity and reliability of variables from indicators, measuring the inner model to test the effects between latent variables, and hypothesis testing by comparing the t-table value with the t-statistic. Some of the measurement criteria used include convergent validity, discriminant validity, composite reliability, and Cronbach's alpha for the outer model, and R-square, Q-square, and GoF (Goodness of Fit) for the inner model. Hypothesis testing is done by comparing the probability of the t-table value with the t-statistic value at a significance level of  $\alpha = 5\%$ . When the t-statistic  $>$  t-table, it means the hypothesis is supported or accepted, such as: (Irwan & Adam, 2015)

- a. If the probability of the result is  $\geq 0.05$ , then the hypothesis is rejected.

- b. If the probability of the result is  $\leq 0.05$ , then the hypothesis is accepted.

#### 4. Empirical Findings/Result

##### Characteristics of Respondents

The respondents in this study are village officials involved in the management of Village Fund Allocation in 40 sub-districts in Sidoarjo Regency, East Java Province. Data about the respondents were collected through questionnaires and various secondary data sources directly from the village officials and the local government of Sidoarjo Regency. This allows for an understanding of the characteristics of the respondents, which include: 1) Age of Respondents; 2) Highest Level of Education of Respondents as follows:

##### Respondent Characteristics Based on Respondent Age

The characteristics of the respondents revealed in this study are the respondents' age, as shown in Table 1 below:

**Table 1. Characteristics of Respondents Based on Gender**

No.	Age	f	Percent (%)
1.	25 -33	17	42,5
2.	34 -42	16	40
3.	43 - 51	5	12,5
4.	52 -60	2	5
<b>TOTAL</b>		<b>40</b>	<b>100</b>

*Source: Primary Data Processing Results (2024)*

From the table above, it can be seen that there are 17 respondents aged 25-33 years (42.5%), 16 respondents aged 34-42 years (40%), and the remaining respondents are in the age range of 43-51 years, totaling 5 people (12.5%), and 52-60 years, totaling 2 people (5%).

##### Last Level of Education

The distribution of respondents' highest educational levels is presented in Table 2 below:

**Table 2. Respondents' Last Level of Education**

No.	Educational level	f	Percent (%)
1.	Undergraduate	29	72,5
2.	Diploma III	5	12,5
3.	Senior High School (Academic)	5	12,5
4.	Senior High School (Vocational)	1	2,5
<b>TOTAL</b>		<b>40</b>	<b>100</b>

*Source: Primary Data Processing Results (2024)*

Based on Table 2, it is known that 72.5% of the respondents have a bachelor's degree (S1), which means that the majority of respondents have the educational level required for a village official. The high number of respondents with a bachelor's degree

indicates that, in terms of academic qualifications, village officials are sufficiently prepared to carry out their duties.

### **Measurement Model Analysis**

The data analysis approach for this research uses Partial Least Squares (PLS) based on Smart PLS version 4. Essentially, PLS is a more comprehensive approach to Structural Equation Modeling (SEM) compared to previous methods. SEM provides a deeper level of analysis by integrating theory and data and can follow paths through latent variables. This is why SEM is commonly used in social science research.

### **Outer Model**

The purpose of measuring with SmartPLS is to understand the relationship between latent variables and various indicators. This measurement model is divided into two tests: validity testing and reliability testing, as follows:

### **Validity Test**

The validity test this time covers several aspects of data testing using the Smart-PLS 4 application to process the data in detail, referring to the references and limitations or requirements of each test. The results of the data processing obtained are as follows:

### **Convergent Validity Test**

The Convergent Validity test involves verifying the accuracy of questionnaire statements. This stage performs validity testing, which includes convergent validity and AVE (Average Variance Extracted) scores. Convergent Validity testing examines the Outer Loading section, while AVE score checks are done through Construct Reliability and Validity.

