

# Strengthening Financial Accountability in Village-Owned Enterprises: Policy Recommendations from a Participatory Case Study in BUMDes Wukirsari, Bantul, DI Yogyakarta

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## **Abstract**

*This study aims to enhance financial accountability in Village-Owned Enterprises (BUMDes), with a specific focus on BUMDes Wukirsari in Bantul, Yogyakarta. BUMDes, as community-based economic institutions in Indonesia, often face challenges related to poor financial management, limited transparency, and low adoption of digital tools. Through a Participatory Action Research (PAR) framework, this international community service initiative followed a four-stage spiral: planning, action, observation, and reflection. The planning phase involved a preliminary needs assessment to identify gaps in financial reporting and governance. The action phase focused on stakeholder discussions to understand current financial practices. During the observation phase, data were collected through participatory workshops and stakeholder feedback. In the reflection phase, findings were collaboratively analyzed to inform practical improvements and formulate policy recommendations. The intervention yielded significant results, including improved budgeting practices, the implementation of quarterly financial reporting, and increased awareness of legal frameworks such as PP No. 11/2021. The introduction of basic digital tools like Microsoft Excel enhanced the accuracy and clarity of financial documentation. The program also promoted greater transparency, encouraged participatory governance, and emphasized performance-based budgeting. Based on these findings, the study proposes several policy recommendations: strengthening regulatory literacy, standardizing financial reporting formats aligned with SAK ETAP, integrating user-friendly accounting software, formalizing internal audits, and promoting structured financial disclosure to the community. These recommendations aim to support more transparent, accountable, and sustainable financial management in rural enterprises. Overall, the study highlights the importance of participatory, reflective approaches in driving institutional transformation at the village level.*

**Keywords:** *Accountability; BUMDes; Financial Literacy; Participatory Action Research.*

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## I. INTRODUCTION

Village-Owned Enterprises (BUMDes) function as both social and commercial institutions. As social institutions, they play a role in supporting the provision of public services and enhancing social welfare within the community. At the same time, as commercial entities, BUMDes are oriented toward profit generation by utilizing local resources and offering goods and services to meet market demands. This dual function positions BUMDes as key drivers of sustainable rural development (Pradana et al., 2022). The primary goals of creating Village-Owned Enterprises (BUMDes) revolve around enhancing both the economic and social conditions of rural populations. These goals encompass boosting the village economy and making the most of village resources for the benefit of the community. BUMDes are also designed to encourage local entrepreneurship and to effectively harness the village's economic capabilities. Furthermore, they seek to enable business collaborations between villages or with external partners, broaden market access and networks, generate job opportunities, and enhance public services. In the end, BUMDes aim to foster fair economic development and sustainable progress at the village level (Pardi, 2021).

A Village-Owned Enterprise, referred to in Indonesia as Badan Usaha Milik Desa (BUMDes or BUM Desa), serves not just as a rural business but as a crucial means to empower local communities and promote grassroots development. Established and overseen by the village government, BUMDes receives funding from village-owned capital, which comes from segregated assets. Their primary goal is to manage local resources, provide essential services, and engage in various business activities that directly enhance the welfare and prosperity of village residents. Situated at the crossroads of public service and entrepreneurship, BUMDes represent a distinctive model for community-centered economic transformation (Wulandari & Wardani, 2024). The legal foundation for BUMDes was first laid out in Law Number 22 of 1999 on Regional Government and has since been strengthened by subsequent regulations, most notably Law Number 6 of 2014 on Villages, which provides detailed guidance on their formation, management, and objectives (UU Republik Indonesia No.6 of 2014).

