

Research Article

# Effectiveness and Efficiency of Financial Management in Village-Owned Enterprises (BUMDes)

(A Case Study of Sindang Jaya Village, Sindang Kelingi District)

Novriza Wahyu Ardiansyah<sup>1\*</sup>, Zenniza Ela Manata<sup>2</sup>, Sucipto Febrianto<sup>3</sup>

<sup>1-3</sup> Department of Accounting, Faculty of Economics, Pat Petulai University, Indonesia

\* Corresponding Author: [wahyu41124@gmail.com](mailto:wahyu41124@gmail.com)

**Abstract:** This study aims to evaluate the effectiveness and efficiency of financial management in the Village-Owned Enterprise (BUMDES) Lestari Jaya, located in Sindang Jaya Village, Sindang Kelingi District. BUMDES plays a crucial role in promoting local economic independence and improving community welfare through business innovation and participatory management. The research uses a qualitative descriptive approach, including observation, interviews, and documentation of financial reports from 2021 to 2023. The findings indicate that BUMDES Lestari Jaya managed its finances effectively, with effectiveness levels reaching 96%, 95%, and 98.46% for 2021, 2022, and 2023, respectively. Efficiency ratios were recorded at 50%, 50%, and 49.23% for the same years. These results suggest that BUMDES has adhered to solid financial management principles such as accountability, transparency, and cost control. Overall, the study concludes that sound financial governance in BUMDES significantly contributes to sustainable village development and the empowerment of the local community. The findings emphasize the importance of effective financial management for the long-term success and growth of village enterprises.

**Keywords:** Effectiveness; Efficiency; Financial Management; Local Economic Development; Village-Owned Enterprise

## 1. Introduction

Village-Owned Enterprises (BUMDES) have emerged as one of Indonesia's most strategic innovations in fostering sustainable rural development. Rooted in Law Number 6 of 2014 on Villages, BUMDES are established as business entities formed, owned, and managed jointly by the village government and local communities. The goal is to utilize local resources to generate economic value, increase village income, and enhance community welfare. According to the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration (Kemendesa PDTT, 2021), BUMDES represent an institutionalized form of social entrepreneurship designed to combine social responsibility with economic productivity at the grassroots level.

In practice, BUMDES are expected to serve as the economic backbone of the village by promoting inclusive growth, encouraging self-sufficiency, and reducing dependency on external aid. The BUMDES model is unique in that it blends public-sector objectives with private-sector efficiency, bridging community needs and market opportunities (World Bank, 2017). By establishing various business units ranging from trading, financial services, agricultural support, to tourism BUMDES aim to create value-added activities that are both socially inclusive and financially sustainable.

However, despite the government's optimism and significant expansion in the number of BUMDES nationwide, their performance varies widely. Many BUMDES still struggle to achieve financial sustainability due to limited managerial competence, lack of administrative discipline, weak financial reporting systems, and insufficient understanding of modern accounting practices (Nurhazana, 2020; Suryanto, 2021). Some even operate without

Received: August 18, 2025  
Revised: October 13, 2025  
Accepted: December 1, 2025  
Published: January 26, 2026  
Curr. Ver.: January 26, 2026



Copyright: © 2025 by the authors.  
Submitted for possible open  
access publication under the  
terms and conditions of the  
Creative Commons Attribution  
(CC BY SA) license  
(<https://creativecommons.org/licenses/by-sa/4.0/>)

structured business plans, resulting in poor capital utilization and inconsistent profitability. This highlights the importance of strengthening financial management capacity and institutional governance to ensure that BUMDES can function effectively as economic agents of change at the village level.

Effective and efficient financial management forms the cornerstone of good governance in village enterprises. Effectiveness refers to the degree to which the outcomes of activities match the intended objectives, whereas efficiency measures how economically resources are utilized in achieving those outcomes (Mardiasmo, 2018). In the context of BUMDES, effectiveness can be interpreted as the extent to which business targets, such as revenue and community welfare improvement, are realized. Efficiency, on the other hand, refers to the ability to achieve those results with minimal waste of financial and human resources. The synergy of these two dimensions ensures that BUMDES operations remain both accountable and sustainable in the long run.

