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ISLAMIC PRINCIPLES OF VILLAGE FINANCIAL MANAGEMENT (VFM) IN INDONESIA

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Abstract

The issuance of Law No. 6 of 2014 concerning Villages makes significant changes in Village Financial Management (VFM) aspects in Indonesia. The size of the budget mandated to the village government turned out to cause many problems in terms of several cases of abuse, one of the most prominent forms of which is corruption. The principles of transparency, participation, and accountability (the three basic principles contained in the laws and regulations related to VFM) have not yet become guidelines that are fully adhered to by village financial managers. This study aims to identify Islamic principles and elements of VFM. The data was collected in this study using document research, particularly referring to the Quran, Hadits, and other relevant pieces of literature, and interviews with some experts who understand issues related to Islamic values associated with VFM. All the data collected was then analyzed by qualitative data thematic analysis. This study found three main principles for the implementation of VFM based on an Islamic perspective, namely Tawheed, justice, and Shura. These three Islamic basic principles are substantially used as the main reference for the implementation of VFM in Indonesia.

Keywords: Village Financial Management (VFM), Indonesia, Islamic Principle, Tawheed, Justice, Shura.

Abstrak

Terbitan Undang-Undang No. 6 Tahun 2014 tentang Desa membuat perubahan yang signifikan dalam aspek Pengurusan Kewangan Desa (*Village Financial Management/VFM*) di Indonesia. Saiz bajet yang diamanatkan kepada kerajaan kampung ternyata menimbulkan banyak masalah

dari segi beberapa kes penderaan, salah satu bentuk yang paling menonjol ialah rasuah. Prinsip ketelusan, penyertaan dan akauntabiliti (tiga prinsip asas yang terkandung dalam undang-undang dan peraturan berkaitan VFM) masih belum menjadi garis panduan yang dipatuhi sepenuhnya oleh pengurus kewangan kampung (desa). Kajian ini bertujuan untuk mengenal pasti prinsip dan elemen Islam daripada VFM. Data dikumpul dalam kajian ini menggunakan kajian dokumen, khususnya merujuk kepada al-Quran, Hadits, dan literatur lain yang berkaitan, dan temu bual dengan beberapa pakar yang memahami isu berkaitan nilai Islam yang dikaitkan dengan VFM. Semua data yang dikumpul kemudiannya dianalisis dengan analisis tematik data kualitatif. Kajian ini mendapati tiga prinsip utama pelaksanaan VFM berdasarkan perspektif Islam iaitu tauhid, keadilan dan syura. Ketiga-tiga prinsip asas Islam ini banyak digunakan sebagai rujukan utama bagi pelaksanaan *Village Financial Management* di Indonesia.

Kata kunci: Pengurusan Kewangan Desa (*Village Financial Management*), Indonesia, Prinsip Islam, Tauhid, Keadilan, Syura.

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INTRODUCTION

As a developing country, Indonesia has entered a new era regarding village development management with the enactment of Law No. 6 of 2014 concerning Villages. Law No. 6 of 2014 is part of the state's commitment to developing the village and the government's constitutional responsibility to the people to build and resolve several village problems. The issuance of these laws and regulations has encouraged the reconstruction of village administration, starting from empowering and improving the quality of human resources, structuring village administration, improving public services, increasing development, and empowering rural communities (Fadhly 2018; Prasetyo & Muis, 2015).

Following Law No. 6 of 2014 concerning Villages, Village Financial Management (VFM) is a consequence of village finances mandated to the village government. Specifically (*lex specialist*), detailed arrangements regarding VFM that the village government must carry out are contained in Regulation of the Minister of Home Affairs (*Permendagri*) Number No. 20 of 2018 concerning Village Financial Management.

One of the fundamental problems that still be an obstacle for the successful VFM after the release of Law No. 6 of 2014 is corruption. Indonesia Corruption Watch (ICW), a non-governmental organization that is concerned with corruption matters, emphasizes that corruption crimes in the village, especially those involving the village budget, have tended to rise. The village government is prone to corrupt practices since the managed budget is quite large (Indonesia Corruption Watch, 2016).

ICW has monitored corruption in the village and found that Village budgets were vulnerable to corruption in 2015 – 2020 (Indonesia Corruption Watch, 2015, 2016b, 2017b, 2018b, 2019, 2020). The total number of village budget corruption cases in the 2015-2020 period was more than 400 cases. The total state losses are also quite significant based on the number of corruption cases. In 2015, of 22 corruption cases, the loss reached Rp 40.1 billion

(around USD 2.9 million or MYR 11.5 million), while in 2016 reached Rp 10.4 billion (around USD 742,857 or MYR 2.9 million with 48 cases). The state loss jumped to Rp 19.4 billion (around USD 1,4 million or MR 5.5 million) in 2017 (98 cases) and Rp 37.2 billion (around USD 2,7 million or MYR 10.6 million) in 2018 (96 cases). The number of state losses decreased slightly in 2019, recorded at Rp 32.3 billion (around USD 2.3 million or MYR 9.2 million with 48 cases) before enormously rising to Rp 50.1 billion (around USD 3.5 million or MYR 14.3 million) in 2020 (129 cases). Therefore, the total number of village finance corruption cases in the 2015-2020 period was more than 400 cases.

