



Digital Transformation of BUMDes Financial Management: The Effectiveness of BUMDes Financial Application Features in Improving the Accuracy and Ease of Financial Reporting for Service and Trade Companies

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ABSTRACT

This study analyzes the effectiveness of digital transformation in improving financial management of Village-Owned Enterprises (BUMDes) through financial applications. Using a qualitative descriptive approach, data were collected via interviews, observations, and document analysis from BUMDes utilizing such applications. Results show these applications enhance efficiency in financial data processing, provide real-time reporting, minimize errors, and improve access to financial information, especially for service and trade units. Despite these benefits, challenges persist, including inadequate infrastructure and limited technological skills. Continued development and support for these applications are crucial to optimize financial management and promote transparency, accountability, and better governance in BUMDes operations.

INTRODUCTION

Village-Owned Enterprises (BUMDes) is one of the important instruments in improving the village economy and community welfare through the management of various business sectors, including services and trade. In its operations, BUMDes has various business units whose management is autonomous in one business entity (Herlina & Andi, 2023). Each business unit makes its own financial statements according to the type of business it runs (Karma et al., 2024). With the existence of BUMDes, villages have the opportunity to maximize the potential of local resources that can increase Village Original Revenue (PAD) (Sinarwati et al., 2023). BUMDes is required to provide business management reports, one of which is a financial report. Financial reports are needed to determine the performance of BUMDes managers in one period (Ratmasari et al., 2021). The existence of BUMDes is expected to increase the capacity of village communities in managing financial reports so as to improve optimal government services (Irawati & Martanti, 2017). However, accurate, transparent, and accessible financial management is a big challenge for BUMDes, especially in the context of financial reporting that is often still done manually, making the policies taken by village governments less relevant (Sasmita et al., 2022). These challenges can pose a risk of errors in recording and delays in report presentation, which can hamper decision-making processes and reduce accountability to village stakeholders.

In the era of digital transformation, technology and information provides an innovative solutions for BUMDes financial management through digital-based financial applications. Digitalization of financial reports makes it easier for BUMDes managers to compile reports and data in a systematic way (Sari et al., 2023). Financial digital transformation provides easy and simple access to financing in terms of financial literacy and inclusion. Digital financial literacy and inclusion is a means of education and convenience for managing BUMDes businesses effective and financially efficient in various aspects including accuracy of financial reports, easy to use, time saving, affordable cost, tools that are easy to understand and secure (Millaningtyas et al., 2024). Digitalization of BUMDes finances also helps administrators submit financial reports and accountability reports for capital participation that has been funded by the government and encourages accountability of data management (Sinarwati et al., 2023). The implementation of this financial application is effective in enhancing the financial reporting system through the provision of features that specifically designed to facilitate recording transactions, managing assets, and preparing financial reports. Moreover, the new features that support real-time recording and automation of accounting processes are expected to improve data accuracy and facilitate access to financial information for village managers in preparing financial reports for service and trading companies. This digital transformation allows BUMDes to be more efficient in operations and financial management and minimizes the risk of errors that arising from manual data processing (Ginting et al., 2023). Digital transformation also maximizes economic potential and

increases village income, allowing the village to develop into a truly independent and competitive digital village (Sanputra et al., 2024).

Research about the implementation of this new feature in the BUMDes financial application is important to measure its effectiveness in improving the accuracy and ease of financial reporting, especially in the services and commerce sectors that are widely managed by BUMDes in various parts of Indonesia. Each component of BUMDes must operate optimally. Since it is relevant in driving the village economy and helping the village community, it is essential to integrate the existing business activities in BUMDes with the system so that controlled business operations become faster, more precise, and produce accurate reports (Cakranegara et al., 2022). Although these applications provide various benefits, there are challenges such as limited digital infrastructure and the ability of human resources to operate digital applications and are still run manually, which are obstacles in optimizing the use of these applications (Sudiatmika et al., 2024). The financial digitization process is not always successful, so an analysis of the transformation process is needed (Suginam, 2022). Therefore, this study will not only highlight the impact of adopting features in the BUMDes financial application on financial reporting, but also identify barriers that need to be resolved to improve BUMDes' performance in sustainable village financial management (Jopang et al., 2022).

This research will ultimately be able to contribute to the development of an effective digital transformation strategy in the BUMDes environment and provide recommendations for stakeholders to solve the challenges faced in village financial management. In addition, the results of this study can serve as a reference for BUMDes in implementing modern financial applications to improve transparency, accountability, and efficiency in village financial governance for both service and trading business units.

