

Annual Budgeting Process at the Village Government Level under Current Budgeting Policy: Implementation, Issues, and Challenges at Three Villages of Batu City, Indonesia

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Abstract: After issuing Law 6 of 2014 on villages, the Indonesian government released numerous technical regulations to guide village governments in processing their annual budgets. In fact, these guidelines have created problems in the village-level budgeting process. The present study intends to describe and critically analyze the annual budgeting process at village governments under current policy and to describe and analyze emerging issues and challenges found in the village budgeting process. The research was conducted between April and November 2025 at three villages under the administration of Batu City. Data were gathered through interviews, observation, and documentation, involving 4 to 7 informants in each village, plus 4 relevant officials from the Batu City government. The collected data were analyzed in three stages: condensation, data display, and conclusion. The results show that the village budgeting process comprises four main stages, namely formulation of the budget plan (RAPBDes), validation of the budget plan, execution of the annual budget, and accountability. At the budget formulation phase, the main problem was how to integrate the mid-term village development plan with the development plan set up by higher-level government. Further, at the budget execution stage, village governments are currently obligated to submit a financial application, specifically for village governments, called SISKEUDES. Implementation of SISKEUDES offers benefits but also creates difficulties that contribute to accountability problems. This study shows how data constraints at the budget formulation stage and technical obstacles at the execution stage simultaneously affect the quality of village financial management and accountability.

Keywords: *Budgeting Process, APBDes, Village Government, Village Annual Budget*

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INTRODUCTION

In general, the budgeting process comprises four stages: formulation, validation, implementation, and oversight. According to Santiso (2004), the executive branch dominates the more technical stages of formulation and implementation, while the legislative branch plays a central role in formalization and oversight, stages that are shaped more by political and constituent interests. One key issue in budget formulation is the choice between top-down and bottom-up approaches: a top-down process sets binding aggregate budget figures before determining detailed allocations, whereas a bottom-up process builds the budget from public proposals (Ljungman, 2009). While a top-down approach is generally favored, combining it with bottom-up participation is

considered ideal yet difficult to achieve, since public involvement in developing countries is frequently constrained by limited budget literacy, apathy, time constraints, and the perception that public input is unwelcome by government authorities (Krafchik, 2001; Firsby & Bowman, 1996). Once approved by the executive, the draft budget is deliberated and validated by the legislature (Santiso, 2004), after which budget execution takes place — a process that involves not merely accounting functions but also the complex management of revenues, expenditures, and political dynamics (Thurmaier, 2007), and which, particularly for development projects, tends to run slowly and concentrate toward the end of the fiscal year (World Bank, 2007).

The annual budgeting process illustrated above takes place at all levels of government in the Republic of Indonesia, including the national, provincial, city/regency, and village levels. The village government is the lowest level in Indonesia's governmental structure. Higher-level government agencies, such as subdistricts, regencies/cities, provinces, and the central government, delegate various governmental tasks and authorities to village governments. Furthermore, as Yabbar and Hamzah (2016) state, village governments are government agencies directly connected to grassroots communities and act on behalf of higher-level government agencies to serve residents. To finance all governmental affairs, development activities, and public services carried out by village governments, they currently receive funds known as the Village Fund (DD) and the Village Fund Allocation (ADD), as well as funds derived solely from the village itself, namely Village Own-Source Revenue (PADes). The village government manages all these funds, along with its expenditure allocations, through the Village Revenue and Expenditure Budget (APBDes). In the context of village governance, the formulation of APBDes embodies both top-down and bottom-up principles simultaneously: it must accommodate community aspirations articulated through village deliberation (*musyawarah desa*) as a bottom-up mechanism, while also complying with the mid-term village development plan (RPJMDes) and the development master plan set by higher-level government as a top-down requirement. This dual requirement is precisely where practical difficulties most often emerge, as village governments frequently struggle to reconcile locally generated proposals with development targets set by higher-level authorities.

