

# Financial governance: Cases at Village-Owned Enterprises (BUMDEs) in Lampung Province

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## Abstract

**Purpose:** This study examines the accountability and transparency of BUMDEs' financial governance implementation in Lampung Province within four stages of the financial governance process, which results in BUMDEs inactivity.

**Research methodology:** This study uses a qualitative approach to analyze financial governance in BUMDEs. The analysis is based on the four stages of village finance governance and indicators of transparency and accountability. Data were collected through interviews with BUMDEs administrators and by distributing questionnaires. The resource personnel in this study were BUMDEs managers in Lampung Province.

**Results:** This study affirms that, while the financial governance process in BUMDEs incorporates elements of transparency and accountability, the level of implementation is inadequate, resulting in inactive BUMDEs in Lampung Province. Finance governance is carried out based on the needs and understanding of BUMDE management without appropriate governing documentation. Additionally, this study highlights the necessity for the appropriate implementation of community participation.

**Limitations:** The focus on village-owned enterprises in Lampung Province limits the generalizability of the findings to other village-owned enterprises in other provinces.

**Contribution:** This research provides insight into BUMDEs' financial governance, specifically the implementation of financial governance in Lampung Province. It also examines which parts of the four stages of the financial governance process need improvement and optimization to increase the transparency and accountability of BUMDEs, as well as decrease the number of inactive BUMDEs. This previously unexplored topic of research is relevant to all stakeholders concerned with BUMDEs' financial governance.

**Keywords:** Financial Governance, Village-Owned Enterprise (BUMDEs), Accountability, Transparency

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## 1. Introduction

Corporate governance is important because it describes an organization's internal control system for regulating people, processes, and policies (Besley & Ghatak, 2017). William., et al. (2015) stated that governance combines the processes and structures to inform, direct, manage, and monitor activities to achieve common goals. Governance is intended to ensure that the activities carried out by the company do not deviate from planning, so that the company can achieve its goals.

Village-Owned Enterprises (BUMDEs) are among the entities implementing governance. The Village Ministry Regulation (Permendes) No.4 of the Establishment, Administration, Management, and

Dissolution of Village-Owned Enterprises (2015) states that BUMDes is a business entity in the entire or most of its capital owned by the village through direct participation from separated village assets to manage assets, services, and other businesses for the maximum amount of money. Based on the Village Ministry Regulation, the objectives of BUMDes are not always related to profit because BUMDes are not solely for profit. The ultimate goal of BUMDes governance is to improve community welfare. Welfare is meant not only in an economic context, but also in social benefits. BUMDes are characterized as social enterprises (Wibowo et al., 2019). With its unique character as a social enterprise, BUMDes is not just a business entity but also has social and business dimensions (Widiastuti, Putra, Utami, & Suryanto, 2019).

As a social enterprise, BUMDes manage interests that not only have an impact on profits but also on society. A social enterprise puts forward an economic, social, cultural, or environmental mission that is consistent with the benefit of the public or community, including obtaining most of the income by trading and reinvesting most of the profits in the fulfillment of predetermined goals (Barraket, Anderson, Collyer, & Connor, 2010). The management of businesses that prioritize social development is more complex. Therefore, the development of enterprises, it requires governance practices and law-enforcement mechanisms.

Governance practices for BUMDes are essential, considering that the growth of BUMDes in Indonesia has been significant in the last six years, as shown in Table 1. The increase in BUMDes from 2014 to 2019 reached 58 percent owing to the passing of Law No.6 concerning Villages (2014b). Articles 89 to 90 mention the establishment of Village-Owned Enterprises (BUMDes) by the village community. With this Law, villages can increase their role in the economic development of rural communities.

