

Ethnographic Agency Relationship in The Context of Budget: Portrait of Local Wisdom Harmonization in Bali Pakraman Village

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ABSTRACT

Objective – This study aims to explore the interaction between principal and agent relationship in traditional villages in the context of the budget. Also, this study shows the importance of local wisdom as a guide and as a source of knowledge, to fill and form the pattern of an agency relationship in the context of a more harmonious budget.

Methodology/Technique – The research method used is ethnography. Ethnography is the science of writing about race, using a more contemporary language. Ethnography can provide detailed information on the daily activities of a culture in a group. Therefore, it could make detailed notes about the behavior and beliefs of the group from time to time.

Findings – This study found that the interaction between principal and agent in traditional villages in the context of the budget have using local wisdom as a guide and as a source of knowledge. Balinese local wisdom forms the pattern of an agency relationship in the frame of a harmonious budget. The characteristics of Bali is very obvious from Hindu religion, customs, and culture. All are united in a harmonious atmosphere, which cannot be separated from the participation of all the components, as well as cultural heritage. The principle of people unity has been there long before Indonesia's independence, namely Pakraman village.

Novelty – This study has explored the myth and value of traditional village in Bali by using ethnography methodology, which is taken the deep value of Bali tradition.

Type of Paper: Empirical.

Keywords: Budget, Agency Relationship, Village, Bali, Accounting.

JEL Classification: P11, R51.

1. Introduction

Agency relationship model has attracted experts in the public sector over the last decade. They examine this relationship model further from various scientific perspectives. For example, a study conducted by Smith and Bertozzi (1998), from a political and accounting perspective; Carr and Brower (2000), from an organizational standpoint; and Waterman and Meier (1998) from the point of view of economic politics. These scholars see a lack of interaction between the actors of the public budget and find opportunistic behaviors (principals and agents) described in government organizations. Meanwhile, other researchers such as Mitnick

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(1973), Thompson and Jones (1986), McCubbins et al. (1987), Christensen (1992), Fozzard (2001), Lupia (2001) and Shapiro (2005) view the agency relationship model as an alternative to analysis monitoring system in formulate and execute the budget.

When discussing the concept of agency relationships in government organization, many problems arise regarding the budget. This is because both the legislature and the executive excessively use their power over the budget (Smith and Bertozzi, 1998; Von Hagen, 2002). They make the budget policy not based on the overall consideration of alternatives and public interests but derived from personal motivation (Lane, 1990; Groenendijk, 1997). This fact becomes the premise that there is a mistake (something wrong) in the pattern of agency relationships.

As is known, agency relationship of legislative and executive is strongly dominated by a conventional model with its capitalism paradigm and individualist attitudes (Chwastiak, 1999), where both paradigms place self-interest as their center (Jensen, 1994; Chwastiak, 1999). This is the basis to promote the government's life in the traditional village that embrace the values of local Balinese culture, in running the wheels of government. Local values are a culture that is still in action until now.

In contrast to previous approaches above, this study will explore a model of principal-agent by uncovering the executive-legislative agency relationship in a traditional village in Bali from the perspective of government accounting in order to identify some agendas of executive-legislative agency relationship de[re]construction, which reflect upon local wisdom.

In general, relationship issues in a public body are not able to be solved by conventional agency theory. This rationale is what encouraged me to promote local wisdom values, to align with well-established theories in order to address the problem of agency relationships in this era of globalization. This view is in line with the arguments of the rector of University of Gajah Mada, Sudjarwadi. He said, in a world conference on August 12, 2009, in Yogyakarta, that, "the world's experts thoughts about the collapse of theories of science teach us a lesson and new solutions that the key component to the problem lies in local cultures."

Therefore, this study promotes local wisdom of Balinese culture in regards to the agency relationship in Pengeragoan Pakraman Village in Jembrana Regency. The system of principal and agent relationship in the traditional village still survive until this day, although world globalization on a large scale keeps on going. This situation is due to several contributing factors, such as compliance with patrilineal kinship system that binds Balinese based on the principle of heredity, traditional cultural, and sacred religious ceremonies held by Balinese. In addition, this native village system is not closed to migrants or open for residents who were born in other villages. Therefore, overall the system still survive because it can create a unified, harmonious relationship among society and traditional village governance.

This study first outlines local wisdom, its function and form then go onto explain the Balinese social institutions, as a harmony. This study aims to explore the traditional village (Pakraman village) in Bali as a tradition in action. A tradition is a form of local wisdom, as well as the agency relationship between bendesa (executive) - sabha desa (legislature) in the traditional village governance as a manifestation of the philosophy of Tri Hita Karana and Karma. This study explores the interaction between principal and agent relationship in traditional villages in the context of the budget. Also, this study shows the importance of local wisdom as guidance and as a source of knowledge, to fill and form the pattern of an agency relationship in the context of a more harmonious budget.