Village fund allocations are one instrument to promote village self-reliance and accelerate development by improving community welfare. The Regulation of the Minister of Villages, Disadvantaged Regions, and Transmigration (Permendes PDTT) No. 7 of 2023 stipulates that village funds must be prioritized and used effectively, with a focus on improving village communities' well-being. Village funds support not only physical development but also economic empowerment, training, and local business development. As a result, village fund use varies widely, and each year presents its own obstacles and challenges (Reza et al., 2026).

Furthermore, efficient budget execution requires sound, integrated planning, budgeting, implementation, and oversight. When these processes are carried out professionally and accountably, they yield broad public benefits. However, in practice, several obstacles remain, including program overlaps, weak coordination between institutions, and a lack of emphasis on performance-based evaluation focused on outputs, which often results in falling far short of targets (Zein et al., 2025). Therefore, budget efficiency is needed not only in terms of technical administrative matters but also in terms

of the ethics of public management and awareness of the government's social responsibility

Previous studies on village budgeting, however, have tended to examine specific aspects of the process in isolation. Reza et al. (2026) note that the use of village funds varies considerably across years and consistently generates new obstacles, while Zein et al. (2025) highlight persistent problems such as program overlap, weak inter-institutional coordination, and limited performance-based evaluation during budget execution. Further, budget efficiency cannot be reduced to technical administrative matters alone but must also be grounded in public management ethics and social responsibility. Nevertheless, these studies largely examine the formulation, execution, or accountability stages separately and rarely explain how problems at one stage connect to, and may exacerbate, problems at subsequent stages. Moreover, limited attention has been given to village governments operating under a city administration such as Batu City, whose villages manage substantially larger fund volumes than the national and provincial average and therefore face distinctive coordination challenges between village-level and city-level development planning. This study addresses that gap by examining the annual village budgeting process as an integrated whole across its formulation, validation, execution, and accountability stages, and by explicitly tracing how constraints at earlier stages contribute to problems encountered at later stages, particularly at the accountability stage.

Every year, all 19 villages under the administration of Batu City manage a very large amount of village funds allocated in the Village Budget (APBDes), exceeding the village funds managed by other villages in East Java Province and even nationwide. The village funds accumulated in the APBDes consist largely of transfer funds provided by the central government (through the APBN) in the form of DD (Village Fund) and also transferred by the Batu City Government (through the APBD) in the form of ADD (Village Fund Allocation). In the 2025 fiscal year, villages in Batu City received an average of over 4 billion Rupiah in DD and ADD. In fact, a village named Pesanggrahan received more than 8 billion Rupiah. The amount of DD and ADD received by villages in Batu City is projected to continue increasing in the coming years.

Given the substantial volume of public funds managed by village governments in Batu City, the Village Budget (APBDes) must be managed carefully and appropriately so these funds can be used optimally to improve the quality of welfare, development, and public services for the local community. Preliminary data indicate that village government officials have faced various challenges in managing village finances, including during the APBDes formulation, validation, implementation, and accountability phases. In light of this, this study aims to describe and critically analyze the annual budgeting process in village governments under current policies and to describe and analyze the issues and challenges that arise in the village annual budgeting process.

RESEARCH METHODS

This article is based on field research conducted between April and *November 2025*. The study took place in three village governments: Pesanggrahan (Batu Sub-district), Junrejo (Junrejo Sub-district), and Giripurno (Bumiaji Sub-district), under the administration of Batu City, East Java Province, Indonesia. Those three villages were selected as the research location because each of them manages the largest amount of APBDes funds within their respective sub-district, based on the official 2025 APBDes



realization documents published by the Batu City Regional Financial and Asset Management Agency (BPKAD) as displayed in the table below:

Table 1. Village APBDes Funds

Aspect	Village		
	Pesanggrahan	Giripurno	Junrejo
Amount of APBDes	Rp. 7.411.089.342,-	Rp. 8.386.785.456,-	Rp. 6.876.546.871,-
Territorial area	699 ha	1.728,86 ha	410,4 ha
Total population	14.239 people	11.567 people	11.458 people
Sub-District	Batu	Bumiaji	Junrejo

Methodologically, selecting these villages allows the author to capture the complex administrative dynamics and budget allocation challenges that emerge when managing high-capacity rural budgets. As indicated earlier, the article aims to clarify at least two research focuses, including (1) the annual budgeting process at village governments under Indonesia's current policy; and (2) the emerging issues and challenges found in the annual village budgeting process.

