

Accounting for Community Welfare: Uncovering the Limitations of BUMDes Governance in Indonesia

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Accounting for Community Welfare: Uncovering the Limitations of BUMDes Governance in Indonesia

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Abstract

This study examines the governance of BUMDes (village-owned enterprises) in Indonesia and its impact on community welfare. The study uses content analysis and descriptive qualitative methods to analyze data obtained from focus group discussions and village and BUMDes documents. The results reveal that while BUMDes "HR" has a Master Plan to guide its activities, it lacks important accounting systems and procedures, including standard operating procedures (SOPs) and an integrated information system. This limits the ability of BUMDes to increase village income and welfare. Therefore, the development of accounting systems and procedures is crucial for improving the governance of BUMDes and the reliability of the information produced. The implications of this study are that BUMDes need to implement effective accounting systems and procedures to achieve good governance, increase revenue, and improve the welfare of the village community.

Keywords: BUMDes, System, Procedure, Information, Accounting

1. Introduction

The Indonesian government provides village funds so that villages are able to develop independently. So far, the village government has used the village funds for the construction of village facilities and infrastructure. So that village funds can accelerate villages to become independent, the government encourages the existence of Village Owned Enterprises (BUMDes). BUMDes is a business entity in which each business unit is managed into an organization and owned by the village. The BUMDes policy is a very good breakthrough, but in implementing the program, not all village communities have the readiness to run the program. Village Owned Enterprises (BUMDes) in Indonesia play a major role in Indonesia's economic growth. The government is trying to develop the role of the village by targeting the growth of the number of BUMDes. The target for growth in the number of BUMDes has been exceeded, but BUMDes have not contributed to village income, even worse when a pandemic occurred, many BUMDes ended up stalling^{[12], [29]}.

Villages account for 74% of the achievement of the national Sustainable Development Goals (SDGs), but villages are not yet included in the list of SDGs action plans^[12]. Therefore, the village SDGs were compiled which is an effort to accelerate the achievement of the global SDGs by localizing the global SDGs targets to suit the characteristics of villages in Indonesia, so that the village SDGs become the main reference in the medium-term development of all villages in Indonesia^[12]. The development of BUMDes fulfills at least six of the 18 village SDGs targets, namely villages without poverty, equitable village economic growth, villages without inequality, peaceful villages with justice, partnerships for village development, as well as dynamic village institutions and adaptive village culture. The business units built by BUMDes can meet 18 village SDGs targets. BUMDes is an institution formed by the village government and the community to solve problems that occur in the community and assist efforts to improve the welfare of the community by optimizing the utilization of village potential. The number of registered BUMDes in 2021 has increased by 660% compared to 2014. Village funds allocated for the development of BUMDes have also increased every year. In 2014 the central government disbursed village funds for IDR 20.8 trillion and this continues to increase 2021 by IDR 72 trillion.

In 2019, based on data from the Ministry of Villages, Development of Disadvantaged Regions and Transmigration of the Republic of Indonesia, there were 50,199 BUMDes and it was recorded that 2,188 BUMDes were not operating, and 1,670 BUMDes were operating but had not contributed to village income. The situation got worse during the pandemic, 27,000 BUMDes from 57,273 BUMDes in 2021 were declared suspended. Secretary General of the Indonesian Forum for Budget Transparency, Misbah Hasan, and the Supreme Audit Agency (BPK) stated that many BUMDes were stalled because the BUMDes business field was not by the village

potential so BUMDes income was minimal and BUMDes did not yet have good governance and BUMDes managers were not people who competent so that BUMDes managers work haphazardly and it is easy for abuse of authority, corruption, collusion, and nepotism to occur. President Jokowi asked BUMDes to expand their business, expand employment opportunities, partner with the private sector, and implement field management^[32]. This condition shows that the management of BUMDes is still not optimal so it cannot contribute to increasing the income and welfare of the village community. Based on these conditions and phenomena, this study aims to examine the governance of BUMDes to improve the welfare of rural communities. This research was conducted on BUMDes in Sleman Regency, DIY Province.