Research findings indicate that BUMDes contribute positively and significantly to the development of villages. Villages that have vibrant BUMDes generally achieve higher ratings on the Village Development Index (IDM) than those lacking them, signifying greater advancement in both economic and social aspects (Ultari & Khoirunurrofik, 2024). BUMDes play a crucial role in advancing rural development by supporting small and medium enterprises (SMEs), particularly in sectors such as agriculture and livestock (Nugeraha et al., 2022). They actively encourage rural entrepreneurship and capacity building, equipping local communities with the skills and opportunities needed to thrive (Utaminingsih et al., 2022). By generating revenue and promoting financial independence at the village level, BUMDes contribute significantly to increasing village income (Pradana et al., 2022). Moreover, their initiatives help reduce poverty and unemployment, fostering inclusive and sustainable economic growth in rural areas (Pardi, 2021).

Village-Owned Enterprises (BUMDes) face a range of significant challenges that hinder their effectiveness and long-term sustainability. BUMDes are anticipated to operate as both community-focused organizations and profit-making businesses. This dual responsibility frequently creates ambiguity in operational priorities and management strategies, resulting in challenges when trying to align social goals with financial sustainability (Jayadi et al., 2024). Numerous BUMDes struggle with disorganized management and ambiguous allocation of roles and responsibilities.

Consequently, this leads to ineffective decision-making, sluggish reactions to market shifts, and generally poor business outcomes (Ainiyah, 2025). Additionally, the insufficient managerial skills among BUMDes leaders and personnel worsen these issues, as many lack the necessary knowledge or experience in business management. Community engagement plays a vital role in the effectiveness of BUMDes, but often, participation levels fall short (Mu'minin et al., 2024).

A frequent problem is the discrepancy between the business units selected by BUMDes and the true needs or potential of the village and its marketplace. Many BUMDes opt for business initiatives that do not align with local resources or market demand, resulting in stagnation or even the collapse of the business (Maskur & Rohim, 2024). Numerous BUMDes managers do not possess the necessary skills and knowledge to recognize, create, and promote products or services that align with the distinctive strengths of their villages. This shortcoming hinders their ability to innovate and adapt to evolving market conditions (Umar & Anggraeni, 2023).

Numerous BUMDes function in rural regions where internet connectivity and technological infrastructure are lacking, which restricts their ability to access digital platforms and vital tools for contemporary business operations. This issue is worsened by a prevalent deficiency in digital literacy among both managers and community members, who frequently find it difficult to utilize digital applications for tasks such as financial management, marketing, and administrative duties (Najmudin et al., 2024). Moreover, the financial strain of obtaining essential hardware, software, and training further obstructs the adoption and effective use of digital technologies, particularly given the generally constrained budgets of BUMDes (Herlina & Andi, 2023).

Village-Owned Enterprises (BUMDes) frequently face significant obstacles regarding transparency and accountability, which impede good governance and sustainable progress. A central challenge is the ineffective communication among BUMDes management, village authorities, and the local community, leading to diminished transparency and weak accountability systems that create distrust and restrict community involvement. This issue is exacerbated by insufficient institutional governance and a poor application of sound corporate governance practices, often resulting in inadequate financial management, poor reporting, and limited oversight of operational processes (Amerieska et al., 2021). Research has revealed discrepancies between documented and actual activities, such as fund disbursements that lack proper documentation and irregular financial report verifications signs of feeble accountability practices. Furthermore, prevalent problems include the lack of standardized operating procedures (SOPs), ineffective financial record-keeping systems, and untimely or inaccurate financial reports (Fitriani et al., 2024). These structural deficiencies not only undermine transparency but also obstruct effective monitoring and evaluation. While it is essential to provide open access to financial and operational information, numerous BUMDes do not sufficiently share this data with stakeholders, thus restricting public oversight and meaningful participation (Sari & Prameswari, 2022).

Based on the various challenges faced by Village-Owned Enterprises (BUMDes), this article aims to explore and analyze the actual conditions of a selected BUMDes as the object of study. The analysis focuses on identifying existing gaps in accountability practices, including governance structures, financial management, and transparency mechanisms. Through this examination, the article seeks to provide evidence-based policy recommendations that can enhance accountability and improve the overall performance and sustainability of BUMDes. These recommendations are intended to support village governments, BUMDes managers, and other stakeholders in

strengthening institutional frameworks and fostering more transparent, responsible, and community-oriented management practices.

