

## Dissecting of BUMDes Transparency Based on Governance Principles

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### ABSTRACT

This study has the purpose to convey in-depth information on the phenomenon of the concept of transparency regarding minimizing irregularities in the use of funds, preventing public districts, and achieving organizational goals. Observational data, interviews, and documentation were used as the basis for collecting qualitative data. An interpretive descriptive approach is used as a research methodology with the Yin, 2009 case study. Disclosure of the concept of transparency in the accountability of implementation, reporting, and liability of BUMDes Wija Sari shows orderly, budget discipline, participation, accountability, open system, clear and easy to understand standardization, precautionary principles, honesty, promptly, and policy announcements regarding revenue, financial and asset management. The theoretical and practical implications of research can be used as a reference and contribute to management and stakeholders in implementing the concept of transparency. The result shows that BUMDes Wija Sari have already applied the transparency principle in its every process. As a highly regulated organization, the key to successful BUMDes transparency has great potential to be replicated by other BUMDes. The limitation of this research is that the researcher only uses informants who are the main key to BUMDes transparency.

**Keywords:** Accountability, BUMDes, Implementation, Liability, Reporting, Transparency.

## **INTRODUCTION**

According to Amerieska, Andhayani, and Nugrahani (2021), BUMDes is to accomplish the social goals and does not have to maximize profits. Hambali and Niode (2019) state that BUMDes essentially improves the productive economic activities by seeking other business opportunities to increase BUMDes and village incomes. With that being said, finances are one of the important factors in BUMDes. Wijaya (2018) in his study, mentioned that the finances of BUMDes are managed based on accountability, transparency, and participation which are carried out in an orderly and budgetary discipline. This has been carried out by the BUMDes Wija Sari in Samsam Village, in addition to the BUMDes Amarta Patas Singaraja, BUMDes Berjo Ngargoyoso Karanganyar, and BUMDes Gema Matra Puncak Sari Buleleng which are experiencing transparency problems which lead to budget abuse amid the Covid-19 pandemic (Hakim & Svinarky, 2022). BUMDes is one of the village community economic institutions whose funds are transferred through the Village Fund so it is often associated with governance and transparency (Sujarweni, 2015; Syam, Suratno, & Djaddang, 2021; Wijaya, 2018). Increasing the level of public trust in public sector organizations is often associated with governance where the principle of transparency is part which is also linked to stewardship theory (Pasoloran & Rahman, 2001). Both of these theories place the principle of transparency as the main key to organizational management, especially in the accountability stage of accountability (Mardiasmo, 2006; National & Governance, 2008). The reason is that managers prioritize common interests rather than individual interests for organizational goals (Donaldson & Davis, 1991).

National & Governance (2008) discover that the principle of transparency is one of the indicators of governance. Meanwhile, stewardship theory is often with governance to ensure that the obligations and duties carried out have been carried out by applicable regulations (Donaldson & Davis 1991; Pasoloran & Rahman, 2001). Therefore, Sujarweni (2015) states that the principles of governance that make written reports of every activity carried out by the public sector organization must be accountable to all levels of society openly. Transparency contains elements of disclosure and provision of adequate and easily accessible information by stakeholders (Pratolo, 2008). With that being said, it is reasonable if Mardiasmo (2009) mentioned that transparency is needed so that public supervision can be carried out objectively. Therefore, on top of the research, the literature reviewed shows that transparency is the key to governance practices to manage finances and report accountability to avoid budgets (National & Governance, 2008; Nordiawan, 2009; Sujarweni, 2015).

