

Financial Governance Socialization for Public Organizations at the Community Empowerment Institution (LPM) of Rempoa Subdistrict

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ABSTRACT

This community service program aims to improve financial governance in public organizations through a case study at the Community Empowerment Institution (LPM) of Rempoa Subdistrict. The LPM plays a key role in grassroots development but faces challenges with budget planning, bookkeeping, financial reporting, and internal control. The program employed participatory methods, including socialization, workshops, technical assistance, and focus group discussions. Results show a significant increase in participants' understanding of public financial principles, with 75% able to draft simple budgets and 50% capable of accurate transaction recording. The program also led to the development of a basic internal control mechanism adopted by 80% of participants. These outcomes indicate that targeted interventions can strengthen transparency and accountability in local institutions. This initiative highlights the importance of capacity building and practical tools in empowering community organizations. Ongoing support and digital integration are recommended to sustain these improvements.

Keywords: Financial Governance, Public Organization, Budgeting, Accountability.

I. Introduction

Community Empowerment Institutions (Lembaga Pemberdayaan Masyarakat or LPM) are vital in promoting inclusive development and encouraging community participation at the grassroots level (Wahyuni, 2019). As public organizations operating at the subdistrict level, LPMs bridge the interests of local government and society by initiating and supporting development programs based on the needs and aspirations of the community (Ismail, 2017). In urban areas such as Rempoa Subdistrict, the LPM has the potential to strengthen the impact of local empowerment initiatives, especially in supporting small enterprises and participatory governance. Nevertheless, the capacity of LPM Rempoa to manage organizational finance remains a significant challenge. Observations and preliminary interviews indicate that the institution lacks structured financial governance mechanisms and suffers from poor documentation practices, minimal internal control systems, and limited capacity in budget planning and financial reporting (Martani & Kartika, 2020). Many administrators operate based on informal experience without proper training

in financial management. As a result, the LPM struggles to achieve transparency and accountability, two essential elements in managing public funds (Mulyani, 2018).

Effective financial governance is critical for ensuring that development programs are implemented efficiently and public trust is maintained (Simanjuntak & Amri, 2021). The absence of a sound budgeting system and a lack of routine financial audits may lead to misallocation of resources, inaccuracy in reporting, and reduced community engagement (Nuraeni & Hidayati, 2020). Furthermore, the lack of exposure to regulations such as the Financial Management Guidelines for Villages (Kementerian Keuangan, 2016; Peraturan Menteri Keuangan No. 45 Tahun 2018) contributes to inconsistent practices across LPMs. Previous studies emphasize the need for community institutions to adopt clear standards in financial planning and internal controls (Kementerian Dalam Negeri, 2019). In addition, technological literacy and access to simplified accounting tools are essential to build transparency in grassroots organizations (Wahyuni, 2019). LPM Rempoa, however, has yet to benefit from such structured capacity-building efforts. Given these challenges, a structured community service program (Pengabdian Kepada Masyarakat or PKM) becomes crucial. This PKM initiative aims to improve the financial governance capacity of LPM Rempoa through socialization of public financial principles, practical workshops on budgeting and bookkeeping, and focus group discussions to develop internal control mechanisms. These interventions are expected to enhance the organization's transparency, accountability, and ability to deliver community services more effectively.

II. Literature Review

2.1. Financial Governance in Public Organizations

Financial governance ensures that public organizations manage their financial resources effectively, efficiently, transparently, and accountably (Martani & Kartika, 2020). Good financial governance encompasses planning, execution, recording, reporting, and internal control systems, all of which contribute to the credibility and sustainability of public service institutions. According to Mulyani (2018), public institutions' transparent and accountable financial systems are essential to avoid financial mismanagement and ensure that public funds are allocated to priority development programs. In grassroots institutions like LPMs, the absence of standardized financial practices often leads to inefficiencies and reduced public trust. Ismail (2017) argues that financial governance in LPMs remains informal and highly dependent on individual initiative, thus requiring structured intervention and continuous capacity building.

