

# Internal Control System as a Moderating Variable in The Analysis of Transparency in Management of Village Fund Direct Cash Assistance on Village Government Performance

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## ABSTRACT

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Village fund management is an important challenge for village officials that can create crucial potential in the use of these funds. Therefore, this study aims to examine the effect of transparency in the management of village fund direct cash assistance (BLT-DD) on the performance of the Sekban Village Government, Fakfak Regency, with the internal control system as a moderating variable. The study used a quantitative approach with a population of 50 BLT-DD recipients in Sekban Village in 2024, and the sample was taken by purposive sampling. Data were collected through a questionnaire with a Likert scale and analyzed using multiple linear regression techniques and moderation tests. The results of the study indicate that: (1) transparency has a positive and significant effect on village government performance, (2) the internal control system moderates the effect of transparency on village government performance. This study provides theoretical contributions to the development of accounting science and village government management, as well as practical implications for increasing the effectiveness of BLT-DD management through the application of transparency, and an optimal internal control system.

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## 1. Introduction

### 1.1 Background

The Indonesian government prioritizes the welfare of its people, both individuals and groups. This welfare encompasses interconnected economic, social, health, and educational aspects to improve people's quality of life. However, poverty remains a

significant challenge with a far-reaching impact on various aspects of life (Lazulfa, 2024). To address this, the government has launched strategic programs such as the Village Fund Direct Cash Assistance (BLT-DD), which provides direct financial support to villagers affected by emergencies, such as the COVID-19 pandemic, thereby meeting basic needs and increasing village socio-economic resilience (Bappenas, 2021).

Equally important, transparency in the management of village funds is vital for building public trust. According to government accounting standards, transparency means providing honest and open financial information, in accordance with the public's right to know about resource management and compliance with regulations (Bakhtiar, 2021). Therefore, transparency must adhere to the principles of openness, access to information, participation in budget decision-making, and consideration of public opinion in collective decisions (Triana et al., 2023).

**Table 1** Number of BLT Recipients Data for 2020 - 2024

No	Year BLT Receipts	Total Recipients	BLT Funds
1.	2020	127 Person	Rp457.200.000,-
2.	2021	127 Person	Rp457.200.000,-
3.	2022	127 Person	Rp457.200.000,-
4.	2023	70 Person	Rp252.000.000,-
5.	2024	50 Person	Rp180.000.000,-

Sumber: Pemerintah Desa Sekban

As a concrete illustration, data from the Sekban Village Government shows the dynamics of the implementation of the Direct Cash Assistance (BLT-DD) from 2020 to 2024. During the 2020–2022 period, the number of BLT recipients remained at 127, with an annual allocation of IDR 457,200,000. However, in 2023, the number of recipients decreased to 70 with IDR 252,000,000, and in 2024, it decreased again to 50 with IDR 180,000,000. This decrease indicates a significant change in the implementation of social assistance programs in the village, requiring more careful management.

Furthermore, community involvement in oversight strengthens accountability and transparency, while building trust between the village government and its citizens. Thus, effective internal control not only improves village government performance but also supports the overall well-being of the community (Kusnadi & Anwar, 2023).

## 1.2 Problem Statement

Based on the background of this research problem, the problem formulation includes: (1) Does transparency influence the performance of village government? (2) Can the internal control system moderate the relationship between transparency and the performance of village government?

### *1.3 Objectives and Scope*

The location of this research is in Sekban Village, Pariwari District, Fakfak Regency. In this context, internal control in Sekban Village is crucial to ensuring the effective and transparent management of village funds, including BLT-DD. Through a sound internal control system, budgeting procedures, recording, financial reporting, and monitoring and evaluation of fund use can prevent misuse, thus maintaining accountability (Rahmany & Fatimah, 2020).

## **2. Literature Review**

This research is based on agency theory, which describes the contractual relationship between the community as principal and the village government as agent. This theory, first introduced by Jensen and Meckling (1976), defines an agency relationship as a contract in which the principal entrusts the agent with authority to make decisions according to the agreement without harming either party (Indriasih Dewi, 2022). The principal is the party that grants the agent the mandate to act in the common interest (Sonbay, 2022). This theory is used to analyze the dynamics of the relationship between the village government and the community, with agency theory as a grand theory emphasizing that the community needs knowledge to assess transparent and accountable village governance (Kusumo et al., 2022).

