

Evaluating the Implementation of Accounting Practices in Village-Owned Enterprises (BUMDes) in Indonesia: A Case Study of Awunio Village Under SAK EMKM Financial Reporting

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Abstract

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This study evaluates the implementation of accounting practices in Village-Owned Enterprises (BUMDes) in Awunio Village, Kolono District, Indonesia, focusing on compliance with the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM). Using a qualitative descriptive approach, data were collected through interviews with BUMDes management and documentation analysis. Findings reveal that BUMDes in Awunio Village has not fully adhered to SAK EMKM requirements, reporting only chair rental income and expenses without presenting a balance sheet, profit/loss statement, or financial notes. This deficiency stems from a lack of training on standardized financial reporting, limiting transparency and accountability. The study highlights the need for capacity-building initiatives to enhance financial literacy among BUMDes managers and align reporting practices with regulatory frameworks. Results underscore the importance of robust financial management in sustaining rural enterprises and achieving community economic development. The research contributes to the discourse on micro-enterprise governance in Indonesia and offers actionable insights for policymakers and practitioners seeking to improve rural financial ecosystems.

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1. Introduction

Based on the 1945 Indonesian Constitution, the establishment of Village-Owned Enterprises (BUMDes) is indirectly supported by Article 18B paragraph (2), which states that the state recognizes and respects the existence of customary legal communities and their traditional rights, provided they align with societal development and the principles of the Unitary State of the Republic of Indonesia, as regulated by law (Rahman et al., 2005). Further, Law No. 32 of 2004 on Regional Governance explains that village governments have the right to form enterprises based on village potential and needs, aiming to advance the economy of residents and achieve better welfare (BumDesa, 2022).

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These regulations emphasize a commitment to national development by accelerating village-level progress. The laws acknowledge and respect customary legal communities and their traditional rights, as long as they remain relevant to societal development and consistent with the principles of the Unitary State of Indonesia. Specifically, Article 87 paragraph (1) of Law No. 6 of 2014 grants villages the authority to establish BUMDes. This is reinforced by Government Regulation No. 43 of 2014, which regulates various provisions related to village governance, including the implementation of village government administration, village authority, and the rights and obligations of villages in achieving good governance at the village level. While the term "may" indicates that BUMDes are not mandatory, if they can drive village economic growth, village governments should consider establishing them.

BUMDes are business entities formed by villages to manage village potential, strengthen village economies, and improve community welfare (Law No. 32 of 2004). Their existence is strategically valued as a catalyst for village economic growth by leveraging local potential (Ariski & Asy'ari, 2022). BUMDes function to enhance village economies, manage village potential for local welfare, and produce financial reporting information. The financial accounting standard applied by BUMDes is the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM). BUMDes are business entities with capital to manage assets, provide services, and run various businesses aimed at improving village community welfare. Financial reporting is needed because it informs the development of BUMDes, such as changes in turnover, profit/loss, and capital structure. Financial reports are crucial for understanding the financial condition and use of funds by BUMDes, and most importantly, they provide information on financial status, performance, and cash flow, aiding decision-making. These reports also demonstrate the activities of BUMDes managers and serve as accountability for managing entrusted resources.

The BUMDes studied here is located in Awunio Village, Kolono District. The issue lies in its financial reporting. According to the village head of Awunio, since its formation in 2017, the BUMDes has not prepared complete financial reports in accordance with generally accepted accounting principles. Given this phenomenon of incomplete financial reporting by BUMDes, the researchers were motivated to investigate which types of financial reports are not prepared.

Related studies include research by Azlansyah (2021), which aimed to assess the implementation of accounting in BUMDes Danau Indah, Bukit Pedusunan Village, Kuantan Mudik District, Singingi Regency, following generally accepted accounting principles. The qualitative study found: 1) Revenue and expense recognition in BUMDes Danau Indah used the accrual basis. 2) The accounting process lacked general journals, ledgers, adjusted trial balances, worksheets, closing journals, and post-closing trial balances. 3) The balance sheet did not present provisions for uncollectible receivables, office inventory, or depreciation accumulation. 4) The income statement did not include depreciation expenses. 5) The BUMDes lacked cash flow statements, equity change reports, and financial notes. Thus, accounting implementation in BUMDes Danau Indah was not fully compliant with generally accepted principles.

Another study by Yusri et al. (2022) examined SAK EMKM implementation in financial reporting at BUMDes Al-Barokah Perian, Perian Village, Montong Gading District. The qualitative descriptive study found that financial reports only included cash income/expenses and simple balance sheets and income statements. BUMDes Al-Barokah Perian had not implemented a complete accounting cycle, including general journals, ledgers, trial balances, or SAK EMKM-compliant reports (income statement, financial position, and notes). Valid financial reports could serve as evaluation material and decision-making tools for organizational progress. The current study aims to identify and analyze accounting implementation in BUMDes in Awunio Village, Kolono District.