Table 1. Development of the Number of BUMDes in Indonesia

Year	Total
2014	1.022
2015	11.945
2016	18.446
2017	39.149
2018	45.549
2019	60.599

Source: Village Ministry, 2020

The village potential data in 2019 shows that 60,599 BUMDes units spread across 58 percent of villages throughout Indonesia. The remaining 42 percent of villages do not have BUMDes (Asmanto, Nurfitriah, Leiwakabessy, Maulana, & Sutikno, 2020). Although the number of BUMDes is relatively high, the government faces the problem that many BUMDes still do not operate correctly (Asmanto et al., 2020). Lampung Province has 1,480 BUMDes with an active status, while the remaining 631 BUMDes, or 30% BUMDes, are inactive. Table 2 shows that the East Lampung Regency has the highest number of BUMDes with an active status compared to other districts, namely 234 BUMDes. Tanggamus Regency, which has only 37 BUMDes, has the least active status of BUMDes.

Table 2. Distribution of BUMDes in Lampung Province

District	Active	Non-active	Total
Lampung Tengah	217	64	253
Lampung Selatan	149	107	256
Lampung Utara	99	133	232
Lampung Barat	127	4	131
Tulang Bawang	103	44	147
Tanggamus	37	82	119
Lampung Timur	234	26	260
Way Kanan	77	59	136
Pesawaran	124	19	143

Pringsewu	113	13	126
Mesuji	68	37	105
Tulang Bawang Barat	93	0	89
Pesisir Barat	39	43	82
<b>Total</b>	<b>1.480</b>	<b>631</b>	<b>2.111</b>

Source: Community Empowerment and Village Office of Lampung Province, 2020

Although inactive BUMDes constitute only 30% of the total BUMDes, this condition causes ineffectiveness in the distribution of village funds. Therefore, the government needs to provide guidance to inactive BUMDes so that they can contribute to village revenue. The cause of inactive BUMDes is poor governance by BUMDes management. There are still many villagers who do not really understand BUMDes governance, especially BUMDes financial governance (Suryanto, 2019).

Therefore, BUMDes must conduct adequate financial governance. This is related to the issue of transparency and financial accountability inherent in public institutions, such as BUMDes. A conflict of interest between the manager of BUMDes (agent) and the village community (principal) may occur because of the asymmetry of information, where the agent has more information regarding the financial condition of the BUMDes than the principal (Aryadi et al., 2020).

According to Pakaya (2019), some BUMDes are not transparent to their management. Judging from document availability, some BUMDes managers do not provide documents or reports related to programs implemented by BUMDes, and the village community is not aware of the BUMDes work program. Anggraeni (2016) states that some BUMDes have a yearly routine reporting mechanism. The report was written and provided to stakeholders. The problem is that residents do not understand the reports or even know whether there is an annual report.

From the accountability aspect, BUMDes carry out procedural accountability only to village officials and district governments. Although there is horizontal accountability to the public, this has not been effective. The failure of accountability is because the village community, the Village Consultative Board (BPD), and other village institutions do not have a proportional role and responsibility in the BUMDes management mechanism (Kurniasih, 2017). Fitrianto (2020) explains that BUMDes financial reporting is accountable, but there is still a lack of financial records due to a lack of understanding of BUMDes management in presenting financial reports.

Identifying gaps related to the implementation of BUMDes' financial governance. This study explores the implementation of finance governance at BUMDes from the aspects of transparency and accountability, and at each stage in the finance governance process. The BUMDes financial management process refers to village finance governance consisting of four stages: planning and budgeting, administration, reporting and accountability, and evaluation and supervision. This approach is expected to identify problems at each step of the financial governance process that need improvements to increase the financial transparency and accountability of BUMDes in Lampung Province (Eton, Mwosi, & Ogwel, 2022).

This study confirms that the lack of knowledge about financial governance and the lack of understanding of the importance of implementing accountability and transparency among BUMDes in Lampung Province are the causes of inactive BUMDes. In addition, the implementation of transparency and accountability in each stage of the financial governance process of BUMDes is still at a low level or not optimal (Mondal, Akter, & Polas, 2023).

## 2. Literature review

### 2.1 Agency Theory

Jensen and Meckling (1976) explain that according to agency theory, the company is comprised of contracts between the principal (owners of economic resources) and the agent (managers) responsible for managing and controlling these resources.