METHODOLOGY

This research is qualitative research using a descriptive approach. The descriptive method is used to generate data by analyzing the circumstances of the research subject or object from various informants, which can be individuals, institutions, communities, or other entities based on the facts in the field, then drawing conclusions from the results of the research (Tuanaya & Wance, 2024). The object of this research is BUMDes Marga Jaya, Somagede Village, Banyumas Regency which is located at Jl. Raya Somagede No. 09 Somagede Village, Banyumas and BUMDes Ujub Srowot which is located at Jl. Bangin Srowot Village, RT 05 RW 02, Carik, Srowot, Kalibagor District, Banyumas Regency, Central Java. The focus of this research is the application of BUMDes financial statements. Research data was collected through deep interviews with BUMDes Managers and direct observation on the use of financial reporting application that is used by BUMDes. Data processing and analysis in this study is using descriptive analysis. Researchers collect data carefully and then analyze it and conclude the results (Harefa, 2021). Here are the methodological details of the research that was used:

1. Direct Observation at The Office of BUMDes Marga Jaya, Somagede, Banyumas and BUMDes Ujub Srowot
Observations conducted at the BUMDes Marga Jaya Somagede and BUMDes Ujub Srowot offices aimed to obtain an overview of the condition of their financial reporting and bookkeeping. The results show that BUMDes have not been able to optimize the management of BUMDes financial reports digitally. On the other hand, the resources owned by Somagede and Srowot villages have the potential to be used as capital by BUMDes to increase their performance capacity, so that through the usage of a digital BUMDes financial application program, may attract stakeholders interest within and outside the region.
2. Focus Group Discussion (FGD) with BUMDes managers
FGD is one of the effective activities to resolve the village existing issues, both the organizational issues, BUMDes financial statements, and village governance system (Ambarwati, et al., 2022). The purpose of this FGD is to reconcile the views, ideas, and expectations of stakeholders regarding to digitization of BUMDes financial reports. BUMDes managers conveyed the challenges encountered, such as limited technological knowledge and lack of BUMDes application features.
3. Socialization of the importance of digitalization in enhancing BUMDes performance
This activity explains in detail the benefits that BUMDes will gain through digital transformation, such as increased operational efficiency, expanded market access, and transparency in financial management. In addition, this socialization aims to build awareness among the community and village stakeholders of the importance of active involvement in the village digitalization process.
4. Training on BUMDes Financial Application Management Procedures
This activity began with an intensive training on financial application management procedures, which consists of basic and technical knowledge related to managing the features of the digital BUMDes application. Training was also conducted to monitor and evaluate the team's performance in managing the system directly. It's aim to ensure that the implementation works effectively as expected.

The research was held at BUMDes Marga Jaya, Somagede District, Banyumas Regency, Central Java and BUMDes Ujub Srowot started on June to November 2024. This research activity consisted of two stages, assistance and training. The BUMDes financial application assistance and training aims to improve the knowledge and skills of BUMDes managers on accounting systems and financial reports, especially for making financial reports for trade and service business units, so that they are able to make a qualified and reliable financial reports. The training and assistance activities also aim to transfer knowledge about the features contained in the BUMDes financial application and the innovations that should be made to facilitate BUMDes managers in making

financial reports on trade and service businesses digitally. This assistance and training can improve the skills of BUMDes managers in using an integrated BUMDes financial application through Microsoft Excel.

RESULTS AND DISCUSSION

Benefits of Digital Transformation for BUMDes

Digital transformation through the BUMDes financial application not only modernizes financial management, but also adds significant value to BUMDes operations. With the convenience and accuracy provided by the application, BUMDes can focus more on business development, while financial reporting and performance monitoring is automated and real-time. It also reduces the risk of data loss or information leakage, as all data is stored in a more secure, centralized system. Before using the application, it often took a long time to generate financial reports. It also required specialized personnel who understood accounting. The BUMDes financial application makes it easier to speed up report generation, which was previously done manually, as most processes can be automated. The BUMDes financial application allows financial reports to be generated in real time and structured so that they can be accessed at any time, providing timely information to BUMDes managers and the village government. The BUMDes financial application is able to improve the operational efficiency of BUMDes financial management. BUMDes financial applications allow for a reduction in labor costs, as processes such as the recording of transactions and the generation of financial reports can be performed more quickly. This is especially important for BUMDes that may have limited budget and human resources. Digital transformation with BUMDes financial applications enables greater transparency in financial management. Each transaction recorded in the application facilitates auditing and monitoring by relevant parties. This transparency is important to increase the trust of the village community in the management of village funds by BUMDes.