## **II. METHODS**

### **2.1. Participatory Action Research (PAR)**

This study adopts a Participatory Action Research (PAR) approach. PAR is defined as a collaborative, democratic process that unites action and reflection, theory and practice, in participation with community members to pursue practical solutions for pressing local issues. This framework was selected because the project's core objective was not merely to observe the BUMDes managers but to work with them to improve their financial management capabilities, thereby fostering empowerment and sustainable change (Bueno, C.F, 2014). The research is thus framed as an investigation conducted with people, not on them, which blurs the traditional lines between researcher and researched and values the experiential knowledge of participants as integral to the inquiry. This aligns with PAR's fundamental goal of understanding the world by attempting to change it collaboratively. The project's focus on strengthening a village-level economic institution directly corresponds with PAR's established use in community economic development and social transformation.

The project was deliberately framed as a capacity-building intervention rather than a simple training exercise. This distinction is critical; while training imparts skills, capacity building aims to enhance an organization's long-term ability to achieve its objectives independently. BUMDes are recognized as key instruments for stimulating rural entrepreneurship and empowering communities in Indonesia (Kania & Alamanda, 2021). Therefore, the intervention was designed not just to transfer knowledge, but to build the internal human and systemic capacity necessary for the BUMDes to fulfill its economic development mandate, a goal that aligns perfectly with the transformative ethos of PAR (Latif, I, H., et al, 2024).

The research was structured around the classic PAR spiral of self-reflective cycles: (1) Plan, (2) Act, (3) Observe, and (4) Reflect.

- The Planning phase involved a preliminary needs analysis to understand the existing challenges in financial management at BUMDes Wukirsari.
- The Action phase consisted of participatory discussions and in-depth dialogue with BUMDes stakeholders to explore and assess the current operational, financial, and managerial conditions of BUMDes Wukirsari.
- The Observation phase involved the systematic collection of qualitative and quantitative data during the interactive sessions, including notes on governance structure, reporting practices, and community engagement.
- The Reflection phase involved analyzing the collected data and collaboratively formulating policy recommendations, aimed at improving financial accountability and informing future capacity-building strategies.

### **2.2. Research Setting and Initial Conditions**

The study was conducted at the Badan Usaha Milik Desa (BUMDes) in Wukirsari Village, Bantul Regency, Special Region of Yogyakarta, Indonesia. BUMDes are village-owned economic institutions established by the Indonesian government to manage local assets and resources, drive the rural economy, and improve community welfare (Kania & Alamanda, 2021). The current

situation at BUMDes Wukirsari, was characterized by significant challenges in financial management. These included the absence of a structured and accountable financial recording system, limited knowledge among managers regarding systematic budget preparation, and a heavy reliance on manual record-keeping practices.

These initial conditions are consistent with documented issues facing many BUMDes and Micro, Small, and Medium Enterprises (MSMEs) across Indonesia. Studies have repeatedly highlighted that low financial literacy, a lack of human resources with accounting skills, and inadequate adoption of technology are primary obstacles that hinder the growth, transparency, and sustainability of these vital local enterprises. The 2022 National Survey of Financial Literacy and Inclusion, for instance, found that financial literacy in rural Indonesia stood at only 48.43%, and a vast majority of MSMEs had not yet entered the digital ecosystem (Mat Noor, et al, 2023). This broader context underscores the urgency and relevance of the intervention, positioning BUMDes Wukirsari as a representative case for exploring effective capacity-building strategies.

### **2.3. Data Collection Procedures and Intervention**

Data was collected systematically throughout the PAR cycle, which took place from March to June 2025. The core intervention, a capacity building workshop, was conducted as a one-day event on May 20, 2025. The activity was attended by the BUMDes management, consisting of the Advisor, Supervisor, Director, Treasurer, Secretary, and representatives from each operational unit, namely the waste bank unit, restaurant unit, gas depot unit, business unit, minimarket unit, and online payment service unit. A multi-method approach to data collection was employed to ensure a comprehensive and triangulated understanding of the process and its outcomes.