2. Literature Review

Accounting Practices in Micro, Small, and Medium Enterprises (MSMEs)

Accounting practices in MSMEs are fundamental for financial transparency and decision-making.

Key principles such as the business entity concept, accrual basis, historical cost, materiality, and conservatism are essential for accurate financial reporting (Kamal, 2021; Kieso, 2023; Grady, 2022). These principles are simplified in the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM), which require three core financial statements: balance sheet, income statement, and notes to financial statements (Darmawan, 2022; Kasmir, 2019). However, studies have identified significant gaps in SAK EMKM implementation. For instance, Azlansyah (2021) found that BUMDes Danau Indah lacked essential accounting components such as journals, ledgers, and cash flow statements. Similarly, Yusri et al. (2022) noted that BUMDes Al-Barokah Perian only prepared simplified balance sheets and income statements, omitting critical elements like equity changes and financial notes. These deficiencies are primarily attributed to limited training on standardized reporting, which hinders stakeholders' ability to assess financial health and make informed decisions (Azlansyah, 2021; Yusri et al., 2022).

Financial Management in BUMDes

Village-Owned Enterprises (BUMDes) are mandated to use SAK EMKM for transparent financial reporting (BumDesa, 2022; Junaidi et al., 2021). However, non-compliance is prevalent due to inadequate training and resources. For example, BUMDes in Singingi Regency failed to implement a full accounting cycle, while BUMDes Al-Barokah Perian only prepared basic financial statements (Azlansyah, 2021; Yusri et al., 2022). This non-compliance limits the utility of financial reports for decision-making and undermines the potential of BUMDes to contribute to rural economic development. Ariski and Asy'ari (2022) emphasized the need for robust accounting practices to enhance accountability and financial transparency in BUMDes.

Relationship Between Accounting Practices and Financial Transparency

The relationship between accounting practices and financial transparency in BUMDes is mediated by SAK EMKM compliance. Incomplete financial reporting undermines transparency, affecting stakeholders' trust and investment decisions (Yusri et al., 2022). For instance, BUMDes in Montong Gading District lacked valid financial statements for evaluation, despite recognizing the importance of SAK EMKM (Yusri et al., 2022). Poor accounting practices also restrict access to funding and support, perpetuating dependency on village funds (Ariski & Asy'ari, 2022). Conversely, compliance with SAK EMKM enables BUMDes to demonstrate financial viability, attract investments, and optimize resource allocation (Junaidi et al., 2021). Robust accounting practices enhance accountability and decision-making, enabling BUMDes to contribute meaningfully to village development (Junaidi et al., 2021).

Impact on Rural Economic Development

Effective financial reporting is critical for rural economic sustainability. Non-compliance with SAK EMKM limits BUMDes' ability to leverage resources and grow, stifling community welfare (Alfiansyah, 2021; Ariski & Asy'ari, 2022). Research underscores that robust accounting practices enhance accountability and decision-making, enabling BUMDes to contribute meaningfully to village development (Junaidi et al., 2021). Fragmented financial records perpetuate inefficiencies and hinder progress, as seen in BUMDes with incomplete reports (Azlansyah, 2021; Yusri et al., 2022). Addressing these gaps is crucial for improving rural enterprise governance and promoting economic growth in Indonesia.

The Role of Training and Capacity Building

Training and capacity building are essential for improving accounting practices in BUMDes. Studies highlight that inadequate training on standardized reporting is a significant barrier to SAK EMKM compliance (Azlansyah, 2021; Yusri et al., 2022). For example, BUMDes in Singingi Regency and

Montong Gading District lacked the necessary skills to prepare complete financial reports, leading to non-compliance with SAK EMKM (Azlansyah, 2021; Yusri et al., 2022). Capacity-building initiatives can enhance financial literacy among BUMDes managers, enabling them to implement robust accounting practices and improve financial transparency. This, in turn, can attract investments and support from external stakeholders, promoting rural economic development (Junaidi et al., 2021).

Legal and Regulatory Framework

The legal and regulatory framework for BUMDes is outlined in various laws and regulations, including Law No. 32/2004 on Regional Governance and Law No. 6/2014 on Villages (BumDesa, 2022; Junaidi et al., 2021). These laws mandate the establishment of BUMDes to leverage village potential and enhance community welfare. However, the implementation of these regulations is often hindered by practical challenges such as limited resources and inadequate training. For example, BUMDes in Singingi Regency and Montong Gading District faced difficulties in complying with SAK EMKM due to a lack of training and support (Azlansyah, 2021; Yusri et al., 2022). Strengthening the legal and regulatory framework, along with providing adequate training and resources, can enhance the effectiveness of BUMDes in promoting rural economic development.

