



STRENGTHENING FINANCIAL ACCOUNTABILITY THROUGH ADMINISTRATIVE GOVERNANCE REFORM: CAPACITY BUILDING FOR BUMDES ADMINISTRATORS IN BACAN

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Article Info:

Received: 2026-01-25

Revised: 2026-02-08

Accepted: 2026-02-26

Volume: 5

Numbers: 1

Pages: 267 - 272

Keywords:

BUMDes,
Administrative
Governance, Financial
Accountability,
Capacity Building,
Village Economy

Abstract:

Village-Owned Enterprises (BUMDes) are strategic policy instruments designed to promote village economic independence, increase village original income, and optimize the sustainable use of local potential. This community service program aims to analyze the implementation of administrative governance reforms to strengthen the financial accountability of Village-Owned Enterprises (BUMDes) in Bacan through a capacity-building approach. The main problems faced by BUMDes are weak administrative systems and limited managerial capacity in financial recording and reporting. The community service method uses a participatory approach that involves training and mentoring BUMDes managers. The results of the community service program indicate that administrative governance reforms contribute significantly to increasing BUMDes financial transparency and accountability. This community service program emphasizes the importance of strengthening institutional capacity as an initial strategy in realizing professional and sustainable BUMDes. The key findings of this service demonstrate that prior to the intervention, weaknesses in BUMDes' financial accountability were not solely due to limited capital or business scale, but rather to the low quality of administrative governance and the human resource capacity of managers.

INTRODUCTION

Village-Owned Enterprises (BUMDes) are strategic policy instruments designed to promote village economic independence, increase village original income, and optimize the sustainable use of local potential. BUMDes are expected to function not only as economic business units but also as village public institutions capable of managing village resources and funds professionally, transparently, and accountably (Ministry of Villages, Disadvantaged Regions, and Transmigration, 2020).

As entities that manage public funds and village assets, BUMDes are required to implement the principles of good governance, particularly in the aspect of financial accountability. Financial accountability is the obligation of public sector organizations to account for resource management to the community and stakeholders in a transparent, timely manner, and in accordance with applicable regulations (Mardiasmo, 2018). The implementation of sound financial accountability is a key foundation for the sustainability of BUMDes, as it directly impacts the level of public trust and the effectiveness of the organization's performance.

However, various studies indicate that the implementation of Village-Owned Enterprise (BUMDes) administrative and financial governance in Indonesia still faces numerous challenges. Sutaryo and Sinaga (2018) found that most BUMDes lacked an orderly financial administration and recording system, clear standard operating procedures, and adequate institutional documentation.



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These weaknesses in administrative governance resulted in low-quality financial reports and limited transparency in the management of village funds.

These problems are generally influenced by the limited human resource capacity of BUMDes managers. Many BUMDes managers lack an adequate understanding of the principles of financial accountability, administrative governance, and simple financial recording and reporting practices appropriate to the characteristics of village businesses (Suryanto & Thalassinou, 2017). As a result, BUMDes are vulnerable to management inefficiencies, administrative errors, and difficulties in accounting for their financial performance.

Normatively, the government has emphasized the importance of implementing the principles of transparency, accountability, and professionalism in BUMDes management, as stipulated in Government Regulation Number 11 of 2021 concerning Village-Owned Enterprises. The regulation places administrative and financial governance as a key element in strengthening BUMDes institutions. However, the implementation of this policy at the village level still faces a gap between normative provisions and management practices in the field, especially in the technical aspects of administration and financial management.

The Village-Owned Enterprise (BUMDes) in the Bacan region is a growing one, but it still faces challenges in achieving optimal administrative governance and financial accountability. Based on the initial conditions of the partners, the problems encountered include an unorganized institutional administration system, unsystematic financial record-keeping, and a limited understanding of accountable governance principles among managers. These conditions have the potential to hinder the sustainability of BUMDes businesses and reduce their contribution to village economic development.

Administrative governance reform is seen as an effective strategy for strengthening BUMDes financial accountability. Orderly, documented, and procedure-based administrative governance will support transparent and accountable financial planning, implementation, and reporting processes (OECD, 2015). In the context of community service, a capacity-building approach is relevant because it emphasizes improving the competence, awareness, and independence of BUMDes managers so they can implement good governance sustainably (UNDP, 2009).