**Table 3**  
**Results of Convergent Validity Test (Outer Loading)**

	Competence of Village Apparatus	Village Fund Planning	Financial statements	Financial Report SOP	Village Fund Management
X1.1	<b>0.789</b>				
X1.2	<b>0.806</b>				
X1.3	<b>0.811</b>				
X1.4	<b>0.727</b>				
X1.5	<b>0.819</b>				
X1.6	<b>0.791</b>				
X1.7	<b>0.780</b>				
X1.8	<b>0.766</b>				
X1.9	<b>0.811</b>				
X1.10	<b>0.816</b>				
X1.11	<b>0.857</b>				
X1.12	<b>0.783</b>				
X1.13	<b>0.763</b>				
X1.14	<b>0.836</b>				
X1.15	<b>0.797</b>				
X1.16	<b>0.774</b>				

X1.17	<b>0.742</b>	
X1.18	<b>0.717</b>	
X1.19	<b>0.757</b>	
X.2.1	<b>0.771</b>	
X.2.2	<b>0.798</b>	
X.2.3	<b>0.839</b>	
X.2.4	<b>0.720</b>	
X.2.5	<b>0.804</b>	
X.2.6	<b>0.780</b>	
X.2.7	<b>0.870</b>	
X3.1		<b>0.878</b>
X3.2		<b>0.875</b>
X3.3		<b>0.883</b>
X3.4		<b>0.749</b>
X3.5		<b>0.765</b>
X3.6		<b>0.744</b>
X3.7		<b>0.811</b>
X3.8		<b>0.784</b>
X3.9		<b>0.742</b>
X3.10		<b>0.705</b>
X3.11		<b>0.798</b>
X3.12		<b>0.779</b>
X3.13		<b>0.734</b>
X3.14		<b>0.765</b>
X3.15		<b>0.856</b>
X3.16		<b>0.843</b>
Z.1		<b>0.775</b>
Z.2		<b>0.764</b>
Z.3		<b>0.716</b>
Z.4		<b>0.832</b>
Z.5		<b>0.835</b>
Z.6		<b>0.846</b>
Z.7		<b>0.765</b>
Z.8		<b>0.774</b>
Z.9		<b>0.798</b>
Z.10		<b>0.839</b>
Z.11		<b>0.720</b>
Z.12		<b>0.766</b>
Y.1		<b>0.811</b>
Y.2		<b>0.816</b>
Y.3		<b>0.857</b>
Y.4		<b>0.783</b>
Y.5		<b>0.763</b>
Y.6		<b>0.765</b>
Y.7		<b>0.744</b>
Y.8		<b>0.811</b>
Y.9		<b>0.784</b>

Source: Data Processing (2024)

**Table 4.**  
**Results of the Validity Test of Average Variance Extracted (AVE)**

	<i>Average Variance Extracted (AVE)</i>	<b>Information</b>
<b>Village Apparatus Competence</b>	<b>0.675</b>	<b>Valid</b>
<b>Village Fund Planning</b>	<b>0.598</b>	<b>Valid</b>
<b>Financial Reports</b>	<b>0.632</b>	<b>Valid</b>
<b>Financial Report SOP</b>	<b>0.619</b>	<b>Valid</b>
<b>Data Management</b>	<b>0.595</b>	<b>Valid</b>

*Source: Data Processing (2024)*

Convergent Validity Testing as explained in the Data Analysis Technique requires that the Outer Loading values exceed the critical value set at >0.7. Referring to Table 1, which contains the Outer Loading values for each loading factor, all factors are marked in "Green," indicating that their values have surpassed the required threshold (>0.7). Additionally, Table 2 shows that the Average Variance Extracted (AVE) for each Latent Variable exceeds the threshold set (>0.5).

Therefore, it can be concluded that all statement items are considered "Convergent Valid." The variables exhibit good convergent validity as the AVE values exceed 50% of the variance produced by these indicators, which can be explained by the latent variables.