Financial applications for BUMDes in the service and retail sectors can monitor financial performance more accurately and quickly. This makes it easier for BUMDes to evaluate performance, for example by looking at profit and loss and cash flow statements, and to make better decisions. The application's innovative features also help BUMDes forecast revenues and plan long-term business strategies, as well as facilitate the preparation of financial reports for services and trading. Better and more transparent financial management helps BUMDes provide better services to the community. With a structured system, BUMDes can allocate funds more wisely for public services or programs that benefit the village community, such as micro-enterprise development or health and education services.

The Effectiveness of New Features on BUMDes Performance

Some of the features already available in the BUMDes financial application have their respective functions for financial reports for both service and trading companies, but the available features are still incomplete to

distinguish and facilitate BUMDes managers in preparing financial reports for service and trading business units. After carrying out training and mentoring activities, researchers made new innovations related to features to distinguish and facilitate the preparation of financial reports for service or trading companies. These features allow BUMDes to more easily perform daily records, generate reports, and periodically evaluate financial performance. The innovative features generated from the financial data also help BUMDes develop business strategies and estimate budget needs, which are critical to the sustainability of service and trade businesses. The application innovation features that researchers have designed to differentiate and simplify the preparation of financial reports for service and trading companies are:

In this section, you must provide us with each step taken to accomplish your studies. You must not put too much the result of descriptive statistics here; on the other hand, it should be summarized in an easier to read table or graphs. You must not forget the numbers for every table and chart presented in your paper.

Table 1. BUMDes Application Account Feature Innovation

No.	Account	Trading Company	Service Company
1.	Goods Inventory	There is a trade goods inventory account	No inventory account
2.	Purchasing	There is a purchase of goods for resale account	There is no purchase of goods for resale account
3.	Sales	There is a sales account	There is a service revenue account
4.	Cost of Goods Sold	There is a COGS account that calculates the cost of goods sold	There is no COGS account because there is no stock of goods
5.	Revenue	Revenue is derived from the sale of goods	Revenue derived from the sale of services
6.	Operational Expense	Includes costs of distribution, advertising, etc.	Includes costs associated with the provision of services
7.	Return and Discounts	There are purchase and sales return accounts	There is no return account, because generally services do not have return goods

Explanation of the BUMDes financial application innovation feature table:

- a. Trading Company has accounts that related to inventory and trade transactions.
- b. Service Companies only have accounts that related to services provided without inventory or COGS

Challenges in Financial Application Implementation

Although there are many benefits, there are several challenges on the implementation digital transformation, such as limited of knowledge about technology, inadequate of technology infrastructure and the lack of budget for training on application utilization. BUMDes may also face resistance from village leaders or officials who are unfamiliar with digitalization. The solution to this problem is continuous training and socialization, as well as government support in providing the necessary infrastructure. Digitizing financial management in BUMDes has a long-term impact on the village economy. Through the adoption of a transparent and accurate financial system, BUMDes can optimize the management of fund for various economic and social programs for the village. In the long run, this can stimulate local economic growth, create new jobs, and improve the village community standard of living. The trust of the community also encourage BUMDes to grow up further due to the full support of the villagers.

CONCLUSIONS AND RECOMMENDATIONS

The implementation of digital transformation through BUMDes financial applications has proven effective in improving the accuracy and ease of financial reporting for companies operating in the service and trade sectors. This digitization makes it easier for BUMDes to record and report transactions more accurately, reduce manual errors, and speed up the process of creating financial reports. New features in the application allow BUMDes to be more efficient in operations, transparent in data presentation, and accountable to facilitate the preparation of financial reports for business units and trading units. The use of financial applications also has a positive impact on cost and time efficiency, increases public trust through greater transparency, and makes it easier for BUMDes managers to make strategic decisions based on clearer and more timely financial data. However, the implementation of digitization faces challenges such as limited tech-savvy human resources and limited infrastructure in some villages. Overall, this digital transformation supports BUMDes' goal of becoming more effective and competitive. The successful implementation of this technology has the potential to support sustainable village economic growth, provided that government support and ongoing training are provided so that all BUMDes can adopt the technology well and provide optimal benefits to the village economy.

FURTHER STUDY

Future research could explore the long-term impact of digital transformation on the financial sustainability and operational performance of BUMDes across various sectors beyond service and trade. Investigating the scalability of financial applications in different village contexts, particularly those with limited infrastructure, would provide valuable insights. Additionally, further studies could focus on the effectiveness of training programs for BUMDes managers in enhancing digital literacy and overcoming technological adoption

challenges. Comparative analysis between BUMDes that have fully adopted financial applications and those that rely on traditional systems may also reveal deeper insights into the tangible benefits and areas requiring improvement. Exploring the role of government policies in accelerating digital transformation in rural areas could further support sustainable village economic development.

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