Agency theory states that a company is a place or intersection point for the contractual relationship between management, owners, creditors, and government. Agency theory refers to the main objective of financial management: maximizing the shareholder's wealth carried by managers (Mondal, Akter, & Polas, 2023). The lack of managers' intention to increase shareholder wealth creates what is called an agency problem.

This statement shows that there is a conflict of interest between the agent and the principal when the interests of the agent conflict with the principal (Scott, 2015). The essence of the agency relationship is the separation between the owner or shareholder (principal) and the party who manages the company (agent). This situation will result in the emergence of information asymmetry, in which the company's owner does not have sufficient information about the performance of management and cannot determine how the management's efforts contributed to the company's actual results.

## **2.2 Social Enterprise**

BUMDes are social enterprises (SEs). It aims to generate economic and social returns, operating in the context of both profit and non-profit organizations. Social enterprises encompass nonprofit organizations generating income or profit, nonprofit or profit organizations prioritizing both social and profit-seeking missions, and profit organizations emphasizing social responsibility (Bielefeld, 2009).

Social enterprises are seen as agents of change that change their ways of thinking and behaving through innovative products and services (Nasruddin & Misaridin, 2014). A social enterprise is a problem-solving method that uses a business approach model with a social mission. The goal is to generate profits to address the needs of a social mission. Social enterprises offer fast solutions to problems through operationalizing the social business model (Tukur, Shehu, Mammadi, & Sulaiman, 2019). The social business model creates new value for society by pursuing new opportunities to solve social issues through business. The business concept combines efficiency, innovation, value, passion, and goals to seek economic and noneconomic benefits (Ebrahim, Battilana, & Mair, 2014).

One factor inhibiting the development of village-owned enterprises (BUMDes) is that BUMDes must provide maximum benefits. It affects BUMDes-established businesses without considering the village community's welfare or even killing community businesses. Some BUMDes have not considered village community needs, so they do not continue while village funds have been distributed to BUMDes as BUMDes capital. The paradigm regarding the function of BUMDes as generating profits for the village is based on the prevailing discourse that BUMDes generate billions of rupiah a year from the business it runs (Omodero, 2015).

This phenomenon has resulted in most village heads considering that a great BUMDes is only measured by the amount of rupiah income recorded yearly. Finally, this resulted in the quest to create BUMDes that could produce as much as possible. One way is to set up a business unit that some residents have run. The second consequence is that some villages become discouraged from catching up with their "left behind." They feel that they do not have significant natural potential like BUMDes, which are considered outstanding and need great potential to be processed into great BUMDes. In short, he feels that he will need to be bigger and better with the condition of his village (Tukur, Shehu, Mammadi, & Sulaiman, 2019).

BUMDes should be an initiative for villages to overcome social and economic problems in their area, and not just to accumulate as much material wealth as possible. There is no need to discourage the development of prosperity with assets and potential. At the same time, many BUMDes do not record staggering figures in rupiah, but have succeeded in creating extraordinary social benefits, and if cashed in, the value will be enormous.

BUMDes should have become a forum for villages to overcome social and economic problems in their areas and not merely accumulate material wealth as much as possible. BUMDes that have successfully created social benefits for village communities can be categorized as successful BUMDes. It should be

noted that BUMDes are social enterprises (SEs). Therefore, the indicators for evaluating the success of BUMDes are not only financial but also social.

Besley and Gathak (2017) demonstrate that social enterprises advocate the employment of citizen managers who prioritize the mission as a way to establish incentive-compatible trade-offs. This highlights the idea that sympathetic managers and workers play a significant role in social enterprises. Founders, or those responsible for mission stewardship, have the option of recruiting managers with similar trade-offs preferences.

### **2.3 Village-Owned Enterprises (BUMDes)**

The Establishment of BUMDes is legalized based on village regulations (Perdes) concerning the Establishment of BUMDes. The considerations that underlie the village to establish BUMDes are to channel village community initiatives, develop village potential, and manage and utilize the potential of village natural resources, followed by competent human resources to manage them, and the presence of capital participation from the village government in the form of village financing and wealth that is submitted to be driven by BUMDes in the context of increasing Village Original Income (PADes).