**Discriminant Validity Test**

**Table 5. Discriminant Validity – Fornell Larcker**

	<b>Competence of Village Apparatus</b>	<b>Village Financial Report</b>	<b>Village Fund Management</b>	<b>Village Fund Planning</b>	<b>SOP</b>
<b>Competence of Village Apparatus</b>	<b>0.812</b>				
<b>Village Financial Report</b>	0.636	<b>0.845</b>			
<b>Village Fund Management</b>	0.697	0.730	<b>0.857</b>		
<b>Village Fund Planning</b>	0.663	0.613	0.710	<b>0.865</b>	
<b>SOP</b>	0.638	0.660	0.621	0.672	<b>0.829</b>

*Source: Data Processing (2024)*

This time, the Discriminant Validity test uses the Fornell-Larcker criterion to perform data testing. The Discriminant Validity test requires that the square root of the average variance extracted by a construct should be greater than the correlation between that construct and other constructs. From Table 5, the Fornell-Larcker values for each

construct are greater than the values for other constructs. Therefore, it can be concluded that all variables are considered 'Discriminant Valid.

**Reliability Test**

**Table 6. Construct Reliability and Validity**

	<b>Cronbach's alpha</b>	<b>Composite reliability (rho_c)</b>
<b>Village Apparatus Competence</b>	<b>0.902</b>	<b>0.916</b>
<b>Village Financial Report</b>	<b>0.853</b>	<b>0.872</b>
<b>Village Fund Management</b>	<b>0.835</b>	<b>0.843</b>
<b>Village Fund Planning SOP</b>	<b>0.731</b>	<b>0.835</b>
	<b>0.851</b>	<b>0.882</b>

Reliability testing typically involves two important aspects, each with its own critical value requirements that must be met: Cronbach’s Alpha (>0.7) and Composite Reliability (>0.8). In the following table, it can be confirmed that each variable’s value exceeds the critical value requirements, thus indicating that all data are reliable and have passed the reliability test.

**Inner Model**

After conducting the Instrument Feasibility Test (Outer Model) and reviewing the results of the feasibility test above, it can be confirmed that all variables have passed the first stage of testing. Next, the researcher will proceed to the second stage, which is the Structural Model Test (Inner Model). In this stage, the testing process will examine the relationships between latent variables, as illustrated in the image below:

**Beta Coefficient Value**

The Beta Coefficient ( $\beta$ ) is a parameter that indicates the extent of the influence of the independent variable on the dependent variable. This value shows the strength and direction of the relationship between the two variables. The value of the Beta Coefficient can be seen in the table below:

**Table 7. Beta Coefficient ( $\beta$ ) Value Test Results**

	<b>Original Sample (O)</b>	<b>Connection</b>
<b>Village Apparatus Competence x Village Fund Planning x Village Financial Report -&gt; Village Fund Management</b>	<b>0.619</b>	<b>Positive</b>
<b>Village Apparatus Competence x Village Fund Planning x Village Financial Report -&gt; SOP</b>	<b>0.524</b>	<b>Positive</b>
<b>SOP -&gt; Village Fund Management</b>	<b>0.782</b>	<b>Positive</b>

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<b>Village Apparatus Competence x Village Fund Planning x Village Financial Report -&gt; SOP -&gt; Village Fund Management</b>	<b>0.355</b>
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Source: Data Processing (2024)

From the data obtained, there are two indications in this study. All values show a Positive Value, indicating a Positive Relationship where an increase in the independent variable leads to an increase in the dependent variable.

**T-test**

The T-test is a data testing process used to determine or test the statistical significance of Beta coefficients. The T-statistic value is the ratio of the Beta coefficient to its Standard Error. The critical value of this T-statistic is 2.02 with p-values (<0.05). Once this value is met, the Beta coefficient indicates a significant effect. The results of the T-test can be seen in the table below:

