

IMPLEMENTATION OF *GOOD CORPORATE GOVERNANCE* IN VILLAGE FINANCIAL MANAGEMENT: A CASE STUDY OF BUMDES GIRI AMERTHA SADHU BONTIHING VILLAGE

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ABSTRACT

This study aims to analyze the implementation of *Good Corporate Governance* (GCG) principles in Giri Amertha Sadhu Village-Owned Enterprises (BUMDes) in Bontihing. The GCG principles studied include transparency, accountability, responsibility, independence, and fairness. This study uses a qualitative approach with observation, interview, and documentation methods. The results of the study indicate that the implementation of the principles of transparency and accountability is still relatively weak compared to other aspects. Financial information has not been conveyed openly to the public, and activity reporting has not been carried out routinely and on time. On the other hand, the principle of responsibility has been implemented quite well through the involvement of administrators in responding to community aspirations and village deliberation forums. Based on these findings, it is recommended that BUMDes increase transparency through easily accessible publication media and build a more regular reporting system to strengthen accountability. This study is expected to be used as evaluation material in improving BUMDes governance to be more professional and sustainable.

Keywords: good corporate governance, BUMDes, Bontihing village

INTRODUCTION

Village development is an important part of the national development agenda, as stated in Law Number 6 of 2014 concerning Villages. This law emphasizes the importance of strengthening village institutions and independence, especially in local economic development based on village potential (Eka et al., 2024). In an effort to realize this, the government through the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration encourages the establishment of Village-Owned Enterprises (BUMDes) as a strategic instrument to strengthen the village economy, reduce inequality, and accelerate poverty alleviation (Arifin et al., 2023; Bare et al., 2021; Tenda et al., 2022).

However, in its implementation, various challenges are faced by many BUMDes in Indonesia, including in the governance aspect. Weak business planning, lack of human resource capacity, minimal internal supervision, and non-transparency in financial reports are quite serious obstacles (Ansori et al., 2022). These problems not only hinder business growth, but also threaten the sustainability of the institution and reduce the level of public trust. These problems are in accordance with the conditions of BUMDes Giri Amertha Sadhu in Bontihing Village, Kubutambahan District, Buleleng Regency. This BUMDes has been established since November 30th, 2013 and began operating actively in 2014.

BUMDes Giri Amertha Sadhu manages several business units, including Savings and Loans Unit, Shop Unit, Drinking Water Supply Unit (PAM), and Waste Management Unit (UPS). Of all these units, the Savings and Loans Unit is one of the most vital and widely used by the community. However, based on internal data, this unit is actually experiencing serious problems in managing loans. Data shows that the level of non-performing loans in the BUMDes Giri Amertha Sadhu Savings and Loans Unit continues to increase from year to year. In 2022, out of a total credit of IDR 208,500,000, there were non-performing loans of IDR 176,960,000 (84.87%). 2023 showed a similar trend with a total non-performing loan of IDR 85,000,000 from IDR 105,000,000 (80.95%). In fact, in 2024, non-performing loans soared to IDR 199,075,000 from a total loan of IDR 215,075,000 or around 92.56% (BUMDes Giri Amertha Sadhu, 2024).

This condition is very concerning and has the potential to cause bankruptcy of business units, even the entire BUMDes, if not addressed immediately. Based on the results of a pre-survey and interviews with the management of BUMDes Giri Amertha Sadhu, several main causes of the increase in bad debts were found, including weak risk analysis before providing credit, the absence of collateral for several loans, and the unavailability of standard operating procedures (SOP) in managing loans. In addition, several customers experienced default due to external factors such as crop failure and unstable family economic conditions (Arifin et al., 2023; Eka et al., 2024).

Other problems also arise from the internal institutional side, such as the low understanding of village officials regarding financial management, weak monitoring systems, and unclear financial reporting. This shows that the principles of *Good Corporate Governance* (GCG) such as transparency, accountability, responsibility, independence, and fairness, have not been implemented effectively in the management of BUMDes. In fact, GCG is very important in ensuring the sustainability of the institution, increasing efficiency, and building public trust (Ansori et al., 2022).