Data for this research were mainly gathered through direct observation and semi-structured interviews conducted offline and online between May and October 2025. A total of 22 key informants were selected using a purposive sampling technique based on their active involvement, technical knowledge, and direct role in the village financial management process. These informants consist of: (a) 9 village government officials, including Village Heads, Village Secretaries, and Financial Heads (*Kaur Keuangan*) across the three villages; (b) 6 members of the Village Representative Board (*Badan Permusyawaratan Desa/BPD*) who oversee budget approval; (c) 3 local community leaders who regularly attend the Musrenbangdes (Village Development Planning Meetings); and (d) 4 Batu City Government officials from the Community and Village Empowerment Service (DPMD) and BPKAD.

To strengthen the primary data, the author also gathered secondary data through document analysis, including APBDes financial statements, Musrenbangdes minutes, local regulations, and official documents retrieved directly from village administration archives and local government portals.

To validate the collected data, the author applied rigorous triangulation, including source and method triangulation. The author operationalized source triangulation by cross-checking statements across informant groups—for instance, comparing village officials' testimonies on budget allocations with the perspectives of BPD members and community leaders. Method triangulation involved verifying interview findings against direct observational field notes from planning meetings and official APBDes documentation.

RESULTS AND DISCUSSION

Result

Field data show that the annual village-level budgeting process (APBDes) runs from 1st January to 31st December. The process of APBDes budgeting consists of 3 (three) main stages, including (1) Formulation and Validation; (2) Execution; and (3) Accountability of APBDes. Each step of the annual budgeting process is elaborated below.

Formulation and Validation of APBDes Bill

Planning and budgeting at village governments start with creating the RPJMDes (Rencana Pembangunan Jangka Menengah Desa/ Mid-term development plan of the

village). RPJMDes is valid for 6 years. To implement the RPJMDes, village governments develop a yearly work plan called RKPDes (Rencana Kerja Pemerintah Desa/ Work Plan of Village Government), valid for 1 year.

Guided by the Decree of the Ministry of Home Affairs (MoHA) No. 114 of 2014 on village government financial management, village governments at the research sites begin composing the RKPDes in July, a year before implementation. The process of composing RKPDes starts with a participatory forum called MUSRENBANGDes (Musyawarah Perencanaan Pembangunan Desa/ Discussion for Village Development Plan) that involves various governmental and non-governmental representatives. Village governments at the study sites conduct MUSRENBANGDes by involving local people in the forum. At the MUSRENBANGDes forum, village governments gather development proposals from villagers. Subsequently, the MUSRENBANGDes committee discusses and decides which proposals to accommodate and fund through the village budget (APBDes).

After completing the RKPDes, the village government secretary coordinates the formulation of the APBDes based on the stipulations in the RKPDes. In addition to referring to the RKPDes, APBDes formulation must follow a guideline issued by the local government leader (Bupati/Regent or Walikota/City Mayor). The guideline regulates some aspects such as (a) synchronization between policies issued by the Batu City authorities and the RKPDes bill; (b) Principles that have to be adopted in the formulation process of APBDes; (c) Policy of the APBDes Formulation; (d) methods implemented in the APBDes formulation process; and other policies associated with the APBDes budgeting process.