**Table 8. T-Test Results**

	<b>T statistics ( O/STDEV )</b>	<b>P values</b>	<b>Significant (Sig)</b>
<b>Village Apparatus Competence x Village Fund Planning x Village Financial Report -&gt; Village Fund Management</b>	<b>3.485</b>	<b>0.002</b>	<b>Significant</b>
<b>Village Apparatus Competence x Village Fund Planning x Village Financial Report -&gt; SOP</b>	<b>2.659</b>	<b>0.005</b>	<b>Significant</b>
<b>SOP -&gt; Village Fund Management</b>	<b>4.777</b>	<b>0.000</b>	<b>Significant</b>
<b>Village Apparatus Competence x Village Fund Planning x Village Financial Report -&gt; SOP -&gt; Village Fund Management</b>	<b>2.610</b>	<b>0.007</b>	<b>Significant</b>

Source: Data Processing (2024)

Each variable relationship shows a T-statistic value higher than the critical value of 2.02, and is followed by p-values indicating <0.05. Therefore, it can be concluded that the Beta Coefficient values from the T-Test are significant (Sig).

**Determination Coefficient Value (R<sup>2</sup>)**

The coefficient of determination (R-square) is used to measure the proportion of the total variation in the dependent variable that can be explained by the independent variables. The R2 value ranges from 0 to 1. Chin suggests that an R2 value of 0.67 or higher for latent dependent variables in a structural model indicates a good influence of independent variables (those that affect) on the dependent variables (those being affected). If the result is between 0.33 and 0.67, it falls into the moderate category, and if it is between 0.19 and 0.33, it is considered weak.

**Table 9. R-square Test Results (R<sup>2</sup>)**

	<b>R-Square</b>
<b>Village Fund Management</b>	0,682
<b>SOP</b>	0,632

*Source: Data Processing (2024)*

Based on the R-square (R<sup>2</sup>) test results in the table above, it can be concluded that both dependent variables, namely Village Fund Management and SOP, show R<sup>2</sup> values < 1. This means that the dependent variable can be explained by the independent variables. The R<sup>2</sup> value for Village Fund Management is 0.682, or 68.2%, which indicates that the influence of independent variables such as Village Apparatus Competence, Village Fund Planning, and Village Financial Reports in explaining the Customer Loyalty variable is 68.2%, categorized as Good. The remaining 31.8% of the influence is explained by other variables not discussed in this research. On the other hand, the R<sup>2</sup> value for SOP is 0.632, or 63.2%, which indicates that the influence of independent variables such as Village Apparatus Competence, Village Fund Planning, and Village Financial Reports in explaining the SOP variable is 63.2%, categorized as Moderate. The remaining 36.8% of the influence is explained by other variables not discussed in this research.

### **Goodness of Fit ( GoF )**

Goodness of Fit (GoF) is a measure that combines the quality of the structural model and the measurement model to assess the overall fit of the model in PLS-SEM, with values ranging from 0 to 1: 0.1 (low), 0.25 (moderate), 0.36 (good). In the Goodness of Fit (GoF) testing process, the average value of the Communalities Index and the average R<sup>2</sup> (Coefficient of Determination) value for dependent variables in the model are needed. The Communalities Index in this context is AVE (Average Variance Extracted).

To calculate the Communalities Index or AVE for each construct, it is computed as the average of the squared loading factors of each indicator on that construct. The formula for calculating the average Communalities Index is:

$$\text{Average AVE} = \frac{\sum \text{AVE}}{k}$$

Where:

- $\sum$  AVE is the sum of all AVE values of the constructs.
- k is the number of constructs in the model

Next, to calculate the average R<sup>2</sup> for all dependent variables in the model. The formula to calculate the average R<sup>2</sup> value for all dependent variables in the model is as follows:

$$\text{Average } R^2 = \frac{\sum R^2}{m}$$

Where:

- $\sum R^2$  the sum of all  $R^2$  values for the dependent variables.
- $m$  is the number of dependent variables in the model.