2. Literature review

Resource Based View (RBV)

One of the government programs to strengthen the village economy and encourage the achievement of community welfare is the establishment of Village Owned Enterprises (BUMDes). The establishment of BUMDes is an effort to increase village independence by optimizing the potential of its resources. The development of business units that manage potential resources needs to be carried out, by prioritizing characteristics and competitive advantages, so that they can make a significant contribution to improving the welfare of rural communities. The establishment of BUMDes aims to develop activities according to custom, activities based on government programs, and all other activities that support efforts to increase community income.^[8]

In the Resource Based View (RBV) theory, organizational resources (BUMDes) both physical and non-physical are used to achieve a sustainable competitive advantage, so they must have economic added value that has characteristics that are difficult to imitate and not easy to replace. Villages must have valuable, scarce, non-substitutable, and non-imitation resources^[2]. Competitive advantage is determined by social capital, human capital, and financial capital^[4].

Contingency Theory

Contingency theory provides the main framework for the study of organizational design^[6]. Contingency theory states that there is no universally applicable approach. The basic assumptions of contingency theory: 1) There is no one best way to organize; 2) Each way of organizing is not equally effective^[7]. The control carried out by an organization needs to consider the internal and external environmental conditions of the organization, because there is an interaction between stakeholders, both fellow employees of the organization and external parties, so that it can affect the state of the organization and management decisions in running the organization^[1]. Potential, needs, obstacles, and environmental conditions of the organization, can affect management decisions in carrying out organizational activities.

Community Empowerment

Community empowerment is the outcome of engagement and other activities. Power, influence, and responsibility are shifted away from existing centers of power and into the hands of communities and individual citizens^[3]. Community empowerment is a process where people (especially those who do not have access to development) are encouraged to increase their independence in developing their lives^[28]. There are five components in the empowerment framework^[16]. (1) Advocacy (2) Community Organizing, (3) Network and Alliance Development, (4) Capacity Building, (5) Communication, Information and Education, Information Management Processing, Community Education, and Information Dissemination. The basic principles of implementing Participatory Rural Appraisal (PRA) include: (1) the community is seen as a subject, not an object; (2) practitioners do not position themselves as "insiders" or "outsiders"; (3) almost right is better than actually wrong setting standard parameters; (4) review/analyze, provide examples, identify and select priority issues, present results, review and plan action activities; (5) community empowerment and participation in determining social indicators^[21]. Empowerment as a result of a series of activities and processes, involving various groups, allows them to take their actions and to actively participate in decision-making. These activities will vary depending on the needs of each community and the business case for community empowerment needs to reflect these diverse local contexts.

Stakeholder Theory

Stakeholders are groups or individuals who have an interest in the company and/or are influenced by the goals, operations, or activities of the organization or the behavior of its members^[22]. Stakeholders consist of internal stakeholders (employees, management, etc.), connected stakeholders (customers, suppliers, competitors, etc.), and external stakeholders (government, pressure groups, etc). In this theory, it is known that if stakeholders are treated well, they tend to reciprocate with positive attitudes and behaviors towards the organization, such as sharing valuable information (stakeholders), buying more products or services (customers), providing tax breaks or other incentives (society), providing conditions better finances (financiers), buying more shares (shareholders), or working hard and staying loyal to the organization, even during difficult times (employees)^[10]. Companies that manage stakeholders allocate more resources to meeting legitimate stakeholder needs and demands than what is needed to simply maintain their intentional participation in the company's productive activities^[9].