## **III. RESULT AND DISCUSSION**

### **3.1. Results**

The international community service program with the theme "Strengthening Financial Accountability through Budgeting Training at the Village-Owned Enterprise (BUMDes) in Wukirsari, Bantul, Yogyakarta" has yielded meaningful outcomes, especially in enhancing governance, financial transparency, and managerial capabilities at the local enterprise level. The activity focused on deepening the understanding of financial accountability among BUMDes managers and stakeholders by offering practical training on budgeting principles, legal frameworks, and transparent financial reporting. Through the dialogues, presentations, and interaction, it is evident that BUMDes Wukirsari has made commendable efforts to build a sustainable and transparent business model while simultaneously facing contextual challenges that require innovative community-based solutions.

#### **1. Institutional Strengthening through Budgeting Practices**

One of the major results of the program was the improvement in institutional budgeting practices. BUMDes Wukirsari operates five distinct business units, including a minimarket, pangkalan gas (LPG distribution), a coffee shop, a tourism service unit, and handicraft production. Each unit is managed semi-independently under a system in which a designated head reports to the BUMDes central management. Through the training, it became clear that financial documentation such as profit and loss statements (*laba rugi*), balance sheets (*neraca*), and fund flow reports (*arus kas*) are now being produced quarterly and discussed during formal meetings. These are not only internally reviewed but also shared with broader stakeholders, including village government

officials, community leaders, and representatives of *musyawarah desa* (village deliberation councils). This structured communication loop has enhanced both transparency and accountability in BUMDes operations.

The budgeting training stressed the importance of consistency and clarity in allocating operational costs, setting revenue targets, and reinvesting profits for future growth. For instance, each business unit is required to report its monthly revenue and expenses, and all profits are centrally collected before being distributed or reinvested. This centralized control allows for more effective tracking and auditing. Furthermore, there is a clear mechanism for profit-sharing, where a portion of the revenue is designated for social welfare activities, such as religious events, educational support, and general community development. Such practices reflect a strong alignment between business sustainability and social responsibility, a principle emphasized during the training.

## 2. Understanding Legal Frameworks and Accountability Standards

Another critical outcome of the service program was increasing the understanding of legal parameters that govern BUMDes activities. A key reference was PP No. 11/2021 on BUMDes governance, which outlines the restrictions on how BUMDes capital, particularly from village fund injections, can be utilized. The regulation prohibits using capital for physical infrastructure development, emphasizing that all spending must directly support productive economic activities. This legal principle was previously misunderstood or underutilized, and the training clarified this point for all participants. The clarification helped BUMDes management to better differentiate between operational budgeting (e.g., purchasing goods for resale, paying staff, marketing) and non-eligible expenses (e.g., building construction, fixed asset enhancement without proper procedures). This understanding has shaped internal budgeting plans, ensuring that BUMDes expenditures remain compliant with national policies and reduce the risk of audit violations or mismanagement allegations. Additionally, the BUMDes has improved its reporting consistency by submitting reports to relevant village institutions on a scheduled basis internally every month and formally every three months.

## 3. Encouraging Strategic Growth and Diversification

The training provided space for the management to reflect on business diversification and strategic planning. Over the last few years, BUMDes Wukirsari has received capital injections totaling approximately IDR 152 million across various years, which have been allocated to establish and strengthen different business units. The financial support was disbursed in stages, such as IDR 30 million in 2022, IDR 50 million in 2023 for establishing the gas station, and a further IDR 60 million in 2024. Such financial planning underscores how budgeting and strategic investment are essential for enabling the gradual but steady expansion of BUMDes operations. The BUMDes leadership expressed a vision to continue innovating, including the possibility of launching new units, collaborating with local cooperatives (*koperasi desa*), and improving unit-specific branding. However, limited human resources remain a significant challenge. With only a few core staff managing multiple units, strategic delegation and managerial training as emphasized in the program will be essential to ensure sustainability.