Lastly, the final step is to calculate the Goodness of Fit (GoF) value. GoF is the square root of the product of the average AVE and the average  $R^2$ . The formula used to calculate the Goodness of Fit value is as follows:

$$\text{GoF} = \sqrt{\text{Average AVE} \times \text{Average } R^2}$$

$$\text{Average AVE} = \frac{3,119}{5} = 0,6238$$

$$\text{Average } R^2 = \frac{1,314}{2} = 0,657$$

$$\text{Goodness Of Fit} = \sqrt{(0,6238 \times 0,657)} = \sqrt{0,41} = 0,640$$

From the results of the Goodness of Fit test and calculations above, a value of 0.640 was obtained. Thus, it can be concluded that the Goodness of Fit for this research model, in terms of model adequacy, is considered Good.

### **Q<sup>2</sup> (Predictive Relevance)**

Q<sup>2</sup>, or Predictive Relevance, is a measure used to assess the predictive ability of a model in PLS-SEM (Partial Least Squares Structural Equation Modeling). Q<sup>2</sup> evaluates how well the observed values can be reconstructed by the model and its parameter estimates. Variables or data are considered to predict the model well if Q<sup>2</sup> > 0, while they are considered to not predict the model well if Q<sup>2</sup> < 0.

**Table 10. Q<sup>2</sup> Test Results (Predictive Relevance)**

	<b>Q<sup>2</sup> Predict</b>
<b>Village Fund Management</b>	<b>0,667</b>
<b>SOP</b>	<b>0,635</b>

*Source: Data Processing (2024)*

Looking at the Q<sup>2</sup> (Predictive Relevance) test results above, firstly, the Q<sup>2</sup> value for Village Fund Management is 0.667. This indicates that the Village Fund Management variable, influenced by the Village Apparatus Competency, Village Fund Planning,

and Village Financial Reports variables, can predict the model well and aligns with the field research model since it received a Q2 value > 0. Secondly, the Q2 value for SOP (Standard Operating Procedures) is 0.635. This indicates that the SOP variable, influenced by the Village Apparatus Competency, Village Fund Planning, and Village Financial Reports variables, can predict the model well and aligns with the field research model since it received a Q2 value > 0.

**Hypothesis Testing**

In hypothesis testing, there are two types of effects: first, the Direct Effect Hypothesis Testing, and second, the Indirect Effect Hypothesis Testing. The results of the testing will be explained below:

**Direct Effect Hypothesis Testing**

According to the data analysis performed using SmartPLS v4, results have been obtained to address the hypotheses described in this study. The hypothesis testing will examine the results based on Path Coefficients, T-statistics, and P-values obtained from calculations performed by SmartPLS using the Bootstrapping technique. A hypothesis can be considered accepted if the P-value is < 0.05. The results of the Direct Effect Hypothesis Testing are as follows:

**Table 11. Results of Direct Influence Hypothesis Test**

	<b>Hypothesis</b>	<b>Path Coefficient</b>	<b>T-values</b>	<b>P-values</b>	<b>Conclusion</b>
<b>H2</b>	<b>Village Apparatus Competence x Village Fund Planning x Village Financial Report -&gt; SOP</b>	0.524	2.659	0.005	Accepted
<b>H3</b>	<b>SOP -&gt; Village Fund Management</b>	0.782	4.777	0.000	Accepted

*Source: Data Processing (2024)*

- a. Competence of Village Apparatus, Village Fund Planning, Village Financial Reports against SOP (H2)

The results of the statistical test can be seen in table 11 that the results obtained are the coefficient values of the Village Apparatus Competence Variable, Village Fund Planning, Village Financial Reports against SOP of 0.524 where the T-values are 2.659 > T-table (2.02) with P-values of 0.005 < Sig Level (<0.05), with these results indicating that Village Apparatus Competence, Village Fund Planning, Village Financial Reports affect SOP, which is stated by Village Apparatus Competence, Village Fund Planning, Village Financial Reports have a positive and significant effect on SOP.

- b. SOP for Village Fund Management (H3)

The results of the statistical test can be seen in table 11, which shows that the coefficient value of the SOP variable on Village Fund Management is 0.782, where

the T-values are  $4.777 > T\text{-table} (2.02)$  with P-values of  $0.000 < \text{Sig level} (<0.05)$ , with these results indicating that SOP influences Village Fund Management, which is stated by SOP having a positive and significant effect on Village Fund Management.