Accounting Systems and Procedures

The Accounting Control System (SPA) is one of the sub-systems of the management information system. SPA is to maintain the wealth of the organization by encouraging compliance with management policies and checking the accuracy and reliability of accounting data so that organizational efficiency increases^[18]. Control consists of an organizational structure, methods, and measures that are coordinated to produce reliable financial reports to maintain investor and creditor confidence. Accounting systems and procedures are one of the tools used by organizations in controlling to minimize fraud and achieve organizational goals^[18]. SPA can be applied to credit sales systems, accounts receivable accounting systems, purchase accounting systems, debt accounting systems, payroll and wage systems, cost accounting systems, cash receipt systems, and cash disbursements systems. One of the management's efforts in controlling accounting is by compiling and implementing Standard Operating Procedures (SOP).

3. Research Methods

This research is a social research that is included in the non-experimental research group using the positivism paradigm^[15]. The research approach used is a quantitative and qualitative approach. The research method chosen is descriptive analysis, which is a method to describe or provide an overview of the object under study through data or samples that have been collected as they are without analyzing and making conclusions that apply to the public^[27]. This descriptive method aims to make a systematic, factual and accurate description, structure, or painting about the facts, nature, and relationships between the phenomena being investigated. Qualitative research is based on assumptions about social reality or social phenomena that are unique and complete thus the most important thing in qualitative research is how to determine informants/subjects. Researchers tend to choose informants/subjects who are considered to know and can be trusted to be a stable source of data and know the problem in depth. The Community Based Research approach is used to explore a broad understanding of the managers/stakeholders/community of BUMDes "HR" regarding the management and governance of BUMDes "HR".

This study uses content analysis to answer research questions. Content analysis is defined as a research method for subjective interpretation of data content through a systematic classification process of coding and identifying themes or patterns^[30]. The content analysis method summarizes and classifies large amounts of data into several categories that represent the same meaning^[30]. In summary, the stages of data analysis can be seen in Table 2.

Tabel 1. : Data Analysis Stage

Data Analysis and Representation	Description
1. Data organizing	Create and organize data archives..
2. Reading dan taking notes	Read the transcript, make margin notes, and initialize the code.
3. Data description into codes and themes	Describe cases and their contexts..
4. Data classification by codes and themes	Use aggregated categories to build themes or patterns.
5. Data interpretation	1. Using direct interpretation. 2. Build naturalistic generalizations on what has been learned.
6. Data visualization dan display	Displays an in-depth and detailed description of the cases studied using narration, tables, and pictures.

Source: Adapted from Creswell^[3]

To ensure validity and credibility, this study uses several methods, namely respondent validation (member checking) and triangulation^[3]. The triangulation used in this research is source triangulation.

4. Result data Analysis and Discussion

BUMDes is an alternative order to improve the rural economy. BUMDes can help the community's economic conditions through services and products offered by existing business units. In addition, BUMDes whose majority ownership is in the hands of the village government can increase the village's original income taken from BUMDes profits according to the agreed percentage. Therefore, the establishment of a well-managed BUMDes can have a positive impact on the village government and the community.

This research was conducted at the Village-Owned Enterprises (BUMDes) "SDM" located in the Sleman area of Yogyakarta. The results of data collection on BUMDes "SDM" found the following things :

1. In 2021, BUMDes managers have collaborated with UPN "Veteran" Yogyakarta universities in formulating and compiling an "HR" BUMDes master plan, so that currently BUMDes "SDM" already has a Master plan. This master plan serves as a direction and guideline for managers in carrying out organizational activities. Several studies have found that organizations that have strategic planning will be better able to compete

with their advantages compared to organizations that merely react to environmental developments (Natasha and Devie, 2013). Organizational strategic planning provides a foundation for becoming a more proactive organization in responding to the environment to grow and develop. Therefore, to maintain its existence and be able to have high competitiveness, BUMDes "HR" needs to have a clear vision, mission, goals, and objectives as stated in the master plan.

2. The results of the analysis of the internal and external environment also found that many people experienced difficulties in working capital in developing their businesses. This condition encourages the spread of loan sharks to meet the needs of the community. BUMDes "HR" as a village-owned enterprise followed up on the results of the analysis, and one of the strategies developed by BUMDes was to determine alternative strategies, namely intensive strategies. The form of implementation of the BUMDes "HR" intensive strategy is product development, namely the development of the Financial Services unit with savings and loan operational activities. This unit will provide financial services to the surrounding community mission, goals, and objectives as stated in the master plan.