3. Methodology

This study employs a qualitative descriptive approach to evaluate the implementation of accounting practices in Village-Owned Enterprises (BUMDes) in Awunio Village, Kolono District, Indonesia. The qualitative method is chosen to explore the depth and context of financial reporting practices, as it allows for detailed examination of processes and perceptions (Zabua, Ndraha, & Telaumbanua, 2022). In qualitative research, the researcher serves as the primary instrument, responsible for defining the research focus, selecting informants, collecting and analyzing data, and interpreting findings.

Population and Sample

The study focuses on a single case: BUMDes in Awunio Village, Kolono District. The population consists of BUMDes management and village government officials directly involved in financial operations. The sample includes:

Muslan Tanggapili, S.Pd: Chairman of BUMDes.

Arkas, S.Sos: Village Head (Kepala Desa), who also serves as a supervisor, advisor, and financial overseer of the village.

Data Collection

Data were collected using semi-structured interviews and document analysis:

Interviews, conducted with the two informants listed above, using a set of pre-defined questions to explore accounting practices, financial reporting, and compliance with SAK EMKM standards. Interviews were recorded, transcribed, and thematically coded.

Document Analysis, financial reports (2021–2023) provided by BUMDes were reviewed to assess the completeness and accuracy of financial statements (balance sheet, income statement, and notes to financial statements).

Operational Definitions

Independent Variable (X): Accounting Practices

Defined as the methods used by BUMDes to record, process, and report financial transactions. Measured through interviews and document analysis, focusing on adherence to SAK EMKM standards (e.g., use of accrual basis, historical cost, and completeness of financial statements).

Dependent Variable (Y): Financial Reporting Quality

Defined as the accuracy, transparency, and compliance of BUMDes financial statements with SAK EMKM. Measured by evaluating the presence of required financial reports (balance sheet, income statement, notes) and their alignment with regulatory requirements.

Data Analysis

Thematic Coding, interview transcripts and financial documents were analyzed to identify recurring themes related to accounting practices and financial reporting. Descriptive Analysis, findings were synthesized to describe the current state of financial reporting in BUMDes, highlighting gaps in SAK EMKM implementation. Triangulation, combined interview data with document analysis to validate findings and ensure reliability.

4. Results

Funding Acquisition of BUMDes

The Village-Owned Enterprise (BUMDes) in Awunio Village, Kolono District, received funding from the Village Fund (Dana Desa, DD) through annual contributions. The capital for BUMDes from 2021 to 2023 is presented in Table 2.

Table 2. BUMDes Capital from 2021 to 2023

Year	Capital (Rp)
2021	100,000,000
2022	50,000,000
2023	40,000,000

Source: Financial Report of BUMDes Desa Awunio

The capital was used for the ongoing business operations of BUMDes, which included chair rental services and water management (though the latter was not yet implemented). Revenue and Expenditure of BUMDes The revenue and expenditure of BUMDes from 2021 to 2023 are detailed in Table 3.

Table 3. Rental Revenue from 2021 to 2023

Month	Revenue 2021 (Rp)	Revenue 2022 (Rp)	Revenue 2023 (Rp)
Jan	200,000	-	400,000
Feb	-	-	400,000
Mar	-	-	525,000
Apr	100,000	-	-
May	400,000	1,400,000	225,000
Jun	1,050,000	50,000	100,000
Jul	-	175,000	100,000
Aug	-	1,825,000	400,000
Sep	500,000	200,000	225,000
Oct	200,000	250,000	-
Nov	300,000	500,000	-
Dec	-	250,000	-
Total	2,750,000	4,650,000	2,375,000

Source: Financial Report of BUMDes Desa Awunio

The data shows that revenue was inconsistent, with some months having no income. For example, in 2021, revenue was only recorded in January, April, May, June, September, October, and November. The total revenue for 2021 was Rp 2,750,000, while in 2022 it increased to Rp 4,650,000, and in 2023 it decreased to Rp 2,375,000.

Operational Costs and Chair Purchases

The operational costs and chair purchases from 2021 to 2023 are detailed in Tables 4 and 5.

Table 4. Operational Costs from 2021 to 2023

Month	Operational Costs 2021 (Rp)	Operational Costs 2022 (Rp)	Operational Costs 2023 (Rp)
Jan	100,000	-	250,000
Feb	-	-	225,000
Mar	-	-	350,000
Apr	50,000	-	-
May	150,000	550,000	150,000
Jun	400,000	50,000	50,000
Jul	-	175,000	50,000
Aug	-	775,000	200,000
Sep	150,000	100,000	150,000
Oct	100,000	250,000	-
Nov	150,000	250,000	-
Dec	-	175,000	-
Total	1,100,000	2,325,000	1,425,000

Source: Financial Report of BUMDes Desa Awunio

The operational costs primarily covered vehicle rental for transporting chairs to rental locations.

