

Implementation of Good Corporate Governance (GCG) in the Financial Management of Bumdes in Karella Village, Mare Subdistrict

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Abstract: This study aims to examine the application of Good Corporate Governance (GCG) in the financial management of Village-Owned Enterprises (BUMDes) in Karella Village, Mare Sub-district. GCG is expected to improve transparency, accountability, and effectiveness in BUMDes financial management, which in turn can strengthen the village economy and improve community welfare. This research identifies various GCG principles applied, such as information disclosure, management responsibility. The method used in this research is a case study with a qualitative approach, through interviews with BUMDes managers, and the local community. The results of this study show that although the savings and loan system at BUMDes has provided benefits to the community in the form of easy access to loans, there are still some challenges in terms of risk management, supervision, and the level of community understanding of the financial products offered. In addition, although the level of community participation is quite high, several constraints related to limited capital and low loan repayment rates are still an obstacle in the financial management of BUMDes. This study concludes that the implementation of GCG in BUMDes Karella can be an effective model in improving the financial performance of BUMDes, but requires continuous improvement in terms of training and supervision systems.

Keywords: Good Corporate Governance, Pengelolaan Keuangan, Bumdes, Desa Karella, Transparansi, Akuntabilitas

Introduction

BUMdes has been programmed since 2014 since the enactment of Village Law No. 6 of 2014 concerning Villages. Village Law No.6 of 2014 states that in the course of the statehood of the Republic of Indonesia (Irawan). Villages have developed in various forms so that they need to be protected and empowered to become strong, advanced, independent, democratic so that they can create a strong foundation in carrying out governance and development towards a just, prosperous and prosperous society. Village-owned enterprises (BUMdes) are managed by the village government, and are legal entities. The Village Government can establish Village-Owned Enterprises in accordance with the needs and potential of the Village. The establishment of a Village-Owned Enterprise consists of the Village government and the local Village community, the capital of the Village-Owned Enterprise can come from the Village government community

savings, government assistance, Provincial government and Regency/City government, loans, or equity participation of other parties or profit-sharing cooperation on a mutually beneficial basis (Paramita et al, 2021).

The establishment of Bumdes is based on the Law of the Republic of Indonesia No.6, (2014 concerning Villages in article 87 paragraph (1) which reads, "Villages can provide Village-Owned Enterprises called Bumdes" and paragraph (2) which reads, "Bumdes is managed with a spirit of kinship and mutual cooperation" and paragraph (3) which reads, "Bumdes can carry out its business in the economic sector and public services in accordance with statutory provisions"(Ramadana, 2013). Sofyani et al. (2019) argue that the success of BUMDes largely depends on good governance practices that prioritize transparency, accountability, and community participation, highlighting the importance of proper financial management systems.

For 2024, Bone Regency received a Village Fund allocation of IDR 284.7 billion, which has increased compared to the previous year. These funds are used for various village development programs, including capital participation for Village-Owned Enterprises (BUMDes). This capital participation is one of the priorities in the use of the Village Fund, as stated in the central government policy. The main objective of this allocation is to encourage economic growth in villages by strengthening BUMDes as drivers of the local economy. In addition to the Village Fund allocation, in 2024 Bone Regency received IDR 9.1 billion from DIDs, which was distributed to 63 villages. This fund aims to strengthen the capacity of BUMDes through business development, capital improvement, and management of village economic potential. With these funds, it is expected that BUMDes can innovate and create new business opportunities that improve the welfare of the community. The use of these funds is supervised by the local government, with an emphasis on transparency and accountability in management . This is important because Bumdes play a strategic role in village economic development, especially in sectors such as agriculture, fisheries, and tourism.

The existence of Bumdes is expected to have a good effect on the surrounding rural community. Therefore, it is necessary to apply proper financial management so that the activities carried out by Bumdes can run well and smoothly. As well as the existence of Bumdes is expected to bring back a sense of social democracy in the village through increasing the capacity of the village community regarding the management of Bumdes on an ongoing basis and can also increase village community participation in Bumdes (Indahwati et al, 2024).

The importance of sound financial management in BUMDes is highlighted by Utama et al. (2021), who found that accountability and transparency significantly influence public trust and operational sustainability. This is particularly relevant for Karella Village's BUMDes, which has been operating since 2016 as a transition from the Village Economic Business Savings and Loan program. Lestari et al. (2021) suggest that implementing Good Corporate Governance principles enhances financial performance and operational efficiency in village enterprises, particularly in savings and loan services that form the primary business activity of Karella Village's BUMDes.

Karella Village is one of the villages that has established BUMdes as a financial institution in improving the economy in the village. The BUMdes business in Karella Village is savings and loans. The development of this program implemented by the government has a positive impact on rural communities who are still in the poverty category, because with this program they can get capital to develop businesses or other businesses.

