

BUMDes School For Financial Management

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Abstract

For BUMDes (village-owned enterprise) managers, orderly financial records and reports are crucial matters to know the financial position of their business. Systematic financial record is a tool for making decisions regarding business development plans, as well as requirements for applying for capital or getting investors. The administrative system for recording BUMDes financial reports is mostly still manual which seems complicated and lengthy, so there are still many BUMDes managers who do not have financial reports in running their business. The purpose of this community service was to increase understanding and competence regarding accounting literacy for BUMDes managers. These community service partners were directors and treasurers of 27 BUMDes in Paciran and Karanggeneng districts. Community service activities were carried out through training and mentoring methods and attended by the BUMDes managers and treasurers. The training was conceptualized in the form of lectures, discussions, and practice of preparing financial statements. The results of this service indicated that there was an increase in the knowledge and skills of BUMDes managers regarding administration, rules, utilization of village asset, and financial bookkeeping. The output of science and technology achieved was practical knowledge of simple accounting, namely the preparation of financial reports in accordance with existing standards and regulations.

Keywords: financial management, business entity, village government

I. INTRODUCTION

Law Number 6 of 2014 concerning villages gives rights and authority to village governments to carry out government affairs, development, and empowerment of rural communities towards a prosperous society. The law also provides village funds originating from the State revenue and expenditure budget. These village funds must be utilized and managed properly by the village government to boost economy and realize community welfare. One approach that is considered capable of stimulating and moving the village economy is through the establishment of economic institutions that are fully managed by the village community. Village-owned enterprise or called BUMDes is community economic institution which is expected to be able to move and accelerate the village economy based on the needs and potential of the village. [1] BUMDes is a form of village institution that has activities to run economic or business to obtain useful benefits for the welfare of the community. The presence of BUMDes as a village business institution that was born on consideration of the needs and potential of the village is certainly very influential for the village as well as the surrounding community.

The results from the management of BUMDes or “profits” will become village income or called Village Original Income (PAD). BUMDes management is fully implemented by the village community: from the village, by the village, and for the village. BUMDes works by accommodating the community's economic activities in an institutional form or business entity that is managed professionally, but still relies on the original potential of the village. This can make community businesses more productive and effective [1]. In the future, BUMDes will function as a pillar of national independence and as an institution that accommodates community economic activities that develop according to village characteristics in order to improve the welfare of rural communities [2]. BUMDes was built with the aim of moving and accelerating the village economy. It is hoped that all the resources owned by the village can be managed by the villagers themselves to increase Village Original Income so that the village can be independent. However, many BUMDes designed as the spearhead of the village economy were dormant because of the lack of villagers’ participation. BUMDes need to learn from the failure of previous practice of village economic institutions.[3] In addition, the problem that often arises is that the Central Government and Regional Governments encourage the establishment of BUMDes only to meet the target of activity programs by disbursing financial assistance.

They also do not accompany BUMDes in their territory, meanwhile the village government also often does not pay attention to the potential and infrastructure in the village in establishing BUMDes. The capacity of the management is poor and the managerial knowledge is also weak. As a result, the existing BUMDes does not run optimally and the income does not match expectations, even making a loss. The products of BUMDes have been in accordance with the potency of the village, but the marketing from the managers is not optimal.[4] Another problem in Lamongan Regency is when many businesses established by the village government are unable to develop or even go bankrupt due to some factors such as not having an understanding or knowledge of business units, weak managerial abilities, not mastering the business field, and not having financial management capabilities. BUMDes is one of the priority sectors to be financed by village funds. However, there are no consequences or sanctions for BUMDes that use village funds but unable to increase village original income and village community welfare. Lamongan Regency has enormous natural resource potential in the agricultural and marine sectors. This potential is a big capital for Lamongan Regency to realize the welfare and prosperity of the community. Considering this fact, Lamongan Regency has issued a policy regarding the priority of using village funds to increase village original income.