The rampant corruption indicates the erosion of good values and norms in society (Ganie-Rochman & Achwan, 2015; Indriati, 2014). In the context of village budget corruption, for instance, village financial authorities are not ashamed to get illegal wealth from several cases of abuse of village finances. This massive corruption demands social engineering in a strong structure and institution. Concerning the management of public resources, including in the village, this social engineering is represented in management arrangements consisting of norms, principles, and mechanisms (Ganie-Rochman & Achwan, 2015).

Good and bad values and norms in society are agreed to become collective consciousness (Indriati, 2014). Good values need to be continuously nurtured and enculturated to serve as guidelines so that bad deeds such as corruption do not become a generally accepted habit. Even these despicable acts become a common enemy of society.

The ultimate value of goodness comes from religious values. A religiosity insight (in this case, Islam, as the religion most widely believed by Indonesian people) approach can be one of the places to return to solve management problems in the village., A cultural approach, which is also loaded with religious values, is also included in the solution search. Unfortunately, the aesthetic perspective in the smallest government unit, namely the village, has not gained much space in Indonesia's scientific studies (Mohtar & Kamala, 2019).

Thus, it needs to look for the idealistic value of the VFM in Indonesia from the Islamic perspective. The search for ultimate values is based on the belief that religion is the primary and essential guide for solving various social problems. Therefore, issues related to VFM that have persisted since Law No. 6 of 2014 concerning Villages need to find a fundamental solution from an Islamic perspective. Yet, the quest from the Islamic view is even more relevant if it is associated with the fact that Indonesia has the largest Muslim population in the world. Indonesia has a 236.53 million Muslim population in December 2020 (*Badan Pusat Statistik*, 2021). This amount is equivalent to 86.88 percent of Indonesia's 263 million total population, of which at least 71% live in village areas (*Badan Pusat Statistik*, 2021). The Indonesian Muslim population is about 13% of the approximately 1.9 billion Muslims globally (*worldpopulationreview.com*, 2021).

SELECTED THEORY AND CONCEPT

VFM is in line with the control of state finances* by the central government (led by the

* Based on Law No. 17 of 2003 regarding State Finance (Article 1 point 1), state finance is defined as “all rights

President), partly delegated to the regions (regency/city government and provincial government) to be named regional financial management. In the context of village development, due to the release of Law No. 6 of 2014 concerning Villages, one form of village government affairs that becomes village authority is VFM.

Referring to Law No. 6 of 2014 regarding Village Article 71 Paragraph 1, Village Finances are "all rights and obligations of the village that can be valued with money and everything something in the form of money and related goods by exercising village rights and obligations." Likewise, Article 71 paragraph 2 confirms that "the rights and obligations referred to in paragraph (1) raises revenue, expenditure, financing, and VFM."

Thus, this research's definition of VFM referred to the Village Law and derived regulation. Specifically, Indonesia's regulation governing VFM is Minister of Home Affairs Regulation (*Peraturan Menteri Dalam Negeri/Permendagri*) No. 20 of 2018 concerning Village Financial Management. According to this regulation, the definition of VFM, as stated in *Permendagri* No 20 2018 article 1 paragraph 6, is "overall activities which include planning, implementing, administering, reporting and accountability of village financial."

As mandated by legislation, Village Finance is managed based on transparency, accountability, and participation and is carried out in an orderly and budgetary discipline. The Village Revenue and Expenditure Budget (*Anggaran Pendapatan dan Belanja Desa/APB Desa*) is the basis for VFM within 1 (one) fiscal year, from January 1st to December 31st.

The objective of the study is to identify the Islamic principles of Village Financial Management (VFM). The Islamic principles here are fundamentally excavated from the Quran and Hadith and then contextualized for the implementation of VFM in Indonesia.

As a religion of revelation, Islam has a set of teachings that principally contain the teachings of Tawhid or the oneness of God. It also contains a system of beliefs and provisions that govern all human life. Islam is a comprehensive religion that includes three main points of teachings: *aqidah*, *sharia*, and *akhlaq* (Arwani, 2017). The relationship between *aqidah*, *sharia*, and *akhlaq* in the Islamic system is intertwined to form a holistic system. As the Religion of Tawhid, Islam sticks to *Aqidah* as its foundation, namely pure and strong belief in Allah SWT, the only Essence who created the heavens and the earth. This belief guides obedience to the laws of Allah SWT in the form of *sharia*. As for *akhlaq*, it refers to character, and behavior that is inherent in a person who can lead to good deeds (Arwani, 2017).