## 4. Collaboration with Stakeholders and Community Participation

The training also helped reinforce the importance of collaboration and participatory governance. There were extensive discussions about the relationship between BUMDes and other local institutions, particularly *pokdarwis* (tourism awareness groups), youth organizations (*karang taruna*), and craft associations. While these groups often operate in parallel, the program stressed the value of integrated planning and resource sharing. For instance, some existing tourism assets like *kampung batik and kampung wayang* were developed independently of BUMDes, leading to missed synergy opportunities. The training advocated for more coordinated marketing, joint product development, and shared event organization to create a more unified village economic brand.

#### 5. Digital Transformation and Youth Engagement

Another theme emerging from the training was the need to embrace digital transformation. Participants discussed how other BUMDes across Indonesia have successfully used social media platforms such as Instagram, TikTok, and YouTube to build brand visibility, attract tourism, and connect with younger generations. The BUMDes Wukirsari team acknowledged their current limitations in this area but expressed readiness to involve local youth in developing digital content and brand campaigns. The idea of branding BUMDes as not just a business institution but also a cultural ambassador of the village gained traction. Through social media, BUMDes could tap into broader markets for their local products, such as bamboo handicrafts and food items, and potentially attract outside visitors during national holidays, as already evidenced by the surge in visitors during the Idul Fitri (*lebaran*) period. These digital efforts, if supported by adequate budgeting and trained human capital, could significantly boost income generation and awareness.

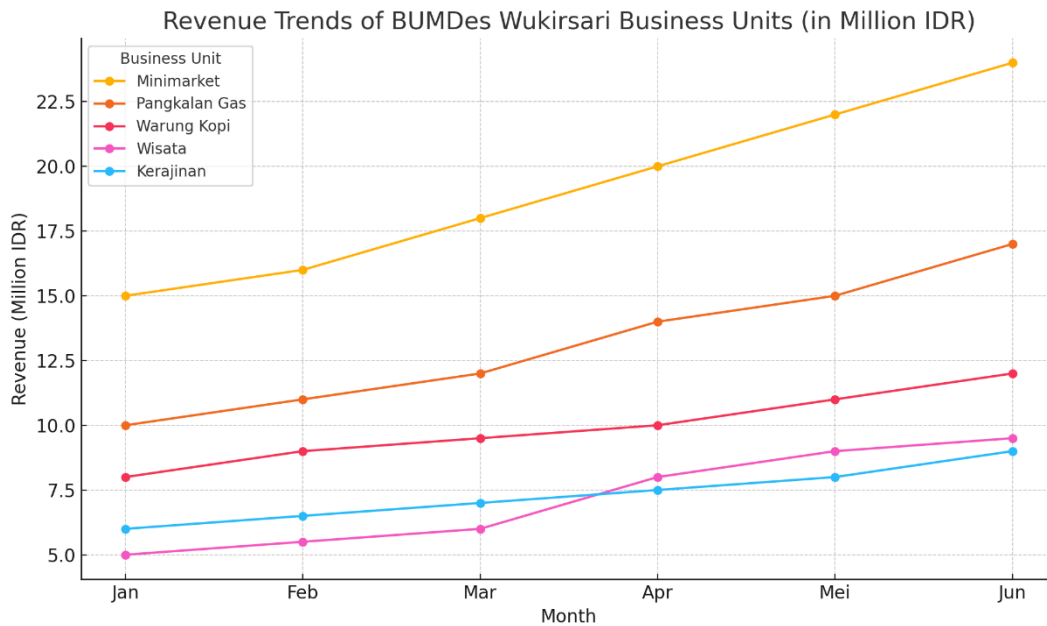
#### 6. Environmental Awareness and Waste Management

Although not the focus of the program, a discussion on environmental responsibility surfaced during the session. Participants raised concerns regarding waste management in business units such as the coffee shop and minimarket. Currently, there are informal efforts to segregate organic and plastic waste, and the village relies on external waste collection services. However, there is a need for more structured and innovative solutions, such as turning plastic waste into handicraft items a practice already seen in other parts of Yogyakarta like Gunungkidul. This topic highlighted the potential for future budgeting training sessions to integrate environmental impact assessments and promote green entrepreneurship within BUMDes.