As an institution operating in rural areas, BUMDes also has unique characteristics that distinguish it from other economic entities. It must be able to implement cooperative, participatory, transparent, accountable, sustainable principles, and be based on the spirit of community independence. (Arifin et al., 2023; Safira et al., 2023). Therefore, weaknesses in governance not only affect the financial aspect, but also

weaken the social function of BUMDes itself. In this context, strengthening governance based on *Good Corporate Governance* is a must. The implementation of GCG is believed to be able to improve the decision-making system, increase the professionalism of administrators, and prevent the occurrence of maladministration practices and petty corruption at the village level.

Based on the background, this study was conducted with the aim of analyzing the implementation of *Good Corporate Governance* in the BUMDes Giri Amertha Sadhu Savings and Loan Unit, Bontihing Village. This study is expected to provide contributions in the form of applicable recommendations, in order to strengthen governance and encourage the sustainability of BUMDes businesses in the future.

LITERATURE REVIEW

Good Corporate Governance

Good Corporate Governance (GCG) or Layout Manage Company is draft order manage Which applied in a company for ensure that company managed with the principle's transparency, accountability, responsibility, independence, And fairness. Objective from implementation GCG is to create long-term value for shareholders and ensure the sustainability of the company in an ethical and responsible manner. answer. The benefits of GCG in a company can increase investor confidence, improve company performance, reduce risk and build a positive reputation in the eyes of the public (Alfiansyah, 2021).

According to the National Committee on Governance Policy (KNKG), there are five main principles in GCG that serve as a reference in managing entities, including Village-Owned Enterprises (BUMDes). The five principles are transparency: transparency requires organizations to provide relevant, accurate, and easily accessible information to stakeholders. In the context of BUMDes, transparency is important so that the public can monitor the use of funds and business activities openly. Accountability like Accountability means that every administrator must be responsible for their decisions and activities to interested parties. BUMDes is required to make clear accountability reports, both to the village government and the community. Responsibility like this principle relates to compliance with laws and regulations and social responsibility to the community. BUMDes must carry out its functions according to regulations and be responsible for the impacts of its business activities. Independence like Independence requires BUMDes to be managed professionally without intervention from outside parties that can cause conflicts of interest. Independent management strengthens the integrity and objectivity of decision making. Fairness like Fairness demands fair treatment of all stakeholders, including communities, employees, and business partners. There should be no discrimination in recruitment, benefit sharing, or access to information.

General Financial Management

One of the processes in a company carried out by financial management is general financial management. Financial management includes planning, analyzing and controlling financial problems by managers. Financial management is all activities that focus on how companies obtain funds by spending as little as possible, as well as how to use and allocate these funds efficiently with the aim of maximizing the company's value (Diana, 2022). According to Herispon (2018), financial management activities are planning of funds like the company plans for needs and requirements funds. Obtaining of funds Companies are rated as existence effort or efforts used to obtain the required funds at the lowest possible cost light. Allocation of funds like company do process management on funds that have been successfully obtained.

Village-Owned Enterprises (BUMDes)

BUMDes is one of the village institutions that aims to seek profit in order to strengthen Village Original Income (PADes), advance the village economy and improve the welfare of village communities (Sri Musmini et al., 2024). BUMDes is expected to be able to provide a significant impact in improving village welfare by making financial reports as a form of transparency and accountability for the use of village funds entrusted to BUMDes (Julianto & Sujendra Diputra, 2024). Through BUMDes, it is also able to grow and develop business activities in the informal sector in order to be able to absorb labor among the people in the village area and also be able to increase various kinds of entrepreneurial creativity in the community.