BUMdes in Karella Village has been established since 2016, is a transition from the Village Economic Business Savings and Loan program that has been running since 2016. The government wants it to have a legal entity because previously the savings and loan village economic business did not have a legal entity, and in order to develop the community's economy. BUMdes was established with clear objectives. These objectives will be realized among others by providing services for productive businesses, especially for the poor in rural areas, creating equity, business opportunities and increasing the income of rural communities.

BUMDes funds in Karella Village fluctuate from year to year. In 2016, the village received an allocation of IDR 50 million, which increased to IDR 80 million in 2017. However, in 2023, the funds received dropped significantly to IDR 20 million. These changes reflect the challenges that villages face in managing and utilizing the funds, which can be caused by various factors, including government policies and local needs. Secondly, despite the decrease in funding, it is important for Bumdes managers to focus on managing businesses that are in line with the village's potential. In addition, transparency and accountability in fund management are key to building community trust, ensuring that each allocation is used appropriately and has a positive impact (Prasetya, 2020).

According to research conducted by Widiastuti, Bumdes does not yet have an accounting and financial reporting policy, the Bumdes business form has carried out simple financial recording with a ledger, but must be supported by standardization of recording in ledgers and transaction documents to improve data reliability. While the financial statements prepared by Bina sejahtera Bumdes have been integrated, the financial statements have contained financial statements in their preparation. Disclosure of financial statements includes the current condition of the financial situation, which can improve the performance of Bumdes. Meanwhile, research conducted by Akbar in BUMDes Sidobandung explains the role of good governance in improving performance. This research is supported by research from Rosmaidah and Handayani which states that the application of good governance with the principles of transparency, accountability, role of low, and responsiveness has been carried out optimally, but there are still principles of vision strategy that must be evaluated (Pratiwi, 2016).

The research conducted by Firdaus and Faisol based on the principle of financial management has not met the standards of good management, this is because the sense of responsibility in management has not been formed comprehensively. From the existing research, this study aims to increase knowledge about performance in improving good governance based on the principles of corporate governance. By analyzing the principles of transparency, accountability, responsibility, independence and fairness in the

Implementation of savings and loans in order to build the trust of potential investor members, and other stakeholders in the activities of Bumdes savings and loans and can become a more operational, trustworthy and sustainable institution in contributing to the village economy and community welfare (Niar et al).

From existing research, this research aims to increase knowledge about performance in improving good governance based on the principles of corporate governance. By analyzing the principles of transparency, accountability, responsibility, independence and fairness in the application of savings and loans in order to build the trust of potential investor members, and other stakeholders in Bumdes savings and loans activities and can become a more operational, trustworthy, and sustainable institution in contributing to the village economy and community welfare. From some of the previous research above, the difference with my research title focuses on how the principles of good governance (transparency, accountability, responsibility, independence, and fairness) can be applied to improve the management and financial management of BUMDes, the application of Good Corporate Governance is expected to improve the aspects found in previous research, namely the preparation of clear accounting policies and an increased sense of responsibility in financial management. Thus, the implementation of Good Corporate Governance aims to create a more professional, accountable, and transparent management system, which can improve the overall financial performance of BUMDes.

Methodology

This research employs a qualitative approach to describe and explain the application of Good Corporate Governance (GCG) principles in the financial management of the Village-Owned Enterprise (BUMDes) in Karella Village, Mare District, Bone Regency, South Sulawesi. The research was conducted over approximately 3 months after receiving recommendation from IAIN Bone, utilizing two types of data sources: primary data from 5 potential informants, and secondary data from literature reviews including journals, articles, books, and official documents (Teguh, 2005). The research subject focuses on the implementation of GCG principles, while the research object is the financial management of BUMDes in Karella Village.

Data collection techniques were carried out through three methods. First, direct observation to systematically examine the research object. Second, interviews with the Village Head and related parties to obtain objective data regarding the implementation of BUMDes governance. Third, documentation in the form of written records, images, and other relevant documents as complementary to observation and interview data (Lexy, 2002).

Data analysis was conducted through three interactive stages. The first stage is data reduction to select important information and focus on the research theme. The second stage is data display, presenting data systematically based on categorization of the reduction results. The third stage is conclusion drawing and verification, where initial conclusions may change if not supported by strong evidence, but become credible when supported by adequate evidence from further data collection (Hartono, 2018).