Financial governance in BUMDES must also adhere to the principles of Good Village Governance transparency, accountability, participation, and responsiveness (Mahmudi, 2021). Transparency ensures that all financial activities are open and accessible to stakeholders, while accountability guarantees that all transactions are justifiable and properly documented. Participation emphasizes the involvement of the community in decision-making, fostering a sense of ownership and trust. Responsiveness requires that BUMDES adapt quickly to community needs and market changes. The absence of these principles often leads to inefficiencies, corruption risks, and low public confidence.

In the broader context of development, the operation of BUMDES directly supports the achievement of Sustainable Development Goals (SDGs), particularly Goal 1 (No Poverty), Goal 8 (Decent Work and Economic Growth), and Goal 11 (Sustainable Cities and Communities). Through empowering rural communities and creating productive economic activities, BUMDES contribute to reducing poverty, promoting inclusive employment, and enhancing rural resilience. Thus, strengthening financial management within BUMDES is not only an economic necessity but also a strategic component of achieving global development agendas at the local level.

BUMDES Lestari Jaya, located in Sindang Jaya Village, Sindang Kelingi District, Rejang Lebong Regency, Bengkulu Province, stands as a compelling case for analysis. Established to manage local economic potential through community-based business ventures, BUMDES Lestari Jaya operates several units such as grocery trading, small-scale financing, and event equipment rental. These activities have supported local livelihoods and increased the village's economic circulation. Nevertheless, like many other rural enterprises, the organization faces challenges in maintaining effective financial documentation, ensuring cost efficiency, and adopting modern management systems. The question arises: To what extent has BUMDES Lestari Jaya managed its finances effectively and efficiently, and what factors influence its performance?

By assessing the financial performance from 2021 to 2023, this study aims to provide a comprehensive evaluation of the effectiveness and efficiency of BUMDES Lestari Jaya's financial management. It seeks to measure how closely actual outcomes align with financial targets, how resources are allocated and utilized, and how managerial practices affect organizational sustainability. The analysis not only contributes to the academic discourse on village financial management but also provides practical recommendations for improving transparency, accountability, and operational performance in similar rural enterprises.

Furthermore, this research contributes to the understanding of how local governance institutions can balance economic growth with community empowerment. As BUMDES continue to expand nationwide, lessons from successful cases like Lestari Jaya are crucial in guiding other villages toward financial independence. The findings of this study are expected to serve as references for policymakers, researchers, and practitioners seeking to strengthen the institutional capacity of BUMDES as sustainable engines of rural development.

## **2. Literature Review**

### **The Concept of Effectiveness and Efficiency**

Effectiveness and efficiency are two key indicators in assessing organizational performance, particularly within public and community-based institutions such as BUMDES. According to Mardiasmo (2018), effectiveness refers to the degree to which an organization achieves its goals in accordance with predetermined plans. An activity is considered effective if the results achieved correspond to the set targets, whether in terms of service delivery,

revenue generation, or developmental impact. In contrast, efficiency is concerned with the optimal use of resources both financial and non-financial to produce maximum outcomes. Mahmudi (2021) further argues that efficiency relates to the ratio between inputs and outputs, where an organization is deemed efficient if it produces higher outputs with lower or equal input levels.

In the context of public sector management, the integration of effectiveness and efficiency reflects a balance between achieving goals and maintaining cost discipline. This is particularly crucial for BUMDES, which operate not solely for profit but also for community empowerment. As highlighted by Robbins and Coulter (2020), an organization must not only “do the right things” (effectiveness) but also “do things right” (efficiency) to sustain its performance. When applied to village-owned enterprises, this dual approach ensures that social objectives are met without compromising financial sustainability.