2. Theoretical Basis: Local Wisdom Function and Form

This study attempts to capture patterns of relationships from both the executive and legislative perspectives. In this context, marginalized local values will be used to build a framework of a holistic model of the executive-legislative agency relationship. The selection of local values (local wisdom) is not without reason. Because Weingast (1983) himself suggested conducting further research by using the agency theory approach from a broader perspective that is outside of the conventional theory. This means going out of the mainstream mindset,

Triyuwono (2000) reveals that to get out of the main paradigm, the "others" which are marginalized need to be raised to the surface, such as local wisdom in order to broaden literature in accounting science.

As seen in the agency relationships of the executive and legislative in Indonesian local governments at the beginning of reforms that led to the same interests, namely the accumulation of wealth for oneself. Literally, the legislature in making public policy should represent the interests of the people, but in reality, the legislature does not always have the same interests as the people. As Groenendijk (1997, 222) points out in his study of "a principal-agent model of corruption" that: "... politicians have their own interests, which may diverge from the voters' interests". This attitude is clearly visible in the budget process, i.e. when legislatures make decisions or policies regarding budget allocations. The proposed activities in the budget proposal should reflect the problems and needs of the community at the time the legislature survey the field and captures the community's aspirations. On the contrary, according to Lupia and McCubbins (2000, 293), the legislature actually maximizes its self-interest when making budgetary policies. The legislature only strives for proposals that bring their name to a targetable area, so that development tends to take place in the ruling legislative electoral districts.

Meanwhile, the executive's behavior (the agent) is to maximize the amount of budget submitted to the legislature, even though it will not be used as much as it is proposed. This is because the executive assumes that the legislature does not know exactly how much it will cost to produce a service. This behavior is known as the maximization of the budget, and the consequence of this behavior is the inefficient allocation of public spending (Niskanen, 1971). Both principal and agent behavior causes the burden borne by the people in the form of agency loss to be huge. The description above shows how complex the agency relationship between executive and legislature in the budget process in local government. This is the reason for the need to make in-depth observations of local wisdom on agency relations in the Balinese village administration that runs very harmoniously.

Local wisdom can be understood as the effort of a human using their intellect (cognition) to act and behave towards something, object, or event that occur in a given space (Ridwan, 2007; Demaio, 2011). That is, if the definition above is arranged etymologically, wisdom understood as a person's ability to use their mind in acting that is the result of an assessment of something, object, or event. Therefore, as a term, wisdom is often defined as "knowledge." In the study of micro individual, local knowledge is the result of a dialectic process between a person and their environment, and individual response to environmental conditions. Thus, local knowledge emerged as a consequence of the individual's cognitive work processes to choose values that are considered most appropriate for them (Damayanti, 2016; Vitasurya, 2016).

On a macro scale, this involves patterns of relationship between humans, or human with their physical environment in an interaction space that has designed in such a way. This designed interaction patterns mentioned before is then called the setting (Ridwan, 2007: 2). Thus, it said that the setting is an interaction space where a person can develop relationships face to face in their environment, a setting of life that has formed directly, in which this configuration will produce values. Thus, local knowledge is an effort to discover shared values as a result of relationship patterns (setting) that have developed in the environment. These values, in the end, will be the cornerstone of the relationship between peoples or as a reference for their behavior.

Local knowledge is explicit knowledge emerging from an extended period, evolving together with the society and environment in a local system that has experienced together. Thus, not only as a reference to behavior, local knowledge can have an even further meaning. The process of evolution that is so much time and attached within the society could turn local knowledge as a source of potential energy of the system of collective knowledge of people to live together in dynamically and peaceful (Ridwan, 2007: 2). Therefore, local wisdom is capable of dynamizing people lives in a civilized way.

Substantially, local wisdom is values that applied in society, values that are believed to be true, and referenced in the local society normal behavior. Therefore, it is reasonable for Geertz (1973, 15) to state that local knowledge is a critical entity in determining a person dignity in the society. It means that local wisdom

that contains elements of creative intelligence and local knowledge of the elites and society is something decisive in the development of civilization (Damayanti, 2016; Demaio, 2011)

Tiezzi et al. (NN, 1) say that the end of local wisdom sedimentation embodied into tradition or religion. In society, local wisdom can also found in the form songs, proverbs, advice, slogan, and ancient books inherent in everyday behavior. Local wisdom usually reflected in the daily society habits that have lasted a long time. Sustainability of local wisdom reflected in the values that apply to particular groups of people. These values become the guide of specific community groups, and usually, form an inseparable part of life that can be observed through their common attitudes and behavior.

