

Good Governance, Internal Control, and Village Financial Management Performance: Examining the Moderating Effect of Tri Hita Karana in Denpasar City



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ABSTRACT: The village fund program in Indonesia is planned to support the development and implementation of the Village Government. The village fund program certainly requires village officials to be able to carry out accountable financial management. Village financial management must be managed properly in accordance with the principles of good governance and implement good internal control. However, in practice, there are still some irregularities that occur in village financial management, one of which has occurred in Denpasar City, Bali Province, Indonesia. These irregularities are generally committed by individuals who do not have good ethics and morals. Therefore, it is necessary to harmonize the concept of village government management with the cultural values of local wisdom that developed in Bali, one of which is the concept of Tri Hita Karana culture. Through a strong positive culture, it can undoubtedly produce good performance and achievement for each individual and organization. This study aims to examine the ability of Tri Hita Karana to moderate the effect of good governance and internal control on village financial management performance in Denpasar City. This study uses a quantitative approach using primary data. Data collection techniques with questionnaires. This research was conducted in all villages in Denpasar City. Sample determination using nonprobability sampling method with purposive sampling technique. The data analysis technique used was Moderated Regression Analysis (MRA). The results showed that good governance and internal control had a positive effect on village financial management performance. Tri Hita Karana culture cannot moderate the effect of good governance and internal control on village financial management performance in Denpasar City. The application of the principles of good governance and internal control can improve the effectiveness and efficiency of village financial management. Although the Tri Hita Karana culture has been developing for a long time in Bali, the community has not been able to fully integrate these cultural values in formal practice activities. So that in the future it still requires improvement and better adjustment.

KEYWORDS: Village Financial Management Performance, Good Governance, Internal Control, Tri Hita Karana

I. INTRODUCTION

The Village Fund policy is a form of the Indonesian government's concern for the development of rural areas by providing a state revenue and expenditure budget for each fiscal year which is intended for villages (Adrian and Soekarno, 2019). The Village Fund Allocation is part of the balancing funds received by the Regency / City in the regional revenue and expenditure budget after deducting the special allocation funds. The amount of Village Fund Allocation received by each village is calculated based on the number of villages and allocated by taking into account population, poverty rate, area, and level of geographical difficulty (Rino, 2018). With the Village Fund Allocation, it is expected to be able to support the implementation of the Village Government and the management of these funds must be accountable. Bali Province is one of the regions that receives the Village Fund Allocation from the Central Government. Statistically, Bali Province consists of 9 regencies/cities divided into 57 sub-districts with a total of 636 villages (BPS, 2022). Based on data from the Ministry of Finance of the Republic of Indonesia, the number of regency / city Village Fund Allocation receipts in Bali Province in 2019-2022 has increased every year. This shows the seriousness of the Central Government to support the Village Government in terms of funding to improve community welfare. Given the large value of the Village Fund Allocation provided by the Central Government and increasing every year, of course it must be followed by the increasing responsibility of the Village Government in managing the village fund finances. The increase in the flow of Village Fund

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Allocation each year requires the Village Government to be able to account for the financial management of village funds properly and in accordance with the principles of proper financial management.

However, in practice, there are still irregularities that occur in village financial management. Cases of irregularities in village financial management have occurred in Denpasar City. In accordance with the news published in the online mass media NusaBali.com on April 16, 2019, it was reported that the Special Crimes Team of the Denpasar District Attorney's Office took over and began to conduct data collection related to the alleged corruption of the APBDes funds (village revenue and expenditure budget) of Dauh Puri Kelod Village, West Denpasar worth 900 million rupiah. Allegations of misappropriation arose when there was a difference between the SILPA (Remaining Budget Financing Surplus) of the Dauh Puri Kelod village budget. In addition, High Prosecutor's Office online media on January 13, 2020 reported that the Head of Pemecutan Kaja Village, North Denpasar, was made a suspect in an alleged corruption case. The case stems from the collection of donations by Pemecutan Kaja Village to street vendors, shops, and others. The total donation reached 13 to 14 million rupiah per month. However, from February 2017 to February 2018, the Perbekel (Village Head) ordered the Pemecutan Kaja Village Treasurer to deduct the donations. The money was then divided between the Village Head, village officials, Kadus, and BPD of Pemecutan Kaja Village, and the rest was then deposited into the Pemecutan Kaja Bumdes treasury, with a loss of approximately 190 million rupiah.

