

Can And Will Village-Owned Enterprises Provide The Financial Statement Accountability?

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Abstract: Accountability not only depends on an individual or an organization, but also it is the responsibility of all parties related to the organization's interests. Accountability for managing the village funds through BUMDES (village-owned enterprises) has become the main focus of the government, because it reflects good governance. JH. Theory of stakeholders becomes a reference in exploring the willingness and ability of BUMDES managers. A qualitative approach with case study is used to explore factors that support and hinder accountability in BUMDES. The aspect of cultural values combined with the elements of BUMDES transformational leadership has become a factor encouraging good accountability. Factors that hamper accountability which are traced from the behavior aspect of BUMDES members is the indiscipline of BUMDES managers, and the existence of Javanese cultural factors i.e. the culture of underestimating of accountability which reporting is considered as unimportant.

Index Terms: Accountability, BUMDES, Village Funds, Dopleng Village

1. INTRODUCTION

Village is a legal community unit that has territorial limitations for regional regulation, the interests of the community that are based on community initiatives, origin rights, traditional rights that are respected by the government system (Law Number 6 of 2014). Indonesia has 74,957 villages, and the majority of the community live in it (Minister of Home Affairs Regulation Number 137 of 2017). The growing of Indonesian economy is also supported by the village economy. The government issued a Village Fund Policy as an effort to carry out development in underdeveloped regions that are participatory (Mustanir, 2017). The aspirations of the rural community are very much needed for the ongoing village development (Sumbi and Firdausi, 2016; etc.). Rural communities act as objects as well as the main participants in village development. While the government acts as a motivator and facilitator. Although the Indonesian economy has improved due to the village economy, there are still many villages experiencing poverty. Thus, the government needs to encourage rural communities to participate in developing the village economy (Nasar, 2016). Law Number 6 of 2014 forms the basis of the Village Fund Policy. The central government began to pay attention to the development of the village economy and raised the budget for village funds by Rp 73 trillion. The Village Funds are sourced from the APBN (Regional Revenue and Expenditure Budget), and with the increase in the Village Fund budget to billions rupiahs, it can certainly support village development. In its implementation, it is expected to adhere to the principles of village fund management that are transparent, accountable, and participatory (Minister of Home Affairs Regulation Number 113 of 2014). Present's community needs are not only fulfilled rights in obtaining welfare, but also adequate public services. However, it is unfortunate that organizational culture and governance are still not optimal. The quality of human resources can be a barrier to village development (Triani & Handayani, 2018). Thus, the application of community

services and the ability of government, will create ideal justice in management and have an impact on public trust. One form of good governance is accountability. Accountability not only depends on an individual or an organization, but also it is the responsibility of all parties related to the organization's interests (Kroll & Proeller, 2013). Accountability for managing the village funds through BUMDES (village-owned enterprises) has become the main focus of the government, because it reflects good governance. The village government must always carry out socialization regarding the disbursement of village funds as a manifestation of accountability. The accountability of village funds can be distributed by the establishment of Village-Owned Enterprises, which enable rural communities to design the economy they want to do with their potential and creativity. Village-Owned Enterprise is a form of social enterprise, which is a business institution established to solve social problems, by creating additional value (managing value), managing assets and potentials (creating value), and providing maximum benefits to the community (distributing value). Village Minister Regulation Number 4/2015 concerning Village-Owned Enterprise of article 2 stated that the establishment of Village-Owned Enterprise is intended as an effort to accommodate all economic activities and village-managed public services (Ahmad & Ahmad, 2019; Suryanto & Acc, 2018).

Governance has been variously defined as "the exercise of authority or control to manage a country's affairs and resources". Good governance requires that the government is governed in accordance with the governance principles, namely, transparency, accountability, responsibility, participation, fairness, and independency (Suyono & Hariyanto, 2012). The organization also cannot break away from the social environment. The organization needs to maintain stakeholder legitimacy and position it in the policy and decision making framework, so that it can support the achievement of the company's objectives, namely business stability and going concern guarantee. Stakeholders are the company's owner, capital's owner or owner of assets, the community, the government, and the employees (Freudenreich, Lüdeke, & Stefan, 2019).

1.1. Problems and Objectives

Based on the research background, the problems that can be assessed include the governance of the village officials and

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the accountability of the Village Fund for the development of Village-Owned Enterprise. This study explores the willingness and ability of waste processing BUMDES in Central Java, Indonesia in realizing good accountability.