2.2. Budget Planning and Participatory Approaches

Budget planning is not merely a technical process but a participatory one that reflects the collective priorities of stakeholders (Nuraeni & Hidayati, 2020). Participatory budgeting encourages community involvement in decision-making, ensures alignment with local needs, and improves program legitimacy. For LPMs, adopting performance-based and participatory budgeting approaches could significantly improve the relevance and impact of their initiatives (Kementerian Keuangan, 2016). However, most LPMs still employ basic budgeting techniques, which are often disconnected from measurable outcomes and community needs. This gap necessitates training in strategic budget formulation and performance-based planning to foster effective local governance.

2.3. Financial Reporting and Accountability Mechanisms

Accurate and timely financial reporting is essential to demonstrate accountability and enhance organizational performance. In small community institutions, the lack of standardized reporting formats and competencies often results in poor documentation and weak financial transparency (Mulyani, 2018). According to Regulation of the Minister of Finance No. 45 of 2018, financial reporting for public organizations

must adhere to minimum standards that ensure completeness, clarity, and auditability. Implementing simplified templates for financial reports and technical mentoring can improve financial accountability and reduce the risk of misreporting. Furthermore, regular financial disclosure to stakeholders fosters transparency and public trust (Wahyuni, 2019).

2.4. Internal Financial Control in Community Organizations

Internal control systems help prevent fraud, detect errors, and ensure financial activities comply with relevant regulations and organizational objectives (Simanjuntak & Amri, 2021). In community-based organizations like LPMs, the absence of internal control procedures often leads to informal practices and potential misuse of resources. Developing a basic internal control mechanism, such as periodic verification, separation of financial functions, and community oversight, is critical for financial governance (Martani & Kartika, 2020). Focus Group Discussions (FGDs) involving community members and stakeholders can be an effective tool for formulating such mechanisms and ensuring their contextual relevance.

III. Research Method

This community service program employed a participatory and solution-oriented approach to improve financial governance within the Community Empowerment Institution (LPM) of Rempoa Subdistrict. The implementation method was structured into stages: preliminary assessment, intervention design, socialization and training, technical assistance, and evaluation. This sequence ensured that the solutions aligned with the target community's needs and capacities. The methodology combined qualitative field assessment with action-based learning to foster practical engagement and sustainable adoption of financial governance practices. The first stage involved a needs assessment and stakeholder consultation to identify key financial management issues within the LPM. This was conducted through field visits, informal interviews with LPM administrators, and direct observation of budgeting and bookkeeping practices. The findings revealed that most challenges stemmed from a lack of financial literacy, the absence of internal control systems, and the limited use of standardized documentation. These insights guided the formulation of tailored intervention strategies that addressed technical shortcomings, organizational behavior, and structure. In the implementation phase, the program delivered a series of interactive socialization sessions, practical workshops, and focus group discussions. The socialization sessions introduced the fundamental principles of public financial governance, including transparency, accountability, and efficiency. The workshops provided hands-on training in participatory budgeting, simple cash bookkeeping, and financial reporting. The activities were designed to be inclusive, allowing LPM members from various backgrounds to actively engage in simulations and discussions relevant to their daily administrative tasks.

The program also included technical assistance and mentoring, especially in drafting budget documents and financial reports. Small groups of LPM administrators received guided support to apply what they had learned in real organizational contexts. This approach enabled participants to directly translate theory into practice and build confidence in managing financial records. Additionally, a Focus Group Discussion (FGD) was held to collaboratively develop a basic internal financial control mechanism suited to the organizational structure and resources of LPM Rempoa. A combination of formative and summative evaluations was carried out to assess the program's effectiveness. Pre- and post-tests were administered to measure changes in participants' understanding, while observation checklists and feedback forms were used to evaluate participation and application of knowledge. The results of these assessments informed the final report and recommendations for sustaining improvements in LPM's financial governance. Integrating participatory learning and contextual adaptation ensured the intervention was relevant and impactful for the target community.

IV. Results and Discussion

Implementing the community service program focusing on financial governance at the LPM Rempoa yielded several important findings. The first result was a significant increase in participants' understanding of the fundamental principles of public financial governance. Pre-test results indicated that only 32% of participants could correctly identify core principles such as transparency, accountability, and efficiency. Following the socialization sessions, post-test results rose to 88%, indicating a substantial improvement in conceptual awareness. The workshop on participatory budgeting proved to be particularly effective. Before the training, budget preparation within the LPM was informal and often based on routine estimations rather than systematic planning. During the workshop, 75% of participants could draft a basic organizational budget aligned with performance-based principles. This included identifying realistic revenue sources, estimating expenditures, and prioritizing programs based on community needs—an approach consistent with the participatory budgeting model proposed by Nuraeni and Hidayati (2020).