Therefore, this community service activity focuses on strengthening financial accountability through administrative governance reform with a capacity-building approach for BUMDes managers in Bacan. This activity is expected to bridge the gap between regulations and practices, and encourage the realization of professional, transparent, and accountable BUMDes as a pillar driving the village economy.

Problem Formulation. Based on the background description, the problem formulation for this community service activity is as follows:

1. What was the state of administrative governance and financial accountability of Village-Owned Enterprises (BUMDes) in the Bacan area before the community service activity was conducted?
2. What are the main challenges faced by BUMDes managers in implementing good administrative governance and financial accountability?
3. How can administrative governance reform through a capacity-building approach strengthen the financial accountability of BUMDes in Bacan?
4. What impact does strengthening the capacity of managers have on improving the administrative order and transparency of BUMDes financial management?

METHODS

This community service activity uses a descriptive-participatory approach with an action-based community engagement framework, emphasizing the active involvement of partners in every stage of the activity. This approach was chosen because strengthening the financial accountability of Village-Owned Enterprises (BUMDes) requires not only technical interventions but also changes in administrative governance practices and continuous capacity building of managers (UNDP, 2009).

Subjects and Location of the Activity. The subjects of the community service activity are Village-Owned Enterprise (BUMDes) managers in the Bacan area, including core management and administrative staff. This location was chosen purposively, considering that BUMDes in Bacan are currently in the business development phase but still face challenges in administrative management and financial accountability.

Implementation Stages. The community service activities are implemented through several stages, as follows:

1. **Baseline Assessment:** The initial stage is conducted to map the existing state of the BUMDes' administrative and financial governance. This activity includes observing the administrative system, reviewing institutional and financial documents, and conducting focused discussions with BUMDes managers. This stage aims to identify key issues related to financial accountability and administrative governance.
2. **Administrative Governance Reform Design:** Based on the initial identification results, a framework for administrative governance reform is designed, encompassing the structuring of institutional documents, the development of simplified administrative procedures, and improvements to the financial recording and reporting system. These reforms are tailored to the characteristics of the BUMDes and adhere to the principles of good governance and applicable regulations.
3. **Capacity Building:** This stage is conducted through participatory capacity-building activities, including discussions, mentoring, and hands-on practice in administrative governance and financial recording. The primary focus of capacity building is on improving managers' understanding of the principles of financial accountability, administrative governance, and their interrelationships in BUMDes management.
4. **Implementation Assistance:** After capacity building, assistance is provided in implementing the reformed administrative governance. This assistance aims to ensure that governance changes are not only conceptually understood but also consistently implemented in BUMDes management activities.
5. **Evaluation and Reflection:** The final stage involves evaluating changes in BUMDes administrative governance and financial accountability following the community service intervention. This evaluation is conducted by comparing conditions before and after the activity, as well as through joint reflection with BUMDes managers to assess the effectiveness of the implemented governance reforms.

Data Collection and Analysis Techniques. Data for this community service activity were collected through observation, documentation studies, and focus group discussions. Data analysis was conducted qualitatively and descriptively, comparing the condition of administrative governance and financial accountability before and after the intervention. The analysis focused on changes in administrative practices, the quality of financial recording and reporting, and improved management understanding of accountability principles.



RESULTS AND DISCUSSION

Initial State of Village-Owned Enterprises' Administrative Governance and Financial Accountability. Initial identification results indicate that the administrative and financial governance of Village-Owned Enterprises (BUMDes) in Bacan is still not optimally organized. Administratively, institutional documents such as organizational structures, division of tasks, business activity archives, and financial documents have not been systematically compiled and properly documented. Financial transaction recording is still carried out simply and inconsistently, complicating cash flow tracking and the preparation of periodic financial reports.

This situation has a direct impact on the low level of BUMDes' financial accountability. Financial reports are not prepared routinely and do not fully reflect the principles of transparency, traceability, and accountability to village stakeholders. This finding aligns with research by Sutaryo and Sinaga (2018), which indicates that weaknesses in administrative governance are a primary factor in low BUMDes' financial accountability.