Research studies that discuss the principle of transparency in an organization have been widely studied. However, not many people know about the principle of transparency using the case study research method id BUMDes, especially those BUMDes that have met the requirements for the legality principle of a legal entity through the Ministry of Law and Human Rights. BUMDes Wija Sari has been legally registered in the database of the Directorate General of General Legal Administration with the Number: AHU-01114.AH.01.33. 2021 since December 15<sup>th</sup>, 2021. In order to determine case boundaries, this research terminology examines the principle of transparency in the management of BUMDes Wija Sari in the accountability of administration, accountability of reporting, and accountability of liability based on the regulation of the Minister of Home Affairs Regulation Number 20 of 2018 concerning Management Village Finance in Article 1 Paragraph 6 which is adjusted to the principles of governance.

## **LITERATURE REVIEW**

### **Stewardship Theory**

Stewardship theory features a situation in which managers prefer the main outcome goals for the organization benefit rather than individual goals (Donaldson & Davis, 1991; Davis, Schoorman, & Donaldson, 1997). Since the beginning of its development, accounting for public sector organizations, such as government organizations, was devised to satisfy the information needs of the relationship between stewards and principals (Imran, 2015; Van Slyke, 2007). Therefore, it is in line with Pasoloran and Rahman (2001) who bring up that particularly BUMDes is very suitable when associated with Stewardship Theory. Public sector organizational accounting is useful for meeting information needs between stewards and principals. Therefore Donaldson & Davis (1991) state that the contractual relationship between principals and stewards is based on trust, honesty, and collectively organizational goals.

### **Governance Theory**

According to Mardiasmo (2002, p. 21), he states that accountability is broader than stewardship. While accountability focuses on accountability by a steward to the giver of responsibility, stewardship aims at economic and efficient activity management without the obligation to report. The concept of accountability is one of the important indicators of governance (Coy, Fischer, & Gordon, 2001; Nofianti, 2004; Nasional & Governance, 2008). Governance is directed at reducing information asymmetry between principals and stewards (Iswahyudi, Triyuwono, & Achsin, 2017). Governance arises due to the increasing complexity of accounting issues for the administration of trustworthy government, good governance, good and responsible governance, and clean governance (Effendi, 2005; Nasional & Governance, 2008; Iswahyudi, Triyuwono, & Achsin, 2017).

### **Transparency**

Transparency deals with excess information ease about public resource management activities that organizations provide to stakeholders (Mahmudi in Anggraini, Heriningsih, & Windyastuti, 2021). The transparency principle needs to be carried out as the provision of information to the public in the context of fulfilling public rights as being applied by accountability (Mardiasmo, 2002). One of the implementations of transparency principles and objectives in public sector organizations is to provide honest and open financial information to those with the right to know openly the responsibility for resource management entrusted to them and their law and regulation compliance (Nordiawan, 2009; Sujarweni, 2015). This underlines the necessity of an information and accessible documentation system about formulation pattern and content of laws and regulations and public policies the implementation of which is managed by each public sector organization (National & Governance, 2008). The implementation of BUMDes in its transparency is also needed in the context of preparing, using the budget and the decision-making process or reporting policies for its account, allowing the public to review and oversee the implementation of government (Iswahyudi, Triyuwono, & Achsin, 2017). Not only that, Rahmayati and Chrystiana (2019) also mentioned that Transparency assures access for everyone to get information about government administrations.

Transparency carried out by BUMDes Wija Sari will ultimately create horizontal accountability between BUMDes managers and the Samsam Village Community to realize good governance. To determine the boundaries of the case study, in this study the accountability terminology used refers to Permendagri Number 20 of 2018 concerning Village Financial Management in Article 1 Paragraph 6 which states that village financial management whose funds are transferred to BUMDes include

accountability of administration, reporting, and liability. The existence and application of the main characteristics of accountability of administration, reporting, and liability.

