

CHAPTER I

INTRODUCTION

1.1. Background

Local government is also the main government association in the administration of public governance. Consequently, local governments need to have the option to increase their exhibitions in offering the type of public assistance according to local area assumptions. In administration, it means maintaining the framework. Public authority does not mean to serve itself but to serve the community, creating conditions that enable each citizen to build capacity and creativity for the advancement of the region. The implementation of regional government becomes the objective to measure the implementation of government. In accordance with Law Number 32 of 2004 concerning Regional Government, Regional Autonomy is defined as the completeness of the rights and commitments of the autonomous region to direct and supervise government affairs and the interests of the surrounding area in accordance with law materials and regulations.

Local government itself is aimed at making public authorities successful and productive in running government, such as in encouraging local regions and the closest government individually to accept responsibility and tremendous concern for the existence of the local area and the environmental climate. Basically, this freedom must start from the lowest level of government, especially the nagari. "Nagari governments are believed to be able to see the needs of their regions compared to local governments which have a wider and more convoluted range of problems" (Rosalinda, 2014).

With the presence of regional autonomy that is centered on regional governance, various public areas in Indonesia are experiencing rapid development, especially in the fields of accounting and finance. The use of the regional autonomy system can support all levels of the closest government, both at the provincial level to the nagari level, to be independent in expanding the progress and welfare of their people. Each level of government in the regions has the right, authority and commitment to claim assets to achieve the objectives of the regional autonomy framework.

Nagaris in West Sumatera were at the forefront of priority in regulating progress during the Jokowi era, so nagaris at that time received support known as Village Funds (Law No.6 of 2014). If the nagari is the smallest authoritative zone in Indonesia, then the nagari is given the authority independently to supervise and control the business of its own household unit,

including managing the Village Fund Allocation (ADD) which is given directly through the central government in the State Revenue and Expenditure Budget (APBN). So, it is important that the nagari government takes part in the use of the city's reserve requirements.

Village Fund Allocation (ADD) is carried out based on the guidelines of the Minister of Home Affairs of the Republic of Indonesia Number 37 of 2007 article 4 paragraph 7 concerning the provisions of regional administration. Managers of the Big Villagei Fund with good governance standards require responsibility (accountability), transparency and investment so that the nagari government can act in accordance with moral, material and legal guidelines by committing to the administration of Public Resources to the order or individuals invested (Mahmudi, 2015).

“The Village Fund Allocation (ADD) Operator should reflect the responsibility of the local government to realize governance that does not sacrifice the public interest (public sphere). The history of the use of nagari funds over the last three years has encountered various unique problems that make the use of nagari funds used in regional development and expansion so that it has an impact on the improvement of the nagari itself in using the use of nagari funds that are guided by principles, responsibility, investment, maintenance, and focus in the management of funds in development sector focused on improving infrastructure, especially transportation platforms in agricultural areas” (Banurea, 2018).

In allocating nagari funds, good financial management is needed based on public governance principles such as accountability, transparency, and value for money. “The accountability of the nagari government in managing nagari finances is based on the ability of the nagari government to succeed or fail in the organization's mission in achieving the goals and targets that have been previously set, through an accountability medium that is carried out periodically” (Mardiasmo, 2006). In addition, the nagari government for transparency in managing finances because of the large amount of nagari fund flows provided by the central government.

Referring to the Regulation of the Minister of Home Affairs of the Republic of Indonesia Number 20 of 2018, Nagari Financial Management is in the form of overall activities including planning, implementing, managing businesses, reporting, and being responsible for Nagari finances. In West Sumatra, the word "Village" has been changed to "Nagari" after the New Order was over and the government system changed to decentralization. Nagari finances are in the form of all Nagari rights and obligations which can be measured in money related to the fulfillment of Nagari rights and obligations. In managing Nagari Finance, activities are carried out to plan, implement, manage business, report, and account for Nagari Finance.

Tanah Datar Regency is one of the regencies in West Sumatra that chooses the best guidance in managing village funds. This is in accordance with what was conveyed by the Head of the Village Community Empowerment, Population Control, and Family Planning Service, Adrion Nurdal regarding the assessment of the best regional head coach in Village Fund Management based on a letter from the Governor of West Sumatra number: 414.3/887/DPMD-2017 dated 24 October 2017 which contains:

"According to a circular from the governor of West Sumatra, Tanah Datar is considered to be categorized as the best coach in managing village funds and is currently being visited by the assessment team to listen to the exposure and explanation from the Regional Government which will be delivered by the Deputy Regent."