The village community selects the BUMDes management structure through Village Deliberation (Musdes). BUMDes management based on Permendesa No.4 (2015) has the following management structure:

1. Advisor. The advisor is held ex-officio by the Village Head. The advisor's obligations are to provide advice, suggestions, and opinions, and to control the implementation of BUMDes management activities. The advisory authority is to ask for an explanation from the Operational Executive regarding issues related to BUMDes management and to protect BUMDes from things that can reduce BUMDes performance.
2. Operational Executive. The operation executive manages BUMDes under the Articles of Association and Bylaws (AD/ART). The operation executive must implement and develop BUMDes, explore and utilize village potential to increase village-original income (PADes), and collaborate with other village economic institutions. The authority possessed by the operational executive is to prepare financial reports and reports on the progress of all BUMDes business units every month, as well as to provide it to the village community through village deliberations at least twice a year. In carrying out obligations and authority, operational executives have members following the capacity of the business field. Generally, board members include directors, secretaries, treasurers, and village business unit managers. The members of the operational executive board are from the village community.
3. Supervisor. Supervisors represent the community's interests and must hold a general meeting of supervisors to discuss BUMDes' performance at least once a year. One obligation of supervisors is to monitor and evaluate the performance of operational executives. The supervisors consist of a chairman, vice-chairman who is also a member, secretary who is also a member, and member.

### **2.4 Financial Governance of Village-Owned Enterprises (BUMDes)**

No regulations govern the financial management of BUMDes. However, if seen from the elements of establishing a business entity, where BUMDes can only be formed with the existence of a Village Regulation (Perdes) and approved by the village community through Village Deliberation (Musdes), BUMDes can adopt the pattern of financial management that is carried out in the village so that the reports produced can be suitable, making it easier for the inspectorate or the Financial Audit Board (BPK) to carry out supervision and audits (Omodero, 2019).

Based on the village financial governance pattern, finance is a cycle of planning and budgeting, administration, reporting, accountability, evaluation, and supervision (Hamzah, 2015). This cycle is an integrated series, so each stage must be interconnected and involve the village community in the finance governance stages. The financial governance process is illustrated in Figure 1.