### **Financial Management in Village-Owned Enterprises (BUMDES)**

Financial management plays a pivotal role in ensuring the operational sustainability of BUMDES. It encompasses planning, organizing, directing, and controlling all financial activities, including the acquisition and use of funds. Suryanto (2021) asserts that sound financial management enables BUMDES to maintain liquidity, solvency, and profitability. Meanwhile, Nurhazana (2020) emphasizes that effective financial management systems require transparency, accountability, and regular reporting to avoid mismanagement and misuse of funds.

A strong financial governance structure also enhances community trust, which is essential for the legitimacy of BUMDES operations. Studies by Handayani et al. (2021) found that community participation in decision-making increases accountability and promotes responsible spending behavior. Conversely, a lack of transparency often leads to skepticism and reduced involvement from community members, weakening the BUMDES's role as a participatory economic institution.

### **Principles of Good Village Governance**

The application of Good Village Governance (GVG) is integral to achieving effectiveness and efficiency in BUMDES financial management. The four main pillars of GVG—transparency, accountability, participation, and responsiveness—guide all administrative and financial activities in village institutions (World Bank, 2017). Transparency requires open access to financial information, ensuring that stakeholders can monitor fund usage and program implementation. Accountability demands that every financial activity is properly documented and justified. Participation emphasizes inclusive involvement of villagers in the planning and decision-making process, while responsiveness ensures that financial decisions are aligned with local needs and priorities.

Mahmudi (2021) notes that these governance principles not only prevent corruption but also foster community ownership of BUMDES programs. When implemented consistently, they create a culture of trust and cooperation between the management and the local community, which in turn enhances organizational performance.

### **Prior Studies on BUMDES Financial Performance**

Several empirical studies have explored BUMDES performance across Indonesia, yielding diverse findings. Suparni & Hutapea (2022) reported that BUMDES with clear financial procedures and transparent bookkeeping systems tend to achieve higher profitability and sustainability levels. Similarly, Prasetyo & Anggraini (2022) found that periodic financial evaluations contribute to more efficient budget allocation and improved operational outcomes.

Research by Putri et al. (2023) highlighted the growing trend of digital transformation in BUMDES financial management. The implementation of digital accounting systems not only improved reporting accuracy but also reduced administrative costs, enhancing both efficiency and accountability. Meanwhile, Siregar (2022) argued that the lack of standardized reporting mechanisms across villages remains a major obstacle, resulting in inconsistent performance measurement and difficulty in evaluating effectiveness.

Other studies have examined BUMDES performance from a governance perspective. Taufik (2020) found that adherence to good governance principles significantly impacts the sustainability of village enterprises, particularly through enhanced monitoring and evaluation systems. In a comparative study, Sembiring & Rahman (2023) observed that BUMDES with effective internal controls and financial audits demonstrated better resource utilization than those lacking such mechanisms.

These findings collectively underline that successful BUMDES are characterized by three main factors: (1) structured financial planning, (2) competent and ethical management,

and (3) active community participation. Without these elements, BUMDES are prone to inefficiencies, poor accountability, and eventual financial stagnation.

### Research Gap and Theoretical Framework

Despite a growing body of research, studies on BUMDES financial effectiveness and efficiency remain limited, especially in the context of small rural enterprises outside Java Island. Most existing research focuses on BUMDES in Java and Bali, where resources and institutional capacity are relatively more advanced (Handayani et al., 2021; Putri et al., 2023). There is still a lack of empirical analysis on how BUMDES in other regions, such as Bengkulu Province, manage their finances amidst resource constraints.

This study fills that gap by evaluating the financial management of BUMDES Lestari Jaya in Sindang Jaya Village, Rejang Lebong, Bengkulu. By analyzing both quantitative indicators (effectiveness and efficiency ratios) and qualitative aspects (managerial practices, governance culture, and community involvement), this research contributes to a more comprehensive understanding of how local-level enterprises can sustain economic growth and community empowerment simultaneously.