Research conducted by (Wahyuandari, 2020) examines village fund accountability within the framework of good financial governance. The findings of this study indicate that despite various efforts to improve accountability, several weaknesses remain in implementation, hindering the realization of good financial governance. This study emphasizes the need for training and capacity building for village officials. Unlike previous research, Wahyuandari's primary focus is on good financial governance, not just transparency.

Furthermore, (Ambarwati & Wafiroh, 2024) examines the role of village officials in ensuring accountability in village fund management. The results indicate that village officials play a crucial role in ensuring accountable village fund management. However, they still face challenges, particularly related to limited capacity and understanding of accountability principles. This study recommends that village officials receive better training to strengthen their role. Unlike previous research, which focused more on transparency and community participation, this study emphasizes capacity building for village officials.

## **3. Methodology**

This research uses a quantitative descriptive approach. According to Sugiyono (2019), the quantitative approach is based on a positivistic paradigm, emphasizing objectivity and being used to systematically research populations and samples. The hallmark of this approach is the use of numerical data collected and analyzed to obtain accurate and measurable information.

This quantitative descriptive research aims to present a comprehensive picture of the variables studied and how they interact within a broader context (Jailani, 2023).

The population in this study was 50 recipients of the 2024 BLT-DD (Direct Cash Assistance) program, with a sample size of 44 respondents selected through purposive sampling based on the criteria of active recipients. Primary data were collected using a Likert scale-based questionnaire (1 = strongly disagree, 5 = strongly agree). The instrument was tested for validity through factor analysis and reliability with Cronbach's Alpha. Data analysis used multiple linear regression to test the effect of accountability and transparency on performance, as well as a moderation test to evaluate the role of the internal control system. The analysis was conducted with SPSS version 25, with a significance level of 5% ( $p < 0.05$ ).

#### 4. Results and Discussion

The analytical method used to test hypothesis H1 is simple linear regression, which aims to evaluate the relationship between the independent and dependent variables. Meanwhile, hypothesis H2 is tested using a moderation analysis approach by examining the absolute difference in residual values. The entire hypothesis testing process was conducted using SPSS version 25.0 software to ensure accurate and reliable results.

**Table 2.** Partial Regression Test Results (t-Test) Coefficients

Model	Unstandardized Coefficients		tandardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	16,673	,566		31,562	,000
Transparansi	,273	,027	,514	10,374	,000

Based on table 2, the transparency variable shows a calculated t value of 10.374, which is also greater than the t table, which is 1.976 ( $\text{sig} = 0.05$  and  $\text{df} = n - k - 1$ , namely  $44 - 3 - 1 = 40$ ). The unstandardized beta coefficient for transparency is 0.273, and the significance level is 0.00, which is smaller than 0.05. Therefore, this hypothesis is accepted. This indicates that transparency in the management of direct cash assistance from village funds has a positive and significant influence on government performance. In other words, the higher the level of transparency in the management of direct cash assistance from village funds, the better the government's performance.

**Table 3.** Partial Regression Test Results (t-Test) Coefficients

	Unstandardized Coefficients	tandardized Coefficients		
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Model			Beta	t	Sig.
	B	Std. Error			
1 (Constant)	21,858	3,833		5,703	,000
Transparency (X)	-,373	,127	-,651	2,374	,031
Internal Control System (Z)	-,120	-,177	-,191	-,733	,372
XZ	,024	,008	1,778	3,845	,000

## 5. Discussion

### a. The Impact of BLT-DD Transparency on Government Performance

The results of the multiple linear regression test (Table 2) indicate that transparency (X) has a positive and significant effect on village government performance, with a t-value of 10.374 (greater than the t-table of 1.976), a regression coefficient (B) of 0.273, a beta coefficient of 0.514, and a significance value of 0.000 (less than 0.05). Thus, hypothesis H2 is accepted, confirming that transparency has a positive effect on village government performance. The regression coefficient of 0.273 indicates that each unit increase in transparency improves government performance by 0.273 units, with a relative contribution of 51.4%, greater than accountability.