2. LITERATURE REVIEW

Village officials have an essential role in terms of governance. It is revealed that organizational governance refers to the organization's systems, principles & processes. Organizational governance guides how to control & direct organizations to meet goals & objectives that can add value to the organization & can be used for all stakeholders in the long term (Muda et al., 2017). Transparency and accountability are two keywords in the administrative governance of village government organizations and management of village officials (Kurrohman, 2015). In general, accountability illustrates that the concept depends on the assumptions of each organization to make accountability for actions taken, provide a logical reason for the activities carried out, and consistent with the standards of organizational behavior (Grant and Keohane, 2005; Messner, 2009). Accountability can also be defined as the right use of resources (Bradford, Luke, & Furneaux, 2018). Sinclair (1995) reinforces the definition of accountability as the behavior of individuals or organizations to account for actions by giving logical reasons for actions taken by the organization. This concept reminds individual and organization of the importance of accountability to increase public trust in the organization. However, Gray et al. (2006) argue that accountability is also the right of the community, which has a relationship with the organization. The notion of accountability is broader, not only the rights of individuals or organizations, but also involves people who have relationships with organizations (McGrath & Whitty, 2018). Through the research of experts, the concept of accountability is in the realm of a social responsibility framework that must be fulfilled as part of a wider community. With the existence of accountability, it is expected to gain public trust in the activities carried out by the organization (Authors, 2016). The role of accountability in the distribution of village funds serves to improve and harmonize people's welfare (Meutia & Lziliana, 2017). Minister of Finance of the Republic of Indonesia Regulation Number 49/PMK.07/2016 regulates village financial management which emphasizes the procedures for allocating, distributing, using, monitoring and evaluating Village Fund. This regulation provides transparency in managing village funds. Some researchers found that planning and implementation of village fund allocation activities indicated that the management was accountable and transparent (Anthopoulou, Kaberis, & Petrou, 2017; Setiawan 2011; Walker, 2014). Regulation of PMK.07/2016 discussed the management of village funds through allocations, prioritized to build and empower communities. It is supported by Carter, Burritt, & Pisaniello (2013) who discussed the effect of implementing village fund policies on village financial management in increasing the effectiveness of village development programs. This research shows that the implementation of village fund policies has a positive effect on village financial management and the effectiveness of village development programs. The management of village funds is expected to run effectively, which is indicated by more equitable development outcomes in various villages (Triani & Handayani, 2018). Rural

economic organizations are an important part of improving the village economy and will be able to process them independently with various innovations (Adriantini, Dewi, Syafingi, & Aji, 2018). More equitable management of village funds for village economic development (Widagdo, Widodo, & Ismail, 2017) can be channeled through Village-Owned Enterprise. Village-Owned Enterprise was born as a manifestation of economic democracy in the village. Philosophically, Village-Owned Enterprise must have the principles of economic democracy following article 33 of the 1945 Constitution. The philosophy of Village-Owned Enterprise can be summarized in three points, which are: First, Village-Owned Enterprise is a non-profit organization but also has a public service charge for the village community. Second, Village-Owned Enterprise creates innovations and existing systems by providing additional value or synergizing existing economic activities. Third, Village-Owned Enterprise is a form of social enterprise, a business institution established to solve social problems. Governance has been variously defined as "the exercise of authority or control to manage a country's affairs and resources". Good governance requires that the government is governed in accordance with the governance principles, namely, transparency, accountability, responsibility, participation, fairness, and independency. The National Committee of Governance Policy (2010) argued that the implementation of good governance principles would like to give strategies which contributed to: (1) increasing social welfare; (2) creating conducive business environment; (3) improving the bargaining power; and (4) preventing from all frauds in running the governmental duties (Suyono & Hariyanto, 2012). In practice, the principles of good organizational governance must be developed and developed in stages by involving all interested parties. Organizations must build systems and guidelines for integrated organizational governance. Employees must also be equipped with an understanding and knowledge of the principles of good organizational governance in accordance with what will be run by the organization. In addition, it is necessary to carry out continuous supervision of the processes that occur in the governance system that has been created. The organization also cannot break away from the social environment. The organization needs to maintain stakeholder legitimacy and position it in the policy and decision making framework, so that it can support the achievement of the company's objectives, namely business stability and going concern guarantee. Stakeholders are the company's owner, capital's owner or owner of assets, the community, the government, and the employees (Freudenreich et al., 2019). Transformational leadership is a widespread, influential style of leadership that creates a high level of effectiveness in most organizations. This success can be credited to certain leader behaviors that influence logic and motivation in their followers. Transformational leaders tap into the values, beliefs, and ideals of followers toward a higher vision. This is the most crucial part of leadership in fostering effectiveness. Their inspiration helps followers discover new means of problem-solving. Much research has been carried out on followers' reactions toward transformational leadership. It is common to find such tenets as trust, personal confidence, job satisfaction, identification, a feeling of belonging, and fairness being emphasized as indicators of the success of a transformational leader. Another approach

to transformational leadership has been the examination of followers' feelings about themselves, based on input to their assigned jobs or groups. It makes sense to gauge the success of leadership by its effects on the behavior of targeted followers. In the school setting, it is crucial that students, parents, staff, and other interested groups feel that their leadership values their input, and that they are responsible for the success of the school in their individual capacities. Perhaps the most important mechanism for gauging the benefits of transformational leadership is a critical examination of individual performance, rather than finding out their feelings toward leadership. In contrast to other styles, the rationale for transformational leadership is results-based (Kroll & Proeller, 2013).