Next, after the village government has substantially completed the APBDes draft, the village government secretary sends it to the head of the village government. Afterward, the head of the village government submits the APBDes draft to the BPD (Badan Permusyawaratan Desa/ Representative Board of the Village) as a 'legislative board' of the village. The village head and BPD officials and members then jointly discuss the draft. The village government head and the BPD must agree on the final APBDes composition no later than October. If the BPD does not agree with the proposed APBDes draft, or if the two parties fail to reach an agreement by the end of the designated period, the village government must use the previous year's APBDes margin to finance any governmental and developmental activities.

Once the two parties have reached an agreement, the head of the village government prepares a draft regulation on APBDes elaboration. Next, the draft is sent to the mayor of Batu City within 3 days after the agreement is reached (between the village government and the city government) for evaluation. The evaluation takes up to 20 days. If the city mayor does not release the evaluation result within 20 days, the draft is automatically valid. The head of the village government must formalize it by 31 December.

This shows that in the APBDes formulation process, managing complex data and integrating the complicated planning and budgeting structure is difficult for village officials because field data are often invalid and generally based on rough estimates. This data invalidity stems from the lack of an integrated village-level database management system, compounded by poor inter-agency data synchronization from city-level institutions (such as BPS and Regional Archive Units). Consequently, this structural deficiency severely impairs budget prioritization and allocation quality. Without accurate baseline data on local socio-economic conditions, program allocations often rely on

intuition or subjective political compromises during Musrenbangdes rather than objective need assessments. For instance, in Giripurno and Junrejo, target beneficiary numbers for agricultural subsidies and social assistance were repeatedly miscalculated, leading to budget misallocations and mid-year budget reallocation addenda. As stated by a Secretary of Junrejo Village during an interview:

"We often draft the budget relying merely on the previous year's estimated data because the data from the Central Bureau of Statistics (BPS) or relevant agencies are never updated down to the RT/RW (neighborhood) level. Consequently, budget allocations for stunting reduction and agricultural assistance are frequently misdirected and forced to be adjusted midway."

(Interview with Village Secretary of Junrejo, June 2025).

Further, such unreliable data repeatedly cause local staff to fail to integrate village development planning and budgeting because much of the data supplied by relevant institutions is untrustworthy and not up to date. In respect of the planning system, the village development plan must align with the grand vision of Batu City, which is "Kota Berjaya; Desa Berdaya" (Victorious City; Empowerful Village); hence, the development plan of villages has to be relevant to the vision of Batu City. Nonetheless, the indicators of the Batu City vision are unclear, making it difficult for village officials to align the village development plan with Batu City's existing vision. In parallel, local government officials at the sites also struggle to coordinate among agencies (at both the village and city levels) when formulating village-level development programs and budgets that should match and align with city-level projects and budgets.

As stipulated in the normative guidelines, village authorities must publicize the annual budget (APBDes) both in draft form (before validation) and once formalized. However, empirical observations and resident interviews reveal a critical disconnect between formal public participation and substantive budgetary transparency. While community representatives formally attend Musrenbangdes meetings, their involvement is largely pseudo-participatory—restricted to pitching proposals without post-forum access to actual budget line items or draft decisions. Once the APBDes is finalized, physical publication boards in public areas (e.g., village halls) are either neglected, outdated, or present aggregated totals without itemized expenditures. Consequently, residents consistently report not knowing actual budget allocations, showing that formal attendance at planning forums does not translate into meaningful access to information or public budget oversight.

Further, the reality demonstrates that the central government frequently changes regulatory frameworks within a short timeframe, significantly hindering the timely formulation of APBDes. Specifically, annual shifts in technical priorities from the Ministry of Villages (Permendes PDTT) regarding mandatory Village Fund (Dana Desa) allocations—such as fluctuating percentage mandates for direct cash assistance (BLT-DD), food security, and stunting reduction—frequently arrive late in the fourth quarter after villages have already drafted their RKPDes. This sudden policy misalignment forces village administrators to restart draft negotiations with the BPD and recalibrate revenue-expenditure structures to comply with national mandates. This regulatory volatility causes severe administrative confusion, delays APBDes approval beyond the legal deadline, and compromises overall planning quality as village officials focus on compliance rather than local development strategic fit.