Tanah Datar Regent Regulation Number 5 of 2019 concerning Nagari Financial Management states that Nagari is a certain area that contains legal community units and has the authority to regulate and manage government interests, local resident interests which refer to community ideas, origin rights and/or rights. Traditional system that has received recognition and respect in the system of Republic of Indonesia. Forms of Government Nagari carry out government activities and the interests of the local community in the government system of the Republic of Indonesia.

Nagari's financial sources come from nagari funds in the form of state budget revenues, nagari fund allocations and a portion of the total regional tax and levy funds sourced from the Regency or City Regional Revenue and Expenditure Budgets and the allocation of Special Financial Aid from the Regency or City/Province Regional Revenue and Expenditure Budget. Tanah Datar Regency in the goal of equitable development in all aspects in order to realize the welfare and prosperity of the Nagari community in Tanah Datar Regency, the Regency government allocates Nagari Funds, allocates regional levies and regional tax revenue sharing funds. In addition, the Nagari Government also obtains Nagari Funds from the State Revenue and Expenditure Budget. Based on the allocation of these funds, the government of Tanah Datar Regency is fully aware that these funds can not cover all Nagari development activities. Nagari's income comes from the fulfillment of the rights and obligations of local governments, financial assistance from the Regency/Municipal APBD and revenue-sharing funds for taxes and regional levies. The income received by Nagari comes from:

1. Nagari Funds are funds obtained directly from the central government
2. Sharing of Taxes and Levies
3. Nagari Fund Allocations are funds to be planned from the Nagari Funds Budget (ADN), Nagari Funds Budget (ADD) and Special Allocation Funds (DAK).

4. Financial assistance from regencies/cities

In this regard, the Tanah Datar Regency Government uses number of Regional Revenue and Expenditure Budgets to allocate Special Financial Aid to Nagari. This is intended to provide an opportunity for the Nagari Government as an effort to develop the spirit of self-help participation in developing Nagari which is also stipulated in the Tanah Datar Regent Regulation Number 48 of 2018 regarding Technical Guidelines for Special Financial Assistance to Nagari.

Special Financial Assistance budgeted for Nagari comes from the district government through the Regional Revenue and Expenditure Budget (APBD). Special Financial Assistance to Nagari obtained from the APBD is collected in the Nagari Revenue and Expenditure Budget and the allocation of this financial assistance must be adjusted to the determination of activities in the Regent's Decree (SK). Special Financial Assistance is assistance from the district government in improving development in Nagari and increasing community participation. Special Financial Assistance to Nagari obtained from the Regional Revenue and Expenditure Budget has the following targets:

1. Improving the capacity of Nagari community resources by providing opportunities for the Nagari Government to explore/develop the potential that exists in Nagari.
2. Increasing the empowerment of Nagari communities in the context of successful and efficient multi-sectoral development of Nagari.

Special Financial Assistance (BKK) comes from the Regional Revenue and Expenditure Budget (APBD) of Tanah Datar Regency which will be realized to the relevant constitution and Nagari. This Financial Aid begins with the collection of aspirations carried out by the Regional House of Representatives in collaboration with the Wali Nagari who receive the Aid. One of the special financial aids in Tanah Datar Regency is in Lima Kaum Sub-District. Lima Kaum Sub-District is the most densely populated sub-district in the Tanah Datar Regency, which reaches 716 people per square km with a total population of 32,945 people. There are 5 nagari in Lima Kaum sub-district, namely Lima Kaum Nagari, Baringin Nagari, the Parambahan Nagaru, Labuah Nagari, and the Cubadak Nagari.

Nagari in Lima Kaum Sub-District have a lot of potential in managing nagari finances. The first Nagari is Nagari Baringin, which has become a successful reference in managing Nagari funds in the West Sumatra region. In an interview conducted by Antaranews.com, the heads of Baringin Nagari, Irman Idrus said that Baringin Nagari was considered successful in managing Nagari Funds in West Sumatra. This happens because of the running of innovation

programs that can improve the welfare of the people in the area by opening access to agricultural roads, improving irrigation and improving drainage so that local residents have a spirit of mutual cooperation for the welfare of their area. Baringin Nagari has a very strategic location in the middle of Batusangkar City, the center of the capital of Tanah Datar Regency, West Sumatra and also has qualified public facilities such as hospitals, markets, houses of worship, offices, hotels, schools, children's recreation areas to green open spaces therefore it is known as a rich nagari.