Based on this basic understanding of surrender and total submission to God, Muslims are obliged to carry out all matters of life following *sharia* or Islamic law (Farhana, Markham, & Basri, 2022). *Sharia* is divided into two, namely *ibadah* (worship) and *muamalah* (Agus Arwani, 2017). *Ibadah* is necessary to maintain obedience and harmony in human relations with Allah SWT, His Creator. *Muamalah*, in the general sense, is understood as rules regarding relations between humans.

The main sources of *sharia* are the Quran (Islamic Holy Book) and al-Hadith, the teachings of Prophet Muhammad (PBUH) (Jamal, 2011; Nur, Adam, & Muttaqien, 2020;

and obligations of the state that can be valued in money, as well as everything in the form of money or in the form of goods that can be used as state property related to the implementation of these rights and obligations."

Baydoun et al., 2018; Anwar, 2016). In terms of its nature, there are generally two types of *sharia* or Islamic legal norms, namely *non-ijtihadiyah* Islamic law and *ijtihadiyah* Islamic law (Anwar, 2016). *Non-ijtihadiyah* Islamic law is a legal norm directly determined with certainty in the two main sources, The Quran and Hadith. In comparison, *Ijtihadiyah* is norms resulting from the expansion and interpretation of the two main sources and using companion (paratextual) sources such as *ijma'*, *qiyas maslahah*, and others. Thus, in general, *sharia* refers to the two main sources of Islamic teachings (the Quran and Hadith).

However, not all of the Holy Books texts contain and provide a strict, specific, and detailed manner of understanding. There are many verses in the Quran with *mujmal* (global/undetailed), *khafī* (unclear), or *musykil* (abstruse) narration that requires further explanation and details to be always up to date and relevant to every place and era (Nur et al., 2020). For issues not explicitly mentioned in the Quran or Hadith, *sharia* is jurisprudence consisting of the interpretation judgment of Islamic scholars or ulama (Baydoun et al., 2018; Arwani, 2017).

VFM, which is the central topic of this research, is one of the areas in *muamalah* that is practically different from when the Prophet carried out his prophetic duties. Implementing Islamic legal norms in the context of *muamalah*, which are different in space and time (the era of the Prophet Muhammad (PBUH) and VFM in the current Government of the Republic of Indonesia) paved the way for conducting *ijtihad*. The norms in Islamic law as a whole cover three categories, namely 1) concrete norms that are detailed (better known as *al-ahkam al-far'iyah*); 2) more abstract middle norms (can be called *al-usul al-kuliyyah*), and 3) more abstract and more basic doctrines which contains universal principles or fundamental values (*al-qiyam al-asasiyyah*) (Anwar, 2016)[†]. This study responds to a problem raised from the view of *al-qiyam al-asasiyyah*, a universal or general perspective regarding VFM.

METHODOLOGY

This research uses thematic analysis to find Islamic principles of VFM. Thematic analysis is a method of analyzing data that aims to identify patterns or to find themes through data that has been collected by researchers (Braun & Clarke, 2006). The thematic analysis is a very effective research method that requires in-depth analysis to find important themes that emerge (Rozali, 2022). This thematic analysis is considered a core skill or basic knowledge for analyzing qualitative studies (Sitasari, 2022).

This study will identify the primary principles or fundamental Islamic values (*al-qiyam al-asasiyyah*) for the implementation of VFM in Indonesia. These principles are universal, meaning that the fundamental values that underlie the implementation of this *muamalah* are Islamic religious teachings that can be generally accepted across religions and ethnic groups. Islam is a universal and comprehensive religion. Universal means that Islam is intended for all

[†] By knowing this theory of norm level, Islamic law is not just a collection of detailed concrete legal regulations but also includes general principles and basic values. The concrete legal regulations themselves are not only limited to the *halal* and *haram* sides but also include causal relationships (*as-sababiyyah*), conditional relationships (*asy-syartiyyah*), and stipulations (*al-wad'*). (Syamsul Anwar, 2016).

human beings on earth and can be applied at any time until the end (Rohman & Sungkono, 2022; Jamal, 2011).

Identifying the Islamic principles and elements of VFM is carried out from the point of view of the particular theme of Islamic law principles. These principles can be extracted from various *sharia* material sources, which are formulated as general principles of good governance. The principle of good governance in the management of public resources is an important matter that continues to be encouraged so that their implementation is not abused. At this point, VFM which utilizes public resources at the village government level also requires good governance principles rooted in Islamic values.

