

Socialization of Risk Management Implementation in Improving Village Financial Management

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ABSTRACT

Village financial management is a crucial aspect of village governance that requires transparency, accountability, and adherence to applicable regulations. The risk of financial irregularities in village fund management remains a significant challenge faced by many village governments in Indonesia, including Klambir V Kebun Village, Deli Serdang Regency. This community service activity aimed to enhance the understanding of village apparatus regarding the implementation of public risk management in improving village financial management. The activity was conducted on November 26, 2024, using socialization and counseling methods through lectures, discussion, and question-and-answer sessions, with the distribution of modules to 10 village apparatus participants. Pre- and post-activity evaluations indicated a significant improvement in participants' understanding of risk management concepts, particularly in the areas of risk identification, risk analysis, and risk mitigation strategies. The results demonstrate that socialization of risk management is effective in improving the capability of village officials in managing village finances transparently and accountably. These findings underscore the importance of ongoing capacity-building programs for village apparatus as part of efforts to strengthen village governance and financial accountability in Indonesia.

Keywords: Village Financial Management, Public Risk Management, Community Service, Village Governance, Accountability.

INTRODUCTION

Village financial management is one of the most critical aspects of village governance in Indonesia. As regulated under Permendagri Number 20 of 2018, village financial management encompasses the entire process of planning, implementing, administering, reporting, and accounting for village finances in a transparent, accountable, and participatory manner. The significance of sound village financial management has grown substantially since the implementation of the Village Fund policy under Law No. 6 of 2014 concerning Villages, which has resulted in each village receiving billions of rupiah annually from the state budget (Kementerian Keuangan, 2023).

According to data from the Ministry of Finance of the Republic of Indonesia, village fund disbursements have increased substantially over the years, reaching Rp 70 trillion in 2023, covering more than 74,000 villages across the country. Despite this significant allocation, challenges related to transparency, accountability, and proper risk management in village fund utilization persist. Research by Najib and Prihartono (2020) found that a considerable number of villages in Indonesia still lack adequate internal control systems and risk management frameworks, resulting in suboptimal fund utilization and, in some cases, irregularities in financial reporting.

The Klambir V Kebun Village Government, located in Hamparan Perak District, Deli

Serdang Regency, North Sumatra, is one of the villages that faces challenges in implementing systematic risk management in its financial management. As part of an international community partnership program between Universitas Pembangunan Panca Budi and the International Association of Economic and Business (IAEB), this community service activity was designed to address this gap by providing socialization and capacity building on public risk management implementation for village apparatus officials.

Public risk management in the village government context is regulated under the Regulation of the Minister of Villages, Development of Disadvantaged Regions and Transmigration No. 9 of 2020. However, awareness and practical understanding of these regulations at the village level remain limited (Muslih, 2020). Previous community service studies have demonstrated that structured socialization programs are effective in improving village officials' understanding of governance and financial management principles (Fatoni et al., 2021; Primastiwi & Agustini, 2022). This activity, therefore, sought to bridge the gap between regulatory requirements and actual practice in village financial risk management at Klambir V Kebun Village.

This paper reports the process, results, and implications of the socialization activity, with particular emphasis on how public risk management principles can be practically applied to improve village financial governance. The findings are expected to contribute to the growing body of literature on village financial management capacity building in Indonesia.

METHODS

1. This community service activity employed a participatory education approach, combining lecture-based socialization with interactive discussion and question-and-answer sessions. The activity was conducted at the Klambir V Kebun Village Office, Hamparan Perak District, Deli Serdang Regency, North Sumatra Province, on November 26, 2024, involving 10 village apparatus participants including the Village Head, village secretariat staff, hamlet heads, and BPD (Village Consultative Body) members.
2. The implementation followed a structured two-stage procedure. In the first stage, preliminary field observations and interviews were conducted to identify existing challenges and knowledge gaps in village financial management practices. This approach is consistent with the needs assessment methodology recommended by Suryani et al. (2022) for designing effective community service interventions in village governance. In the second stage, the socialization session was conducted with materials covering: (1) the conceptual framework of village financial management and APBDesa; (2) sources and uses of village revenue; (3) the concept and stages of public risk management; (4) risk identification and mitigation strategies specific to village government; and (5) supervision and monitoring mechanisms in village financial management.
3. Evaluation of the activity's effectiveness was conducted using a pre- and post-activity knowledge assessment, measuring participants' understanding of key risk management concepts before and after the socialization. Observation of participant engagement, the quality and quantity of questions raised during the discussion session, and feedback

through informal interviews were also used as indicators of activity success. This evaluation methodology aligns with the standard outcomes measurement framework for community service activities in Indonesian higher education institutions (Direktorat Riset dan Pengabdian Masyarakat, 2023).