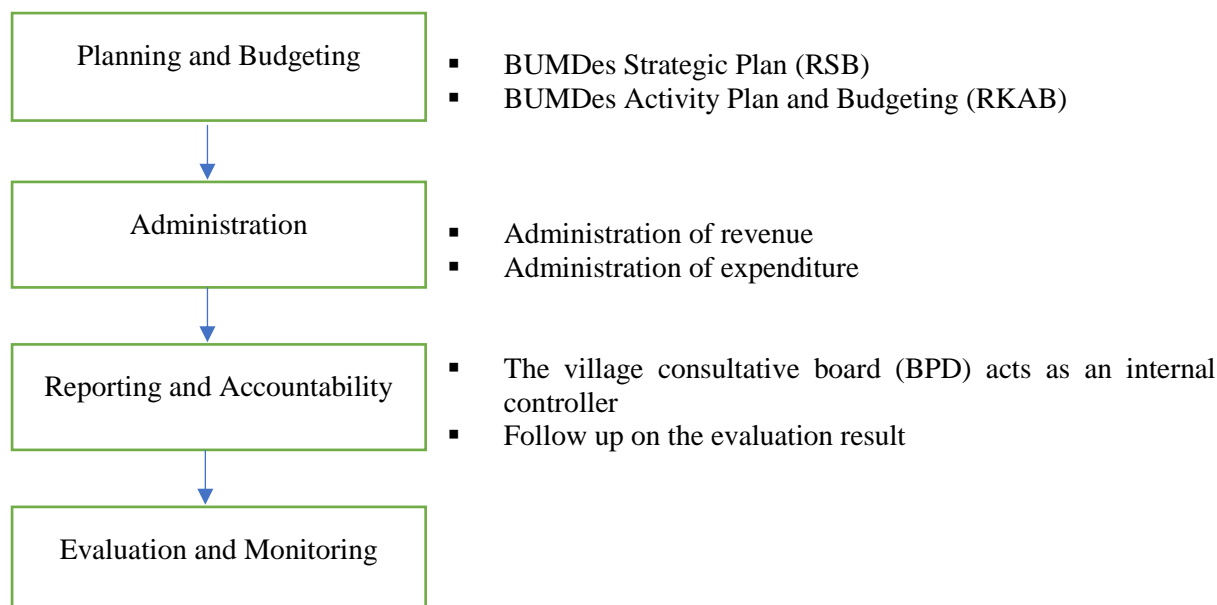


Figure 1. BUMDes Financial Governance Stages  
Source: Suryanto (2019)

Government Regulation (PP) No.45 concerning Community Participation in the Implementation of Regional Government (2017) confirms that Permendagri No. 113 concerning Village Financial Management (2014a) states that participation in BUMDes' financial management is carried out through the delivery of aspirations, public consultations, discussions, and/or deliberations under applicable regulations. Communities that participate are representatives of community groups or social organizations who know the issues, have expertise or scientific background, have experience in the fields to be discussed, and are directly affected by the issues or subject. The following section describes the four stages of financial governance:

a. Planning and Budgeting

Village community participation is essential in the planning stage because the community knows its needs better (Aryadi et al., 2020). BUMDes accommodate the aspirations of the village community and formulate a BUMDes strategic plan (RSB).

Planning is related to budgeting. Nafarin (2013) defined budgeting as an organization's plan related to activities that are stated quantitatively and expressed in units of money for a certain period. Based on Government Regulation No. 45 of 2017, the budgeting applied by BUMDes is participatory.

In participatory budgeting, BUMDes directly involve the community through village meetings. The results of community participation become materials for BUMDes in making budget plans, known as BUMDes activity plans and budgets (RKAB). With RSB and RKAB, BUMDes management has direction in managing BUMDes and made RSB and RKAB indicators of BUMDes performance achievement.

b. Administration

At the administrative stage, BUMDes are obliged to record their revenue and expenditure. It generally uses a general cash book (BKU), subsidiary cash book (BKP), and daily cash book. The BUMDes Treasurer must record the activities of BUMDes related to income and expenditure. Referring to the Financial Accounting Standards for Entities without Public Accountability (SAK ETAP), BUMDes compile accurate financial data in the form of income statements, changes in equity, financial position statements, cash flow statements, and notes to financial statements. Adequate financial administration is essential for planning, monitoring, and evaluating activities (Hukins 2011).

c. Reporting and Accountability

In the next stage, BUMDes report accountability. Referring to the financial management pattern, BUMDes only need to prepare a budget and realization report (LRA). These two reports will be the basis for the supervision and audit conducted by BPK. The relationship between budget and realization is a form of responsibility carried out by management to manage funds sourced from village funds. Compiling budget and completion reports (cash basis method) and attaching financial position, profit and loss, changes in capital, cash flow, and notes to BUMDes financial statements can fulfill its accountability and transparency obligations.

A financial report is a form of accountability of BUMDes managers to the community regarding the village potential that BUMDes have used. Based on these reports, the community and other stakeholders can evaluate BUMDe performance. The evaluation results are used as a reference in preparing the next BUMDes work plan so that BUMDes management can make continuous improvements.

d. Evaluation and Monitoring

Internal control is needed to ensure that managers manage BUMDes under the plans and objectives to be achieved and to eliminate risks that can harm BUMDes. Effective internal controls can protect managers from actions that are detrimental to the community. In addition, the financial reports prepared by BUMDes are accountable. The control process requires support from the village community and village officials, especially the Village Consultative Board (BPD), which serves as the BUMDe supervisor. BPD is expected to assess the performance of BUMDes, both administration and operational, as an internal control measure.

Internal control aims to safeguard company assets, fulfill policies and procedures, and ensure process reliability and efficient operation (bumdes.id). The purpose of internal control is to help BUMDes managers provide the following.