In identifying Islamic principles for VFM, this research explores Islamic perspective pieces of literature that discuss financial management arrangements in public sector entities. The exploration process of authentic Islamic sources is conducted by tracing the Quran and Hadith to extract the principles of the Islamic values regarding VFM. The theme of the Islamic perspective of VFM, which is the main topic of this research, should be explored. In every culture and society they study, the researchers should find holy books or sacred scriptures messages that enlighten society members (Hidayat, 2015). Therefore, this research will take the essence of the Quran and Hadith related to the financial management of public sector entities as the first and foremost step.

Furthermore, this research draws several sources of literature that have extracted general Islamic principles associated with the good governance of government organizations theme. For instance, in the Indonesian context, there is a decision of the 27th National Conference of *Majelis Tarjih* of *Muhammadiyah*[‡], which outlines the principles of good governance[§] according to *Fiqh*, which covers two sides, the principle of human resources (implementers)^{**} and the principle concerning the system^{††}.

[‡] The *Majelis Tarjih* (*Tarjih Council*) is one of the supporting elements in the Muhammadiyah, one of the most prominent Islamic organizations in Indonesia, which carries out its primary task of determining the law by taking the most substantial arguments so that it can be used as a guideline following practice in the central Islamic teachings (Husna Amalia, 2019). The Tarjih Council is the only institution in Muhammadiyah that continuously enlivens *ijtihad* and *tajdid* in thinking and seeking decisions on religious matters to provide legal certainty and become the organization's official decision in the implementation of worship (Kholidah, Yuslem, & Qorib, 2021)

^{§§} Governance (تمكوكلا) is a structured way and process to utilize the potential, both material, social, and spiritual, in order to realize common prosperity (Majelis Tarjih Muhammadiyah, 2010). Governance is not only needed in managing government or state organizations but, more broadly, includes corporate organizations and even social organizations. In the context of Islamic teachings, governance issues are seen from a broader perspective, namely in terms of the vision and mission of humans as God's creatures. In the context of Islamic teachings, governance issues are seen from a broader perspective, namely in terms of the vision and mission of humans as God's creatures. The Quran confirms that the human vision is worship [Q. 51:56], and the human mission is to build up the earth [Q. 11: 62], while the aim is to realize spiritual welfare, material well-being and order and peace of life in society (*ya'mur na bi al-ma'ruf wa yanhauna 'an al-munkar*) [Q. 22:41] (Majelis Tarjih Muhammadiyah, 2010)

^{**}The general principles of governance regarding Human Resources include four points, namely (1) trustworthiness (*Amanah*), (2) responsibility, (3) a good role model (*uswatun hasanah*), and (4) visionary.

^{††}The general principles of governance regarding the system include (1) *shura*, (2) accountability, (3) avoiding unnecessary things, (4) transparency, (5) supervision, (6) justice (reward and punishment), (7) equality, and (8) "healthy" recruitment

Additionally, this extraction process is guided by the results of interviews with experts mentioned in the research method section. Generally, informants must have sufficient knowledge and experience in dealing with financial management in the government sector and issues related to it. Concerning Islamic values, the informants of this research were Islamic scholars consisting of academicians and clerics (*ulama*). Expert informants from campus were academicians selected based on their expertise in Islamic studies and public-sector financial management. In addition to having in-depth knowledge of Islam, informants from Islamic boarding schools (*pondok pesantren*) also had experience in dealing with financial management issues in the public sector or government. They have sufficient knowledge concerning financial governance based on Islamic perspectives in public sector organizations.

An in-depth explanation from these Islamic scholars will enrich the Islamic perspective on general financial management (in this case, the village government). The list of informants for guiding the extraction process of Islamic principles and elements of VFM is shown in Table 1:

Table 1. List of Expert Informants in In-Depth Interviews

| Category | Details of Informants | Label of Informants |
|---|---|---------------------|
| Academician (expert on Islamic Economics & Finance Studies) | Prof. Madya Dr. Ahmad Djalaludin, Lc. (lecturer of <i>Universitas Islam Negeri Maulana Malik Ibrahim, Malang</i>); | E1 |
| Religious Figure (<i>Kyai/Ulama</i>) | KH. Ahmad Halimy (<i>ulama at Pondok Pesantren Raudhatut Thalibin, Sumenep</i>); | E2 |
| Academician (expert on VFM) | Prof. Dr. Puji Handayati (lecturer of <i>Universitas Negeri Malang</i>). | E3 |

FINDING AND DISCUSSION

Based on several searches of several literature sources and guidelines from the results of expert interviews, here are three Islamic principles related to village financial management (VFM).

Tawhid (Oneness of God)

The fundamental principle on which the arch of Islamic civilization rests is the doctrine of Tawhid or unity of God (Farooqui, 2011). Tawhid refers to God's unity and sovereignty, which lays down the rules of God-man (*hablum min Allah*) and man-to-man relationships (*hablum min annas*), respectively (Salleh, 2013).