Result and Discussion

Karella is one of the villages in Kecamatan Mare, Bone Regency, South Sulawesi. Mare sub-district is one of 27 sub-districts in Bone Regency. It has an area of 263.48 km and is located in South Bone. South Bone is mostly coastal, but Karella village is located in an area with a hilly topography and surrounded by agricultural and plantation areas. Mare sub-district consists of 18 villages and 1 kelurahan, positioned between the Watampone-Sinjai axis road and 35 km from the regency town, with Cina sub-district to the north, Sibulue sub-district to the east, and Tonra sub-district to the south. The majority of people in Karalla Village work as farmers and ranchers, with most of their land used for rice, corn and vegetable farming (Faisal, 2019).

This study aims to analyze the application of good governance in the financial management of BUMDes in Karella Village, Mare Kec. In managing a BUMDes, it is necessary to apply the basic principles of good corporate governance. This analysis was conducted with reference to the main principles of GCG: transparency, accountability, responsibility, independence, and fairness (Kelvianto, 2018).

1. Principle of Transparency

Transparency is a key principle in BUMDes financial management, where financial reports must be disclosed to the village government and community so that they can be monitored and evaluated (Ana & Ga, 2021). From interviews with BUMDes administrators, it is known that they already have a fairly good financial recording and reporting system, with daily records that are recapitulated monthly and compiled in quarterly reports and annual reports.

Every financial recording and reporting in BUMDes in Karella Village is well-structured. Recording is done manually in a daily cash book and also facilitates monthly recapitulation. Financial reports are made every month and recapitulated in an annual report which is then submitted to the government. However, although there is a clear recording mechanism, the biggest challenge is the disclosure of information to the community. Although reports are published, many residents do not know how to access them.

Transparency in BUMDes financial management has been well implemented through daily financial recording systems and monthly to annual reports. This information is conveyed to the village government and also published through village meetings and announcement boards at the BUMDes office. However, the main challenge is the lack of information accessibility by the community. Many residents do not know that these reports are available or how to access them. Although BUMDes has implemented a clear recording system, transparency measures have not been fully effective. One solution that can be applied is utilizing digital media such as village WhatsApp groups or village websites to disseminate information more widely. In order for BUMDes management to perform their duties well, an appropriate reward system is needed to stimulate motivation in working. The size of the rewards for BUMDes managers should be calculated based on the profits that can potentially be achieved and

communicated to BUMDes managers from the beginning to foster a sense of responsibility when carrying out their duties.

2. Principle of Accountability

In BUMDes financial management, transparency and ease of access for the community are important factors to ensure accountability (Nurfaisal et al., 2024). BUMDes has attempted to provide access to financial reports to the community, however, its effectiveness still faces several challenges, especially in how this information is delivered and understood by residents. Regarding the principle of Accessibility in BUMDes fund management.

Although financial reports are available, their accessibility remains limited. Residents who do not attend village meetings or do not come to the Village Office tend to be unaware of or unable to access financial reports. Solutions that can be implemented include utilizing digital media such as WhatsApp or village websites to disseminate information more widely.

Accountability in BUMDes financial management is evident from the financial reports that are created periodically and submitted to the village government and community through village meetings. However, not all residents know that they can access these reports. BUMDes management has provided mechanisms for residents who wish to see financial reports in more detail, but community participation in accessing these reports remains low. To improve accountability, there needs to be a more active socialization strategy so that the community understands the importance of financial reports and becomes more involved in overseeing BUMDes funds. Steps that can be implemented include involving residents in open discussions and holding training on financial transparency.

The chairperson or director of BUMDes is one of the most important members of BUMDes. The BUMDes chairperson is the person who plays an important role in planning and implementing BUMDes. The chairperson or director of BUMDes is tasked with explaining to the organization and to outside parties about the vision, mission, programs, and operations of BUMDes. For this reason, it is necessary to formulate selection criteria based on the following categories: having relevant background and experience, leadership and strategic expertise, technical ability, public relations skills (providing information for work, resolving conflicts, solving problems) and managerial ability.

3. Principle of Responsibility

As a village economic institution, BUMDes is not only responsible for financial aspects but also for providing direct benefits to the community. Besides managing businesses to increase village income, BUMDes must also play a role in improving residents' welfare through various social and economic programs (Utami et al., 2019). Therefore, it is important to ensure that the programs implemented truly provide positive impacts for the community. However, in practice, the effectiveness of these programs still faces several challenges, particularly in benefit distribution and community participation in oversight.

BUMDes does have several programs that provide direct benefits to the community, such as savings and loan programs with low interest rates. These programs are designed to help residents improve their economic status and reduce dependence on loan sharks or other more expensive financing sources.

BUMDes is not only responsible for fund management but also for providing benefits to the community. One of the main programs is a savings and loan system with low interest rates aimed at helping small traders and farmers obtain business capital. This program has had a positive impact on residents who need business capital, but there are challenges in terms of equal distribution of benefits and supervision of loan fund usage. The savings and loan program run by BUMDes is quite effective, but still needs further evaluation to ensure that funds are truly channeled to those in need and that their use is on target. Evaluation strategies that can be implemented include community satisfaction surveys and regular monitoring of beneficiaries.