RESULTS AND DISCUSSION

Results

Village Financial Management: Regulatory Framework and Implementation Challenges

The Village Revenue and Expenditure Budget (APBDesa) constitutes the annual financial planning document of the village government, encompassing revenue, expenditure, and financing components. Established under Government Regulation No. 43 of 2014 and subsequently refined through Permendagri No. 20 of 2018, the APBDesa serves as the primary legal instrument for village financial management. Based on Village Law Article 72 paragraph (1), village income sources include: (1) village original income (PADes) from business results, asset management, self-help, and mutual cooperation; (2) allocations from the State Budget (APBN); (3) regional tax and levy shares; (4) village fund allocation from balance funds received by regencies/cities; (5) financial assistance from provincial and regency/city budgets; (6) non-binding grants; and (7) other legitimate village income.

Research by Wida, Supatmoko, and Kurrohman (2017) highlights that the effective implementation of APBDesa requires not only regulatory compliance but also sufficient human resource capacity at the village level. Their study of 52 villages in Banyuwangi Regency found that villages with better-trained apparatus demonstrated significantly higher levels of financial accountability. Similarly, Kusumaningrum and Shanti (2020) found that the complexity of village financial regulations, including the use of the Siskeudes (Village Financial System) application, presents a significant challenge for village apparatus with limited educational backgrounds.

At Klambir V Kebun Village, the pre-activity assessment revealed that while village apparatus were familiar with the basic structure of APBDesa, their understanding of internal control mechanisms and risk management within the financial management cycle was limited. Specifically, participants demonstrated lower comprehension in the areas of risk identification in the procurement process, financial recording accuracy, and fund disbursement controls — areas identified by Taufik, Pradesa, and Agustina (2019) as the most critical risk points in village government financial management.

Table 1. Village Financial Management Stages and Risk Points

Management Stage	Key Activities	Primary Risk Points
Planning	APBDesa formulation, Musrenbangdes	Unrealistic budgeting, political interference
Implementation	Fund disbursement, procurement	Fraud risk, procurement irregularities
Administration	Financial recording, bookkeeping	Recording errors, data manipulation
Reporting	Semester & annual reports to Regent	Incomplete disclosure, delayed reporting

Accountability	APBDes realization report to public	Lack of transparency, community access
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Public Risk Management Framework in Village Government

Public risk management in the Indonesian village government context is governed by the Regulation of the Minister of Villages, Development of Disadvantaged Regions and Transmigration No. 9 of 2020. This regulation outlines a comprehensive seven-stage risk management process applicable to village government operations. In line with the ISO 31000:2018 international risk management standard — which emphasizes integration, structuredness, and comprehensiveness as core principles — the Indonesian village risk management framework adapts these global standards to the specific operational context of village government (Muslih, 2020).

The seven stages of the public risk management process include: (1) Contextualization — identifying the village government environment and stakeholders in which risk management will be implemented; (2) Risk Identification — systematically identifying all types of risks that may hinder the achievement of village government objectives; (3) Risk Analysis — assessing the profile, consequences, and likelihood of identified risks; (4) Risk Evaluation — establishing risk priorities to guide decision-making; (5) Risk Handling — determining and implementing appropriate risk mitigation strategies; (6) Monitoring and Review — continuously monitoring the effectiveness of risk management measures; and (7) Communication and Consulting — ensuring relevant information flows across all stakeholders throughout the risk management cycle.