Local knowledge is also an effort to find the truth based on facts or symptoms that apply specifically to a particular culture (Ridwan, 2007: 3). This definition could be equal to a definition of indigenous psychology, which defined as the scientific endeavor of the behavior or the mind of native people that is not transformed from the outside and designed for people within that culture (Setiono, 2002; see also Gridley et al., 2000). According to him (2002, 87), the result of indigenous psychology is the science that describes local wisdom, which is a description of the attitude or behavior that reflect native culture.

Methodologically, the establishment of indigenous psychology still borrows scientific methods that are commonly used to date, by contextualizing existing theories with developing local trends. At this stage, the operationalization of current theories is developed or modified according to the known characteristics and local interests. It is important to be understood because when talking about science we cannot escape from Western theories which in fact has developed scientific tradition first (Setiono, 2002: 88). Thus, as an initial effort, we will still need to use Western theories approaches.

As has been stated above, local wisdom embodied in the habits of the people who have the same understanding about something. A shared understanding of something is formed from the same process as well, where they interact in the same environment. A common understanding about something can happen because every environment certainly has a particular setting of the ideal relationships of their group. As stated by Uphoff (1985, 5), “traditional-cultural-religious conceptions ... are a set of principles, which guide people’s endeavors to address life’s problems and opportunities.” This setting becomes the spirit of community behavior.

According to the theory of human ecology (Heft, 2007), there is a reciprocal relationship between the environment and behavior. According to the theory, the environment can influence behavior or vice versa; behavior can also affect the environment. The emphasis of this theory is the setting in the environment. The environment is composed of structures that influence each other, in which these structures have certain settings themselves.

3. Research Methodology

The study was conducted in Pengeragoan Village Jembrana Bali on 2016. The research method used is ethnography. The word ethnography comes from the Greek word *ethos* which means tribes and *graphos* which mean something written. According to Creswell (2012), ethnography is the science of writing about ethnicity, using contemporary language. Ethnography can be interpreted as the writing of cultural groups. According to Ary et al. (2010: 459), ethnography is the in-depth study of the natural behavior of an entire culture or social group.

According to Creswell (2012: 462), ethnographic designs are qualitative research procedures for describing, analyzing, and interpreting a culture-sharing group’s shared patterns of behavior, beliefs, and language that develop over time. Ethnography method is a qualitative research procedure to describe, analyze, and interpret the elements of a cultural group such as a pattern of behavior, beliefs, and languages that evolve over time. The focus of this research is culture. Culture itself according to LeCompte et al. (in Creswell, 2012: 462) is everything related to human behavior and beliefs. Included in it is language, ritual, economic and political structures, stages of life, interaction, and communication styles. So it can be concluded that ethnographic

research is a qualitative study that examines the lives of a society scientifically that aims to study, describe, analyze, and interpret patterns of the culture of a group regarding attitudes, beliefs, languages, and views shared together.

Ethnography, embedded in an anthropological tradition, is essentially the study of a particular cultural group or phenomenon. Fieldwork is a fundamental part of that study, and for anthropologists, ethnographic fieldwork involves documenting people's beliefs and practices from the people's own perspectives (Creswell, 2012).

The ethnographer's aim is culture interpretation. "Culture interpretation involves the ability to describe what the researcher has heard and seen within the framework of the social group's view of reality" (Denzin, 2009). In order to craft descriptions of culture, cultural events, and cultural practices, an ethnographer studies real people doing what they do to meet the everyday demands with which they are confronted.

That is to say; ethnographers collect data in natural settings with the fieldwork approach. Fieldwork provides the opportunity to take into account individuals' beliefs and actions, or what anthropologists call their everyday life, within the context in which they are enacted.

The ethnographer then must be a keen surveyor and interpreter of culture from the "emic," or the insider's view of reality. Yet because seeing is always filtered through our own ideas, capturing the insider's perspective is neither straightforward nor easy. We bring our cultural selves with us wherever we go, and even with the best of intentions, an ethnographer can never see life completely through another person's eyes. In a similar fashion, the ethnographer is never able to write him or herself out of the ethnography. As the Riemer (2004, 205) asserts, "however objective they may seem, there is an autobiographical dimension to all ethnographies."