Financial management can actually be measured by measuring performance. Performance measurement is needed to be able to assess the level of achievement of the Village Government in providing public services, especially related to financial management and accountability (Rino, 2018). Performance measurement of financial management by the Village Government can be measured using the concept of value for money, which is the concept of measuring the performance of public sector organizations based on three main elements, namely economy, effectiveness, and efficiency (Mardiasmo, 2009). To improve the performance of the Village Government, especially in managing and being accountable for finances, efforts are needed to organize good governance. Village revenue, which is quite large and comes from various sources, must be managed properly in accordance with the principles of good governance. To support the realization of good governance in terms of auctions carried out by an organization, financial management must be carried out based on governance principles, namely transparency, accountability and responsiveness and carried out according to predetermined budget rules and disciplines (Adrian and Soekarno, 2019). Regarding the management of village funds, there are three principles of good governance, namely transparency, participation, and accountability (Soleh et al., 2017). However, there are still problems in realizing good governance, namely lack of understanding, awareness, and capacity of human resources of government officials (Bapenas, 2007). To support the realization of good village governance, it is necessary to have a supervisory function both from the internal side of the village apparatus and the community to ensure that government administration is running well.

The role of the supervisory function in an organization is generally carried out by establishing an internal control system. Government Regulation No. 60/2008 states that the Government Internal Control System (SPIP) for villages is one of the control mechanisms that can be applied in village financial management. SPIP is an internal control system that is organized as a whole within the central government and local governments. The supervisory function in the village government is carried out by the Village Consultative Body (BPD) whose task is to supervise the performance of the village head and village officials. The village financial internal control system is designed by the government with the aim that every element of government works according to the rules and is well organized (Rosyidi, 2018). The presence of a control system is not only an effort to form administrative completeness but is an effort to change attitudes and behavior. The implementation of the internal control system is highly dependent on the commitment, example, ethics, moral goodwill of all elements of the Village Government.

In order to maximize the implementation and supervision of village governance, it is necessary to align the concept of village government management with the values of local wisdom prevailing in the community. One of the local wisdoms in Bali Province is Tri Hita Karana. The concept of Tri Hita Karana is a philosophy of harmonization of relationships that is always maintained by Balinese Hindu society, including: Parahyangan (human relationship with God), Pawongan (relationship between humans), and Palemahan (human relationship with the environment) which comes from the Hindu holy book Baghawad Gita (Riana, 2010). To maximize performance, an organization must basically also have the view that its performance is influenced by good values that come from self-strength, work environment, and relationships between fellow employees (Adiputra, 2014). Through a strong positive culture, it can undoubtedly produce good performance and achievement for each individual and organization.

The occurrence of two cases of irregularities in village financial management in Denpasar City, shows that the implementation of good governance and internal control is still not optimal, which has an impact on financial management performance. If seen in Table 1.1 in 2021, when calculated the value of the village fund allocation for each village is the largest obtained by villages in Denpasar City, namely 1,486,980,000 rupiah. This condition must certainly be followed by the increasing responsibility for financial management and internal control that must be implemented so that cases of irregularities that have occurred before are not

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repeated. This phenomenon encourages researchers to test the effect of the implementation of good governance and internal control on the performance of village financial management, especially in Denpasar City. This study uses the Tri Hita Karana variable which is a local culture and wisdom in Bali as a moderating influence on the application of good governance and internal control on village financial management performance. This study also wants to gain an understanding of the application of Tri Hita Karana local wisdom in the process of organizing village governance which is thought to function as an aspect of religiosity, in this case aiming to maximize good governance and internal control so as to improve village financial management performance.

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Jensen and Meckling (1976) state that an agency relationship is an agreement (contract) between two parties, namely the principal and the agent. The principal authorizes the agent to make decisions on behalf of the principal. According to Bergman and Lane (1990) agency theory can be applied in public organizations, that modern democratic countries are based on a series of principal and agent relationships. In public sector organizations, the principal is the people and the agent is the government, in this case the village head and other village officials (Ismail et al., 2016). This relationship creates a contract between the community and the village government that allows conflict of interest due to information asymmetry. Agency Theory will be relevant to explain the relationship between principals and agents in the management of village funds Mahayani (2017). In accordance with the principles of good governance, the village government (agent) is responsible to the central government that has made Law Number 6 of 2014 concerning villages and is an extension of the village community (principal) as the giver of the mandate in carrying out the tasks of village development and governance. Donaldson & Davis (1991) assume that there is a strong relationship between satisfaction and organizational success. Stewardship theory is often referred to as governance or stewardship theory which views management as a steward (manager) will act consciously, wisely and wisely for the benefit of the organization. Stewardship theory is built because in essence humans have the nature of integrity and honesty, trustworthy and responsible. In relation to the public sector, especially the implementation of village governance, the village government is considered capable of being responsible and trustworthy for its actions to maximize public services. Stewardship theory if it is related to the performance of village fund management, the village government is expected to manage village funds for the common interest or community so as to increase public trust.