METHOD, DATA, AND ANALYSIS

This research was conducted for six months, namely from January to July 2025. The type of research used was qualitative descriptive research, with the aim of obtaining an in-depth picture of the management and operations of BUMDes Giri Amertha Sadhu Bontihing. The data sources in this study consist of primary data and secondary data. Primary data were obtained directly from informants through in-depth interviews, field observations, and documentation. While secondary data were obtained from official documents, BUMDes financial reports, village regulations, and relevant literature. The informants in this study numbered five people, consisting of the Village Head, BUMDes Chairperson, BUMDes Secretary, BUMDes Treasurer, and one management member. The selection of informants was carried out purposively, namely based on their role and direct involvement in BUMDes management. Furthermore, data analysis was carried out qualitatively using the Miles and Huberman interactive model, which includes four stages, namely Data collection, data reduction like the process of selecting, simplifying, and transforming raw data from interviews, observations, and documentation. Data presentation like organizing information in the form of descriptive narratives to make it easier to understand the context and relationships between data. Conclusion drawing and verification like the process of interpreting the data that has been presented to formulate research findings and to check validity through source triangulation.

RESULT AND DISCUSSION

BUMDes Giri Amertha Sadhu Bontihing Village as a village-owned business entity has an important role in encouraging the economic independence of Bontihing Village. BUMDes Giri Amerta Sadhu was established on November 30, 2013 and a BUMDes formation meeting was held which was attended by 20 prospective members who stated that they wanted to become BUMDes members, but BUMDes only started operating effectively in 2014. The purpose of establishing BUMDes was as a provider of public services in Bontihing Village, Kubutambahan to encourage economic development and increase village capacity towards an independent village.

This research was obtained through observation and interview methods, which were then strengthened by documentation and analysis of the application of corporate governance principles (Good Corporate Governance) at BUMDes Giri Amerta Sadhu. The findings obtained have been compiled based on a number of research indicators. The accountability indicators used in this study refer to similar research which includes accountability, transparency, responsibility, independence, and fairness (Trimurti et al., 2021).

BUMDes management practices should apply the principles of good corporate governance (*Good Corporate Governance*) to realize professional, transparent, and sustainability-oriented management. Based on the results of field findings and interviews with the management of BUMDes Giri Amertha Sadhu Bontihing Village, it is known that the implementation of GCG principles in BUMDes Giri Amertha Sadhu Bontihing Village has not fully complied with the KNKG (National Committee for *Governance Policy*) standards. This is due to various internal and external obstacles faced by BUMDes, such as limited human resource capacity, weak monitoring systems, and the absence of internal regulations that support the implementation of comprehensive governance.