To further complicate matters, an "etic," or the outsider's perspective, is also fundamental to ethnographic research. Returning to the Riemer (2004, 206) statement, "an etic perspective is the external, social scientific perspective on reality." The ethnographer's task, then, is not only to include insiders' meanings but to translate them into concepts comprehensible to individuals outside the society. This balance between insider and outsider perspectives places special demands on the researcher. The ethnographer must remain open and nonjudgmental about the actions and beliefs of the social group under study while making these understandings and practices intelligible to outsiders.

While useful ideas can emerge during casual observation, the most powerful insights come from a rigorous analysis of systematically collected data. During research, a trained ethnographer will collect photos, video, audio and other contextual data. These pictures or images may look "unpolished" or "rough." However, the beauty of ethnography is that what one observes is visually compelling, real and meaningful without being staged.

4. Results and Discussion

4.1 Traditional village (*pakraman village*) in Bali: a tradition in action

In Bali, there are community organizations that are still relevant in reducing the degradation of tradition, namely the traditional village (*pakraman village*) or often called *banjar adat* (*banjar pakraman*). If we trace the history, the *pakraman village* was formed since the era of ancient Bali, possibly since the advent of Mahayogi Markandya Temple in the 18th century. The history of the *pakraman village* can be seen in the Markandya Purana inscription that tells the journey of Maharsi Markandya from East Java to Bali. The term *keraman* in Bwahan Inscription, 916 *Caka* (*caka* means a year in Hinduism), is defined as groups of people who inhabit a particular area. The pattern of permanent residents who are called *pakraman* introduced by Mpu Kuturan who regarded as the expert on religion and democracy. Mpu Kuturan organized the community life in the *pakraman village*, and he introduced an order of small groups based on professions, such as *banjar*, *subak*, and *sekaha* (Vipriyanti, 2008: 3). Villages and/or *banjar pakraman* play a major role as a guide for the activities of Hindu society (i.e. Hinduism ceremony) along with the religious activity.

According to Lieftrinck in 1886 (Hendriatiningsih et al., 2008: 520), a village in Bali is a small republic with customary or regulatory laws comprising of a democratic and autonomous government. Also, since the beginning of the establishment, the *pakraman village* has been arranged to be a religious country, such as stated by Jero Gede, one of the native village chief, that:

“Since the beginning, the *pakraman village* is a religious village that designed by the concepts and philosophical values of Hinduism. A village is said to be autonomous or in Balinese terms *sima swantantra*, if it has met the four prerequisite condition, called *Catur Bhuta Desa*, namely *Parimandala* or the environment of the village, *Karaman* or villagers, *Datu* or management/village leaders, *Tuah* or the protection of God/*Sang Hyang Widhi*.”

Jero then added that,

“..traditional village or *pakraman village* is a legal entity of indigenous peoples that still exist in Bali, and the provincial government has passed a first level provincial law of Bali No. 6, 1986 regarding the traditional villages in order to support its existence.”

As the unity of customary law, *pakraman village* is bound by tradition or customary law that has rules of manners, either unwritten or written jointly called *Sima Awig-Awig*, *Dresta*, *Lokacara*, *Catur Dresta*, or any other name. *Pakraman village* as a nature has a dual position, namely as a religious society and civil society, which has the function of assisting the government in development mainly in the fields of religion, culture, and society. In addition, the traditional village implements customary law and customs within the territory. The village administers the law according to custom on matters relating to the interests of traditional and religious social relations. Furthermore, traditional villages also maintain and develop the values of indigenous Bali in order to enrich, preserve and develop a national culture in general, and culture of Bali in particular, as well as establish, maintain, and exploit the wealth of *Pakraman* for rural welfare. Thus, it said that there is a power possessed by the traditional villages’ board (executive) to manage the wealth of the village. The power based on the values of local wisdom in accordance with the philosophy of *Tri Hita Karana* (i.e. togetherness, altruistic and balance). According to I Gusti Gede Raka (informant) stated that,

“The traditional village is a unified area, where the citizens jointly conceived and enable religious ceremonies to maintain the sanctity of the village. This sense of unity as traditional villagers is bounded by *karang desa* or village boundary, village “*awig awig*” or village rules system with its implementation rules and *Pura Khayangan Tiga* which is the three village temple as a place of worship system for the traditional villagers.”

The above narrative shows that the concept of *Tri Hita Karana* which is the life philosophy of the Balinese community reflected in the implementation of a traditional village. Such as, *Pura Kahyangan Tiga*, is where people do *sradha* or devotion to God, then there is *karang desa* (also called *palemahan*) is the village area with clear and definite boundaries, showing the environment that must be maintained by the residents. Moreover, there are *krama* or the villagers, which describes the interactions between communities. This description illustrates the balance of the native village implementation which reflected through social unity based on territorial unity.