Regulation of the Minister of Home Affairs Number 8 of 2006 explains that performance is the output or results of activities or programs that will or have been achieved in connection with the use of budgets with measurable quantity and quality. According to Fahmi (2014) financial performance is an analysis conducted to see the extent to which a company has implemented its programs using financial implementation rules properly and correctly and effectively and efficiently. Village fund management is a form of social reality where there are social interactions including various interested parties such as the central and district governments, as well as village officials and the community. The performance of financial management must be in line with the objectives of the establishment of village arrangements in the Law which explains that village arrangements are intended to help develop village assets both from culture and from human resources, improve services to the community and increase resilience and the village economy (Thoyib et al., 2020). According to Moeheriono (2014) in measuring performance, performance indicators are needed as values used to measure the output or outcome of a program. Measuring the performance of financial management of public sector organizations can be measured using the concept of value for money. Value for money is the concept of measuring the performance of public sector organizations based on three main elements, namely economy, effectiveness, and efficiency (Mardiasmo, 2009).

The United Nations Development Program (UNDP) sees governance as an activity in the economic, political, and administrative fields to manage state affairs at various levels. Meanwhile, good governance is a concept that approaches through orientation to public sector development in good governance (Mardiasmo, 2009). According to the National Committee on Governance Policy (KNKG), the government in Indonesia has the responsibility to implement good government governance standards that have previously been applied in accordance with international standards. The application of good governance principles is the basis for implementing the governance process. The concept of good governance is applied in every activity of government agencies, both central and regional, to prevent agency conflicts. In accordance with agency theory, in public sector organizations, the principal is the people and the agent is the government, in this case the village head and other village officials (Ismail et al., 2016). In line with the principles of good governance, the village government is responsible to the central government that has made the Law and is an extension of the village community as a trustee in carrying out development tasks and village financial management. The increasing application of good governance principles in village governance is expected to improve the performance of village financial management. Research conducted by Budiati and Asih (2017), Wibowo (2018), and Anggraini and Praptiestrini (2021) found that good governance has a positive effect on village financial management performance.

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According to Government Regulation Number 60 of 2008, the internal control system is an integral process in an action carried out continuously by the leadership and all employees to provide assurance of the achievement of an organization's objectives through effective and efficient activities, accuracy in financial reporting, safeguarding state assets and compliance with laws and regulations. Internal control is an important component and must be considered in determining and monitoring the performance of government officials. The internal control system is a requirement for the administration of government and trustworthy management of state finances because with a good internal control system, an organization will be able to run well (Hamsinar, 2017). The stewardship theory views management as a steward (manager) will act consciously, wisely and wisely for the benefit of the organization. In order for management to run optimally, a control element is needed to carry out the supervisory function. Internal control is an important component and must be considered in determining and monitoring the performance of government officials. The internal control system is a requirement for the administration of government and trustworthy management of state finances because with a good internal control system, an organization will be able to run well (Hamsinar, 2017). The increasing application of internal control in village governance is expected to improve the performance of village financial management. Research conducted by Wibowo (2018), Hermanto et al. (2019), and Sari and Asmara (2021) found that internal control has a positive effect on the accountability of village financial management performance.

Tri Hita Karana (THK) is etymologically formed from the word: Tri which means three, Hita means happiness, and Karana which means cause or the cause. Tri Hita Karana is interpreted as three harmonious relationships that cause happiness (Subagia et al., 2016). Tri Hita Karana is defined as three causes of well-being that originate from the harmonious relationship between humans and their God (parahyangan), humans and their natural environment (palemahan), and humans and their neighbors (pawongan) (Suardhika, 2012). Tri Hita Karana is a philosophy that is also the concept of life and cultural system of the Balinese people. Gunawan (2009) stated that Tri Hita Karana which is adopted as an organizational culture affects organizational performance. The concept of Tri Hita Karana religiosity is used because it is considered capable of creating a culture of honesty (Adiputra, 2014). The use of the concept of religiosity in the implementation of governance, especially financial management, aims to form individuals who have honesty so as to prevent fraud.