1. The company goals set can be achieved
2. The company prepared the trusted financial statements
3. The company's activities follow applicable laws and regulations.

Meanwhile, based on Denok Kurniasih (2017), research was conducted with the title Problems of Management of Village-Owned Enterprises (BUMDes) in the Banyumas Regency. Denok's research results show that the problem in BUMDes management is the need for managers to achieve efficiency, effectiveness, economy, responsiveness, and community empowerment values. This indicates that using local village resources in BUMDes management may have been more optimal. The benefits of BUMDes have yet to be felt by the community and the weak participation of the community in BUMDes supervision. The weak performance of BUMDes management is due to the dominance of village officials in BUMDes management. This domination is caused by the existence of role ambiguity and role conflict within the organization, so that the principle of privatization of BUMDes management does not run optimally. As a result, BUMDes management must be conducted more professionally and responsibly.

## **2.5 Transparency**

Transparency is one of the principles of financial management that public sector organizations must fulfill. The transparency principle refers to openness to the public regarding correct, honest, and non-discriminatory information about financial management at every stage, both in planning and budgeting, budget execution, accountability, and audit results, based on protecting personal rights, groups, and institutional secrets.

Government Accounting Standards state that financial information must be conveyed to the public openly and honestly. The public has the right to know the government's responsibility for managing resources and ensuring that the government complies with laws and regulations.



Village-owned enterprises (BUMDes), as government organizations, have an obligation to provide transparency in financial reports as a form of accountability of the BUMDes to the community because the potential or resources managed by BUMDes are the assets of the village community. With transparency, the public will obtain actual and factual information so that the public can use this information to compare the financial performance achieved with the planned (realization to budget), assess whether there is corruption and manipulation in planning, implementation, budget accountability, determine the level of compliance with regulations, and know the rights and obligations of each party, both management with the community and with other parties (Mahmudi, 2010).

However, according to Faridah et al. (2015), the main problems in transparency are effectiveness and efficiency, priority, leakage and irregularities, and low professionalism of BUMDes managers. This is influenced by the competence and morale of BUMDes managers. It is necessary to increase managers' competency in managing various activities, programs, and business units.

The transparency of an entity can be assessed using five indicators: the availability of information systems, accessibility of financial reports, publication of financial statements, availability of audit reports, and availability of performance information (Natawibawa, Mulya, & Yoh, 2019). If BUMDes meet these five criteria, they are considered to have adequate transparency.

## **2.6 Accountability**

Accountability is a form of the entity responsible for using resources and implementing policies entrusted to the entity in achieving the goals set periodically (Eton, Mwosi, & Ogwel, 2022). In other words, the accountability principle means that BUMDes' financial governance process must report and be accountable to the public, from planning to implementation. Accountability is used by stakeholders to ensure the achievement of objectives.

The community has the right to know about the financial governance process carried out by BUMDes and is held accountable for BUMDes' financial planning or implementation (Faridah & Suryono, 2015). Rahmawati's research (2020) shows that accountability affects public satisfaction and trust. Therefore, BUMDes must maintain public trust by increasing their accountability for financial governance.

The implementation of accountability can be assessed through the following indicators: accountability of public funds, types and forms of financial reports, prompt responses, timely presentations, and inspections (Natawibawa et al., 2019). Effective accountability in BUMDes fulfills all of these aspects, thereby increasing the satisfaction and trust of the village community in BUMDes.

## **3. Research methodology**

### **3.1 Data Collection**

The data were collected through interviews, questionnaires, and documentation. Before distributing the questionnaire, a pilot test was conducted to reduce misunderstandings and to increase the number of respondents. Questionnaires were distributed to several UIN Raden Intan Lampung accounting lecturers and nearby BUMDes. The total number of respondents in this pilot test was five lecturers and two BUMDes administrators. Then, the revised questionnaire was distributed to BUMDes management, who were sampled and partially asked through interviews to obtain in-depth results related to BUMDes' financial governance practices in Lampung Province.

