

# **The Role of the Village Government in Village Financial Management at Bumdes in Sidodadi Village**

**Vina Arnita, Annisa Ilmi Faried, Vildo Rizky Kurniadi**

## **Abstract**

This study aims to analyze the role of the village government in managing the financial activities of the Village-Owned Enterprise (BUMDes). The focus is on understanding how the village government contributes to planning, organizing, implementing, and monitoring financial management to ensure transparency, accountability, and sustainability in BUMDes operations. Using a qualitative descriptive approach, data were collected through interviews, observations, and documentation in Sidodadi Village. The findings indicate that the village government plays a crucial role in facilitating financial planning, supervising the use of funds, and ensuring that financial reporting aligns with applicable regulations. However, several challenges remain, including limited human resources and the need for improved financial literacy among BUMDes managers. This research highlights the importance of strengthening the cooperation between the village government and BUMDes management to enhance financial governance and promote local economic development.

**Keywords:** Village Government, Financial Management, BUMDes, Accountability, Transparency.

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## Introduction

The village development is an integral part of efforts to achieve inclusive and sustainable national development. Within the framework of decentralization and community empowerment, the Indonesian government issued Law Number 6 of 2014 on Villages as a legal basis for granting broader authority to village governments in managing local resources and potential. One of the important instruments mandated in this regulation is the establishment of Village-Owned Enterprises (BUMDes) as economic entities managed by villages and communities to increase Village Original Income (PADes) and strengthen the structure of the village economy independently.

BUMDes is expected to be a catalyst in strengthening the village economy through business activities that are in line with local potential and the needs of the local community (Saputra, [1]. More than just a business entity, BUMDes also functions as a forum for community empowerment and strengthening village institutional capacity. Therefore, the success of BUMDes is not only measured in financial terms, but also in its ability to create sustainable social and economic added value [2].

However, According [3] the reality on the ground shows that not all BUMDes are able to develop as expected. One of the main challenges faced is a weak financial management system, which includes financial planning, implementation, reporting, and supervision. This problem is often caused by the low managerial capacity of administrators, a lack of understanding of the principles of accountability and transparency, and minimal assistance from relevant parties, especially the village government[4].

In this context, the role of the village government is very strategic. The village government not only acts as the initiator of the establishment of BUMDes, but also has the responsibility to nurture, supervise, and ensure that the entire BUMDes management process runs in accordance with the principles of good governance. The active involvement of the village government in the financial management of BUMDes is essential to prevent irregularities, improve operational efficiency, and ensure the sustainability of the businesses run by BUMDes[5].

Sidodadi Village is one of the villages that has established and managed BUMDes as part of its efforts to improve the welfare of the village community. Despite having an organizational structure and running several business units, the financial management of BUMDes in Sidodadi Village still faces various obstacles, such as a suboptimal financial recording system, a lack of structured accountability reports, and weak internal supervision[6]. This condition indicates the need for an evaluation of the village government's involvement in ensuring the accountability and transparency of BUMDes financial management.

Based on this background, this study was conducted to analyze the role of the village government in the financial management of BUMDes in Sidodadi Village. This study is expected to provide a comprehensive overview of the forms of village government intervention, as well as the factors that support and hinder the effectiveness of BUMDes financial management. In addition, the results of this study are also expected to serve as a reference in formulating strategies for strengthening sustainable and accountable BUMDes institutions[7].

## Literature Review

### 2.1 Village Financial Management BUMDes

BUMDes financial management covers all activities related to the planning, use, recording, reporting, and evaluation of managed business funds. In accordance with Permendesa PD TT Number 4 of 2015, BUMDes financial management must be separated from the APBDes and compiled in a transparent and accountable manner.[8]

According to [9], one of the main obstacles in BUMDes financial management is the lack of an adequate financial administration system and the suboptimal capacity of human resources in managing financial reports. This condition is exacerbated by the low level of supervision from the village government, which should be the party providing guidance and operational control to BUMDes.