In the implementation of good governance, it is also necessary to consider the aspects of local wisdom that are present in the community. The cultural aspects of local wisdom are seen as a guideline and belief for the local community in carrying out their daily activities. One aspect of local wisdom that has developed in Bali is Tri Hita Karana. Gunawan (2009) states that Tri Hita Karana, adopted as an organizational culture, influences organizational performance. The philosophical values found in Tri Hita Karana are expected to serve as a guideline that shapes the attitudes and behaviors of human resources in the management of village finances. If the application of good governance principles by the village government increases, then the performance of village financial management will also improve. The performance of village financial management will become even better when the village government implements the philosophy of Tri Hita Karana. Internal control is necessary as a function of regulation as well as supervision in the management of village governance. Therefore, a commitment is needed to implement control elements in the management of village governance, particularly in financial management. Fraud can truly be mitigated if human resources have a life guideline and belief in local culture that embodies noble values in society. Tri Hita Karana is a local culture that encompasses a religious concept related to human behavior in Bali. The concept of religiosity in Tri Hita Karana is used because it is believed to be capable of creating a culture of honesty. (Adiputra, et al., 2014). If the implementation of internal control carried out by the village government increases, then the performance of village financial management will also improve. The performance of village financial management will be even better when the village government applies the philosophy of Tri Hita Karana. The hypotheses that can be developed in this research are as follows.

H1: Good governance has a positive impact on the performance of village financial management.

H2: Internal control has a positive impact on the performance of village financial management.

H3: Tri Hita Karana strengthens the positive influence of good governance on the performance of village financial management.

H4: Tri Hita Karana strengthens the positive influence of internal control on the performance of village financial management.

III. RESEARCH METHODS

This research employs a quantitative approach that will examine the influence of good governance and internal control on the performance of village financial management, as well as the role of the Tri Hita Karana culture in moderating the relationship between good governance and internal control on the performance of village financial management. This research uses primary data sourced from the respondents' answer scores to the distributed questionnaire, which is then processed using the analytical tools employed. The data collection technique in this study is by distributing questionnaires. The distribution of the questionnaires is carried out using purposive sampling technique. The questionnaire is designed so that the respondents' answers can be

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quantified using a Likert scale score from 1 to 5. The research location was conducted in all villages located in the city of Denpasar. All villages in Denpasar were chosen due to a history of irregularities that have occurred related to village financial management, the highest allocation of village funds for each village is obtained by the villages in Denpasar, and there is the concept of local wisdom Tri Hita Karana that has developed in Bali. The population in this study consists of all village officials in the city of Denpasar. The technique used in the sampling selection for this research is the non-probability sampling method with purposive sampling technique. The criteria for sample selection in this study are village officials who hold positions in upper management and middle management. After calculations and adjustments with the organizational structure of village apparatus in Denpasar City for the year 2024, a target of 11 respondents was obtained for each village. There are a total of 27 villages in Denpasar City. Thus, the total target number of respondents for this research is 297 respondents. The conceptual framework in this research is presented in Figure 1 as follows.

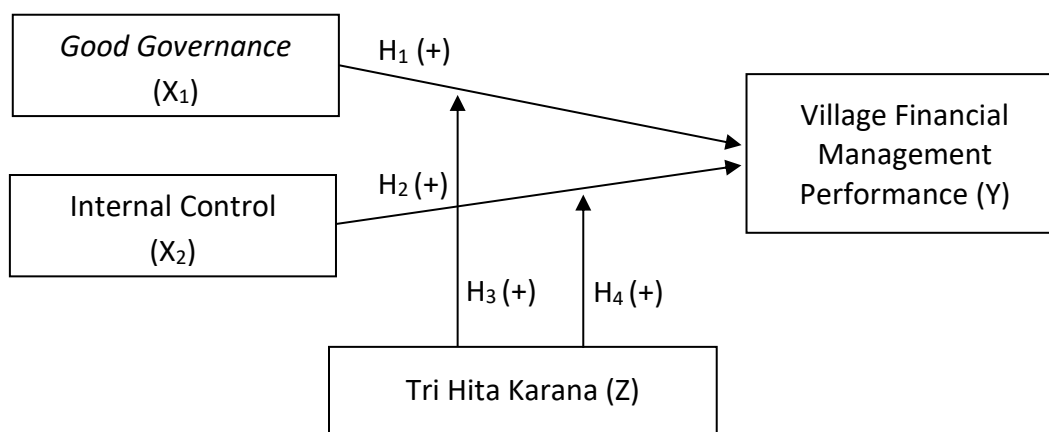


Figure 1. Research Conceptual Framework

The data analysis technique used in this research is Moderated Regression Analysis (MRA), assisted by SPSS for Windows software. (Statistical Product and Service Solution). The stages of analysis in this research are as follows: Research Instrument Testing, Classical Assumption Testing, Moderated Regression Analysis (MRA), Coefficient of Determination Analysis, Model Fit Testing (F Test), and Hypothesis Testing. (Uji t). The regression equation in this study is as follows.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \epsilon \dots \dots \dots (1)$$

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 Z + \beta_4 X_1 * Z + \beta_5 X_2 * Z + \epsilon \dots \dots \dots (2)$$