### 3. Research Method

This research used a qualitative descriptive design. The study was conducted at BUMDES Lestari Jaya in Sindang Jaya Village, Sindang Kelingi District, Rejang Lebong Regency, Bengkulu Province. Primary data were obtained through semi-structured interviews with the BUMDES chairman, treasurer, and several local government officials. Secondary data included financial statements from 2021 to 2023.

Data analysis involved three steps: data reduction, data presentation, and conclusion drawing. Effectiveness was analyzed using the formula:  $\text{Effectiveness} = (\text{Actual Revenue} / \text{Planned Revenue}) \times 100\%$ . Efficiency was measured as  $\text{Efficiency} = (\text{Input Cost} / \text{Output Value}) \times 100\%$ . A value above 90% indicates high effectiveness, while an efficiency ratio below 60% signifies efficient performance (Mardiasmo, 2018).

### 4. Results and Discussion

#### Overview of BUMDES Lestari Jaya

BUMDES Lestari Jaya was established in 2018 as part of Sindang Jaya Village's economic empowerment program under the supervision of the Village Government of Sindang Kelingi District, Rejang Lebong Regency. Its formation was motivated by the need to manage local resources and strengthen community-based economic structures. The BUMDES operates three primary business units:

- Grocery and Basic Needs Retail Unit, which provides affordable daily goods to villagers;
- Event Equipment Rental Unit, offering tents, chairs, and sound systems for community events; and
- Savings and Micro-Credit Unit, which provides small-scale loans to local traders and farmers to promote financial inclusion.

These business units were chosen based on the village's economic potential and the community's daily needs. Over time, the organization has expanded its customer base beyond Sindang Jaya, reaching surrounding villages within Sindang Kelingi District. The growing customer base and diversified operations have contributed to its increasing annual revenue, making BUMDES Lestari Jaya one of the more successful examples in the Bengkulu region.

#### Analysis of Financial Effectiveness

Effectiveness in this research refers to the extent to which BUMDES Lestari Jaya achieved its targeted revenue goals and operational objectives. Table 1 presents the annual effectiveness ratio for 2021–2023, calculated based on planned versus actual revenues.

**Table 1.** Effectiveness of Financial Management of BUMDES Lestari Jaya (2021–2023)

Year	Planned Revenue (Rp)	Actual Revenue (Rp)	Effectiveness (%)	Criteria
2021	100,000,000	96,000,000	96.00%	Very Effective
2022	120,000,000	114,000,000	95.00%	Very Effective
2023	130,000,000	128,000,000	98.46%	Very Effective

The data show that BUMDES Lestari Jaya consistently achieved an effectiveness rate above 95% for three consecutive years, signifying strong financial performance and goal achievement. According to the classification standard by Mardiasmo (2018), any score exceeding 90% is considered very effective.

This consistency indicates that BUMDES has successfully aligned its planning with implementation, reflecting disciplined budgeting and realistic target-setting. Interviews with the BUMDES manager revealed that one key strategy contributing to this success was community-based decision-making. Every major financial plan is discussed openly during village meetings involving the management board, village officials, and community representatives. This participatory approach helps ensure that business targets are feasible, relevant to community needs, and supported by collective trust.

The findings align with Handayani et al. (2021), who argued that participatory planning enhances both organizational legitimacy and financial achievement in village-owned enterprises.

#### Analysis of Financial Efficiency

Efficiency analysis examines how well BUMDES Lestari Jaya utilized its financial resources in generating income. The efficiency ratio was calculated by comparing total operational costs to total revenues for each fiscal year.