All concepts of Islamic values center on Allah SWT. Quoting Quaeb (1988), Tawhid is the basis of all aspects of social life – social, economic, educational, and political (Saleh et al., 2012). Islam does not recognize the separation of worldly (temporal matters) from heavenly (eternal) or the separation of religious matters from non-religious ones (Kania, Romly, & Zarman, 2011). In the context of development, Tawhid related to the Islamic faith or belief (*Aqidah*) ensures that any development efforts should be made for the sake of God (Alwyni & Salleh, 2019).

Quran Surah al-Ikhlâs: 1-5 emphasizes that there is no God, but Allah SWT. Allah SWT is the One and Only, the Absolute, the Eternal, and has no beginning or end. Furthermore, none is equal to Him. Tafsir al-Azhar explains that the acknowledgment and belief in the oneness or singularity of God are called Tawhid (Amrullah (HAMKA), (2019). This means that sincere thoughts will emphasize that God can not be more than one. Since the Center of Belief in common sense considerations only reaches One because God can't be more than one. If God is not one, His power is divided. Divided power means less power (Amrullah (HAMKA), 2019).

Furthermore, YaPEIM (2010) explains that a deep Tawhid Consciousness will produce an integrated personality, which is characterized by a harmonious unity between thoughts, feelings, and actions. The Tawhid Consciousness will lead to unity, as is always said in the *iftitah du'a* of *sholah*: “*inna sholati wa nusuki wa mahyaya wa mamati lillahi robbil alamin*” (indeed, my prayer, my worship, my life and also my death, are entirely for Allah SWT, the Lord of the universe) (YaPEIM, 2010).

In the context of Village Financial Management (VFM), expert informant E1 explains that:

"If you look at it from an Islamic view, what are the primary principles? Yes, the principles of the creed of faith. That is the main thing, the main principle. Because later the problems of wealth, either private or community, will also be associated with faith. There is a *sahih* hadith that says: a believer is a person who is entrusted with guarding other people's property. That's how it is, yes, that's right, the main principle is faith."

Informant E1 underlined the importance of Tawhid as the primary reference, both for actors and behavior patterns of VFM that will be implemented, especially in maintaining the mandate to manage wealth and resources owned by the village. The management of assets that are mandated by Allah SWT to be owned and utilized must be in line with Islamic procedures and provisions (Irwan, 2021).

Further, E1 explained that the principle of Tawhid places compatibility between the goals outlined by God (*maqashid syariah*^{††}) and the purpose of human life (*maqashid mukallaf*^{§§}).

^{††} *Maqashid Sharia* is the goals of the Islamic law that are to be achieved in each of His rules (Eva Muzlifah, 2019). According to Asy-Syatibi, *Maqashid Sharia* is a concept to find out the wisdom or purpose desired by Allah SWT for the application of a rule that substantially pays more attention to the public interest, realizing the benefit of as many people as possible (Dewi, 2021).

^{§§} Asy-Syathibi, in his book *al-Muwafaqat* specifically divides *maqashid* into two parts: *qashdu as syari'* (God's purpose) and *qashdu al-mukallaf* (human goal). According to Asy-Syathibi, God's purpose insists on four parts, one of which is *Qashdu as syari' fi wadh'i as shari'ah* (the purpose of Allah SWT to put *shari'ah* which is nothing but for the best benefit of humankind). This *maqashid* is divided into 3 types: *dharuriyyah*, *hajiyyah* and *takhsiniyyah*. In *maslahah dharuriyyah* (the highest *maslahah*, this is necessary to guarantee the goals of the world and the hereafter), the purpose of implementing a provision includes safeguarding religion (*hifdzul din*), self (*hifdzun nafs*), lineage (*hifdzun 'nasl*), property (*hifdzul mal*) and intellect (*hifdzul aql*) (Dewi, 2021; Eva Muzlifah, 2019). In the *qashdu al-mukallaf* section, Asy-Syathibi explains that there are 12 problems contained in it which essentially underline that every action taken by humans as servants of Allah must be in line with *Maqashid Shariah* (Dewi, 2021)

“The principle of Maqashid Sharia in the management of state finances is the Essence of hifdzul mal, protecting assets. What is guarded is public trust, so that is the main concern. On the other hand, there is Maqasid Mukallaf. Maqasid Mukallaf is the human goal, the goal of public finance managers. Referring to the theory of Imam Syatibi, Maqashid Sharia must be in harmony with Maqashid Mukallaf. The existence of this alignment will prevent misuse and misappropriation of people's finances.”

Formulating the Tawhid Principle for VFM arrangement is in line with the first principle of Pancasila***, the foundation of the Indonesian state. The first precept of Pancasila states that Belief in the One and Only God. This indicates that the main (and foremost) fulfillment of Indonesian human responsibilities in all their life activities is to God (Setiawan, 2017). This value declares that Indonesia is a religious nation (Jarnawansyah et al. 2021). Thus, this belief in the one and only God needs to be stated explicitly in the development of a village financial management system. This is substantial so that the awareness of every actor who is entrusted with managing finances at the village government level is always connected to Allah SWT, God the Creator.