Keterangan:

- Y : Village Financial Management Performance
- α : Constant
- X1 : Good Governance
- X2 : Internal Control
- Z : Tri Hita Karana
- β_{12345} : Regression Coefficient
- ϵ : Error Term

IV. RESULT

During the data collection process, a total of 297 questionnaires were sent to 27 villages in Denpasar City. However, only 172 questionnaires were returned and fully completed, which amounts to 57.91% of the targeted total sample. Thus, the total sample size in this study is 172 respondents. The characteristics of the respondents to be presented include four aspects: gender, age, and last education. Based on gender, there are 117 male respondents (68.02%) and 55 female respondents (31.98%). Second, in terms of age, the majority of respondents are over 50 years old, totalling 50 individuals (46.51%), followed by respondents aged 40-50 years with 45 individuals (26.16%), those aged 31-40 years with 36 individuals (20.93%), and those aged 20-30 years with 11 individuals (6.40%). Third, based on the last education, the majority of respondents hold a Bachelor's degree, totalling 90 individuals (52.33%). Furthermore, 60 individuals (34.88%) have a high school education or equivalent, 13 individuals (7.56%) have

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a Diploma, 8 individuals (4.65%) hold a Master's degree, and only 1 individual (0.58%) has a Doctorate. Lastly, in terms of years of work, the majority of respondents have more than 10 years of experience, totalling 76 individuals (44.19%). Then, 71 individuals (41.28%) have 5-10 years of experience, 24 individuals (13.95%) have 1-5 years of experience, and only 1 individual (0.58%) has less than 1 year of experience. The research instrument test was conducted using validity and reliability tests, with 30 randomly selected respondents. The results of the research instrument test are presented in Table 1 as follows.

Table 1. Research Instrument Testing

Variable	Correlation Coefficient (r) Question for Each Variable								Cronbach Alpha
	1	2	3	4	5	6	7	8	
Good Governance (X1)	0,913	0,868	0,918	0,869	0,914	0,827	-	-	0,939
Internal Control (X2)	0,613	0,836	0,904	0,909	0,746	0,877	-	-	0,899
Tri Hita Karana (Z)	0,553	0,887	0,868	0,573	0,815	0,647	-	-	0,752
Village Financial Management Performance (Y)	0,755	0,752	0,546	0,749	0,792	0,653	0,781	0,813	0,862

Based on Table 1, it can be seen that the validity test results for all correlations between factor scores and total scores have positive values and are greater than 0.30 ($r > 0.30$). Therefore, it can be concluded that all the questionnaire items in this study are capable of measuring the research object validly and consistently. Table 3 also shows that all the variables used in the study have a Cronbach Alpha value greater than 0.70. This condition also implies that all of these variables can be considered reliable and can be used in subsequent analyses.

The classical assumptions tested include normality tests and heteroscedasticity tests. The results of the normality test in this study are presented in Table 2 as follows.

Table 2. Normality Test

	Unstandardized Residual	
	Equation I	Equation II
N	172	172
Asymp. Sig. (2-tailed)	0,200	0,200

The results of the normality test in Table 2 show that the value of Asymp. Sig. for the first equation is 0.200 and for the second equation is 0.200, both of which are greater than $\alpha = 0.05$ ($0.200 > 0.05$). It can be concluded that the data used has been normally distributed. The heteroscedasticity test is conducted by regressing the absolute residual values from the estimated model against the independent variables, and it is expected that none of the independent variables have a significant effect on the absolute residual values. Heteroscedasticity testing was conducted on both regression equations used in this study. The heteroscedasticity test is presented in Table 3 as follows.

Table 3. Heteroskedasticity Test

Variable	Significance of Absolute Residual	
	Equation I	Equation II
Good Governance (X1)	0,283	0,803
Internal Control (X2)	0,208	0,823
Tri Hita Karana (Z)	-	0,900
Good Governance (X1) * Tri Hita Karana (Z)	-	0,856
Internal Control (X2) * Tri Hita Karana (Z)	-	0,872

The results of the heteroscedasticity test in Table 5 show that the significance values for the absolute residuals obtained from each variable in equation I and equation II are greater than $\alpha = 0.05$. It can be concluded that the data used does not exhibit signs of heteroskedasticity.

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This research formulates two regression equations, namely multiple linear regression and Moderated Regression Analysis (MRA). The first equation is a multiple linear regression analysis used to test hypotheses H1 and H2. The testing of the first equation is presented in Table 4 as follows.