Figure 1. Documentation of activities

Another key result was the improvement in the participants' ability to maintain financial records. Before the training, financial documentation was limited to irregular manual notes, often without verification or proper archiving. The bookkeeping workshop introduced participants to simple tools such as cash books and receipt journals. A post-training simulation exercise showed that 50% of participants could accurately record sample transactions with at least 80% accuracy. This demonstrates alignment with the financial recording standards outlined by the Ministry of Finance (2016). Progress was also evident in the area of financial reporting. During the technical assistance phase, participants were guided to draft a basic financial report consisting of a balance sheet and a summary of activities. Although only 25% of participants completed the full draft independently, this represents a meaningful first step towards institutionalizing standardized reporting. According to Mulyani (2018), the lack of consistent reporting formats in community institutions is a significant barrier to financial accountability.

The Focus Group Discussion (FGD) resulted in a practical and context-specific internal control mechanism. Participants agreed on several key recommendations, including the appointment of a financial oversight team, the implementation of monthly financial checks, and the establishment of a basic reporting calendar. Notably, 80% of participants signed a joint declaration to adopt the proposed internal control procedures, reflecting a shared commitment to improved governance. This outcome reinforces the assertion by Martani and Kartika (2020) that internal supervision structures are vital for preventing misuse of community funds. Throughout the program, participant engagement remained consistently high. Informal feedback indicated that the workshops' interactive nature and the materials' contextual relevance contributed to participant motivation. These observations affirm the importance of experiential and community-based learning models in adult education, as Wahyuni (2019) suggested. Moreover, including real-world financial cases during the training sessions enhanced participants' confidence and helped bridge the gap between theory and practice.

Despite the positive results, several challenges were encountered. One limitation was the diverse educational backgrounds of the participants, which required the facilitators to constantly adjust the delivery method to suit varying levels of financial literacy. Sometimes, the lack of access to digital tools limited participants' ability to engage with specific templates or simulations. These challenges underscore the need for follow-up training and ongoing mentorship, especially in introducing digital financial management systems, as Ismail (2017) suggested.

The monitoring phase revealed early indications of behavioral change. In the weeks following the training, several LPM administrators began documenting transactions more consistently and discussing budgets more openly in internal meetings. Although it is too early to evaluate long-term institutional changes, these developments suggest an initial shift toward a culture of financial accountability. Continued reinforcement through local government support and inter-institutional collaboration could help sustain this momentum. This PKM activity has also generated academic value for the facilitators. Through direct engagement with community actors, the team validated key theories on public financial governance and refined training modules for future applications. The experience aligns with the goals of Tri Dharma Perguruan Tinggi, particularly in integrating teaching, research, and community engagement. Moreover, the lessons learned from LPM Rempoa may be a replicable model for similar interventions in other urban subdistricts.

V. Conclusion

This community service program has demonstrated that structured financial governance interventions can significantly improve the organizational capacity of grassroots institutions such as the Community Empowerment Institution (LPM) of Rempoa Subdistrict. The program successfully enhanced participants' understanding and practical skills in key areas, including budgeting, bookkeeping, financial reporting, and internal control mechanisms through socialization sessions, participatory workshops, technical assistance, and focus group discussions. Measurable improvements were observed in participants' ability to apply financial management concepts, as reflected in post-test scores and hands-on simulations. Establishing a basic internal control framework and drafting initial financial reports marked an important institutional milestone for LPM Rempoa. While challenges such as varying literacy levels and limited access to digital tools persist, the overall progress suggests a positive trajectory toward more transparent, accountable, and efficient financial practices. Moreover, this initiative highlights the value of collaborative, contextual, and participatory approaches in community-based financial governance. In conclusion, strengthening financial literacy and administrative systems within public organizations at the local level is essential for achieving sustainable development goals. Future programs should focus on continued mentoring and technology adoption to ensure the long-term sustainability of the improvements initiated through this intervention.

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