In connection with the importance of Tawhid, this is referred to as the first and foremost principle, which is also agreed upon by Informant E3, an expert on VFM. She also has a similar tone by saying:

“Religion is a way out of all problems, including village financial management. When we return to management principles, what are the principles that we can draw from Islam? True, Indonesia is not an Islamic country, but the majority of the population is Muslim. So even though we do not say that this is an Islamic country, we need to put values in Islam that might become a brake or controller for any human behavior that abuses village financial management... One of the main and first, of course, is Tawhid. When people believe in the existence of God, believe in the existence of the Hereafter, that must be the main deterrent to doing things like corruption and other abuses. They will think a thousand times for doing bad things.”

*** *Pancasila* is the foundation of the Indonesian state. The founding fathers of the nation have agreed that Pancasila is the foundation and goal of the nation, as the philosophy and outlook on life as a nation (Setiawan, 2017). The values contained in Pancasila as a guide and reinforcement in realizing good governance, including in the formation of effective village financial management (Jarnawansyah et al., 2021). The '*Pancasila*' name is composed of two words from Sanskrit: "*panca*" means five and "*sila*" means principle or basic guidance. Pancasila is written in the fourth paragraph in the Preamble to the 1945 Constitution, which sequentially consists of: 1) Belief in the one and only God; 2) Just and civilized humanity; 3) the unity of Indonesia; 4) Democracy led by wisdom in deliberations/representations, 5) Social justice for all the people of Indonesia

Informant E3 emphasized that many cases of abuse of village finances were driven by a lack of connectedness to the awareness of God in the apparatus entrusted with managing village finances. The arrangement of the VFM system needs to be based on total submission to Allah SWT, purifying worship to Him only.

Justice (*Adil*)

Justice or *Adil* is also one of the crucial principles in the implementation of good governance from an Islamic perspective. Islam places a deep concern on the realization of social justice, especially in the management of public affairs. The fundamental objective of *sharia* in the public domain is to spread justice all over the world to create an extraordinary human life for an advanced social class (Dewi, 2021; Priyadi & Pambekti, 2019; Saleh et al., 2012; Slahudin, 2008). Allah SWT emphasizes the importance of this justice in the Quran:

"Indeed, Allah SWT commands justice, grace, as well as a courtesy to close relatives. He forbids indecency, wickedness, and aggression. He instructs you so perhaps you will be mindful."
(Surah al-Nahl (16): 90)

Another explanation regarding justice is stated in the following verse:

"O believers! Stand firm for Allah SWT and bear true testimony. Do not let the hatred of a people lead you to injustice. Be just! That is closer to righteousness. And be mindful of Allah SWT. Surely Allah SWT is All-Aware of what you do." (Surah al-Maidah (5): 8)

Tafsir al-Azhar defines *adil* or justice (the opposite is tyranny) as weighing proportionally, blaming what is wrong and justifying what is right, returning rights to their owners, and not being mistreated (Amrullah (HAMKA), 2019). As long as justice is still present in society, social interaction runs safely and peacefully and creates mutual trust and respect (Amrullah (HAMKA), 2019).

Ibn Khaldun (1959), in his book "*Mukaddimah*", describes that the principle of justice is attached to those who have power. This is because injustice (or tyranny) can only be committed by persons who have authority and power, those who cannot be touched. So, if Allah SWT bestows the power to govern the government, then Islamic teachings will judge whether the leader acts fairly or not. The Quran warns of the danger that will befall an ummah if its government is unjust (*zalim*). If those in power are unjust, then those who are controlled will suffer and become foolish. That is why Allah SWT threatens unjust leaders with a painful punishment in this world and the Hereafter (Amrullah (HAMKA), 2019).

In the hadith, there are countless criticisms addressed to people who do injustice (*zalim*). Prophet Muhammad (PBUH) said:

"Be afraid of doing injustice because it will bring darkness on the Day of

Judgment." (Hadith Muslim).

Additionally, Informant E2 repeated his explanation regarding the Quran Surah An Nisa verse 58. After the first sentence instructs the principle of trustworthiness (*amanah*), the following sentence underlines the principle of justice. The following is an explanation by E2:

"After the *amanah*, the next sentence in Surah an-Nisa verse 58, explains the principle of justice. When it comes to public affairs, this justice must be upheld. *Wa idza hakamtum bainannas antahkumu bil adl*, and if you decide a law or regulation among humans, give a fair law."