Table 4. Multiple Linear Regression Test Equation I

Model	Unstandardized Coefficients		Standardized Coefficients	p-value	Description	Hypothesis Results
	B	Std. Error	Beta			
(Constant)	5,343	1,532		0,001		-
Good Governance (X1)	0,851	0,094	0,652	0,000	Significant	Accepted
Internal Control (X2)	0,269	0,090	0,215	0,003	Significant	Accepted
Adjusted R Square	0,695					
Sig. F	0,000					

The second equation represents the Moderated Regression Analysis (MRA) used to test hypotheses H3 and H4. For the Moderated Regression Analysis test, the second equation is presented in Table 4 as follows.

Table 5. Moderated Regression Analysis (MRA) Test Equation II

Model	Unstandardized Coefficients		Standardized Coefficients	p-value	Description	Hypothesis Results
	B	Std. Error	Beta			
(Constant)	41,321	30,741		0,181		
Good Governance (X1)	-1,366	1,584	-1,047	0,390	-	-
Internal Control (X2)	1,048	1,508	0,838	0,488	-	-
Tri Hita Karana (Z)	-1,326	1,160	-0,547	0,255	-	-
Good Governance (X1) * Tri Hita Karana (Z)	0,082	0,058	2,147	0,160	Not Significant	Rejected
Internal Control (X2) * Tri Hita Karana (Z)	-0,029	0,056	-0,816	0,603	Not Significant	Rejected
Adjusted R Square	0,696					
Sig. F	0,000					

The t-statistic test is conducted to determine the extent of the influence of an independent variable individually in explaining the variation of the dependent variable. The t-statistic test is performed by comparing the significance values of each independent variable in the regression model with $\alpha = 0.05$, and it is compared with the hypotheses that have been formulated previously. Based on Table 4 and Table 5, the results of the hypothesis testing in the research are as follows.

a. Testing Hypothesis 1 (H1)

Based on Table 4, the significance value of the t-test for the good governance variable is 0.000, which is less than $\alpha = 0.05$ ($0.000 < 0.05$), indicating that it is significant. The regression coefficient value obtained is 0.851. This indicates that the probability of good governance has a positive and significant impact on the performance of village financial management, thus the first hypothesis in this study is accepted.

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b. Testing Hypothesis 2 (H2)

Based on Table 4, the significance value of the t-test for the internal control variable is 0.003, which is less than $\alpha = 0.05$ ($0.000 < 0.05$), indicating significance. The regression coefficient value obtained is 0.269. This indicates that the probability of internal control has a positive and significant effect on the performance of village financial management, thus the second hypothesis in this study is accepted.

c. Testing Hypothesis 3 (H3)

Based on Table 5, the significance value of the t-test from the good governance*Tri Hita Karana culture variable is the testing of the Tri Hita Karana culture variable in moderating the influence of good governance on village financial management performance. The regression coefficient obtained is 0.082, and the p-value is 0.160, which is greater than $\alpha = 0.05$ ($0.160 > 0.05$), indicating that it is not significant. Since this is a moderation effect test, the results need to be combined with the significance value of the good governance variable. The good governance variable obtained a regression coefficient of -1.366 and a p-value of 0.390, which is greater than $\alpha = 0.05$ ($0.390 > 0.05$), indicating that it is not significant. Because the variable of good governance * THK culture has a positive but insignificant value and the variable of good governance has a negative but insignificant value, the THK culture variable is a potential type of moderation (homologiser moderator). This indicates that the cultural variable of THK cannot moderate the influence of good governance on the performance of village financial management, thus the third hypothesis in this study is rejected.

d. Testing Hypothesis 4 (H4)

Based on Table 5, the significance value of the t-test for the internal control*Tri Hita Karana culture variable, which tests the Tri Hita Karana culture variable in moderating the effect of internal control on village financial management performance, shows a regression coefficient of -0.029 and a p-value of 0.603. This value is greater than $\alpha = 0.05$ ($0.603 > 0.05$), indicating that it is not significant. Since this is a moderation effect test, the results need to be combined with the significance value of the internal control variable. The internal control variable obtained a regression coefficient of 1.048 and a p-value of 0.488, which is greater than $\alpha = 0.05$ ($0.488 > 0.05$), indicating that it is not significant. Because the internal control variable *THK culture has a negative insignificant value and the internal control variable has a positive insignificant value, the THK culture variable is a potential moderating type (homologiser moderator). This indicates that the cultural variable of THK cannot moderate the influence of internal control on the performance of village financial management, thus the fourth hypothesis in this study is rejected.

Then a goodness-of-fit test (F test) was conducted to prove that both regression equations are suitable for use as analytical tools. Additionally, it is necessary to perform an analysis of the coefficient of determination (adjusted R square) to determine the ability of the independent variables to predict the variation in the dependent variable in both regression models used.

