International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

The Influence of Village Financial System Implementation and Internal Control System on Village Financial Accountability in Dendang District

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Abstract

Transparent village fund governance requires the support of technology-based recording systems and adequate internal control. This study aims to examine the impact of implementing the Village Financial System (SISKEUDES) and the effectiveness of the Internal Control System (SPI) on the level of Village Financial Accountability in Dendang District, East Tanjung Jabung Regency, Jambi Province. Using an associative quantitative approach, primary data were collected through the distribution of a Likert-scale questionnaire to the entire population of village apparatuses and members of the Village Consultative Body (BPD) across six villages. Using a saturated sampling (census) technique, a total of 84 respondents were obtained as research subjects. The data evaluation process was carried out using the Partial Least Squares-Structural Equation Modeling (PLS-SEM) method via SmartPLS 4 software. Empirical findings confirm that optimizing the SISKEUDES application is proven to improve the reliability of reporting and village financial governance (β=0.369). Meanwhile, strengthening the SPI contributes dominantly to reinforcing regulatory compliance and accountability in managing public funds (β =0.684).

Keywords: ***Village Financial Accountability, Village Financial System, Internal Control System.***

INTRODUCTION

Village governance plays a pivotal role as the spearhead of government administration, regional development, and public service delivery. The implementation of Law No. 6 of 2014 on Villages grants autonomous authority alongside substantial budget allocations, thereby demanding strict adherence to public accountability principles. Village financial management must be rigorously executed across all cycle stages

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ranging from planning, budgeting, and administration to reporting and accountability as mandated by the Minister of Home Affairs Regulation (Permendagri) No. 20 of 2018. To support this governance framework and minimize administrative recording errors, the government launched the Village Financial System application (SISKEUDES). Nevertheless, the effectiveness of this digital system relies heavily on the backing of a robust Internal Control System (SPI), as mandated by Government Regulation (PP) No. 60 of 2008, to provide reasonable assurance regarding reporting reliability and regulatory compliance.

Despite established systems and regulations, the urgency of evaluating financial accountability has become increasingly critical due to widespread budget misuse. Data from Indonesia Corruption Watch, 2023 recorded 187 corruption cases within the village sector, resulting in state losses amounting to IDR 162.2 billion. This phenomenon indicates fundamental loopholes and weaknesses in supervisory governance and financial recording systems at the local level. Empirical observations in Dendang District, East Tanjung Jabung Regency, corroborate these issues. A preliminary survey across six villages revealed that although SISKEUDES and SPI have been implemented, significant operational hurdles persist, including technical update glitches (66.67%) and sub-optimal monitoring of operational activities (50.00%). These conditions highlight a tangible gap between ideal regulatory frameworks and practical execution at the village level.

Most prior studies examining this topic relied on conventional Ordinary Least Squares multiple linear regression techniques. The primary novelty of this study lies in applying multivariate Partial Least Squares-Structural Equation Modeling (PLS-SEM) using SmartPLS 4. This method was selected for its capacity to evaluate multi-indicator latent constructs simultaneously and assess both the measurement model (*outer model*) and structural model (*inner model*) with greater precision, without requiring strict distributional normality assumptions (Sarstedt dkk., 2022).

The theoretical foundation of this study is rooted in *Stewardship Theory*, which posits village apparatuses as *stewards* acting out of moral responsibility in the best interest of the public (*principal*). Grounded in the arguments and empirical phenomena outlined above, this study aims to examine and analyze the effect of SISKEUDES implementation and SPI effectiveness on Village Financial Accountability in Dendang District, East Tanjung Jabung Regency. The findings are expected to contribute theoretically to the public sector accounting literature and provide practical insights for local governments in formulating policies to strengthen internal control and digitalize village governance.