Beside Baringin Nagari, Cubadak Nagari also has good financial management of the nagari with innovations from the nagari programs that are carried out. Nagari Cubadak highly upholds the principles of public governance such as accountability and transparency. Based on research conducted by Sari (2017), it is known that Nagari Cubadak displays a large banner in front of the nagari guardian's office containing information about the nagari's finances. This is done with the aim that the Nagari community can clearly know the cash flow in and out of the Cubadak Nagari government during 2016. In addition, the head of the Cubadak Nagari and the nagari apparatus have made innovations by making a profile book of the Cubadak Nagari which contains information about population demographics and community income, the organizational structure of the nagari apparatus, as well as the demographics of education and public health.

Behind the success of the nagari in Lima Kaum sub-district, it was found that there had been irregularities in managing the nagari's finances. According to hariansinggalang.co.id, Meryaldi, Walinagari Limo Kaum who served in 2016 committed corruption against the award funds for the outstanding nagari competitions at the provincial and national levels, as well as the profit-sharing fund for PT Inhutani. The fraud committed by former Walinagari Limo Kaum violated the Tanah Datar Regent's Regulation regarding regional financial management (Mutia Reni, 2018).

Based on the formulated background, the author is interested in conducting research with the title **“Effect of Public Governance, Internal Control System and Organizational Culture Towards Nagari Financial Management Performance”**.

1.2. Formulation of the problem

Based on the background described above, the problem formulations in this study are as follows:

1. Does public governance have a positive influence on the nagari financial management performance?

2. Does internal control have a positive influence on the nagari financial management performance?
3. Does organizational culture have a positive influence on the nagari financial management performance?
4. Does public governance, internal control, and organizational culture as together have a positive influence on the nagari financial management performance?

1.3. Research purposes

The objectives to be achieved in this study are related to the formulation of the problems described by the author, are:

1. To determine the effect of public governance implementation on the nagari financial management performance.
2. To determine the effect of internal control on the nagari financial management performance.
3. To determine the effect of organizational culture on the nagari financial management performance.
4. To determine the effect public governance, internal control, and organizational culture as together affect the nagari financial management performance.

1.4. Benefits of research

This research is expected to provide the following benefits:

1. For the government, it provides information as well as study material for the nagari governments in Lima Kaum Sub-district, Tanah Datar Regency in West Sumatra of nagari financial management performance so that they are appropriate and right on target to manage their nagari finances.
2. For the community, providing information so that the community has an overview of how nagari finances are managed by the government, so that this can raise awareness from the community itself to contribute more in helping the government use nagari finances.
3. For the author, as a condition for obtaining a bachelor's degree from the relevant university as well as additional insight into how nagari governments in Lima Kaum Sub-district managing nagari finances.
4. For future researchers, as a reference for future research.

1.5. The scope of research

The discussion in this study is limited to:

1. The application of public governance to the performance of nagari financial management in Lima Kaum Sub-district, Tanah Datar Regency, West Sumatra.
2. The application of internal control to the performance of nagari financial management in Lima Kaum Sub-district, Tanah Datar Regency, West Sumatra.
3. The application of organizational culture to the performance of nagari financial management in Lima Kaum Sub-district, Tanah Datar Regency, West Sumatra.

1.6. Writing system

In order to understand more clearly the writing of this research proposal, the authors group the material into several sub-chapters with the following systematics:

CHAPTER I INTRODUCTION

This chapter explains general information in the form of background, problem formulation, research objectives, research benefits, research scope and writing systematics.

CHAPTER II: BASIS OF THEORY

This chapter contains theories that support research to explain the phenomena to be studied. This chapter also explains the relationship between research variables, a list of previous studies, and the development of hypotheses to be tested.

CHAPTER III: RESEARCH METHOD

This chapter provides an overview of the research plan. This chapter also describes research design, population and samples, research variables, operationalization of variables, research models, types and techniques of data collection, data testing techniques, and hypothesis testing.

CHAPTER IV: RESEARCH RESULTS AND DISCUSSION

This chapter describes the research data and discusses the analysis of the data that has been collected. The data that has been analyzed are then presented in the form of descriptive sentences.

CHAPTER V: CLOSING

This chapter presents the conclusions, limitations, and suggestions of all the research that has been done