**Indirect Effect Hypothesis Testing**

Testing of Indirect (Mediation) Effects Hypotheses is conducted using the SmartPLS v4 application through the Bootstrapping Calculation technique, and then examining the results of the Indirect Effects Hypotheses Test in the Specific Indirect Effects section, with the following results:

**Table 12. Results of Indirect Effect Hypothesis Test**

	Hypothesis	Path Coefficient	T-values	P-values	Conclusion
<b>H1</b>	Village Apparatus Competence x Village Fund Planning x Village Financial Report -> Village Fund Management	0.619	3.485	0.002	Accepted
<b>H4</b>	Village Apparatus Competence x Village Fund Planning x Village Financial Report -> SOP -> Village Fund Management	0.355	2.610	0.007	Accepted

*Source: Data Processing (2024)*

a. Competence of Village Apparatus x Village Fund Planning x Village Financial Reports on Village Fund Management (H1)

The results of the statistical test can be seen in Table 12, where the coefficient value obtained for the variable "Village Apparatus Competence x Village Fund Planning x Village Financial Reporting" in Village Fund Management is 0.619, with a T-value of  $3.485 > T\text{-table} (2.02)$  and a P-value of  $0.002 < \text{Significance Level} (< 0.05)$ . This result indicates that "Village Apparatus Competence x Village Fund Planning x Village Financial Reporting" affects Village Fund Management through Customer Loyalty, showing that "Village Apparatus Competence x Village Fund Planning x Village Financial Reporting" has a positive and significant impact on Village Fund Management.

b. Competence of Village Apparatus x Village Fund Planning x Village Financial Reports on Village Fund Management through SOP (H4)

The results of the statistical test can be seen in Table 12, where the coefficient value for the Product Quality Variable on Purchase Intention through Customer Loyalty is 0.335, with a T-value of  $2.610 > T\text{-table} (2.02)$  and a P-value of  $0.007 < \text{Significance Level} (< 0.05)$ . This result indicates that the competence of village officials, village fund planning, and village financial reports have a positive effect on village fund management through Standard Operating Procedures (SOP).

## 5. Discussion

### **The Influence of Village Apparatus Competence x Village Fund Planning x Village Financial Reports on Village Fund Management (H1)**

Village Fund Management is a crucial aspect of village development and community empowerment. A recent study has revealed interesting findings regarding the factors that influence the effectiveness of managing these funds. This research focuses on three main variables: Village Apparatus Competence, Village Fund Planning, and Village Financial Reporting, and how the interaction of these three factors impacts Village Fund Management overall. Statistical test results presented in Table 12 show a significant relationship between these variables. The interaction coefficient between Village Apparatus Competence, Village Fund Planning, and Village Financial Reporting with Village Fund Management reaches 0.619. This indicates a fairly strong positive impact of these three factors collectively on village fund management.

Furthermore, the obtained T-value of 3.485 exceeds the T-table value of 2.02. This difference shows that the results have strong statistical significance. This is supported by a P-value of 0.002, which is much lower than the significance level of 0.05. These findings further emphasize that the interaction of the three variables indeed has a significant and non-negligible impact on village fund management. The interpretation of these statistical results leads to the conclusion that the combination of Village Apparatus Competence, Village Fund Planning, and Village Financial Reporting collectively has a positive and significant impact on Village Fund Management. This highlights the importance of addressing these three aspects simultaneously to enhance the effectiveness of village fund management.