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Literature Riview

Stewardship Theory

Stewardship Theory, as proposed by Davis et al. (1997), is built upon philosophical assumptions regarding human nature as inherently trustworthy, responsible, and integrated. In the context of village governance, village apparatuses are positioned as *stewards* who are not merely motivated by individual self-interest, but rather by the attainment of the organization's overarching objectives. Village officials strive to manage public finances with utmost responsibility to achieve the welfare of the broader community, who act as the principal. Consequently, alignment between the goals of the stewards and the interests of the principal inherently drives higher standards of financial accountability in village administration.

Village Financial System (SISKEUDES)

Village Financial System (SISKEUDES) is a database application developed to assist village governments across all financial governance stages, from budget planning to final financial reporting (BPKP, 2017). The implementation of SISKEUDES enhances the operational efficiency of village officials because the system is equipped with built-in control formulations designed to automatically reject data inputs in the event of balance sheet imbalances or budget cap non-compliance.

Internal Control System (SPI)

Based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO), (2023) framework, an internal control system is a process affected by an entity's board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance. In public governance, internal control encompasses five primary components: control environment, risk assessment, control activities, information and communication, and monitoring.

Village Financial Accountability

Accountability is an obligation to account for the success or failure of an organization's mission in achieving predetermined goals (Mardiasmo, 2018). Within the domain of village funds, financial accountability refers to the extent to which village governments can present financial reporting information honestly, transparently, in a timely manner, and in compliance with prevailing governmental accounting standards.

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RESEARCH METHOD

This study employs a quantitative approach with a causal associative design. The research was conducted across six villages in Dendang District, namely Sido Mukti, Catur Rahayu, Jati Mulyo, Kuala Dendang, Koto Kandis Dendang, and Koto Kandis. The research population comprised Village Heads, Village Secretaries, Heads of Finance (*Kaur Keuangan*), Heads of Sections (*Kasi*), SISKEUDES Operators, and members of the Village Consultative Body (BPD). The sampling procedure utilized a saturated sampling (census) technique, whereby all population members meeting the research criteria were designated as respondents, yielding a total sample of 84 respondents.

Primary data were gathered through the distribution of structured questionnaires. The measurement instrument utilized a 5-point Likert scale, ranging from 1 ("strongly disagree") to 5 ("strongly agree"). The independent variables in this study consist of the implementation of SISKEUDES (X_1) and the Internal Control System (X_2), while the dependent variable is Village Financial Accountability (Y).

Data analysis was performed using Partial Least Squares-Structural Equation Modeling (PLS-SEM) via SmartPLS 4 software. Evaluation of the measurement model (*outer model*) was conducted by assessing outer loadings, Average Variance Extracted (AVE), composite reliability, and Cronbach's alpha. Subsequently, the structural model (*inner model*) was evaluated using path coefficients, t-statistics, p-values, and the coefficient of determination (R^2). Hypothesis testing was executed through a non-parametric bootstrapping procedure at a 5% significance level ($\alpha = 0.05$). A hypothesis was deemed supported if the path coefficient was consistent with the hypothesized direction and the p-value was less than 0.05.

RESULTS AND DISCUSSION

Respondent Characteristics

The demographic background of the respondents is presented to provide an overview of the subjects involved in this study. The detailed distribution respondents based on gender, position, and length of service is summarized in table 1.

Tabel 1. Respondent Characteristics

Characteristics	Category	Frequency	Percentage
Gender	Male	58	69.05%
	Female	26	30.95%
Position	Village Apparatus	42	50.00%
	Village Consultative Body (BPD)	42	50.00%
Length of Service	< 3 years	2	2.38%

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	3–5 years	6	7.14%
	> 6 years	76	90.48%
Total		**84**	**100.00%**

Source: Primary data processed using SmartPLS 4 (2026)

The study involved 84 respondents comprising village government apparatuses and BPD members across six villages in Dendang District. In terms of gender, 58 respondents (69.05%) were male, and 26 respondents (30.95%) were female. Regarding organizational position, 42 respondents (50.00%) served as village government apparatuses, while the remaining 42 respondents (50.00%) were members of the Village Consultative Body (BPD). Based on length of service, 2 respondents (2.38%) had served for less than three years, 6 respondents (7.14%) had between three to five years of service, and 76 respondents (90.48%) possessed more than six years of work experience.