**Table 2.** Efficiency of Financial Management of BUMDES Lestari Jaya (2021–2023)

Year	Total Revenue (Rp)	Operational Cost (Rp)	Efficiency Ratio (%)	Criteria
2021	96,000,000	48,000,000	50.00%	Efficient
2022	114,000,000	57,000,000	50.00%	Efficient
2023	128,000,000	63,000,000	49.23%	Efficient

The data indicate that the efficiency ratio remained around 50%, which falls under the efficient category (below 60%), as defined by public sector financial management standards (Mahmudi, 2021). This means that for every Rp 1.00 spent on operational activities, the BUMDES generated approximately Rp 2.00 in revenue, reflecting effective cost management and resource optimization.

The interviews revealed that cost control strategies played a crucial role in maintaining efficiency. The treasurer reported that the organization adopted a zero-waste budgeting principle, where every expenditure must have a direct impact on income generation or service improvement. Moreover, procurement activities were carried out transparently, with the involvement of the village government to ensure fairness and accountability.

These findings resonate with research by Sembiring & Rahman (2023), who found that financial control and regular cost evaluations contribute significantly to operational efficiency in rural enterprises. However, the BUMDES still relies on manual bookkeeping, which occasionally leads to delays in financial reporting a potential area for improvement through digital transformation.

#### Qualitative Findings: Managerial and Governance Aspects

The qualitative analysis revealed that the managerial competence of BUMDES staff and the governance culture significantly influenced financial performance. Three key governance dimensions were identified:

- Transparency and Accountability:** Financial reports are submitted quarterly to the village government and presented to the community during annual village meetings. This practice enhances public trust and reduces the risk of misuse of funds.
- Participation and Collaboration:** Decision-making processes are inclusive, allowing community input on investment priorities and risk assessment. The community's involvement strengthens collective ownership and commitment to the enterprise's success.
- Leadership and Institutional Support:** The leadership of the BUMDES director, supported by active village government oversight, fosters discipline in implementing financial controls. This combination ensures a balance between autonomy and accountability.

Despite these strengths, some challenges were identified. The treasurer acknowledged limited knowledge of accounting software and financial analysis tools. The absence of digital record-keeping makes it difficult to perform real-time monitoring and analysis. Additionally, delays in financial disbursement from village funds occasionally disrupted operational cycles.

These challenges highlight the need for capacity building and digitalization in financial reporting, echoing recommendations from Putri et al. (2023), who demonstrated that the adoption of digital financial systems significantly enhances efficiency and transparency in village-owned enterprises.

### **Discussion: Linking Results with Theory and Previous Research**

The results confirm that BUMDES Lestari Jaya's financial management practices strongly align with the theoretical framework of effectiveness and efficiency. The organization's success is attributed to participatory governance, transparent financial control, and prudent resource utilization all of which are central components of Good Village Governance (GVG).

The findings are consistent with the arguments of Mardiasmo (2018) and Robbins & Coulter (2020), who emphasized that organizations achieve high effectiveness when their objectives are clear, measurable, and supported by stakeholder collaboration. Similarly, efficiency is achieved when resource allocation follows strict cost-benefit evaluation and performance monitoring.

In comparison with similar research, such as Suparni & Hutapea (2022) in Central Java and Handayani et al. (2021) in East Java, BUMDES Lestari Jaya demonstrates comparable or higher effectiveness levels despite operating in a smaller rural economy. This suggests that financial performance is not solely determined by scale or capital, but also by governance quality and managerial integrity.

### **Implications for Policy and Practice**

The implications of these findings extend to both local policymakers and other BUMDES organizations. First, village governments should institutionalize financial training programs for BUMDES managers to strengthen administrative competence and accountability. Second, digital financial systems should be introduced gradually to improve transparency, facilitate reporting, and reduce human error. Third, periodic audits and performance evaluations should be mandated to ensure consistent improvement in both effectiveness and efficiency.

The case of BUMDES Lestari Jaya demonstrates that even small-scale rural enterprises can achieve remarkable financial outcomes when guided by strong governance and community participation. This reinforces the importance of fostering Good Village Governance principles and aligning local practices with national development objectives and the SDGs Desa framework.