BUMDes financial management involves the entire process, from planning, use, recording, reporting, to evaluation of the funds managed. Based on Permendesa PD TT Number 4 of 2015, BUMDes financial management must be separated from the APBDes, prepared transparently, and be accountable[10]. However, according to, one of the main challenges faced in BUMDes financial management is the unavailability of an adequate financial administration system and limited human resource capacity in managing financial reports. This is exacerbated by the lack of supervision from the village government, which should play an active role in providing guidance and control over BUMDes operations[11]. BUMDes financial management involves the entire process, from planning, use, recording, reporting, to evaluation of the funds managed. Based on Permendesa PD TT Number 4 of 2015, BUMDes financial management must be separated from the APBDes, prepared transparently, and be accountable. However, according, one of the main challenges faced in BUMDes financial management is the unavailability of an adequate financial administration system and limited human resource capacity in managing financial reports. This is exacerbated by the lack of supervision from the village government, which should play an active role in providing guidance and control over BUMDes operations[12].

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## **2.2 Village Government**

The village government is the central authority that functions as the administrator of government, community development, and development, and plays a decisive role in the success of village development. The village government is led by a village head who has the authority to manage various village affairs. The village government consists of the village head and village officials who assist in carrying out government tasks at the village level[14].

The village head is elected directly by the people through village head elections (pilkades). Based on Law of the Republic of Indonesia Number 6 of 2014 concerning Villages, the term of office of the village head is six (6) years for one period, with the possibility of being re-elected a maximum of three (3) times, either consecutively or not siok [15].

The leadership of a village head basically lies in his or her ability to coordinate and unite the interests of the entire village community in every decision-making process. A village head can be considered successful if, in leading, he or she pays attention to the voices of the community and runs the government democratically, reflecting openness, responsibility, and decision-making based on deliberation for the common interests of the village community[16].

The village government acts as the authority that manages governance, community development, and village development, with the village head as the leader who has the authority to manage village affairs. The village head is elected directly by the community through village head elections (Pilkades) for a term of six years and can be re-elected a maximum of three times, in accordance with Law Number 6 of 2014 concerning Villages. The leadership of the

village head is determined by his or her ability to coordinate the interests of the community and manage the government democratically. The success of the village head can be measured by his or her ability to listen to the voices of the community and make decisions based on deliberation for the common good [17].

### **2.3 The Role of the Village Government**

The village government plays a strategic role in the establishment, supervision, and development of BUMDes. [18] state that the village government acts as a facilitator, regulator, and policy controller, and has moral and administrative responsibilities in ensuring that the management of BUMDes is carried out in accordance with the principles of good governance.

According to [19], an optimal role for the village government can minimize irregularities in financial management and increase public trust in BUMDes. The village government must be able to ensure the implementation of training for administrators, the preparation of realistic business plans, and regular monitoring of financial reports prepared by BUMDes.

In conclusion, the village government has a very important role in the management of BUMDes, especially in terms of establishment, supervision, and guidance. As facilitators, regulators, and policy controllers, village governments are responsible for ensuring that BUMDes management is carried out in accordance with the principles of good governance. The optimal role of village governments can reduce irregularities in financial management and increase public trust in BUMDes. To that end, village governments need to ensure that there is training for administrators, the preparation of realistic business plans, and regular monitoring of BUMDes financial reports.

### **Research Methodology**

The research method used in this study is a qualitative descriptive approach with a descriptive research objective. This approach aims to describe existing phenomena, not to test hypotheses or seek quantitative cause-and-effect relationships.

According to Sugiyono [20], qualitative research is a naturalistic method, which is research conducted in natural conditions or without manipulation of the variables being studied. This research focuses on understanding social phenomena that occur in everyday life, which occur in a particular environment or context.

Meanwhile, according to [21], qualitative descriptive research describes situations or phenomena based on the words of respondents. Researchers describe the statements given by respondents in their entirety, as they are. This research is also conducted by analyzing the background of respondents in their behavior, thoughts, feelings, and actions, which are then analyzed further. The analysis process is carried out through data reduction, triangulation (verification through various sources or perspectives), and re-verification with respondents or peers to ensure the accuracy of the data collected [22].

### **Results**

#### **4.1 Village Financial Management with Brokering**

Village financial management with Brokering at BUMDes Sidodadi shows how the village government plays an active role in managing the economic potential of the community through services and empowerment activities. The Brokering business at BUMDes Sidodadi focuses on activities that provide direct benefits to the community, especially in the form of services and training aimed at improving residents' skills and increasing household income.

Through its Brokering business unit, BUMDes Sidodadi manages handicraft training involving housewives as the main participants. The village government provides support in terms of funding and facilitating activities, while financial management is carried out transparently with records of every transaction, both expenditures for raw materials and receipts

from product sales. The results of these activities not only provide income for BUMDes, but also open up new economic opportunities for the community involved.