Execution of APBDes

The APBDes execution stage starts with the village head's approval of the village government's RAK (Rencana Anggaran Kas/Cash Budget) draft, which the village government secretary has verified. The village RAK includes cash inflows and outflows used to manage withdrawals from the village government bank account to finance expenditures. Cash inflows include all village revenues from various sources, such as own village revenue (PADes), transfer revenue, and other legal income. Cash outflows comprise all expenditures financed by APBDe, which commonly fall into two categories: routine and development spending. Accordingly, all village expenditures must be supported by complete and valid evidence. The head of village government must approve these proofs; therefore, this official is fully responsible for any expense incurred by village government officials.

In daily business, the village government treasurer manages and records financial transactions. Financial transactions, whether revenues, expenses, or financing, must be recorded using accounting methods under guidelines issued by the Indonesian national government. To report APBDes financial transactions, the treasurer records them in several books, including the general cash book, bank transaction book, tax transaction book, and other financial report books. The treasurer then submits the report to the head of the village government. The report is supported by the cash transaction books and the book of non-transaction transactions to classify cash outflows, as well as the progress of development executed by the village government.

Regarding village finance management, the Indonesian government currently requires all village governments to use computer technology and no longer uses manual systems. Applying computer technology is urgent now because the volume of village funds has increased significantly. Financial transactions are also complex; therefore, many are mismanaged when conducted manually. One significant benefit of implementing computer technology in handling financial transactions is that errors in village financial management can be detected and corrected more easily, helping prevent fatal mistakes and financial misconduct.

Moreover, all Indonesian village governments, including villages in Batu City, must apply SISKEUDES (Sistem Informasi Keuangan Desa) to manage village finances. Field findings show that SISKEUDES implementation bottlenecks directly impair both budget execution speed and financial reporting compliance. Among the four identified constraints—human resource competence, hardware inadequacy, internet instability, and generic training—the most critical barrier is the fundamental lack of staff technical competence, compounded by frequent system version updates. Because operators lack basic accounting and IT training, simple input errors in SISKEUDES freeze financial disbursement vouchers, halting cash outlays for village projects. Unstable server connections in rural areas like Giripurno also delay real-time transaction postings to city databases, creating bottlenecks in reimbursement approvals and mid-year accountability reporting. As observed during field visits at the Giripurno Village Office, operators spent days troubleshooting system lockouts during monthly reporting deadlines due to unhandled software updates.

Furthermore, the study finds that APBDes execution repeatedly starts late—often delayed until May or June of the fiscal year—due to a compounding cascade of upstream bottlenecks. These delays stem primarily from late Mayor Regulations (Perwal) on Village Fund Allocation (ADD) formulas, frequent late-stage national regulation changes, and

operator struggles with SISKEUDES validation. Consequently, compressing a twelve-month execution schedule into just six to seven months severely degrades project quality and causes massive budget underutilization across all three study sites:

1. Infrastructure Quality Degradation: In Giripurno and Junrejo, physical infrastructure projects (e.g., road paving and drainage canal construction) were executed hurriedly during the rainy season late in the year. Observations confirmed substandard concrete curing and premature structural cracking due to rushed timelines.
2. Excessive Budget Surpluses (SiLPA): Document analysis of 2024–2025 APBDes realization reports showed unspent budget balances (SiLPA) reaching 15–22% of total village budgets in Pesanggrahan and Giripurno, mainly because development projects were not executed before fiscal deadlines.

Accountability of the APBDes

Once the financial year ends on 31st December, village governments prepare a report on how they managed village finances for the previous year. In addition to the yearly report, village governments also submit a mid-year (semester-based) report. The report consists of (a) realization report of utilization of the village finance; (b) realization report of APBDes execution, comprising APBDes realization for the first semester and APBDes realization for the second semester; (c) report on assets (current assets and fixed assets) belonging to the village government; (d) List of sectoral programs, programs of local/ city government, and other programs and projects executed by the village government.