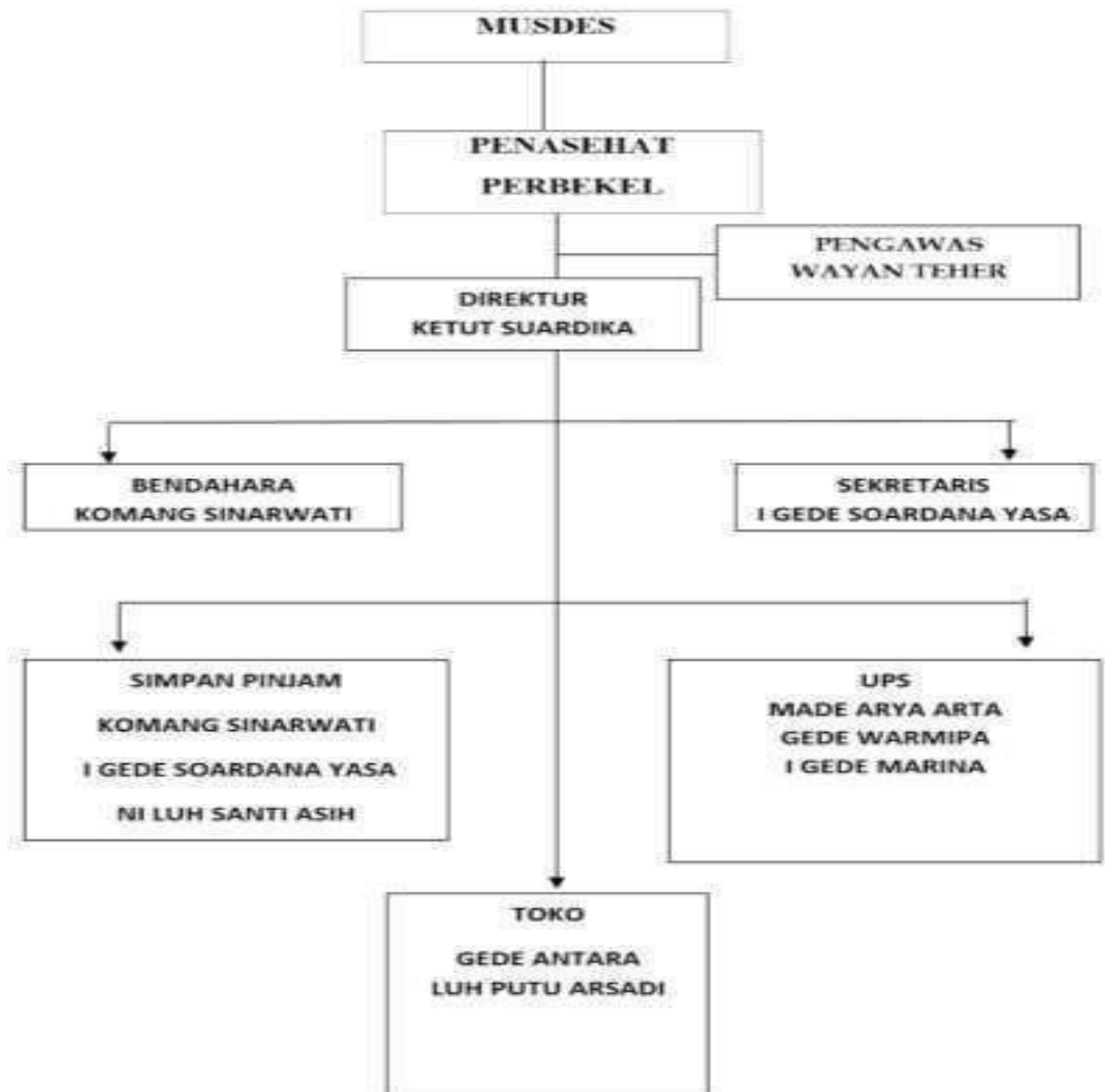


Figure 1. Structure of Giri Amertha Sadhu Village-Owned Enterprise

BUMDes Giri Amerta Sadhu has a management structure as listed in Figure 1. BUMDes management is led by I Ketut Suardika, given full authority to carry out all operational activities. In the

implementation of the principles of *Good Corporate Governance* (GCG) in Bontihing Village, the two most prominent aspects as sources of problems are *Transparency* and *Accountability*. These two principles should be the foundation in the management of Village-Owned Enterprises (BUMDes), but in reality, they show weaknesses. The results of the analysis of the application of GCG principles in BUMDes Giri Amertha Sadhu Bontihing Village are as follows.

Transparency

The implementation of transparency aspects in BUMDes Giri Amertha Sadhu Bontihing Village is very weak. This can be seen from the unavailability of financial information that is open and easily accessible to the community and stakeholders. There are no billboards or notice boards displaying the village budget and financial reports, as well as the minimal use of information media such as *websites* or social media for publication of BUMDes activities and finances. In an interview conducted with Mr. Ketut Suardika, as the Director of BUMDes, he acknowledged the weaknesses in this aspect. He said:

"Indeed, we still face obstacles in delivering financial information routinely to the public. The absence of an adequate system or publication media is one of the obstacles. However, in the future, we will start to fix this, including by creating information boards and utilizing village social media."

The reason behind the statement shows that the lack of transparency is not entirely due to unawareness or negligence, but rather due to limited information facilities and infrastructure at the village level. The unavailability of effective publication media has hampered the process of delivering BUMDes financial reports and activities to the public. The BUMDes Treasurer also added that the implementation of the transparency principle has not been implemented by providing easy access to information through social media such as Instagram and Youtube. There are several obstacles to the completeness of information through social media, one of which is that some village communities do not follow technological developments. However, this recognition is the basis for BUMDes to build a commitment to improvement, especially in information channels that are more open and easily accessible to the public (Arifin et al., 2023; Safira et al., 2022).