Table 6. Model Fit Test Results and Coefficient of Determination Analysis

Model	Adjusted R Square	Adjusted R Square Change	Sig. F
1	0,695	-	.000
2	0,696	0.001	.000

Based on Table 6, it can be seen that the value of Adjusted R Square in the first equation is 0.695, which means that 69.5 percent of the variation in the performance of village financial management in this study can be explained by the variables of good governance and internal control. Meanwhile, the remaining 30.5 percent is influenced by other variables outside of the model used in the first equation. The value of Adjusted R Square in the second equation is 0.696, indicating that 69.6 percent of the variation in the performance of village financial management in this study can be explained by the variables of good governance, internal control, the Tri Hita Karana culture, the interaction of good governance with the Tri Hita Karana culture, and the interaction of internal control with the Tri Hita Karana culture. The remaining 30.4 percent is influenced by other variables outside of the model used in the second equation. Both results show an increase in the Adjusted R Square value between the first equation and the second by 0.1 percent. This indicates that the presence of interaction variables in the research model does not significantly enhance the model's ability to explain the variation in the performance of village financial management in this study. Based on the results of the model feasibility test in Table 6, it can be seen that the Sig. F values (Significance F) for the first and second equations are the same, namely 0.000, which is less than the α value of 0.05 ($0.000 < 0.05$). This indicates that the models of the

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first and second equations used in this study are suitable to be used as analytical tools to test the influence of independent variables and moderating variables on the dependent variable.

V. DISCUSSION

Good Governance Positively Influences Village Financial Management Performance

Based on the results of the hypothesis testing, it was found that good governance has a positive and significant impact on the performance of village financial management in Denpasar City. This result means that the higher the implementation of good governance carried out by village officials, the better the performance of village financial management will be. The application of good governance in village financial management plays a crucial role in enhancing the performance of village financial management. Transparency in financial management allows the community to access information regarding the management of village funds, thereby reducing the likelihood of fund misuse. Accountability encourages village officials to be responsible for the financial management they undertake, thereby increasing public trust. Community participation in the decision-making process also ensures that the policies adopted align with the needs of the community, while accountability ensures that the village government acts in accordance with the applicable regulations and provisions. According to agency theory, the relationship between the principal (the community) and the agent (the village government) is often colored by issues of information asymmetry and moral hazard. Good governance helps address these problems by enhancing transparency and accountability, allowing the community as the principal to more easily monitor the performance of the village government as the agent. With a good control mechanism in place, the potential for conflicts of interest and abuse of power can be minimized, ultimately enhancing the performance of village financial management. (Jensen & Meckling, 1976). It can also be explained in the stewardship theory, which focuses on the harmonious relationship between the principal and the agent, where the agent acts as a steward responsible for the interests of the principal. In this context, the application of good governance encourages local governments to act as stewards who safeguard the interests of the community. The principles of good governance, such as participation and accountability, encourage village governments to act proactively in meeting the needs of the community and managing village finances effectively. (Davis, Schoorman, & Donaldson, 1997). The results of this study are in line with the research conducted by Budiati and Asih (2017), Wibowo (2018), as well as Anggraini and Praptiestrini (2021), which found that good governance has a positive impact on the performance of village financial management. The village government is expected to consistently implement the principles of good governance to improve the performance of village financial management.

Internal Control Positively Influences Village Financial Management Performance

Based on the results of the hypothesis testing, it was found that internal control has a positive effect on the financial management performance of villages in Denpasar City. This result means that the increasing implementation of internal controls in village governance is expected to enhance the performance of village financial management. Effective internal control plays a crucial role in maintaining the integrity and accuracy of financial information, as well as preventing the misuse and misappropriation of funds. The implementation of good internal control includes various mechanisms such as segregation of duties, transaction authorization, and continuous monitoring. With a strong internal control system in place, the village government can ensure that every financial transaction is accurately recorded, as well as identify and address potential financial risks early on. This contributes to an increase in transparency and accountability in village financial management, which ultimately enhances the overall performance of financial management. This condition aligns with agency theory, where the village government (agent) is accountable to the community. (principal). The implementation of effective internal controls helps reduce agency problems such as information asymmetry and moral hazard, as a strong control system enables the community to monitor the performance of the village government more effectively. With a good control mechanism in place, the potential for conflicts of interest and abuse of power can be minimized, ultimately enhancing the performance of village financial management. (Jensen & Meckling, 1976). The implementation of internal control in village financial management is also in line with stewardship theory, where the village government acts as a steward that safeguards the interests of the community. With an effective control system in place, the village government can ensure that village funds are managed well and transparently, and in accordance with the interests of the community. This encourages the improvement of village financial management performance. (Davis, Schoorman, & Donaldson, 1997). The results of this study are in line with the research conducted by Wibowo (2018), Hermanto et al. (2019), and Sari and Asmara (2021), which found that internal control has a positive effect on the accountability of village financial management performance. It is hoped that village governments can consistently and effectively implement internal control systems to improve the performance of village financial management.