BUMDes is a social enterprise that has two functions: first, seeking profit, and second, solving social problems. BUMDes' function in solving social problems is a social responsibility that must be carried out in the village. There are several important reasons why BUMDes must carry out its social responsibility: first, BUMDes is an integral part of the village community and therefore it is reasonable for BUMDes to pay attention to the interests of the village community as one of its main stakeholders. BUMDes must realize that organizations operate within a social environment of the village community, social responsibility activities function as compensation or reciprocal efforts for expansion, as well as social compensation due to consequences arising in the village community. In gaining community support, it is reasonable that BUMDes is required to make positive contributions to the surrounding community so that harmonious relationships can be created and even boost the BUMDes corporate image. Third, BUMDes social responsibility activities are one way to reduce or even avoid social conflicts that occur.

4. Principle of independence

The financial accountability mechanism in Village-Owned Enterprises (BUMDes) is a crucial element that ensures transparency and accountability in village fund management (Suryani & Gaol, 2025). Every financial transaction must be properly recorded, reported periodically, and accessible to the village government and community. However, although procedurally this system already exists, there are still challenges in its implementation, especially regarding community understanding and involvement in monitoring financial reports.

The BUMDes financial accountability mechanism has a clear structure, but its implementation still faces several obstacles. In terms of report preparation, BUMDes has implemented daily recording, monthly recaps, and quarterly and annual reports submitted to the village government. Internal evaluations are also conducted before reports are submitted to ensure accuracy and transparency. However, many community members still do not understand how these reports are compiled or how they can access them.

Regarding the reporting schedule, BUMDes has routinely submitted quarterly and annual reports to the village government, but information about this schedule has not been widely disseminated among the community. Many residents do not know that they can actually request access to financial reports or attend village meetings to get more information.

Independence in BUMDes financial management is evident from the orderly recording mechanisms, periodic reports, and internal audits before financial reports are submitted to the village government. However, the main challenge is the lack of community understanding regarding the financial reporting process and accountability mechanisms. To improve independence and community participation in oversight, there needs to be better socialization regarding reporting mechanisms and financial accountability. One solution is to provide training for residents on how to read financial reports so they can be more involved in the monitoring process.

5. Principle of Justice

The principle of fairness in BUMDes management is very important to ensure that all members and village communities have equal opportunities to participate in business activities and enjoy the benefits (Manurung et al., 2023). BUMDes, as a village economic institution, must be able to distribute business benefits evenly and transparently to all residents. However, in practice, there are often still challenges in ensuring that every village resident has equal access to programs and information related to village fund or asset management. Therefore, there needs to be a clear mechanism to guarantee transparency and openness in the implementation of BUMDes programs.

The principle of fairness in BUMDes management aims to ensure that every resident has an equal opportunity to benefit from BUMDes. Information about BUMDes programs has been announced through village meetings and announcement boards, but there are still residents who feel that access to this information is not widespread enough. Equal access to information and opportunities to benefit from BUMDes must be improved. One way that can be done is to use more effective communication methods, such as conducting direct socialization to community groups or using village social media.

Conclusion

The implementation of Good Corporate Governance (GCG) in the financial management of BUMDes in Karella Village has been running well in several aspects, especially in terms of transparency and accountability. However, there are still obstacles in supervision and community understanding of BUMDes financial management. Although BUMDes has implemented a clear recording system, transparency measures have not been fully effective. One solution that can be applied is utilizing digital media such as village WhatsApp groups or village websites to disseminate information more widely. Several GCG principles that have been applied include: 1) transparency, although financial reports have been prepared, their presentation is not yet optimal for the general public, 2) accountability, financial management already has a recording system, but still needs better standardization, 3) independence, decision making in BUMDes, 4) responsibility, BUMDes

has tried to provide economic benefits for the community, but does not yet have a clear social responsibility policy, 5) fairness, the distribution of benefits is still not evenly distributed, especially in access to capital for small communities.

BUMDes is not only responsible for fund management but also for providing benefits to the community. One of the main programs is a savings and loan system with low interest rates aimed at helping small traders and farmers obtain business capital. This program has had a positive impact on residents who need business capital, but there are challenges in terms of equal distribution of benefits and supervision of loan fund usage. The savings and loan program run by BUMDes is quite effective, but still needs further evaluation to ensure that funds are truly channeled to those in need and that their use is on target. Evaluation strategies that can be implemented include community satisfaction surveys and regular monitoring of beneficiaries. BUMDes is a social enterprise that has two functions: first, seeking profit, and second, solving social problems. BUMDes' function in solving social problems is a social responsibility that must be carried out in the village.

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