These findings have important implications for stakeholders at the village level and policymakers at higher levels. First, the results emphasize that improving the competence of village apparatus should be a priority. Competent village apparatus will be better able to plan the use of village funds effectively and prepare accurate financial reports. Second, the process of village fund planning needs to be carried out meticulously and involve various parties to ensure that funds are allocated according to the village's needs and potential. Third, transparent and accountable village financial reporting is key to building community trust and ensuring effective fund usage. By considering these three aspects simultaneously, it is hoped that village fund management can be optimized. This, in turn, will drive accelerated village development, improved community welfare, and the achievement of established empowerment goals. Therefore, it is important for village governments and related parties to develop comprehensive strategies to improve the quality of village fund management, considering the interaction between apparatus competence, thorough planning, and good financial reporting.

**The Influence of Village Apparatus Competence, Village Fund Planning, Village Financial Reports on SOP (H2)**

The impact of Village Apparatus Competency, Village Fund Planning, and Village Financial Reporting on Standard Operating Procedures (SOP) is an important aspect of effective and efficient village government management. Based on the statistical test results shown in Table 11, there is strong evidence indicating a positive and significant relationship between these three independent variables and SOP at the village level. The statistical analysis reveals that the coefficient value for the variables of Village Apparatus Competency, Village Fund Planning, and Village Financial Reporting on SOP is 0.524. This figure represents the strength of the relationship between the independent variables and the dependent variable. Furthermore, the obtained T-value of 2.659 exceeds the critical T-value of 2.02. This indicates that the observed relationship has strong statistical significance.

The level of significance of this relationship is further reinforced by the P-value of 0.005, which is much lower than the established significance level of 0.05. These results provide confidence that the findings of this study are not coincidental but reflect a real relationship within the studied population. The interpretation of these statistical results leads to the conclusion that Village Apparatus Competency, Village Fund Planning, and Village Financial Reporting indeed have a positive and significant impact on the implementation and effectiveness of SOP at the village level. This suggests that improvements in these three aspects are likely to lead to better quality SOPs being implemented in the village.

These findings have important implications for village government management. First, they emphasize the importance of developing village apparatus competency through ongoing training and education. Second, they show that a well-planned and transparent village fund planning process plays a crucial role in supporting effective SOP implementation. Third, the quality and accuracy of village financial reports prove to have a significant impact on SOP, which may reflect the importance of accountability and good governance in village government operations. Therefore, stakeholders at the village level and policymakers at higher levels need to pay special attention to improving these three aspects. Efforts to enhance apparatus competency, improve fund planning processes, and raise the quality of village financial reporting can be effective strategies in strengthening SOP and ultimately improving overall village government governance quality.

**The Influence of SOP on Village Fund Management (H3)**

Standard Operating Procedures (SOPs) play a crucial role in the effective and efficient management of Village Funds. The statistical test results presented in Table 11 provide strong empirical evidence regarding the positive and significant impact of SOPs on Village Fund Management. This analysis shows that good SOP implementation can directly enhance the quality of Village Fund Management. The coefficient value of the SOP variable on Village Fund Management, which is 0.782,

indicates a strong positive relationship between the two variables. This means that any improvement in the application and quality of SOPs will be followed by a proportional increase in the effectiveness of Village Fund Management. This relatively high coefficient underscores the importance of SOPs as a fundamental instrument in village financial governance.

Furthermore, the T-value obtained, 4.777, exceeds the T-table value (2.02), providing statistical confirmation that the impact of SOPs on Village Fund Management is significant. This is reinforced by a P-value of 0.000, which is much smaller than the significance level of 0.05. These findings indicate that the relationship between SOPs and Village Fund Management is not a result of chance but reflects a consistent and reliable pattern. The implications of these statistical test results are highly important for stakeholders at the village level. First, the findings confirm that investing in the development and implementation of comprehensive and detailed SOPs can have a substantial positive impact on Village Fund Management. Second, it underscores the importance of training and socializing SOPs to all village officials involved in Village Fund Management.