### 3.2. Discussion

The results of the international community service program indicate that the budgeting training provided to BUMDes Wukirsari has contributed significantly to improving the village enterprise's financial accountability and transparency. The training emphasized not only the technical aspects of budgeting such as income and expenditure planning but also institutional accountability through regular reporting, adherence to regulations, and stakeholder engagement. The participants have begun to implement quarterly financial reports and share them during *musyawarah desa* (village deliberation forums), a critical step toward community-based financial transparency. However, for this momentum to be sustained and replicated across other village-owned enterprises, several policy-level interventions are needed, particularly in the domain of financial governance and accountability.

Figure 1: Graph of Turnover Development of BUMDes Wukirsari Business Unit (January-June 2025)



First, there is a need to strengthen regulatory literacy and compliance oversight among BUMDes management and village authorities. While the leadership at BUMDes Wukirsari is aware of PP No. 11/2021, which governs the use of village funds and prohibits their use for non-productive infrastructure investments, continued policy education is essential. It is recommended that local governments and village community empowerment agencies facilitate periodic policy socialization workshops and offer technical guidance on fund utilization (Sasongko, 2024); (Brahmayanti & Febrianto, 2023). This ensures that budgeting practices remain compliant and that village enterprises are not inadvertently at risk of legal violations or audit findings (Manggabarani et al., 2023).

Second, it is crucial to institutionalize standardized financial reporting mechanisms. Although BUMDes Wukirsari has initiated reporting routines, there is a pressing need to unify reporting formats across BUMDes in the region to promote comparability, clarity, and auditing readiness. Regional or district governments should develop standardized financial reporting templates (e.g., for balance sheets, profit-loss statements, and fund utilization logs) and support their adoption through technical training. This approach aligns with the Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP), which is the recommended guideline for BUMDes financial reporting. SAK ETAP requires comprehensive financial statements, including balance sheets, profit and loss reports, cash flow statements, changes in equity, and notes to financial reports, to ensure transparency and accountability (Laksmi & Amanda, 2025); (Romadhoni, 2023). Additionally, the use of digital financial systems should be encouraged to streamline documentation and improve the accessibility of financial information for internal and external stakeholders (Firmansyah et al., 2024).

To enhance the accuracy and clarity of financial reports, it is also recommended that village enterprises utilize basic technology tools, such as Microsoft Excel spreadsheets or user-friendly

accounting software (Ludigdo et al., 2024). The use of Excel, for example, can assist in automatically calculating profit margins, tracking cash flows, and organizing expenditures into structured categories, reducing the risk of human error in manual calculations. For more developed units, adopting simple accounting platforms such as Accurate Lite, Beecloud, or SIAP BUMDes—which are specifically tailored for small and medium-sized enterprises in Indonesia—can further professionalize the reporting process. These tools can standardize financial statements, generate automated reports, and facilitate easier communication with auditors and village stakeholders. Supporting BUMDes personnel with training in these digital tools should be prioritized in future community service programs or district government capacity-building agendas (Salehi et al., 2023).

Another core recommendation is to enhance financial transparency through structured disclosure channels (Iswanto & Prasetyo, 2024); (Ekawati & Sari, 2024). As village-owned enterprises are partially funded by public money, they carry an obligation to communicate financial performance not only to internal boards but also to the community at large. Policy should therefore mandate or encourage public access to simplified financial summaries, such as posting key figures on information boards, websites, or community WhatsApp groups. This helps reduce information asymmetry and builds public trust in the institution's financial stewardship.