3. FINDINGS AND DISCUSSION

3.1. Profile of Village-Owned Enterprise of Bareng Nyawiji

Doplang village has an area of \pm 126.5550 ha and is supported by 531 human resources and 383 work as farm laborers. All village funds were all allocated to the agricultural sector. The hope through the agricultural sector can support the village economy. However, it turns out that irrigation in the Doplang Village impedes the agricultural sector. The local economy must be developed as the country's economy grows. To maintain and improve the village economy, to support government development, the Doplang Village Government established Village-Owned Enterprise of Bareng Nyawiji in 2010. The Village-Owned Enterprise are expected to be the right place to manage village potential, as well as improve the village economy because Village-Owned Enterprise are managed independently by rural communities. The allocation of funds from the central government to the village government is expected not only to focus on physical development and village facilities but can also be used for the development and empowerment of village economic activities.

The purpose of the forming/establishment of Village-Owned Enterprise of Bareng Nyawiji, Doplang Village includes:

1. Strengthening the village economy by increasing the welfare and quality of livelihoods of rural communities oriented to the needs of the village.
2. Prioritizing the needs of empowering rural communities by fulfilling livelihood needs such as facilities and village accessibility.
3. Accommodate and make village community businesses as one of the sources of village income.
4. Manage and allocate funds from the government to then be managed professionally while still relying on village potential.

Thus, the Kampung Asri Self-Help Group was formed on October 29, 2011, giving birth to many activity units that have increasingly productive potential. This group was formed as a partner of Village-Owned Enterprise of Bareng Nyawiji to develop village social activities into activities that generate many benefits and create new jobs for rural communities. Some forms of business development carried out by the Village-Owned Enterprise of Bareng Nyawiji include: 1) Rambak Crackers Home Industry, 2) Cultivation of Freshwater Fish (Catfish), 3) Poultry Farmers, 4) Brick Craftsmen, 5) Waste Processing Industry Units and 6) Educational Tourism Living Environment. This business

development is inseparable from the management of transparent and accountable village funds.

3.2. The Role of Accountability in Village Fund Management

The village leader usually knows many residents. Conversely, the people are very familiar with the village head and his apparatus. They are more inclined to family relations than formal government. The relationship between the government and the individual is also very informal. They can communicate directly at any time. In Java, the village leader and his apparatus are known as village officials. In the Big Indonesian Dictionary the village administrator is the people who handle the village administration. However, the word government itself means caregiver, educator, and administrator. So, the village administrator must carry out the functions of caring, educating, and taking care of residents. This is what makes a village leader and his apparatus must be able to serve residents 24 hours. This affective characteristic will encourage the principle of caring for stakeholders and community participation in the principle of good governance. Individual closeness and society in everyday life, unwittingly give birth to social controls that live into values in social life. In a village they know each other's economic resources. Unconsciously, there has also been a culture of transparency and accountability in every village, especially customary villages. This social control is very effective and efficient. In conducting accountability in managing village funds, the manager of Village-Owned Enterprise of Bareng Nyawiji has followed the process following the assignments according to their respective positions. Village officials conduct routine meetings 2 (two) times a week, with the topic of discussing village fund allocation and accountability. In the planning process, village officials have prepared a budget plan well according to the needs of the relevant business units. Every central government injects funds into the village, village officials disseminate to the rural community because in essence village fund management must be transparent and accountable. The budget for village funds is allocated based on the results of village officials' deliberations, and then it will be accountable to the central government. The implementation of business units has been running transparently and accountably and has developed rapidly in line with the marketing efforts made by Village-Owned Enterprise through the activities of various business units by utilizing the potential of the village. There was a lot of enthusiasm from surrounding villages to start forming Village-Owned Enterprise and empowering rural communities through Village-Owned Enterprise. The recording was done by the Treasurer of Village-Owned Enterprise, the capital is currently still based on the Financing Post determined by the Village Revenue and Expenditure Budget (APBD). In the reporting process, through the report on the realization of the budget will be accounted to the regent/mayor carried out by the Sub-District Head. Village-Owned Enterprise of Bareng Nyawiji prefers to move in the form of social service activities to assist community problems in the field of waste management and to develop community awareness of the importance of environmental sustainability. The aspect of cultural values combined with the elements of Village-Owned Enterprise transformational leadership has become a factor encouraging good accountability. Factors that hamper

accountability which are traced from the behavior aspect of Village-Owned Enterprise members is the indiscipline of Village-Owned Enterprise managers, and the existence of Javanese cultural factors i.e. the culture of underestimating of accountability which reporting is considered as unimportant.

4. CONCLUSION

Village-Owned Enterprises of Bareng Nyawiji is proven that they have ability and willingness to make an accountable financial statement. The aspect of cultural values combined with the elements of Village-Owned Enterprises transformational leadership has become a factor encouraging good accountability. Factors that hamper accountability which are traced from the behavior aspect of Village-Owned Enterprises members is the indiscipline of Village-Owned Enterprises managers, and the existence of Javanese cultural factors i.e. the culture of underestimating of accountability which reporting is considered as unimportant.

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