Furthermore, the normative guidelines obligate the village governments to provide reports concerning utilization of APBDes funds by attaching some supporting documents such as (1) Payment of any paid costs equipped with valid invoices, (2) Photos of the projects funded by the APBDes funds, (3) Photos showing real activities on the developmental projects financed by the village government, (4) Photos presenting participation of the local communities actively getting involved in the projects and programs executed by the village government, (5) Photos displaying the latest condition of infrastructure built by the village government, and (6) other relevant supporting documents.

The village government must prepare an accountability report on the use of village funds and APBDes and make it public in hard-copy and soft-copy versions so the local community and authorized parties can access it at any time. The village government then submits the report to the Mayor of Batu City. The village government must submit the accountability report within 3 months after the end of the previous financial year. If the city mayor finds any misuse or concerns regarding the village government's financial management, the city mayor may request clarification from the relevant village government officials. The head of the village government then has 10 (ten) working days to respond and clarify the concerns presented by the city mayor. Once the issues are clarified, the village government submits the report to the Ministry of Home Affairs no later than the second week of April of the year following the APBDes. After submitting the APBDes accountability report to the Ministry of Home Affairs of Indonesia, village governments at the research site must publish an accountability report and circulate it to local people. This accountability report must consist of at least some information about (a) realization report of APBDes, (b) realization report of projects and programs, (c) list of unfinished activities, projects, and programs, (d) amount of unutilized budget, and (e)

contact or address that can be contacted should any inquiries concerning the financial accountability report.

Discussion

Krafchik (2001) contends that the drafting stage of the annual budget is the most closed part of the budgeting process in virtually all countries and is dominated by the executive branch. Nonetheless, as the GAO (1993) noted, executive officials, including at the village level, face significant challenges in aligning and integrating planning and budget structures to meet diverse stakeholder needs.

To address the frequent issue of untimely budget completion found across the study sites, literature often highlights the merit of a top-down approach. As Ljungman (2009, p. 5) argues, a top-down budgeting process sets early spending ceilings and policy parameters, improving procedural efficiency and supporting timely completion. However, evidence from Pesanggrahan, Junrejo, and Giripurno demonstrates a critical operational paradox: strictly applying rigid top-down mandates from the central government, specifically the mandatory allocation quotas stipulated in Permendes PDTT, significantly erodes genuine village autonomy. Village officials across all three sites reported that legitimate bottom-up proposals gathered during Musrenbangdes (e.g., local agricultural water management and community health programs) are frequently sidelined because available funds must first be locked into rigid national priorities (e.g., specific percentage allocations for BLT-DD and national stunting targets). To resolve this tension, a hybrid budgeting model is needed one that uses top-down frameworks strictly for establishing fiscal discipline, aggregate ceilings, and broad strategic directions, while leaving line-item program design and local priority setting to bottom-up village deliberation.

Rather than acting as isolated issues, the various empirical challenges observed in the study sites regulatory volatility, limited human resource capacity, technical glitches in SISKEUDES, data invalidity, and delayed execution are deeply interconnected in a compounding cause-and-effect chain. The fundamental root cause driving this entire dynamic is the severe misalignment between the high administrative complexity imposed by central government regulations and the limited technical-institutional capacity of village officials (Muhtada et al., 2020). When the central government introduces late-stage regulatory changes, village operators without formal accounting or digital backgrounds struggle to input updated parameters into SISKEUDES. This technological bottleneck directly causes submission delays to city authorities, which in turn leads to late APBDes validation and delayed fund disbursements (Simbolon & Lewowerang, 2022). Consequently, project execution is compressed into the final months of the fiscal year, leading to substandard physical infrastructure and inflated unspent balances (SiLPA). Furthermore, to avoid regulatory non-compliance audit risks, village officials rely on administrative formalities and 'infrastructure-heavy' spending that is easy to document, sacrificing substantive transparency, public participation, and strategic planning (Ginting & Wahyudi, 2023; Wardani & Wicaksono, 2018).