### **3.2 Population and Sample**

The population in this study was BUMDes in Lampung Province with an active status of 1,480 BUMDes. Purposive sampling was used in this study. The criteria used to determine the sample size in this study were as follows:

1. BUMDes in Lampung Province that established through the Perdes
2. BUMDes are independent, advanced, and developing, based on the recommendation of the Community and Village Empowerment office of Lampung Province.



Based on these criteria, the sample used in this study comprised 28 BUMDes from 13 districts in Lampung Province. However, five BUMDes were willing to be interviewed or complete questionnaires.

### **3.3 Data Analysis**

Data were analyzed using the interactive model of Miles and Huberman's analysis. This interactive analysis model allows qualitative researchers to examine both in the field and after it. The interactive model is a data analysis process that consists of data collection, reduction, presentation, and conclusion.

## **4. Results and discussions**

Capital participation from village funds for establishing and implementing BUMDes operations requires accountability and transparency regarding their use. Therefore, BUMDes' financial management is an effort to make the use of village funds accountable and transparent. BUMDes financial management refers to village financial management, a cycle of planning, budgeting and implementation, administration, reporting and accountability, and evaluation and supervision (Hamzah, 2015).

### **4.1 Planning and Budgeting**

At this stage, BUMDes identify the village's potential (natural, economic, cultural, human resources, etc.). Next, we determine the program to be implemented through village deliberations. BUMDes make activity proposals and arrange a budget based on the activity agreed upon through village deliberations. Planning and budgeting must obtain approval from the village head and BPD. In line with Aryadi et al. (2020), village community participation in the planning stage is supreme because they know their needs better. Suryanto (2019) states that at the planning stage, BUMDes accommodate the village community's aspirations and are formulated in a BUMDes Strategic Plan (RSB).

Several BUMDes have implemented the general principles of financial governance. BUMDes plan a program through village deliberations consisting of the Village Head, BPD, and village community representatives. Village deliberation is a forum for discussing proposed development activity plans at the village level, which is guided by the participatory principles of a village community. The participatory principle of Mardiasmo (2002) states that community involvement in decision making directly and indirectly through representative institutions can channel their aspirations into the empowerment framework. Budget preparation has implemented a community participatory aspect, but budget reports are arranged as a proposal. In contrast, it is supposed to be present in a BUMDes activity plan and budget (RKAB).

The results revealed that financial transparency is implemented in the planning and budgeting stages of some BUMDes. Financial transparency is demonstrated by the village community's involvement in the planning and budgeting process through village deliberations. However, some BUMDes only involve the village head, village secretary, and BUMDes head. Although several BUMDes have involved community participation in the planning and budgeting process, these activities are not organized in the form of RSB and RKAB. If RSB and RKAB are prepared and administered properly, they can be used as directions for managing BUMDes and indicators for measuring the performance of BUMDes.

### **4.2 Administration**

The financial administration of BUMDes can refer to the Financial Accounting Standards for Entities without Public Accountability (SAK ETAP). SAK ETAP is intended for BUMDes and each owned business unit to issue financial information following established standards (bumdes.id). SAK ETAP helps direct BUMDes to implement administration. BUMDes must record income and expenditures to prepare financial reports that comply with these standards.

In general, BUMDes have administrative instruments in the form of accountability. However, this is a simple record of cash income and cash disbursements in the form of a daily cash book. Meanwhile, according to Srirejeki (2015), administration documents are not only in the form of daily cash books, but also in general cash books and subsidiary cash books. The varied educational backgrounds of

BUMDes managers, especially BUMDes treasurers, who mostly do not know accounting or bookkeeping, are obstacles in carrying out financial administrative activities.

Research results related to administration show that BUMDes have implemented a simple accountability aspect. Daily cash records contain information related to cash income and disbursements. It should be prepared based on SAK ETAP so that BUMDes can arrange an income statement, a report on changes in equity, a financial position statement, a cash flow statement, and notes to financial statements.