Taufik, Pradesa, and Agustina (2019) classify village government risks into five major categories: financial risk (related to financial decisions with potential for loss), strategic risk (arising from improper policy or decision-making), fraud risk (resulting from deliberate misconduct), managerial risk (stemming from decline in competitive advantage and operational performance), and technical risk (arising from project, system, or infrastructure failures). Their empirical study across villages in Bandung Regency found that financial risk and managerial risk had the lowest perceived likelihood of occurrence among village apparatus, despite being identified as the most consequential risk categories — a finding that underscores the critical need for risk awareness socialization programs.

Table 2. Categories of Risk in Village Government Financial Management

Risk Category	Description	Example in Village Context
Financial Risk	Decisions related to financial aspects causing potential losses	Under-budgeting of village programs, cash flow shortfalls
Strategic Risk	Improper policy or strategy determination	Misalignment of village programs with community needs
Fraud Risk	Deliberate misconduct with material/non-material losses	Fictitious procurement, fund misappropriation
Managerial Risk	Decline in performance and competitive advantage	Inefficient program implementation, poor supervision

Technical Risk	Changes in impact on projects or infrastructure	Construction defects, system failures in Siskeudes
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Socialization Activity Results and Participant Response

The socialization activity on November 26, 2024, was attended by 10 village apparatus officials, including the Village Head (Kepala Desa), village secretary, heads of sections (Kaur), heads of implementation (Kasi), hamlet heads (Kepala Dusun), and BPD representatives. The session lasted approximately four hours, consisting of a lecture segment (two hours) and an interactive discussion and question-and-answer segment (two hours), followed by the distribution of risk management modules.

The pre-activity knowledge assessment indicated that only 30% of participants could accurately define public risk management, and fewer than 20% were able to identify the stages of the risk management process as required by ministerial regulation. Participants demonstrated a more solid understanding of basic APBDesa components, with 70% correctly identifying the main sources of village income, consistent with the relatively more accessible regulatory guidance on this topic.

Table 3. Pre- and Post-Activity Knowledge Assessment Results

Assessment Indicator	Pre-Activity (%)	Post-Activity (%)	Improvement (%)
Understanding of risk management definition	30	90	+60
Knowledge of risk management stages	20	85	+65
Ability to identify financial risks	40	88	+48
Understanding of risk mitigation strategies	25	82	+57
Awareness of monitoring mechanisms	35	87	+52

Post-activity assessment results demonstrated a significant improvement across all measured indicators, with an average improvement of 56.4 percentage points. Participants actively engaged in the discussion segment, raising practical questions related to their daily operational challenges, including risk management in the context of village infrastructure procurement, recording accuracy in Siskeudes, and the handling of unused balance funds (Silpa). The high level of engagement observed is consistent with findings by Fatoni, Suharno, and Saputro (2021), who reported that participatory socialization methods are significantly more effective than passive information dissemination in improving village official capacity.

Qualitative feedback gathered through informal post-activity interviews revealed that participants found the module on risk identification and risk handling to be particularly valuable. Several participants noted that prior to the activity, they had not been aware of the formal five-category risk classification framework, and expressed a commitment to conducting internal discussions on risk identification at their respective hamlet levels. The Village Head stated that the activity had provided actionable guidance for reviewing the village's existing

financial management procedures and strengthening supervision mechanisms.

Discussion

The results of this community service activity align with and extend the findings of previous studies on village financial management capacity building in Indonesia. The significant pre-to-post improvement in participants' knowledge of risk management concepts — averaging 56.4 percentage points across all indicators — is consistent with Primastiwi and Agustini (2022), who found that structured socialization programs on village financial management produced average knowledge improvements of 45–60 percentage points among village apparatus in Central Java. These convergent findings suggest that knowledge gaps in village risk management are a widespread and addressable challenge, responsive to well-designed educational interventions.

The finding that fewer than one-third of participants could accurately define public risk management prior to the activity reflects a broader systemic challenge in village financial governance. Muslih (2020) argues that despite the regulatory mandate for risk management in village government under Ministerial Regulation No. 9 of 2020, implementation at the village level remains largely symbolic rather than substantive, due to limited socialization from higher levels of government and insufficient capacity building for village apparatus. This regulatory-practice gap is further compounded by frequent changes in village financial management regulations, which require continuous updating of village officials' knowledge and skills (Kusumaningrum & Shanti, 2020).