This composition indicates that the majority of respondents possess extensive work experience in village governance administration. This background enhances the validity of their evaluations regarding financial system implementation, internal control, and village financial accountability based on their practical operational experiences.

Measurement Model Evaluation (*Outer Model*)

The measurement model evaluation was performed to assess the convergent validity, discriminant validity, and construct reliability prior to structural model testing. The results of outer loadings, Average Variance Extracted (AVE), Composite Reliability (CR), and Cronbach's Alpha are summarized in Table 2.

Tabel 2. Outer Model Results

Construct	Outer Loading Range	AVE	Composite Reliability	Cronbach's Alpha
SISKEUDES (X_1)	0.712–0.854	0.612	0.892	0.851
Internal Control System (X_2)	0.680–0.821	0.588	0.915	0.890
Village Financial Accountability (Y)	0.705–0.840	0.625	0.901	0.872

Source: Primary data processed using SmartPLS 4 (2026)

Evaluation of the measurement model confirms the validity and reliability of the research constructs. Results indicate that the outer loadings for SISKEUDES indicators

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range from 0.712 to 0.854, with an AVE of 0.612, a composite reliability of 0.892, and a Cronbach's alpha of 0.851.

For the Internal Control System construct, outer loadings range between 0.680 and 0.821. This construct exhibits an AVE of 0.588, a composite reliability of 0.915, and a Cronbach's alpha of 0.890. One indicator displayed a loading of 0.680, slightly below the conventional threshold of 0.70. However, because the AVE exceeds 0.50 and overall construct reliability criteria are well satisfied, this indicator was retained. Meanwhile, the Village Financial Accountability construct yields outer loadings ranging from 0.705 to 0.840, an AVE of 0.625, a composite reliability of 0.901, and a Cronbach's alpha of 0.872. These statistics demonstrate adequate convergent validity and construct reliability. Overall, outer model evaluation demonstrates that all constructs satisfy academic standards and are suitable for structural model analysis. The single Internal Control System indicator loading at 0.680 should be interpreted cautiously rather than classified above 0.70.

Structural Model Evaluation (*Inner Model*)

The structural model evaluation was executed to test the research hypotheses and quantify the explanatory capacity of the independent variables on the dependent variable. Hypothesis testing parameters including path coefficients, t-statistics, and p-values are presented in Table 3.

Tabel 3. Path Coefficient Results

Hypothesis	Relationship	Path Coefficient (β)	t-Statistic	p-Value	Conclusion
H1	SISKEUDES → Accountability	0.369	4.215	0.000	Supported
H2	SPI → Accountability	0.684	8.142	0.000	Supported

Source: Primary data processed using SmartPLS 4 (2026)

The bootstrapping results confirm that both hypotheses are supported. The implementation of SISKEUDES significantly enhances Village Financial Accountability (β = 0.369; t = 4.215; p = 0.000), demonstrating that financial management digitalization effectively elevates budget accountability quality (H_1). Similarly, the Internal Control System (SPI) exerts a strong positive influence on accountability (β = 0.684; t = 8.142; p = 0.000), indicating that internal controls such as risk assessments and supervisory oversight serve as the primary driver for compliance and openness in village governance (H_2).

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To measure the simultaneous contribution of SISKEUDES implementation and the Internal Control System in explaining the variance of Village Financial Accountability, the R-Square (R^2) metric was evaluated as shown in Table 4.