The accurate recording of administrative activities can increase the accountability of BUMDes. Accountability will be realized if all BUMDes' financial activities are recorded and then presented in financial reports, so that the accountability of BUMDes will be attained. Thus, the performance of BUMDes can be measured accurately.

#### ***4.3 Reporting and Accountability***

Managers must submit reports to carry out their duties, powers, rights, and obligations in the financial management of BUMDes. Monthly, semiannual, or annual periodic reports are forwarded to the village head, BPD, and communities, and the BUMDes prepare daily, monthly, and annual accountability reports on cash receipts, expenditures, and budget realization reports. However, reports were arranged according to their understanding and needs. The fund's accountability is reported to the village head and BPD monthly, whereas reports to the village community are carried out annually during village deliberations.

The accountability of BUMDes refers to their financial governance. It is necessary to prepare a budget and realization report (LRA) is necessary. These two reports are the basis for the supervision and audit conducted by the BPK (Srirejeki, 2015). The link between budget and realization is a form of responsibility carried out by management to manage funds sourced from village funds. It concluded that BUMDes implemented aspects of transparency and accountability related to reporting and accountability; the transparency aspect fulfilled the view from the accessibility and publication of reports on the use of funds. Accountability is seen in the periodic and timely submission of accountability reports for public funds to interested parties.

#### ***4.4 Evaluation and Monitoring***

Valuation and supervision are applied to ensure that BUMDes are managed according to the plans and objectives to be achieved and to reduce risks that may cause BUMDes goals not to be performed. Evaluation is applied not only at the end of the activity or period, but also during the affair (ongoing evaluation). Ongoing evaluations can immediately identify when things are not going, according to the plan. Supervision can be applied by effectively implementing internal controls. Applying internal controls can prevent fraud and ensure that BUMDes operations run effectively and efficiently, including providing accurate, complete, timely, and reliable reporting.

In terms of control, support from the community and village apparatus is needed, especially the Village Consultative Body (BPD), which usually serves as the supervisor of BUMDes. BPD evaluates and supervises BUMDes' performance as an internal control measure. BPD and village heads can do this together (Suryanto, 2019).

The condition in some BUMDes is that the parties conducting the evaluation are only the village head or BPD. Usually, the evaluation occurs after the activity is completed or at the end of the period. Meanwhile, monitoring activities by the BPD were carried out without a schedule. The implementation of BUMDes supervision by BPD has not been documented. BPD supervises BUMDes' operational processes through observation but does not oversee financial aspects. The importance of the monitoring report is evidence that BUMDe supervision was implemented.

The evaluation and supervision stage results indicate that some BUMDes must implement accountability and transparency. This can be seen from the implementation of evaluation and supervision by the BPD and/or the village head. However, not all BPDs have supervised the financial administration of BUMDes, and have not made written audit reports. For this reason, BPD's role in supervising BUMDes must be optimized and orderly in evaluating and monitoring information. In the future, internal controls should be developed for BUMDes to maximize their supervisory roles.

## 5. Conclusions

### 5.1 Conclusion

The financial transparency and accountability of BUMDes in Lampung Province view from the four stages of finance governance, namely planning and budgeting, administration, reporting and accountability, evaluation, and supervision, have been applied, although not optimal and very simple. The indicators in this study were based on a review of the regulations and literature. The results showed that the participatory aspect had to be implemented appropriately. However, the level of applicability of BUMDes' financial governance in Lampung is relatively low.

### 5.2 Limitation

This study has limitations regarding low response rates, so the number of samples was less than planned. Based on this research, BUMDes are expected to compile governance documents such as the BUMDes Strategic Plan (RSB), BUMDes Activity Plan and Budget (RKAB), financial recording and reporting, budget realization reports, and monitoring reports. The researcher suggests intensive and sustainable training and mentoring for BUMDes managers in relation to the administration of financial governance. Hence, BUMDes have become a business entity with transparency and accountability and a milestone in village economic development.

### 5.3 Suggestion

Based on the study results, researchers recommend that BUMDes improve the implementation of financial governance from the planning stage to the supervision stage to maximize the transparency and accountability of BUMDes.

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