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The Tri Hita Karana Culture Does Not Moderate Influence of Good Governance and Internal Control on Village Financial Management Performance

Based on the results of the hypothesis testing, it was found that the Tri Hita Karana culture does not moderate the influence of good governance and internal control on the performance of village financial management in Denpasar City. This means that although the Tri Hita Karana culture has long been adopted in the lives of the people in Bali, its application has not been able to influence the relationship between good governance and internal control over the performance of village financial management in the city of Denpasar. In concept, Tri Hita Karana emphasizes a harmonious relationship between humans and God, humans with one another, and humans with the environment. Logically, this should support the implementation of good governance and internal control in the management of village finances. However, in reality, the implementation of the principles of Tri Hita Karana may not be fully applicable in the context of village financial management. Although local cultural values such as Tri Hita Karana are highly valued in society, they are often not effectively applied in formal contexts such as village financial management. If the values of Tri Hita Karana are not integrated into good governance practices and internal control procedures, then the values of Tri Hita Karana will not have a significant impact on village financial management. The mismatch between cultural values and village financial management practices can lead to this cultural element being ineffective as a moderator.

The relationship between the principal (the community) and the agent (the village government) is often colored by issues of information asymmetry and moral hazard. Good governance aims to address this issue by enhancing transparency and accountability. However, if the culture of Tri Hita Karana that develops in society is not well integrated into daily practices, it will certainly not be able to strengthen the control and supervision mechanisms needed to reduce agency issues. The Tri Hita Karana culture should support the concept of stewardship by encouraging agents to act ethically and responsibly. However, if these cultural values are not consistently applied in village financial management, they will not be effective in strengthening the stewardship relationships necessary to improve financial management performance. Village financial management from the perspective of Tri Hita Karana is a more tangible spiritual accountability. (Saputra et al., 2018). To do this, one must believe in the existence of God and incorporate that belief into daily life to uphold the public interest and work hard as a form of high dedication to serve the village and the community. The philosophical values found in Tri Hita Karana are expected to serve as a guideline that shapes the attitudes and behaviors of human resources in the management of village finances. The Tri Hita Karana culture teaches the importance of maintaining harmonious relationships among humans, known as the concept of pawongan. In the context of village governance, the community emphasizes the importance of a harmonious relationship between village officials and the people. (Saputra et al., 2018). The synergy built from this relationship can have a positive impact on the success of village development and the improvement of the community's economic status. The principle of community can certainly be implemented in village governance. Effective internal control requires support from all elements of society and village officials to collaborate in managing finances transparently and accountably. The synergy between village officials and the community, along with a good internal control mechanism, is expected to enhance the performance of village financial management to be more efficient and accountable.

VI. CONCLUSIONS

Good governance has a positive and significant impact on the financial management performance of villages in Denpasar City. This indicates that the application of good governance principles, such as transparency, accountability, participation, and responsibility, can enhance the effectiveness and efficiency of village financial management. Internal control has a positive influence on the performance of village financial management in Denpasar City. A good internal control system can reduce the risk of fraud, ensure compliance with regulations, and enhance the accuracy and reliability of village financial reports. The Tri Hita Karana culture cannot moderate the influence of good governance and internal control on the performance of village financial management in Denpasar City. This finding shows that although the cultural values of Tri Hita Karana have been developed for a long time in Bali, the community has not yet fully integrated these cultural values into formal practices. Therefore, improvements and better adjustments are still needed in the future.

VII. SUGGESTIONS

This research provides important information for the central government, local governments, village governments, and relevant stakeholders regarding the significance of implementing good governance practices and internal controls to enhance the performance of village financial management, as well as the role of the local culture of Tri Hita Karana. The village government is expected to enhance the application of good governance principles in every aspect of financial management. Training and socialization regarding good governance need to be enhanced for all village officials. The village government needs to ensure that

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the internal control system is functioning well and effectively. Routine internal audits and capacity building for human resources in financial management are very important to carry out. Further efforts are needed to integrate the values of Tri Hita Karana into village financial management. Future researchers can further explore how local cultural values can be effectively incorporated and integrated into village financial governance. They may employ qualitative methods to gain a more comprehensive understanding of the dynamics and challenges in implementing good governance and internal control in villages, as well as the integration of local cultural values.

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