#### **4.2 Village Financial Management with Trading**

Village financial management with trading at BUMDes Sidodadi shows how the village government is trying to develop economic activities that focus on trading basic necessities and agricultural production facilities. Even though at the time of the research, trading had not been fully implemented at BUMDes Sidodadi, the direction of the policy and financial management strategy had been carefully considered by the village government and BUMDes management.

Based on interviews with BUMDes administrators, the decision not to implement trading activities was based on economic considerations and the efficient use of village funds. In Sidodadi Village, there are already many local businesses that provide basic necessities and agricultural equipment for the community, so if BUMDes opened a similar business unit, it would create unhealthy competition with small businesses in the village. The village government prefers to manage BUMDes finances carefully by prioritizing business sectors that have not been widely touched by the community, so that the allocated village funds can provide maximum benefits.

#### **4.3 Village Financial Management with Serving Type**

BUMDes Serving focuses on serving the basic needs of the community, such as providing clean water. However, in Sidodadi Village, this type of business has not been implemented because the clean water supply is still adequate and well managed by the local community. The management of BUMDes Sidodadi stated that they prefer to prioritize the development of other business units that are more needed by the community.

Village financial management with the Serving type at BUMDes Sidodadi reflects the village government's responsibility in providing public services to the community, particularly in the area of meeting basic needs such as clean water, sanitation, and other public services. However, based on the results of the study, the Serving type of business has not been implemented at BUMDes Sidodadi. This is because the availability of clean water in the village is still relatively good, so it is not yet considered necessary to form a business unit engaged in this service.

Nevertheless, the Sidodadi village government continues to prepare financial plans and preliminary studies for the possible development of a Serving business unit in the future. The village government and BUMDes management are evaluating the potential for independently managed public services, such as clean water management, waste management, or the provision of community-based public facilities. This planning is being carried out so that if the conditions or needs of the village change, BUMDes can immediately implement the Serving business model with targeted and measurable financial management.

#### **4.4 Village Financial Management with Renting**

Village financial management with renting at BUMDes Sidodadi is a form of economic activity that has been running quite effectively and providing direct benefits to the village community. This type of business focuses on renting out various facilities and equipment owned by BUMDes to the community, such as tents, chairs, party equipment, and social activity equipment. The Sidodadi village government views this business as a strategic step in utilizing village assets to generate additional income without requiring large capital or high business risks.

In its implementation, Renting-type financial management is carried out based on the principles of efficiency, transparency, and accountability. The village government, through the BUMDes management, has established a regular financial recording system, covering maintenance costs, asset depreciation, rental income, and reserve funds for replacement of

goods. Every transaction is recorded in the BUMDes financial reports and supervised directly by the village government so that all income from rental activities can be managed in an orderly and accountable manner.

The results of the study show that this type of rental business has the potential for stable profits because the community's demand for rental services is quite high. For example, equipment such as tents and chairs are often used for celebrations, social activities, and religious activities in the village. In addition to generating income for BUMDes, the rental business also helps the community save money because the rental rates are more affordable than those offered by private service providers from outside the village.

## Conclusion

Based on the results of research on the Role of Village Governments in Village Financial Management at BUMDes in Sidodadi Village, it can be concluded that village governments play a very important role in creating transparent, accountable, and sustainable BUMDes financial management. The village government not only acts as a supervisor, but also as a mentor, facilitator, and policy maker that ensures that every BUMDes financial activity runs in accordance with the rules and provides direct benefits to the community.

In the implementation of financial management, the village government plays an active role from the planning, implementation, to evaluation stages. The village government ensures that the preparation of BUMDes work plans and budgets is carried out participatively through village deliberations, so that every decision reflects the needs of the community. At the implementation stage, the village government supervises the use of funds to ensure that they are on target and in line with the objectives of village economic development. In addition, the village government also encourages the implementation of a financial administration system that is orderly, transparent, and easy to audit.

In terms of supervision and accountability, the village government exercises control functions through financial statement audits, business activity monitoring, and reporting to the community. This aims to maintain public trust and prevent budget irregularities. Meanwhile, in terms of capacity building and assistance, the village government plays a role in providing technical guidance, training, and moral support to BUMDes administrators so that they can be more professional and capable of managing finances independently.

Overall, BUMDes financial management in Sidodadi Village has shown positive progress thanks to the synergy between the village government and BUMDes management. The active role of the village government has encouraged good financial governance, increased business effectiveness, and made a real contribution to the welfare of the village community.

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