Table 5. Chair Purchases from 2021 to 2023

Year	Description	Quantity	Price per Unit (Rp)	Total (Rp)
2021	Chair Purchase	300	115,000	35,500,000
2022	Chair Purchase	50	120,000	6,000,000
2023	Chair Purchase	50	120,000	6,000,000

Source: Financial Report of BUMDes Desa Awunio

The expenditure was solely for purchasing and adding chairs. In 2021, the expenditure was Rp 35,500,000, while in 2022 and 2023 it was Rp 6,000,000 each year.

Interview Findings

Interviews were conducted with the Chairman of BUMDes, Mr. Muslan Tanggapili, S.Pd, and the Village Head, Mr. Arkas, S.H., who also served as a supervisor, advisor, and financial officer of the village.

Business Activities of BUMDes, Mr. Muslan Tanggapili stated that BUMDes had only implemented chair rental services since 2021. The water management program was not yet realized. Sources of BUMDes Capital, Mr. Arkas mentioned that the capital came from the Village Fund (DD) through annual contributions from 2021 to 2023.

Profit Distribution, Mr. Muslan Tanggapili explained that 15% of the profit was allocated to BUMDes management and 10% to the village's original income (PAD). Use of Profits, Profits were used

for building office facilities. Currently, the profits were not sufficient for community needs and social activities.

Accounting Cycle, Mr. Muslan Tanggapili noted that BUMDes did not fully implement a balance sheet system and relied on manual recording. Mr. Arkas added that BUMDes managers had not received training on financial reporting, leading to incomplete records.

Based on the interviews, it was evident that BUMDes in Awunio Village lacked proper financial reporting, relying only on revenue and expenditure lists.

5. Discussion

The evaluation of accounting practices in Village-Owned Enterprises (BUMDes) in Awunio Village, Kolono District, using the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) reveals significant gaps in financial reporting. The study found that BUMDes in Awunio Village only prepared income and expenditure reports for chair rental services, failing to comply with SAK EMKM requirements for three core financial statements: balance sheet, income statement, and notes to financial statements.

The absence of a balance sheet and income statement indicates incomplete accounting practices. The balance sheet, which should present assets, liabilities, and equity, was not prepared, limiting stakeholders' ability to assess the financial position of BUMDes. Similarly, the lack of an income statement prevented the evaluation of financial performance, as it did not report revenues, expenses, and profits or losses over a specific period. The absence of notes to financial statements further hindered transparency, as these notes provide essential explanations of accounting policies and significant financial items.

This study aligns with previous research by Gobel et al. (2023), which found that BUMDes Al-Barokah Perian only prepared simple cash income and expenditure reports, along with basic balance sheets and income statements, without implementing a full accounting cycle. Similarly, Kasim (2022) noted that BUMDes in Batu Mila Village prepared some financial statements but did not fully comply with SAK EMKM, particularly in terms of accurate account classifications and notes to financial statements.

The primary reasons for non-compliance in Awunio Village include a lack of knowledge and training on standardized financial reporting. BUMDes managers have not received training on proper financial statement preparation, leading to reliance on manual and incomplete records. This lack of capacity limits the utility of financial reports for decision-making and accountability.

Policy Implications and Recommendations

To improve financial reporting in BUMDes, policymakers should prioritize capacity-building initiatives. Training programs on SAK EMKM compliance should be provided to BUMDes managers to enhance their understanding of standardized financial reporting. Additionally, local governments should consider providing technical assistance or mentorship programs to support BUMDes in implementing robust accounting systems.

The study also recommends that BUMDes adopt automated accounting software to streamline financial reporting and ensure accuracy. This would facilitate the preparation of complete financial statements, including balance sheets, income statements, and notes to financial statements, in line with SAK EMKM requirements.

Finally, local governments should enforce compliance with financial reporting standards by incorporating it into funding and regulatory frameworks. Incentives could be provided to BUMDes that demonstrate improved financial transparency, while non-compliant entities should be supported through targeted interventions. These measures would enhance the financial accountability and sustainability of BUMDes, contributing to rural economic development.

6. Conclusion

Based on research and discussion regarding the Village-Owned Enterprise (BUMDes) in Awunio Village, Kolono District, it can be concluded that BUMDes in Awunio Village has not presented financial reports in accordance with the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM). This is because BUMDes in Awunio Village only presents chair rental income and expenses. The BUMDes in Awunio Village, Kolono District, has not presented a balance sheet or financial position report, income statement, or notes to the financial statements. This situation arises because BUMDes in Awunio Village has never conducted training on the procedures for preparing financial reports, resulting in a lack of knowledge and understanding related to financial reporting.

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