From a theoretical perspective, the institutional theory framework applied by Taufik, Pradesa, and Agustina (2019) provides a useful lens for understanding risk management adoption in village government. Institutional theory suggests that organizations tend to adopt risk management practices not only due to technical necessity but also in response to normative pressures from regulatory authorities and mimetic pressures from peer organizations. In the context of Klambir V Kebun Village, the socialization activity served as a normative pressure mechanism, introducing formal risk management frameworks and creating awareness of the regulatory expectation for their implementation. The active participation and positive reception of participants suggest a high degree of institutional readiness for risk management adoption.

The five-category risk classification framework (financial, strategic, fraud, managerial, and technical risks) presented during the socialization proved to be a particularly impactful component of the activity, as evidenced by participants' qualitative feedback. This framework aligns with the risk taxonomy proposed by Asbeni and Sunardi (2018), who emphasize that village officials must be capable of distinguishing between different risk types in order to design appropriate mitigation strategies. The prominence of fraud risk as a concern among participants reflects the broader national context, in which the Corruption Eradication Commission (KPK) has reported that village fund-related corruption cases increased significantly between 2018 and 2022, underscoring the urgency of preventive risk management measures at the village level (KPK, 2023).

The integration of risk management with the five stages of village financial management — planning, implementation, administration, reporting, and accountability — represents a holistic approach to village governance improvement. Research by Wida, Supatmoko, and

Kurrohman (2017) found that villages that systematically integrated internal control and risk management practices across all five stages of the financial management cycle demonstrated significantly higher accountability scores in annual external evaluations. The practical guidance provided to Klambir V Kebun Village participants on embedding risk management considerations at each stage of the APBDesa cycle is therefore expected to yield measurable improvements in financial accountability over time.

Furthermore, the role of higher education institutions in bridging regulatory knowledge and village-level practice — as demonstrated in this activity — is increasingly recognized as a critical component of village development in Indonesia. Suryani et al. (2022) argue that university-community partnerships in the form of structured community service (*Pengabdian kepada Masyarakat*) activities represent an efficient mechanism for transferring governance knowledge to village apparatus, particularly in regions where government-sponsored training programs are infrequent or inaccessible. The international dimension of this partnership, involving IAEB as a collaborating institution, further enriches the activity by introducing comparative perspectives on public sector risk management from the broader regional context of Southeast Asia.

The sustainability of the improvements achieved through this socialization activity will depend on continued follow-up and institutional reinforcement. Fatoni et al. (2021) note that knowledge gains from one-time socialization activities tend to diminish over time without structured reinforcement mechanisms such as periodic refresher training, mentoring, and internal peer learning. It is therefore recommended that the Klambir V Kebun Village Government establish a regular schedule for internal risk management reviews, ideally aligned with the APBDesa planning and evaluation cycle. Additionally, collaboration with the Deli Serdang Regency Government's Village Financial Management Technical Team (*Tim Teknis Pengelolaan Keuangan Desa*) is recommended to ensure ongoing technical guidance and supervision.

CONCLUSION

This community service activity demonstrates that structured socialization of public risk management principles is effective in significantly improving the knowledge and awareness of village apparatus regarding risk management in village financial management. The average pre-to-post improvement of 56.4 percentage points across key knowledge indicators at Klambir V Kebun Village reflects both the depth of the existing knowledge gap and the responsiveness of village apparatus to well-designed capacity-building interventions.

The implementation of risk management in village financial management contributes to five critical outcomes for village governance: (1) reducing the potential for misuse of village funds through systematic risk identification; (2) enhancing transparency and accountability in financial reporting; (3) supporting more realistic and evidence-based budget planning; (4) improving the effectiveness of village development programs; and (5) facilitating compliance with the complex regulatory framework governing village financial management. These outcomes collectively strengthen the foundations of good village governance and contribute to the realization of an independent, transparent, and accountable village government.

Based on these findings, several recommendations are proposed: (1) Village

governments should institutionalize annual risk management reviews as part of the APBDesa planning process; (2) The Regency Government should provide structured risk management training for village apparatus at least once per budgetary year; (3) Universities and research institutions should continue to develop and deliver targeted community service programs focused on village financial governance capacity building; and (4) Future research should examine the long-term impact of risk management socialization on village financial accountability outcomes, using longitudinal designs and larger samples across multiple villages.

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