Pakraman village area led by someone called *kelihan*, *kubayan*, *bayan*, *kiha*, *kumpi*, *sanat*, *tuha-tuha*, or *bendesa* which means a parent, whereas in the modern government is referred to as executive. Its territory consists of *banjar*, a group of people who are part of the traditional village, and is also an unyielding traditional bond in a certain unified territory, with one or more leaders called *kelihan banjar*. Traditional village leaders can act inside or outside the framework of the interests of its citizens and have wealth, either material or immaterial. Furthermore, under *banjar*, there are groups of residential areas that refers to the compass direction called *tempekan* headed by *kelihan tempek*.

4.2 The *tri hita karana* and *karma*: the pillar that nullifies self-interest

In the philosophy of the traditional villages' agency relationship, there are three core functions of services that the people should run, firstly, the relationship between human and God, secondly, the relationship between individuals with each other, and the last, the relationship between human and nature. According to Jero, "the value of a local agency is known as "Tri Hita Karana," it is an obligation to maintain the balance of the relationship between society and the environment." As Wilson (2008, 87) stated that relationships made with people and relationships made with the environment are equally sacred, and for the indigenous peoples relational and sacred is a crucial "within many spirituality." They share the same space is what ceremony is all about.

Currently, Bali still has well preserved shared resources, such as clean and beautiful beaches, green mountains, *bale banjar* (traditional village) and *pelaba pura* (customary land) as a source of village income, maintained city parks, and ancient heritage. The responsibility for preservation and maintenance of public space is not run by the private sector, but by members of the traditional village (*banjar*). Thus, the role of the native village (*banjar*) in Bali is crucial in managing and taking care of resources in the public space. Therefore, the development of Bali always involves members of the traditional village (*banjar*) as one of the pillars of development in Bali, as well as *subak* (irrigation). Furthermore, the traditional villages have a legal power (e.g. *awig awig*) to create policies and settings regulation for the village development in various aspects based on the concept of *Tri Hita Karana*. Thus, the traditional village is not merely a socio-political unity (territorial), but more as a religious association, to unite all the peoples concerned.

Tri Hita Karana as the identity or the true self of traditional villages is essential values of the behavior that are reference values for human interaction (when a character lost then everything is lost). Universally, various values contained therein defined as the value of living together based on the pillars of peace, respect, cooperation, freedom, happiness, honesty, humility, love, responsibility, simplicity, tolerance, and unity.

Thus, the high values in *Tri Hita Karana* for the Balinese people are living guidelines (guiding principles) that is used to achieve a greater degree of humanity, more useful life, peace, and happiness. In *Tri Hita Karana*, humanity in question is *humanitarianism*, which includes solidarity with fellow human beings, respect the human nature and dignity, equality and mutual help among people, respect differences between people in different dimensions, creating peace. In *Tri Hita Karana*, character as a virtue is a behavioral choice that is built based on values that believed, positioned as practical value or the way to achieve something or the attitude towards something. With its character, we would serve, serve with all our soul to the people and we are not a society of insulters nor blasphemers. *Tri Hita Karana*, which also means the cause of welfare (*Tri*: three; *Hita*: welfare; and *Karana*: cause) which is the philosophy of Hindu religion that teaches their people to always keep a good relationship between man and God, human beings with each other, and man and their environment.

Also, an asset for the people of Bali is the doctrine called *Panca Srada*. This teaching contains two elements that have a direct influence on human behavior, and their social governance in life, which is the teaching of *Karma Pala* and *reincarnation*, where the teaching has the ultimate goal of *Moksha*. It is the purpose of life to achieve the freedom of the soul or eternal spiritual happiness (Krishna, 2002). *Karma Pala* teaches people a belief that any action or behavior that is done by a man during their lifetime will reap a result or reward after death. The act called "*karma*," whereas the result or reward is known as the "*pala*." This teaching guides the Balinese people always to have a tendency to do good deeds, and honorable ethics. This attitude reinforced by the belief in the teaching of *reincarnation*, which taught that humans that are now living had lived in past times. The current living state incarnated in life at some point in the future. Would the existence in the future be better than the current situation, or perhaps worse, depends on the deeds (*karma*), which they did in their lifetime.