To implement the master plan, infrastructure is needed that supports good BUMDes governance. Good Corporate Governance (GCG) is an effort of BUMDes to create a conducive relationship between stakeholders (stakeholders). A conducive relationship between stakeholders is a prerequisite for realizing good BUMDes performance. The GCG that is consistently applied by BUMDes is aimed at maximizing the value of BUMDes in the eyes of stakeholders and is applied to strengthen the competitiveness of BUMDes. In line with the increasingly fierce business competition, the implementation of Good Corporate Governance is important to be able to win the business competition while still promoting fair and ethical competition. One of the infrastructures needed for the implementation of the master plan and in the context of realizing Good Corporate Governance is the need for accounting systems and procedures including activity implementation standards (SOPs), and an integrated information system.

Problems Faced by BUMDes "HR"

Based on the data obtained from the results of the analysis and discussion (interviews) regarding internal and external conditions that in the context of implementing the master plan and realizing Good Corporate Governance, BUMDes "HR" does not yet have accounting systems and procedures including standard implementation of activities (SOP), and an integrated information system. The development of accounting systems and procedures within an organization is very important because it aims to streamline the costs of accounting records and improve the level of reliability of the information produced, so that the information generated, accounting control, and internal checking is getting better^[18]. The reliability of the information produced is a form of responsibility and protection of the organization's assets. Implementation of accounting systems and procedures as part of the accounting control system (SPA) is one of the sub-systems of the management information system. SPA is to maintain organizational wealth by encouraging compliance with management policies and checking the accuracy and reliability of accounting data, so that organizational efficiency increases^[18]. Control consists of an organizational structure, methods, and measures that are coordinated to produce reliable financial reports so as to maintain investor and creditor confidence. Accounting systems and procedures are one of the tools used by organizations in controlling so as to minimize fraud and achieve organizational goals^[18].

In developing accounting systems and procedures, including standard operating procedures (SOPs), and information systems, it is necessary to base them on contingency theory^[6]. Contingency theory states that there is no universally applicable approach. The development of SPA and information systems needs to consider the nature and characteristics as well as the organizational environment^[7].

In addition to the implementation of accounting systems and procedures, it is also important to develop and implement an accounting information system (AIS). AIS is a system that includes all accounting functions and activities. The process is carried out with the aim of considering the impact of the organization's internal and external operations on economic resources. The main functions of an accounting information system are: 1) collection and storage of organizational data; 2) provide information as a basis for decision making; and 3) creating adequate internal control^[18]. The implementation of SIA in BUMDes can encourage the realization of organizational transparency and accountability. The collection and storage of data related to the organization's business activities needs to be carried out effectively and efficiently. The accounting information system provides financial reports as a basis for consideration for making decisions by management. In addition, the accounting information system also functions as an internal control tool. Therefore, the BUMDes "SDM" needs to develop and implement accounting systems and procedures and information systems, so that transparency and accountability can be realized. In developing accounting systems and procedures and information systems, it is necessary to pay attention to the nature and characteristics of the organization. The contingency theory states that organizational design cannot be applied universally^[19]. The level of effectiveness of the development of an organization depends on the suitability of the organization's policies with its environment. This theory is supported

by previous research which states that the development of accounting management systems in organizations needs to consider contingent factors and the organizational environment ^[23,24,25,26].

5. Conclusion and Implication

BUMDes "HR" already has a Master Plan but does not yet have accounting systems and procedures and an information system that supports the implementation of the master plan. Because of the importance of accounting systems and procedures and information systems in realizing good governance, BUMDes "HR" needs to develop accounting systems and procedures and information systems so that BUMDes transparency and accountability can be realized.

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