Moreover, Informant E2 explained that the application of the principle of justice concerns the need for social regulations to be made as fair as possible. There is a *kitab* (book), for example, which tells about non-Muslims in the Islamic era under the leadership of Sayyidina Umar Ibn Khattab. Sayyidina Umar once met an older person who was not a Muslim, but he was obliged to pay *jizyah*^{††}. Then Sayyidina Umar asked, "Why do you keep working, O old man?" The old man replied, "I have to keep working because I still have to pay *jizyah*". Hearing this, Sayyidina Umar ordered *Baitul Mal*^{‡‡} To record the parents to be released from the obligation to pay *jizyah*. In addition, these parents also receive subsidies or allowances every month for their living expenses. This exemplifies the importance of leaders being fair, even to people of different religions.

Additionally, Informant E1 pointed out that the importance of public financial management implementation should be referred to the justice principle, VFM entailed. Informant E1 described:

"Financial management in the public domain is a space for the implementation of justice. This justice will also have instruments, what are orders and what are prohibitions. The task of a *mukallaf* is to align its goals with the objectives of this principle, including aligning itself with other Islamic goals... There is a rule that says every human goal that is contrary to this religious goal is *bathil* (vanity). Because that principled goal is part of the starting point, a kind of objective element to quote As Shodr's theory. Subjective and objective goals must be aligned."

Based on the descriptions above, it is obvious that the Justice Principle must be the primary value that forms the basis for VFM implementation. The objectives of the *Sharia*

^{††} *Jizyah* is a mandatory payment that must be made by individuals of religions other than Islam to the state. This is a sign that non-Muslim citizens submit to and obey the Islamic government. Non-Muslims may adhere to their religion without being hindered or even acknowledged. This *jizyah* which is paid periodically becomes an instrument for non-Muslims not to be fought but to be protected (*dzimmi*) (Abdul Malik Karim Amrullah (HAMKA), 2019)

^{‡‡} *Baitul Mal* (House of Treasure) is a state institution in charge of organizing state revenue collection. Zakat is the main instrument which becomes state revenue managed by *Baitul Mal* before collecting other sources of state income (Muhammad Syukri Salleh, 2014).

outlined by God emphasize that the value of justice must be the spirit in all public affairs. The mandated value of justice must be in line with the implementation of the duties of the human caliphate in prospering the earth, including implementing VFM to improve the welfare of the people.

***Shura* (Deliberation)**

Shura (deliberation) is a decision-making mechanism involving two or more people. When it comes to the interests of the wider community, Islam requires leaders to hold deliberations with the people they lead to obtain fair and acceptable decisions (YaPEIM, 2010). As the head of state or head of government, Prophet Muhammad (PBUH) never makes decisions except by way of and through a deliberative mechanism among his fellow companions according to the matters to be decided (Watt, 2020). Sometimes the decision is taken by involving deliberation among the friends around him. For matters that require the involvement of a broader range of parties, deliberations are carried out by inviting tribal chiefs or representatives of groups to make joint decisions (Watt, 2020). All *dunya* matters are always discussed and decided together (Amrullah (HAMKA), 2019).

The example of the Prophet Muhammad (PBUH) in conducting *Shura* is following what Allah SWT has commanded, as stated in the Quran:

“It is out of Allah SWT’s mercy that you ‘O Prophet’ have been lenient with them. Had you been cruel or hard-hearted, they would have certainly abandoned you. So pardon them, ask Allah SWT’s forgiveness for them, and consult with them in conducting matters. Once you make a decision, put your trust in Allah SWT. Surely Allah SWT loves those who trust in Him”. (Surah Ali Imran (3): 159).

“Who responds to their Lord, establish prayer, conduct their affairs (is determined) by consultation among themselves, and donate from what We have provided for them”. (Surah as-Syura (42): 38).

The first verse concerning *shura* is in the form of a command (*fi’il amr*). The second verse is mentioned in the middle of two essential obligations, namely prayer and zakat. Based on the way the Quran mentions this kind of *shura*, *jumhur ulama* concludes that the practice of this *shura* is obligatory (YaPEIM, 2010). Tafsir al-Azhar emphasizes that in a society, there must always be *shura* as the basis for making joint decisions (Amrullah (HAMKA), 2019). Allah SWT, through the message in *Surah as-Syura*, instills the fundamental principle that the community and the state must consult, starting from the village, city, and state levels. Abu A’la al-Maududi emphasized that only leaders who are fearless of Allah SWT dare to make their own decisions without conducting *shura* (YaPEIM, 2010).

Tafsir al-Azhar interprets this verse and outlines the suggestion to strengthen relations with God through prayer, which is then followed up with orders to strengthen relations among humans, especially among believers (Amrullah (HAMKA), 2019). The next sentence about deliberating (*shura*) to make joint decisions about affairs between them is a form of

strengthening *hablum min an naas*. The verse then closes with the obligation of *zakat*. This indicates that deliberation on everyday affairs will not get the expected results if people do not want to spend some of their assets for the common good. So congregational prayers (*sholah jamaah*), deliberations (*shura*), and sacrifices of sustenance in the form of *zakat* are in one breath (Amrullah (HAMKA), 2019).