More broadly, studies on public sector openness and accountability also confirm that weaknesses in basic administrative systems are a major obstacle to financial transparency practices, particularly in small-scale and local public organizations (OECD, 2015).

Factors Causing Weak Financial Accountability. Further analysis shows that the weak financial accountability of Village-Owned Enterprises (BUMDes) in Bacan is influenced by several key factors. First, the limited capacity of managers to understand the principles of administrative governance and financial accountability. BUMDes managers tend to view administration as a supplementary aspect, rather than the primary foundation for financial management and decision-making.

Second, there is a lack of simple yet standardized administrative and financial procedures. The absence of standard operating procedures results in inconsistent financial recording and reporting practices that depend on individual habits. Third, a weak institutional documentation culture exacerbates the low quality of accountability, as financial information and business activities are inadequately documented.

These findings reinforce Mardiasmo's (2018) view that public sector financial accountability is largely determined by the quality of administrative systems and human resource capacity. Furthermore, international research also shows that low administrative competence and weak organizational ethics contribute to low-quality financial accountability, particularly in economic organizations in institutionally vulnerable environments (Suryanto & Thalassinou, 2017).

Implementing Administrative Governance Reform through Capacity Building. Administrative governance reform in this community service activity was carried out through a capacity-building approach that emphasized improving the understanding, skills, and awareness of Village-Owned Enterprise (BUMDes) managers. This process included restructuring institutional documents, introducing a more orderly administrative flow, and direct assistance in simplified financial recording and reporting that aligns with the characteristics of village businesses.

The assistance results demonstrated significant changes in administrative management practices. BUMDes managers began to understand the close relationship between orderly administration and financial accountability. Administration was no longer viewed as an administrative burden, but rather as an instrument of internal control and public accountability.

This finding aligns with the OECD (2015) approach, which places administrative reform as a primary prerequisite for strengthening public financial accountability. Furthermore, the UNDP (2009) emphasized that participatory and contextual capacity building is more effective in encouraging sustainable changes in behavior and governance practices.



Changes in Administrative Governance and Strengthened Financial Accountability. Post-community service intervention, BUMDes in Bacan demonstrated marked improvements in administrative governance and financial accountability. Financial transaction recording became more systematic, documented, and easily traceable. Financial reports began to be prepared more regularly and provided clearer information on the BUMDes' financial condition and business performance.

These changes demonstrate that administrative governance reforms directly contribute to strengthening financial accountability. Orderly administrative governance serves as a simple yet effective internal control mechanism, preventing recording errors and increasing transparency. These findings support the UNDP's (2009) argument that integrated capacity building with governance reform can produce sustainable institutional change.

Implications of Community Service for Strengthening Village-Owned Enterprise Accountability. The main implication of this community service activity is that strengthening Village-Owned Enterprise financial accountability does not always require complex or high-tech systems. Accountability can be built gradually through contextual, simple, and capacity-based administrative governance reforms.

The capacity-building approach in this community service has proven to not only improve technical skills but also foster manager awareness of the importance of accountability principles in managing public funds. Thus, this community service provides practical and academic contributions by demonstrating that capacity building can function as an instrument of governance reform, not simply a skills-building activity, and enriches the literature on field-based BUMDes financial governance and accountability.

CONCLUSION

A community service activity focused on administrative governance reform through capacity building for BUMDes managers in Bacan demonstrated that strengthening administrative aspects is a key foundation for improving BUMDes' financial accountability. The key findings of this service demonstrate that prior to the intervention, weaknesses in BUMDes' financial accountability were not solely due to limited capital or business scale, but rather to the low quality of administrative governance and the human resource capacity of managers.

The implementation of administrative governance reform through training and mentoring was able to encourage behavioral changes in managers, who viewed administration as an instrument of control and accountability, rather than simply a formal obligation. Improvements in the financial recording, documentation, and reporting systems had a direct impact on increasing transparency and traceability of BUMDes' financial management.

Overall, this service demonstrates that a contextual and participatory capacity-building approach is effective in strengthening BUMDes' financial accountability, particularly in rural areas with limited resources. Simple but consistent administrative governance reforms can be a realistic initial strategy to promote BUMDes' professionalism and sustainability.

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