Tabel 4. Coefficient of Determination (R^2)

Endogenous Variable	R-Square	R-Square Adjusted
Village Financial Accountability	0.721	0.714

Source: Primary data processed using SmartPLS 4 (2026)

DISCUSSION

The Influence of SISKEUDES Implementation on Village Financial Accountability

The empirical testing indicates that the implementation of SISKEUDES yields a path coefficient of 0.369 with a t-statistic of 4.215 and a p-value of 0.000. These values confirm that the implementation of SISKEUDES has a positive and significant effect on village financial accountability. Thus, H_1 is supported. This result implies that improvements in the quality of SISKEUDES implementation are directly associated with enhanced village financial accountability. Utilizing a structured system assists village governments in recording, processing, and presenting financial information more systematically. Consistent application of the system also serves to minimize administrative recording errors. This finding aligns with *Stewardship Theory*, which positions public apparatuses as stewards accountable for managing public resources. SISKEUDES serves as a supporting tool for village apparatuses in executing this obligation by providing a structured framework for financial administration. Nevertheless, technical backing remains essential; operational constraints such as network stability and software updates must be actively addressed to optimize system performance. Hence, the impact of SISKEUDES on accountability is determined not merely by the system's presence, but by its consistent adoption in daily financial routines.

The Influence of the Internal Control System (SPI) on Village Financial Accountability

Hypothesis testing reveals that the Internal Control System exhibits a path coefficient of 0.684, a t-statistic of 8.142, and a p-value of 0.000, demonstrating a positive and significant impact on village financial accountability. Therefore, H_2 is supported. The higher path coefficient of the Internal Control System relative to SISKEUDES suggests that, within this research model, control mechanisms maintain a stronger relationship with financial accountability. This underscores the critical role of governance controls in ensuring that financial operations comply strictly with established statutory procedures. A well-functioning internal control framework enables village governments to prevent and

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detect procedural deviations promptly. Furthermore, continuous monitoring activities allow village apparatuses to evaluate program execution and remediate identified control deficiencies. This finding reinforces *Stewardship Theory*, as internal control mechanisms provide the structural guidance needed for village apparatuses to fulfill their public stewardship responsibilities in a verifiable and targeted manner.

The Combined Effect of SISKEUDES Implementation and Internal Control System on Village Financial Accountability

The R-square value of 0.721 demonstrates that SISKEUDES implementation and the Internal Control System jointly exert a significant combined effect on village financial accountability, supporting H_3. Together, these two constructs account for 72.1% of the variance in village financial accountability, while the remaining 27.9% is influenced by extraneous factors outside the model. These findings highlight that village financial accountability relies not solely on digital information systems, but also on robust internal oversight. While SISKEUDES provides a structured administrative and reporting engine, the Internal Control System ensures that operational processes comply with organizational guidelines and regulatory objectives. Consequently, digital systems and internal controls function as complementary mechanisms the former facilitates structured data processing, whereas the latter safeguards operational reliability.

CONCLUSION

Based on the empirical findings and discussion, this study concludes that optimizing the Village Financial System (SISKEUDES) application and strengthening the capacity of the Internal Control System (SPI) both independently and collectively provide essential contributions to elevating the level of village financial accountability in Dendang District, East Tanjung Jabung Regency. The implementation of SISKEUDES delivers rigid yet reliable reporting standardization, whereas the SPI provides a managerial oversight framework that mitigates policy deviations.

In light of these findings, several strategic recommendations are proposed. Village governments are advised to maintain supporting technical infrastructure, particularly by upgrading internet network connectivity in remote areas to prevent data synchronization and entry delays during SISKEUDES updates. Furthermore, supravillage authorities, such as the Department of Community and Village Empowerment (PMD) and the Regional Inspectorate, are urged to conduct intensive supervisory programs and technical training for system operators to ensure that bookkeeping competence evolves alongside central government software updates. Finally, future researchers are encouraged to explore additional explanatory variables, such as testing the moderating

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effects of village apparatus competence or external coercive pressure, to provide a more comprehensive mapping of rural financial governance dynamics.

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