The explanation above shows that for the people of Bali, *Tri Hita Karana* is a concept of lifeworld balance that should continue to be carried out to prepare for a better life, in the circle of life in the future (reincarnation). Therefore, evil deeds such as self-interest by exploiting other people and nature has an adverse effect for the

afterlife. As commented by Winasa, Jembrana Regent, that: "I can achieve all of this, because of what I have done in my past life. Therefore, I always maintain my behavior and actions, so that my life in the future will be even better."

The above evidence shows that the concept of *Tri Hita Karana*, reincarnation and *karma pala* on which the traditional village's executive-legislative acts on, have been able to nullify self-interest. Self-interest nihilism is also supported by the purpose of Balinese life to achieve *moksha*. For the people of Bali, it is essential to achieve eternal spiritual happiness (*moksha*), and it can only be reached by having a harmonious interaction based on *yadnya*, which is an action taken based on sincerity (altruistic) (Khrisna, 2002). The content of *yadnya* that is altruistic, of course, cannot coexist with egoistic self-interest.

4.3 Agency relationship in budget proposal

As is known, *banjar* is the basis of social interaction in the Bali community, carried out in a centralized, democratic, and collective way, at the local level. *Banjar* is an ancient organization structure, as the first written reference that goes back to 914 AD. Also, *banjar* established itself as an organization that is highly customizable. "Even today, among families who have spent several generations in an urban setting away from the rice fields, the Banjar still plays an important role," so it is the comment by Eiseman about the structure of *banjar* (1990: 74).

Banjar structure described comprehensively in the anthropological literature (Geertz, 1973; Guernonprez, 1990; Geertz, 2010). According to Geertz (1980, 49), "the banjar head, the *klian banjar*, is elected by a majority vote of the members, but has always been and still is more an agent than a ruler." Also, he said, "he can also be dismissed at a members' meeting by majority vote. Each member is equal and has one vote; there is no special status granted to wealthier or higher caste members of the banjar". "The banjar *klian* not paid for its duty as head of the banjar, that is, they work on the principle of *ngayah* (devotion) based on *yadnya* (sincerity)," commented by Jero Gede. Banjar meetings are conducted once a month in the *bale banjar* that is every thirty-five days (each Balinese month is equal to thirty-five days), marked by the beating of *kulkul* (wooden gong). During the meeting, members of the *banjar* gather and discuss to determine the activities to be carried out in the next month. Also, a special meeting may be convened whenever necessary.

During the meeting, all matters reported, both the proposal of new activities and ongoing activities. At the same time, the contribution of money and time is also determined for each activity. However, if a majority of *banjar* does not approve a project for whatever reason, then the activity will be repaired and re-proposed at the next month meeting to discuss together regarding the approval of these activities continuation. According to Kagami (2005: 67) in his ethnographic study in Bali that:

Recently, some more "modern" traditional villages have begun to document the proceedings and decisions of village meetings and to circulate them among the villagers. Annual or seasonal balance sheets presented at meetings for discussion and confirmation by the villagers. The goal of this innovation is not just procedural efficiency but also to ensure the legitimacy of decisions and agreements.

This statement proves that the planning model in Bali that is people-centered, emphasizes on empowerment, and views the creative aspirations of the people as the main resource for development, as well as viewing the material and spiritual well-being as a goal to be accomplished in the development process.

Empowerment, according to Jordi (2010: 195-204) is defined as the process of decision-making by people who consequently implement the decision. According to him, those who have reached a collective goal through independence has been empowered, perhaps even more empowered through their efforts and the accumulation of knowledge, skills and other resources, to achieve their own goals, without depending on the help of external relationship. However, Bainbridge (2007; 21-29) stressed that what is important is not to reach the target, but the importance of the decision-making process.

Participation is a major component of independence and the process of empowerment Byrne *et al.* (2009: 256-268). Therefore, the people should be involved in the process, so that they are more concerned with their lives to gain confidence, and have a sense of self-esteem and knowledge to develop new skills. Cumulatively, the more skills someone has, the more capable they are to participate so that more benefits could be gained. The essence of empowerment activities that leverage the potential and local resources, according to Bainbridge (2007: 21-29), is as follows:

Community development activities are directed toward efforts to encourage and mobilize social resources so that people can express their needs, express their opinions and could also explore and utilize local resources available. Thus, people can be actively involved in the handling of issues, ranging from problem identification up to enjoying the results. Understanding the community (society) refers to a group of people who learn to live and work together. From a system point of view, the society is a "*holon*" (a concept that stated that system can be considered as a stand-alone unit, but also at the same time can be seen as part of a larger system or as a subsystem).