## **RESEARCH METHOD**

The case study method used in this research is considered appropriate to present a success story in dissecting the transparency principle of BUMDes Wija Sari based on governance principles. According to Bungin (2011, p. 20), Qualitative research is required to gain access to research subjects and objects. Obtaining research permits to access subjects as informants and objects as research sites is not so difficult, because the researcher herself is a member of the Samsam Village community. So that if you meet with informants it is not difficult to find an approach time because outside the working hours of BUMDes Wija Sari, researchers often meet and have conversations that are considered important and can be recorded. This record count as research results by the limits of the case of accountability of administration, reporting, and liability. Interview, documentation, and observation data are used as qualitative research data (Creswell, 2013, p. 135). This study uses key informants, namely Key Informants and Validator Informants. The key informants are the Chairman (K1) and the Treasurer (K2) of BUMDes Wija Sari who know the management and practice of the principle of transparency while the Secretary Supervisory Board of BUMDes Wija Sari (K3) is the validator informant to validate the truth of the key informants. In accordance with Yin (2009), the validation approach is carried out with a data triangulation process.

## **RESULTS**

### **Accountability of Administration BUMDes Wija Sari**

**Table 1.** Importance of Accountability of Administration

No	Importance of Accountability of Administration
1	Reports regarding cash receipts, disbursements, and financing are made with a system of openness and transparency.
2	Reports regarding cash receipts, disbursements, and financing are made promptly.
3	The administration of BUMDes Wija Sari is accountable.

At the administrative, implementing openness, transparency, and promptness means good governance implementation. The principle of openness and the principle of transparency have different characteristics. The principle of openness carried out by BUMDes managers is the disclosure of information obtained and there is the active involvement of other parties. Through interview data and field observations, the principle of openness is used as an object of discussion between managers and the supervisory board, village heads, and the community as other parties. Every activity carried out must also be open to increasing trust, especially the village community who later have the potential to become customers who help in terms of funding.

In line with this, the principle of transparency applied by BUMDes is not separated from the principle of openness. The principle of transparency in BUMDes Wija Sari means passive, which announces information and makes reports promptly. Transparency guarantees access to obtain information about cash receipts, cash disbursements, financing, and other receipts, the process of making and implementing it as well as the results achieved in administration.

Accountability, openness, and transparency are some of the principles applied in village financial management, especially in the administration of BUMDes to realize good governance in BUMDes and are closely related. Accountable, open, and transparent

financial management is the submission of financial administration reports that meet timely principles and are prepared by the standards applicable in Permendagri Number 20 of 2018, Regulation of the Minister of Villages, Development of Disadvantaged Regions and Transmigration of the Republic of Indonesia Number 3 of 2021 concerning Registration, Data collection and ranking, Guidance and Development, and Procurement of Goods and/or Services for Village-Owned Enterprises/Village-Owned Enterprises Together and AD/ART BUMDes Wija Sari.

### **Accountability of Reporting BUMDes Wija Sari**

**Table 2.** Importance of Accountability of Reporting

No	Importance of Accountability of Reporting
1	Accountability of reporting of the implementation makes the income statement and balance sheet prepared in an orderly manner.
2	Accountability of reporting is participatory.
3	Accountability of reporting of the implementation makes profit and loss statements, and balance sheets prepared by clear and easy-to-understand standards.
4	Announcement of accountability of reporting whose implementation is to make profit and loss reports and balance sheets regarding policy announcements regarding income, financial, and asset management.

The implementation of reporting when linked to governance means that nothing is hidden. At the reporting, BUMDes Wija Sari applies the principle of order, makes profit and loss reports and balance sheets by clear and easy-to-understand standards, and makes policy announcements regarding participatory income, financial, and asset management. The principles described at the reporting stage are indicators of the principle of transparency in implementing governance because of the complete disclosure of information to those in need. The existence of orderly information, which is easily understood and accessed by the public, including profit and loss reports and balance sheets related to information regarding funds, methods of implementation, and forms of assistance or programs which are then posted on bulletin boards as organizational publication media and guidelines for disseminating information is the implementation of good governance in BUMDes management. The participatory reporting stage accountability means that each village community concerned has the right to be involved in any reporting that will be reported by the specified time. Its relationship with governance is related to decision-making either directly or indirectly.