This finding supports the principles of good governance, which emphasize transparency as a key pillar for building public trust (Hamsinar, 2017). In Sekban Village, transparency is reflected in the openness of information, ease of access, and the delivery of BLT-DD distribution procedures (Table 3). The high average score (4.29) on the statements about the absence of additional costs and the ease of understanding the BLT criteria indicates that the village government has succeeded in providing clear information. However, the low scores (2.70–2.71) on complaint channels and knowledge of reporting violations indicate weaknesses in community oversight mechanisms.

However, weaknesses in the complaint channels indicate a need for improvement, as also identified by Maspawati et al. (2023), who noted that information gaps can hinder full transparency. The Sekban Village Government can improve its performance by providing more effective complaint channels and increasing public awareness of reporting mechanisms, thereby strengthening perceptions of transparency and public trust.

### b. Internal Control System Moderates the Effect of Transparency of Village Fund Direct Cash Assistance on Government Performance.

The results of the moderation regression test (Table 3) indicate that the internal control system (Z) moderates the relationship between transparency (X) and village government performance (Y). The t-value for the XZ interaction is 3.845 (greater than the t-table of 1.976), with a regression coefficient of 0.024 and a significance value of 0.000

(less than 0.05). Thus, hypothesis H4 is accepted, confirming that the internal control system strengthens the relationship between transparency and village government performance. This result meets the criteria for pure moderation, where the internal control system significantly influences the relationship between transparency and performance.

This finding aligns with Government Regulation Number 60 of 2008, which states that the internal control system ensures the effectiveness of activities and compliance with regulations, which in turn supports transparency. In Sekban Village, a strong internal control system, such as clear regulations (score 4.21) and community involvement in oversight (score 4.28, Table 3), appears to have strengthened the effect of transparency on government performance. For example, recipient data verification and active monitoring (scores 4.18–4.23) ensure that the information conveyed transparently is trustworthy, thereby increasing community trust and village government performance.

However, the low score on media notification (3.56) indicates that village governments need to improve proactive communication, as suggested by G. Sari (2022), to maximize the moderating effect. By strengthening information channels and training officers, internal control systems can more effectively support transparency, thereby improving village government performance in managing BLT-DD.

## 6. Conclusion

Transparency has a positive and significant impact on the performance of the Sekban Village government in managing BLT-DD. With a t-count of 10.374 (greater than the t-table of 1.976) and a significance level of 0.000 (less than 0.05), transparency through information disclosure, ease of access, and clear procedural delivery strengthens public trust and the effectiveness of BLT-DD distribution, which ultimately improves village government performance.

The internal control system moderates the relationship between transparency and the performance of the Sekban Village government. With a t-value of 3.845 (greater than the t-table of 1.976) and a significance level of 0.000 (less than 0.05), hypothesis H4 is accepted. The internal control system, through mechanisms such as data verification, active monitoring, and community involvement in supervision, strengthens the effect of transparency on village government performance, thereby increasing trust and effectiveness in the management of BLT-DD.

## 7. Recommendation

**Improving Internal Control System Capacity through Training.** Although the internal control system has strong indicators, its inability to moderate the relationship between accountability and performance indicates the need for improved implementation. Village governments can provide training for officers on financial management, data verification, and monitoring, as suggested by Kusnadi and Anwar (2023). This training can help the internal control system function as a supporter of accountability, not just transparency.

**Optimizing Community Involvement in BLT-DD Oversight.** Community involvement in oversight (score 4.28, Table 4.7) has strengthened transparency, but proactive



communication through the media or officers remains weak (score 3.56). Village governments are advised to use more diverse communication channels, such as WhatsApp or live announcements, to update BLT-DD information. G. Sari (2022) emphasizes that proactive communication increases community engagement, which in turn strengthens transparency and government performance.

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