Therefore, according to Gede Winasa, the Regent of Jembrana,

Customs, values and the moral fact is a potential that must be realized in any empowerment activities. Development approach is focusing on people also requires the transformation of the subordinating structures in human ecology, which has been oppressing the society for so long.

In another hand, according to Gede Winasa,

In budget planning, an essential community empowerment is how to position the public as active development actors, not passive recipients. The concept of community empowerment movement in development, prioritize initiatives and the creation of communities with the main strategy of giving strength (power) to the public.

This view clearly shows that the people who understand their needs and problems need to be empowered so that they are more capable of identifying their needs, formulate plans and implement self-development and self-help. In other words, community empowerment movement is the concept of development "of, by, and for" the people. Community participation in implementing development movement must always be nurtured, encouraged and developed gradually, steadily, and sustainably.

The participation soul of the community is the spirit of social solidarity, in which social relationships always based on shared moral feeling, mutual trust, and common goals. Thus, all citizens will always work together, shoulder to shoulder, helping each other and have a high moral and social commitment.

4.4 Agency relationship in budget implementation

The evidence that I found shows that traditional village government institutions have the social capital assets' necessary as an "energy" (in the form of trust and social networks) for change based on the village social collectivity. Reciprocal interactions between "agency and structure" has led to the overall look of village governance that is very conducive in greeting the modern era, especially in carrying out the mission of village independence. The governance of traditional village organization has two advantages at once, namely the institution of government agencies and human actors so that they can develop into a strong pillar in reproducing governance and social systems, independent and authoritative (Dharmawan, 2006). In this case, Dharmawan (2006, 3) conclude that both human actors and village government structure are a major factor that explains the limitations of village governance in responding to the demands of village autonomy. Kagami (2005, 67) study explains the following:

Another innovation management method adopted by the same traditional village head. In 2000, he activated the traditional village council (*sabha desa*), which was mentioned in the guidelines prescribed by the former provincial regulation No. 6 1986 but had never been set up in the village. He proposed the idea at a village meeting and asked each of the village subunits (*banjar*) to select

three or four representatives. The council was composed of these sub-unit representatives as well as sub-unit heads (*kelihan banjar*) and of representatives of the village youth organization. This composition closely resembled and even preceded, that of the newly organized administrative village council. Those selected were relatively young people who often voiced their opinions at village meetings. The village head's idea was to manage customary affairs mainly through board meetings in order to reduce the length and frequency of whole village meetings. The council was set up in 2002 and remained active for almost one and a half year, but its activities declined at the time of the new village head election. I observed a council meeting in 2002 and was impressed by the natural and lively atmosphere of the discussion. The decline of the council's activities may have resulted from the decreasing trust of the village head, caused by his opaque financial management.

Based on the structuration theory, Bali village administration is in accordance with the idea of Giddens (1984), that the reciprocal relationship between "agency and structure" greatly influence the degree of governance performance of traditional villages displayed to the public. As stated by Jero Gede, "in implementing a budget or collective agreement, I still seek the approval of *sabha desa* (village legislative) before performing it." This statement in line with Kolopaking (2006, 25) referred to as a village governance which is autonomous and independent and has the characteristic of, "consensus-based collaborative service program and commitment to multi-party designing." The collaborative, participatory approach in strengthening the capacity of structure and agency may be implemented in the field because it considered as the main derivatives of the partnership principle. This structure is deemed relevant in the governance structure filled with an atmosphere of macro social conflicts and less coordinated system.

Theoretically, the approach of study above is taken by taking into regard the basic assumptions as described by "the growth machine theory" (see Putri and Dharmawan, 2006). According to this theory, the independence of the village (read: the autonomy of the village/locality) can be realized when "local administrative and political structure" can be improved and reconstructed properly. Also, any potential power of human resources (human actors) raised through togetherness, and the degree of social conflict neutralized by the concept of a strong network.

The evidence that I obtained regarding local wisdom indicates that Bali *pakraman village* (a form of local wisdom) can drive the development of the region (regional growth) responsibly, in social, economy and ecology. That is, the traditional village truly embodies a good social livelihood. In other words, the implementation of the budget is determined by the quality of the structure and agency that has the character of "agents as an independent social change."