With this empirical evidence, village governments can be more confident in allocating resources to improve and update SOPs regularly. This may include developing more detailed procedures, creating clear flowcharts, and establishing effective monitoring and evaluation systems to ensure compliance with SOPs. Additionally, these findings could serve as a basis for district or provincial governments to provide further support to villages in developing SOP-related capacities. This might involve mentoring programs, workshops, or even the development of SOP templates that can be adapted by individual villages according to their needs and local characteristics. In conclusion, these statistical test results provide a strong foundation for emphasizing the importance of SOPs in the context of Village Fund Management. With the proven positive and significant impact, good SOP implementation can be key to enhancing transparency, accountability, and effectiveness in managing village financial resources, ultimately contributing to better and more sustainable village development.

#### **Competence of Village Apparatus x Village Fund Planning x Village Financial Reports on Village Fund Management through SOP (H4)**

The statistical test results presented in Table 12 provide an interesting overview of the relationship between key variables in village fund management. This analysis focuses on the complex interaction between Village Apparatus Competence, Village Fund Planning, and Village Financial Reports on Village Fund Management, with SOP (Standard Operating Procedures) as an intervening variable. These findings have significant implications for effectiveness and transparency in village financial governance.

The statistical data shows that the coefficient of the tested variables is 0.335. This indicates a positive relationship between the independent variables (Village Apparatus

Competence, Village Fund Planning, and Village Financial Reports) and the dependent variable (Village Fund Management) through SOP. This positive coefficient suggests that improvements in the independent variables tend to be followed by improvements in the effectiveness of Village Fund Management, with SOP serving as a significant linking factor.

Furthermore, the T-values obtained at 2.610 reinforce the significance of this relationship. Given that this T-value exceeds the critical T-table value (2.02), the results provide strong statistical evidence to support the research hypothesis. This indicates that the observed relationship is not due to chance but reflects a consistent and reliable pattern within the studied population. The recorded P-value of 0.007 further emphasizes the significance of these findings. With this value well below the standard significance level of 0.05, it indicates a very low probability of Type I error (rejecting a true null hypothesis). In other words, we can be highly confident that the observed relationship between the variables is real and not the result of random sampling variation.

The interpretation of these statistical findings leads to the conclusion that there is a positive and significant impact of the interaction between Village Apparatus Competence, Village Fund Planning, and Village Financial Reports on Village Fund Management, with SOP playing a crucial mediating role in this relationship. These results highlight the importance of integrating these three aspects within a comprehensive SOP framework to enhance the effectiveness of village fund management.

The findings have significant practical implications for village governance and policymakers. Firstly, they underscore the importance of investing in improving village apparatus competence, especially in financial management and planning. Secondly, the research highlights the crucial role of thorough planning in the allocation and use of village funds. Thirdly, the importance of accurate and transparent financial reporting is also emphasized as a vital component of good governance. Finally, the central role of SOP in mediating this relationship suggests that standardizing processes and procedures can act as a catalyst for improving the overall effectiveness of village fund management.

## **6. Conclusions**

Based on the research results presented, it can be concluded that there is a significant and positive relationship between Village Apparatus Competency, Village Fund Planning, and Village Financial Reporting with Village Fund Management, both directly and through the mediation of Standard Operating Procedures (SOP). The study reveals that these three factors, when interacting simultaneously, have a strong impact on the effectiveness of village fund management, with a path coefficient of 0.619 and a T-statistic value of 3.485 ( $>2.02$ ). SOP is proven to play an important role

as an intervening variable, with an indirect effect of 0.355 (T-statistics 2.610 > 2.02). Furthermore, SOP itself has a significant direct impact on Village Fund Management with a path coefficient of 0.782 (T-statistics 4.777 > 2.02). The R-squared value for Village Fund Management is 0.682, indicating that 68.2% of its variation can be explained by the model. The Goodness of Fit (GoF) value of 0.640 indicates a good model fit. These findings emphasize the importance of developing village apparatus competency, thorough planning, accurate financial reporting, and comprehensive SOP implementation to improve the quality of village financial governance. The implications of this research point to the need for an integrated strategy in village fund management, which includes enhancing apparatus capacity, improving planning processes, increasing financial reporting transparency, and strengthening SOP.

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