Accountability

Accountability in the management of BUMDes Giri Amertha Sadhu Bontihing Village is also a major concern. Several administrators are considered not to have carried out their duties and responsibilities in accordance with their roles and authorities. The lack of a routine habit or mechanism for submitting periodic activity and financial reports to the community and village is one of them. BUMDes Treasurer, Komang Sinarwati, then stated:

"Judging from the performance in making reports, sometimes some employees do not report daily activities made because transactions do not occur every day and there are not too many transactions in a week. Regarding routine reporting, it has not been scheduled for sure, the report is sent when requested by the Bontihing Village."

This statement shows that the lack of routine reporting is more due to the absence of an internal system that encourages regularity in reporting. In general, financial reporting is carried out routinely once every six months or a maximum of once a year to improve supervision of BUMDes performance (Arifin et al., 2023; Bare et al., 2021).

Responsibility

BUMDes Giri Amertha Sadhu has demonstrated its commitment to implementing the principle of responsibility in managing village-owned businesses. One form of responsibility that is clearly visible is the willingness of the management to respond to the aspirations and needs of the community as a basis for developing business units. The management of BUMDes Giri Amertha Sadhu, chaired by I Ketut Suardika and 13 other core members, have been actively involved in holding village deliberation forums at the Bontihing Village Hall, both to hear community proposals and to convey BUMDes' future work plans. This reflects a sense of social responsibility and a willingness to involve the community in decision-making. However, there are also some aspects of responsibility that have not been fully implemented optimally. One of them is there is no regular and open reporting system for the public related to the realization of BUMDes activities and finances.

Independence

In the principle of independence, BUMDes Giri Amertha Sadhu Bontihing must be managed professionally and independently, free from interference from outside parties who do not have authority. Each administrator listed in the BUMDes Giri Amertha Sadhu Bontihing Village management structure is expected to carry out their duties according to their respective roles, while maintaining a mutually respectful working relationship. In this BUMDes, this principle is reflected in the solid working relationship between the administrators and the implementing staff. Management is carried out with a spirit of cooperation, where each party tries to carry out its responsibilities optimally to support the main objectives of BUMDes, namely improving the welfare of village communities and opening local business opportunities (Putri, 2019). I Wayan Teher as the BUMDes supervisor said;

"Although there are family members who are also involved in the management structure of BUMDes Giri Amertha Sadhu Bontihing Village, this relationship does not interfere with work professionalism. There is almost never a conflict of interest in work relations here".

The quote above indicates that from the BUMDes management side, administrators can work together in managing BUMDes to improve the welfare of the community and improve the community's economy.

Fairness

In the employee recruitment process, BUMDes Giri Amertha Sadhu Bontihing applies the principle of fairness without distinguishing ethnic background, religion, race, gender, or physical condition. Every individual is given an equal opportunity to join, if they meet the specified qualifications. The acceptance procedure is carried out in accordance with the Articles of Association and applicable village regulations, without any special treatment or privileges for certain parties. BUMDes Giri Amertha Sadhu Bontihing too never unilaterally terminate employment. If there is a change or reduction in personnel, it generally occurs due to the resignation of the person concerned for a certain reason, not because of a unilateral decision from the management. The relationship between the management is also well maintained, by prioritizing cooperation, mutual respect, and open communication in carrying out their respective duties and responsibilities.

CONCLUSION

Good Corporate Governance (GCG) principles in BUMDes Giri Amertha Sadhu Bontihing Village is still not optimal. The two weakest aspects are transparency and accountability, which are indicated by the minimal publication of financial reports and the absence of a routine and open reporting system to the public. Meanwhile, the principles of responsibility, independence, and fairness have been implemented quite well, especially through participation in village deliberations, independent management, and a fair recruitment process. However, BUMDes needs to make improvements in information transparency and reporting so that governance can run more accountably and transparently in the future.

IMPLICATIONS/LIMITATIONS AND SUGGESTIONS

As an improvement effort, BUMDes is advised to increase transparency using information media such as village bulletin boards and social media so that the public can access information more easily. In addition, a periodic and scheduled reporting system needs to be built so that accountability for the use of funds and business activities can be improved. On the other hand, strengthening the capacity of human resources (HR) is also important through training and mentoring, especially in the field of financial reporting and business management based on GCG principles.

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