Research findings indicate a gradual paradigm shift in village budget utilization from purely physical infrastructure toward community-empowerment-based development, though this transition varies across the study sites. In Pesanggrahan and Junrejo, APBDes allocations have increasingly accommodated the creative economy and micro, small, and medium enterprises (MSMEs). Specifically, APBDes realization documents in Pesanggrahan reveal dedicated funding for establishing digital marketing training centers

and processing equipment for local Apple chips and dairy MSMEs. At the same time, Junrejo allocated funds to construct culinary kiosks managed by the Village-Owned Enterprise (BUMDes). These programs were successfully integrated into the APBDes through targeted Musrenbangdes thematic forums involving local merchant associations. Shifting budget strategy toward economic empowerment yields more sustainable impacts on household income than physical construction alone. However, in Giripurno, this paradigm shift remains constrained; budget structures remain heavily dominated by basic road paving and drainage projects because of urgent geographic needs and administrative convenience, illustrating that the transition toward economic empowerment requires both strong local business ecosystems and greater administrative confidence among village leadership.

On the other hand, supporters of the bottom-up budgeting approach insist that it gives grassroots communities more opportunities to engage in the public budgeting process. This atmosphere is believed to give local people's voices and interests a wider chance to be accommodated in annual planning and budgeting. Also, the bottom-up mechanism is considered more aligned with democratic principles and better suited to implementation in modern society. Nonetheless, Hagen (1992) argued that top-down decision-making is more conducive to fiscal discipline than bottom-up procedures. Several later studies by Gleich (2003), Yläoutinen (2004), and other scholars support this point.

Next, after the budget bill has been formalized, the budget is prepared for execution. Budget execution should be understood and treated as one of several instruments of administrative control to ensure democratic accountability and management flexibility (Thurmaier, 2007, p. 270). This approach recognizes political, legal, and management aspects of budget execution. The politics of budgeting cannot be separated from budget execution, and politics also cannot be excluded from budget development. The circumstance illustrated above is similar to situations found in the research locations. However, it takes place at the village government level, which differs from the context of the theories discussed above, which were at the national level. Further, Thurmaier (2007, p. 270) appends that budget execution is not simply an accounting function, a perfunctory assignment that budgeters can easily pass off to the accounting staff. Instead, budget execution involves careful management of public revenues and expenditures, as well as the political dynamics of budgeting.

Thurmaier (2007) explains that budget execution is the tool for implementing the management plan to achieve the goals and mission of local government. Having noted this, the World Bank (2007, p. 99) concludes that three main reasons explain the difficulties in efficient budget implementation, including: (a) weak budget preparation and formulation; (b) rigid mechanisms in the budget execution process; and (c) the phenomenon of bottlenecks at the last stage of budget execution. This contention is consistent with empirical phenomena found in the research locations.

In practice, execution of the village budget (APBDes) in the research locations mostly starts late, triggered by delays in completing previous stages (formulation and validation) of the APBDes budgeting process. Further, the study finds that every financial year the village government executives must create 3 (three) accountability reports, including the first semester report, the second semester report, and the annual accountability report of APBDes execution. These reports are essential tools that village government executives use to provide comprehensive financial accountability. Next, the

audit board and respected Batu City officials will audit the financial report. Högge & McFerren (2002) proclaim that the audit function provides the key feedback loop in the budgeting process. Without an effective financial audit, it is impossible to evaluate the budgeting system's efficiency and effectiveness.