### **Accountability of Liability BUMDes Wija Sari**

**Table 3.** Importance of Accountability of Liability

No.	Importance of Accountability of Liability
1	Accountability of liability applying the precautionary principle.
2	Accountability of liability applies the principle of budget discipline.

Accountability of liability applies the principles of prudence and budgetary discipline. These two principles, when linked to the principle of transparency in governance, meaning that they can provide an overview of the journey of BUMDes. The precautionary principle is a principle or principle that states that BUMDes in carrying out their functions and business activities must be careful to protect public funds entrusted to them because the accountability report is the final report to explain the healthy condition of the BUMDes. Accountability reports also include income statements and balance sheets related to cash receipts and disbursements as well as financing that occurred in the final year of the budget. The report will also be assessed and measured whether the delivery of the work plan and its realization has implemented budget discipline to realize governance.

## **DISCUSSION**

In order to improve the principles of transparency, management performance, protect stakeholders and improve compliance with the regulations of the Permendagri, Permendes, and AD/ART, as well as generally accepted ethical values in village community organizations, especially BUMDes Wija Sari Samsam Village, is required to carry out its activities by governance principles. BUMDes implements a governance process, governance output, and governance structure in its management on an ongoing basis. These three governances are defined as governance structures and infrastructure to ensure effective implementation and expected outcomes.

BUMDes conducts a health self-assessment using a risk approach individually and in a consolidated manner, at least per month, quarter, semester, and year-end positions as stipulated in the regulations of the Permendagri, Permendes, and AD/ART of BUMDes Wija Sari. One of the factors in assessing the health level of BUMDes is the governance factor. In this regard, BUMDes performs a self-assessment of its governance implementation by the assessment period for the BUMDes health level. The assessment of governance factors is an appraisal of the BUMDes management of good governance, taking into account the significance or materiality of a problem in the implementation of bank-wide BUMDes governance, according to the scale, characteristics, and complexity of its business.

The relationship between self-assessment, accountability of administrative, reporting, and liability of BUMDes with the principle of transparency is about compliance to produce outcomes that include quantitative and qualitative aspects, such as financial report transparency, compliance with laws and regulations (Permendagri, Permendes, and AD/ART), customer/consumer protection, assessment objectivity, performance of efficiency, profitability, and capital, compliance with provisions, and problem solving (fraud, maximum credit limit and report violation).

## **CONCLUSION**

BUMDesa Wija Sari in Samsam Village in the accountability of administration, reporting, and liability has implemented the principle of transparency in every process. However, there are characteristics and principles adopted to improve good governance such as orderly, budget discipline, participation, accountability, open system, clear and easy to understand standardization, precautionary principles, honesty, promptly, and announcement of policies regarding revenue, management finance, and assets.

In addition to implementing these characteristics, BUMDes indirectly carries a self-assessment of its governance, process, structure, and output at the accountability of administration, reporting and liability, which indirectly affect transparency principles. The assessment of governance structure assesses the BUMDes Governance structure and infrastructure adequacy. This is to ensure that good governance successfully satisfy the stakeholder expectations. The BUMDes governance structure consists of supervisory board, chairperson, secretary, treasurer, and BUMDes staff. The governance infrastructure comprises BUMDes management information systems, policies and procedures, and organizational structure duties and functions.

The governance process assessment measures the effectiveness good governance principle implementation supported by the BUMDes governance structure and infrastructure. The governance output assessment evaluates the outcome quality expected by BUMDes stakeholders as the results of good governance principles supported by the governance structure and infrastructure adequacy.

### **LIMITATION**

The limitation in case study research dissecting the transparency of BUMDes based on governance principles is that researchers only use informants who are the main key in managing BUMDes. It should be added with village community interviews that can see whether the principle of transparency based on governance principles has been felt by the village community.

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### **DECLARATION OF CONFLICTING INTERESTS**

All authors declare that they have no conflict of interest whatsoever regarding the publications proposed in this manuscript.

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