Moreover, the discussion also highlighted the importance of performance-based budgeting as a strategy to strengthen accountability in financial planning (Priatsaleh & Sinambela, 2025). Rather than relying on fixed disbursements, future policies should encourage BUMDes to adopt budgeting systems that link funding allocations to measurable outcomes and past performance indicators. This could be supported by establishing a performance benchmarking system among BUMDes at the district level, enabling peer comparison and incentivizing better financial management (Suwanda et al., 2021).

Equally important is the need to build capacity in strategic financial planning (Kusmantini et al., 2025). The budgeting training revealed gaps in long-term financial forecasting and reinvestment planning among BUMDes managers. To address this, it is recommended that governments and academic institutions co-develop modular training programs in financial modeling, budgeting cycles, and capital management specifically designed for rural enterprises. These programs should also include risk assessment modules and guidance on using data for decision-making. As seen in Wukirsari, profit reinvestment rising from IDR 9.2 million in 2022 to IDR 24 million in 2024 demonstrates the critical link between financial literacy and enterprise growth.

Finally, to reinforce accountability mechanisms, it is essential to formalize internal and external audit structures. While BUMDes Wukirsari has already introduced internal financial oversight and quarterly reporting, these processes can be further strengthened through community-based audit teams or periodic third-party reviews. Such structures not only detect discrepancies but also serve an educational function, fostering a culture of integrity and accountability across the organization.

#### **IV. CONCLUSION**

This study highlights the significant impact of a Participatory Action Research (PAR) approach in enhancing the financial governance capacity of village-Owned Enterprises (BUMDes) in Wukirsari, Bantul Regency, Yogyakarta. The intervention demonstrated tangible improvements in financial management practices, transparency, and accountability, reinforcing the potential of

community-driven initiatives for sustainable rural development. Key achievement of the intervention is improved financial literacy and practices, enhanced transparency and accountability, adoption of digital financial recording and fostering collaboration and integrated systems. It is recommended that follow-up intermediate training be provided to further explore financial position reports and cash reconciliation, and to develop mutually agreed BUMDes reporting and internal audit Standard Operating Procedures (SOPs). The study confirms that BUMDes can function not only as local economic entities but also as ecosystems for collective learning and social transformation when managed with a reflective and participatory approach. This approach, focused on empowering BUMDes through local needs-based training and active participation, tends to be more sustainable than conventional training methods.

In summary, the international community service program has made a tangible impact on improving the budgeting practices, financial accountability, and strategic capacity of BUMDes Wukirsari. It facilitated a deeper understanding of legal frameworks, encouraged systematic reporting, promoted social responsibility, and opened up pathways for digital innovation and community integration. As BUMDes continues to evolve, the knowledge and insights gained from this program will be instrumental in guiding its transition toward a more accountable, sustainable, and inclusive rural enterprise. The program has laid a strong foundation for improving financial accountability at the village enterprise level. However, policy interventions are necessary to ensure that good practices in budgeting and financial transparency are institutionalized and scalable. These include strengthening regulatory compliance, adopting standardized and digital financial reporting systems, promoting public disclosure, integrating digital tools such as Excel or accounting software, linking budgeting to performance outcomes, and enhancing financial planning capacity. Through these targeted recommendations, BUMDes can be better positioned as transparent, accountable, and resilient actors in Indonesia's rural economic development agenda.

## V. ACKNOWLEDGMENTS

The authors would like to express their sincere appreciation to the Faculty of Economics and Business, Universitas Negeri Jakarta (FEB UNJ) for its continuous support, guidance, and facilitation throughout the implementation of this international community service program. Special thanks are also extended to BUMDes Wukirsari, Bantul, Yogyakarta, for their active participation, openness, and collaboration during all stages of the project. Their willingness to engage in dialogue, share insights, and adopt new practices played a pivotal role in the success of the intervention. This initiative would not have been possible without the strong partnership and shared commitment to strengthening financial accountability and promoting sustainable rural development.

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