## **5. Comparison**

The results of this study align with research conducted by Handayani et al. (2021), who reported that financial management effectiveness in BUMDES positively correlates with profit growth. However, in contrast to some BUMDES in Java, which have adopted digital accounting systems (Putri et al., 2023), BUMDES Lestari Jaya still uses manual systems. Thus, there remains room for improvement in operational modernization.

## **6. Conclusion**

This research concludes that the financial management of BUMDES Lestari Jaya in Sindang Jaya Village is highly effective and efficient. With effectiveness levels consistently above 95% and efficiency around 50%, BUMDES demonstrates sound governance practices and prudent resource utilization. To enhance sustainability, digital transformation, capacity building, and continuous monitoring are recommended.

**Author Contributions:** Conceptualization: Z.E.M. and N.W.A.; Methodology: N.W.A.; Validation: N.W.A. and S.F.; Formal analysis: N.W.A.; Investigation: N.W.A.; Data curation: Z.E.M.; Writing original draft preparation: Z.E.M.; Writing—review and editing: N.W.A. and S.F.; Supervision: N.W.A. and S.F.

**Funding:** This research received no external funding.

**Data Availability Statement:** The data supporting this study are available from the corresponding author upon reasonable request.

**Acknowledgments:** The authors express gratitude to Universitas Pat Petulai and the management of BUMDES Lestari Jaya for providing valuable data and insights.

**Conflicts of Interest:** The authors declare no conflict of interest.

## References

- Asmawati, S. (2019). *Efficiency in village financial management*. Deepublish.
- Handayani, T., Nugroho, S., & Hartono, B. (2021). Governance and performance of BUMDES in Indonesia. *Journal of Community Development*, 10(3), 211–222.
- Hasibuan, M. S. P. (2020). *Management: Basics, understanding, and applications*. Bumi Aksara.
- Kementerian Desa, PDTT. (2021). *Regulation No. 11 of 2021 on village-owned enterprises*.
- Mahmudi. (2021). *Public sector performance management*. UPP STIM YKPN.
- Mardiasmo. (2018). *Public sector accounting*. Andi.
- Nugraha, Y., & Sihombing, R. (2020). Determinants of BUMDES financial accountability. *Jurnal Keuangan Publik*, 4(1), 77–85.
- Nurhazana, R. (2020). *Principles of BUMDES management*. Mitra Wacana.
- OECD. (2019). *Measuring performance in local governance*. OECD Publishing.
- Prasetyo, H., & Anggraini, L. (2022). Evaluation of village financial performance in Bengkulu Province. *Journal of Economic Policy*, 9(2), 145–158.
- Putri, N. W., Arifin, M., & Sari, D. (2023). Digital transformation in village-owned enterprises. *Journal of Rural Innovation*, 7(1), 45–56.
- Robbins, S. P., & Coulter, M. (2020). *Management* (14th ed.). Pearson Education.
- Sembiring, D., & Rahman, A. (2023). Role of financial control in sustainable village business. *International Journal of Economics and Rural Studies*, 12(1), 64–79.
- Setiadi, D. R. I. M., & Rustad, S. (2023). Village governance efficiency: Lessons from Indonesia. *Governance Studies*, 15(4), 98–107.
- Siregar, R. (2022). Transparency and accountability in BUMDES financial reports. *Jurnal Akuntansi Publik*, 8(1), 12–24.
- Sukmawati, D. (2021). Village entrepreneurship and local economic growth. *Rural Development Journal*, 6(3), 33–47.
- Suparni, & Hutapea, H. (2022). Effectiveness and efficiency in village-owned enterprise financial management. *Journal of Village Economics*, 5(2), 112–120.
- Suryanto, A. (2021). *Financial management of BUMDES*. Alfabeta.
- Taufik, H. (2020). Implementation of good governance in village-owned enterprises. *Journal of Public Administration*, 5(2), 89–101.
- World Bank. (2017). *Governance and the law*. World Bank Group.