4.5 Agency relationship in budget control

As described in the previous section, the relationship between one element with the other is arranged in *awig awig* (written rules). Several informants explained that according to traditional village *awig awig*, at the monthly meeting, it is allowed to announce the members of villages who violates the rules (e.g. delinquent loan installments). The public announcement at the meeting of the traditional village is a form of the lightest traditional sanctions. The harshest penalties for violators of the *awig awig* are excluded from the membership of traditional villages. If someone has been excluded from the traditional village, then when he or she died, his or her body could not be buried in Bali. "This sanction is the most feared by traditional villages' *krama*", according to Wijaya. Based on the description of informants, it can be stated that traditional villages' *awig awig* serves as a social control which applies to the interaction among citizens in the Bali traditional village. Regarding this, Jero Gede explains:

Bali also has authority for implementing traditional regulations, and *pecalang* or *pekaseh* (traditional police) will do it. They are authorized to take action directly against the people found in violation. Currently, the customary sanctions in the form of "*kesepekan/disepekin*" (exclusions)

are feared by the citizens. With this punishment, residents who violate traditional rules cannot be married, build a house or pray at the temple, and no one will want to arrange his funeral before he or she repent.

The obedience of the people to the rule reflected in this study shows that in Bali *pakraman village*, the level of fraud against the rule is very low and the self-reliance of village society in the financing of development activities is very high. In fact, according to Jero, "often, the proportion of community funds participation is much greater than the percentage of government investment in the development of the village's physical infrastructure." As stated by Dharmawan (2006, 48),

Village autonomy in Bali villages, in reality, has been running well, and more advanced than what is aspired. The degree of economic self-reliance of society is quite high. The degrees initiative of service delivery pioneered by the traditional village is quite high. Traditional villages are also able to accumulate a strong legitimacy to sustain the performance of village departments in implementing development. All this is, of course, related to social life management system that consistently uses religious-based values and norms of settings consequently and coherently.

Nevertheless, accountability mechanisms of funds utilization are still considered necessary for the purpose of transparency and public accountability enforcement. Kagami (2005, 67) reported in her study that, "the most commonly observed change in management is the taking of minutes at village meetings and the release of financial reports ." She then continues that:

At one village meeting of a traditional village in Gianyar district, which I observed, the annual balance sheet of the traditional village presented by the traditional village head was criticized by the villagers in attendance as being too general and not well recorded. Though the head responded by giving a detailed explanation of the items of payment and thus avoided condemnation, he surely seemed to have lost the trust of the villagers. As indicated in this case, documentation in traditional village management requires village officials to handle village affairs more accurately and transparently.

It is proof that how modern is the system of accountability in a traditional Balinese village. In this case, financial statements are not only the consumption of the legislature but also to all levels of society (members of villages' krama). "The lack of availability of a report by bendesa adat is a form of misconduct that will cause the village's krama to revoke their mandate to bendesa adat," said Jero Gede.

The above evidence shows that traditional villages as a form of local wisdom have a strong role in creating a visibility that is pretty basic in the organization, making things real, or vice versa, turning certain things that may not be possible into something possible. By placing various indigenous cultures carefully, various actions and events could be opened to wider observations and allow for greater control as well.

Accounting for the people of Bali is a situation in which the eyes of the outside world can penetrate the organization's policies. Accounting, according to them, enabling indirect purposes on openness could be created where the eyes of others cannot see. Therefore, for the people of Bali with accounting, various records could be kept of what happens in the other wall, or even on the other side of the world. Thus, the possibility observation ability for things at the moment and that is already underway could be created. Furthermore, for Balinese, the report is a conceptual phenomenon, a form of creation of intelligent human, which was forged and shaped by economic, political and social forces. They immortalized in the record books, which then provides the basis for their observations, monitoring, and supervision.

The above evidence is enough for me to say that in order to allow conceptual visibility, accounting should be able to play a major role in social and organizational issues. In addition, accounting should be able to influence various perceptions, becomes an everyday language and enter into dialogues, so in this way, it could seep into the different ways in which many priorities, judgments, and doubts, as well as new possibilities for actions, could be expressed.

5. Conclusions and Implications

This study found that the interaction between principal and agent in traditional villages in the context of the budget have using local wisdom as a guidance and as a source of knowledge. Balinese local wisdom forms the pattern of an agency relationship in the frame of a harmonious budget. The characteristics of Bali is very obvious from Hindu religion, customs, and culture. All are united in a harmonious atmosphere, which cannot be separated from the participation of all the components, as well as cultural heritage. The principle of people unity has been there long before Indonesia's independence, namely *pakraman village*.

Pakraman village "awig awig" influence the behavior of its members, which cannot be separated from the implementation of the teachings of Hinduism. Thus, *pakraman* village "awig awig" has been able to support openness and maintenance the honesty among its members, particularly in the context of agency relationships regarding the budget.

This study suggests that further research should be conducted to build a new concept of an agency relationship between executive and legislative in public sector. Thus, deconstruct a new form of agency theory which is suitable for the public sector.

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