In a hadith of the Prophet Muhammad (PBUH), it was stated that Ali bin Abi Thalib once asked:

"If there is a new problem that we are facing after you leave, what steps should we take?". Prophet Muhammad (PBUH) replied, "Collect expert people from my people, hold consultations with them, and never decide on someone's personal opinion." (Hadith Imam Malik).

Informant E1 explains that besides the order to the society leader (*ulil amr*) in *Surah Ali Imran* 159, the verse regarding *shura* in *Surah as-Shura* 38 (*wa amru bainahum*) means that deliberation is a characteristic of Muslim society. This also relates to the management of public resources, which must be managed responsibly based on collective deliberation.

However, the Quran or Hadith do not provide precise technical details on how deliberations are carried out. Given the importance of this *shura* principle ordered by Allah SWT, the implementation of *shura* must be carried out substantively. As a decision-making mechanism, the concept of *shura* should not be understood as if it is only procedural (Asshiddiqie, 2017). The deliberative method should not be misinterpreted as simply a majority voting method. An essential element in the deliberative process is the 'take and give' mechanism, brain-storming, which is more oriented towards the quality of the substance of decisions for the common good (Asshiddiqie, 2017).

Asshiddiqie (2017) further elaborated on some of the substantive characteristics of *shura* (deliberations). First, the deliberative system, through a series of collaborative discussion processes, decides on the common interest. Second, the deliberative process contains substantive debates with the possibility of a take-and-give process between bearers of different ideas. Third, the deliberation participants have a representational function, namely representing a class or group of people in a particular area.

Moreover, apart from process and substance, *shura* is also concerned with the criteria of who should be consulted. Informant E1 expressed his opinion:

"At this time, the priority is only on the process aspect. Whether or not meeting the criteria is not important, so anyone can be elected; even Satan can become a leader. The leadership criteria that will be involved in this deliberation are the main measurement in the sharia management concept."

Informant E2 underlined the same message regarding this *Shura* participant.

"In the Age of the Rasulullah, only the best people became leaders. The

Prophet Muhammad (PBUH) pointed out that leaders are people who have the character of qualified leaders. There was no stupid leader in the time of the prophets. However, after the era of the Prophet and the Khulafaur Rashidin, there began to be many leaders who needed to meet the criteria that could be held accountable according to *sharia*.”

The two expert informants mentioned above also emphasized the need to review the concept of leadership in government, including village government. Government leaders who will later become participants in the deliberation must be people who fulfill the requirements according to *sharia* criteria. There needs to be an evaluation of the democratic mechanism that serves as a means of selecting leaders in the village. A review of this process is needed to find leaders who are trustworthy, honest, and accountable to Allah SWT and also to society, from the village level to the central government.

CONCLUSION

This study identifies Islamic principles of Village Financial Management (VFM) in Indonesia. The process of identifying an Islamic perspective on VFM refers to the results of an analysis of messages in the Quran and hadith as well as related literature sources. Furthermore, guidance from interviews with three expert informants who understand issues related to Islamic values associated with VFM is equally essential.

This study found three main principles for the implementation of VFM based on an Islamic perspective. The three Islamic principles regarding VFM include Tawhid (oneness of God), Justice, and *shura* (deliberation). The Tawhid Principle means that the implementation of VFM must be intentional and aligned with human duties as servants of Allah (*abdullah*) and *Khalifatullah fil Ardh* Allah on earth. The implementation of VFM by anyone mandated by Allah must not conflict with the objectives outlined by Allah's *Sharia*. There is a unity of purpose between the goals desired by God and the goals to be achieved by humans who manage village finances. The principle of justice generally means that there is proportionality in fulfilling the interests of village people according to the priority scale of needs. This means that the value of justice emphasized by Allah to be upheld in the implementation of community affairs also needs to be referred to by village financial managers. The *shura* principles emphasize that efforts to develop villages and village communities must be carried out through the implementation of VFM which includes active community participation in various deliberation forums. Village societies need to be heard and spoken to to decide crucial matters related to common interests which will later be executed by the Village Government.

However, the Islamic principles related to VFM that have been successfully identified in the findings of this research still require details regarding the supporting elements. Each element in question is a derivation of the three Islamic principles regarding village financial management. This requires the next comprehensive study to be able to make the Islamic principles that have been found more applicable with the existence of supporting elements.

The results of the identification of Islamic principles related to VFM need to be included in the laws and regulations related to VFM as the main values that all village apparatus need to refer to in carrying out the mandate to manage village finances properly. Some of the problems

that have arisen regarding the abuse of VFM can be avoided by consistent application of these principles at every stage of village financial management (VFM)s. Hopefully. Insyah Allah. *Amin Ya Robb*.

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