Sound public finance management and accountability require an adequate balance between executive and legislative prerogatives in the different phases of the budget cycle. Santiso (2004, p. 50) contends that while executive dominance in public expenditure management is more likely to ensure fiscal prudence, legislative oversight is critical to provide effective checks and balances and enforce accountability in formulating, executing, and controlling the public budget. Wehner (2001) adds that, in theory, increased legislative budgetary powers ought to enhance transparency, accountability, and integrity in public expenditure management. Risks nevertheless exist, as effective legislative budgeting requires the capacity to discharge budgetary functions effectively and responsibly (Wehner, 2001; Krafchik & Wehner, 1998).

The reality in the study locations is also relevant to the opinion of Santiso (2004, p. 50), who contends that while the executive (of village government) dominates in public expenditure and revenue management, the significance of the legislative branch of village government (BPD) in overseeing the financial management of the village government is critical to provide effective checks and balances and to enforce accountability in the formulation, execution, and control of the annual village budget. Wehner (2001) argues that, in theory, increased legislative budgetary powers should enhance transparency, accountability, and integrity in public expenditure management. Risks nevertheless exist, as effective legislative budgeting requires the capacity to discharge budgetary functions effectively and responsibly (Wehner, 2001).

Research sites found that the legislative board (BPD) across Pesanggrahan, Junrejo, and Giripurno is typically occupied by representatives who lack technical capacity and a formal background in public financial administration, accounting, and legal drafting. Empirical evidence shows that most BPD members struggle to read and interpret complex APBDes financial statements, itemized expenditure reports, and digital SISKEUDes outputs submitted by the village executive. Consequently, their oversight function during draft reviews is reduced to a passive, rubber-stamping approval process rather than substantive scrutiny. In Giripurno and Junrejo, for example, BPD oversight focused mainly on procedural compliance, such as verifying signatures and meeting attendance, while failing to audit line-item budget allocations or cross-check physical project realization against reported financial outlays. This technical deficit cripples internal checks and balances, severely weakening financial accountability and leaving the budgeting process vulnerable to executive misallocation without effective legislative control.

CONCLUSION AND RECOMMENDATIONS

The annual village-level budgeting process (APBDes) operates across three main stages: formulation and validation, execution, and accountability. At the formulation phase, annual budgeting must strictly align with the six-year RPJMDes and the annual RKPDes. However, this study's most critical finding is the systemic misalignment between high central-level regulatory demands and village authorities' limited technical and institutional capacity. Rather than operating as isolated issues, the challenges observed—unreliable baseline data, regulatory volatility, BPD's weak oversight capacity, and SISKEUDes technical glitches—are deeply interconnected in a compounding chain of

cause and effect. Regulatory changes arriving late in the fiscal year disrupt data-driven planning and overburden operators, which in turn delays SISKEUDES inputs, delays budget execution, and compresses spending timelines, ultimately degrading project quality and inflating unspent budget balances (SiLPA).

To address these structural bottlenecks, multiple levels of government must implement specific, practical recommendations. Batu City authorities, through BPKAD and DPMD, should establish an integrated digital village database to replace rough planning estimates, streamline the issuance of local technical regulations earlier in the fiscal cycle, and provide continuous technical assistance for SISKEUDES operations. At the same time, village executive governments need to improve administrative discipline by establishing dedicated data management units and setting realistic cash execution schedules to prevent end-of-year spending rushes. Furthermore, targeted capacity-building programs focused on financial literacy and APBDes document auditing must be provided for the Village Representative Board (BPD) to transform its oversight from a mere procedural formality into substantive checks and balances.

Finally, this research acknowledges several methodological limitations that future studies should address. The scope of this research is restricted to three sample villages within Batu City (Pesanggrahan, Junrejo, and Giripurno), which manage relatively high-capacity budgets compared to other rural contexts. Additionally, the qualitative approach limits the statistical generalizability and direct transferability of the findings to villages in other regions with different geographic, socio-economic, and administrative characteristics. Future research is expected to include a broader multi-regional sample and incorporate quantitative measures to assess the impact of budget execution delays on local economic development.

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