The Lamongan Regent's regulation states that one of the priorities for the use of village funds is to invest in the capital for the establishment of village-owned enterprises so that they can become sources of village original income. This is in accordance with the results of research conducted by Imawan & Mas'adah which revealed that the Lamongan Regency government has encouraged the village

government to utilize village funds as capital for the establishment and development of village-owned enterprises. This village-owned business entity is later expected to be able to increase the village's original income which can be used to finance the implementation of village development. From the results of the study, it was also revealed that the village government in Lamongan Regency welcomed the existence of village funds and would use village funds for the development of BUMDes and increasing village original income. However, in reality there are still many village governments that have not been able to manage and develop BUMDes, so many are not developing and some are even suspended. Based on the background, community service needs to be carried out as an effort to take responsibility for higher education to participate in advancing the life of the nation by contributing to accompanying the village government in developing village-owned enterprises. This activity is carried out to improve the quality and capability of human resources in terms of financial management of BUMDes.

II. METHODS

Community service activities in the form of BUMDes school focused on financial management. The implementation of BUMDes schools was carried out in several stages, namely socialization, focus group discussion, financial management training, and financial management assistance. The stages of activities can be described as follows:

Community Service Program Socialization

The initial activity carried out was to build communication and coordination with village heads and BUMDes directors through socialization of community service programs by the Accounting Study Program, Faculty of Economics and Business, University of Muhammadiyah Lamongan. The coordination and socialization were important so that the village government, BUMDes managers and the Community Service Team could carry out the activities easily. The socialization stage presented the foundation, overview, and objectives of the program so that the village government and the BUMDes managers understood the importance of this activity.

Focus Group Discussion

This focus group discussion was conducted to identify problems and difficulties faced by BUMDes managers. Problem identification was carried out as the first step to formulate the methods and concepts of training. From this activity the Community Service Team would provide training that was easily accepted and captured by the training participants later since the authors were aware that BUMDes managers had various backgrounds. Some of them might not have an understanding of BUMDes accounting at all.

BUMDes financial management training

The implementation of this community service activity was delivered through a training/workshop. The activities were carried out through lecture, discussion and practice methods. The steps in implementing this training were as follows:

1. The participants were given material on the financial management of BUMDes (basics of BUMDes finance, the importance of financial reports for business institutions, and various types of financial reports for BUMDes).

2. The participants were given the opportunity to discuss the material to deepen their understanding.

3. The participants were asked to make financial reports through the financial report application program. At the time of socialization, participants were asked to submit financial data that would be used for the practice of preparing BUMDes financial reports.

BUMDes Financial Management Assistance

The next stage was assisting BUMDes managers in managing BUMDes finances. The team were ready to help if one of the BUMDes managers experienced difficulties. This mentoring team consisted of lecturers and students of the economics and business faculty of the University of Muhammadiyah Lamongan.

III. RESULT AND DISCUSSION

The implementation of community service activities was carried out in two districts, namely Paciran district and Karanggeneng district. The participants were BUMDes managers consisting of directors and treasurers. This activity was carried out properly and in accordance with the needs of BUMDes managers. The community service team had ensured that training methods and materials regarding financial management or accounting were simple but still in accordance with the standards set out in the laws and regulations so that they could understand and implement the materials consistently. This is because many BUMDes managers did not have the ability or understanding of accounting. The implementation of community service was carried out in 4 (four) stages, namely the socialization, focus group discussion (FGD), training, and mentoring.

Socialization

Prior to carrying out the activity, the community service team had socialized the design of the activity to the village heads and BUMDes managers in Paciran and Karanggeneng districts. The socialization was carried out to provide understanding to the village government and BUMDes managers regarding the basis of activities, the aims and objectives of the activities, and the importance of the BUMDes school activities. The community service team also provided an overview of the benefits or advantages after participating in the activity. This information was needed to build an understanding between the village heads, BUMDes managers, and the community

service team so that the community service activities could run smoothly and in accordance with the targets.



BUMDes financial management training

BUMDes as the village's economic strength must be managed with good and appropriate management and strategies. It is necessary to conduct a business feasibility study which includes several aspects, namely legal aspects, economic aspects, management aspects and financial aspects (Kasmir, 2015). BUMDes as a new economic power are expected to increase community income and village original income. The increase in income will have an impact on village progress and community welfare. Therefore, BUMDes managers must be creative and innovative so that BUMDes can compete with other entrepreneurs. The creative industry currently has great potential, especially now that the government continues to encourage and support creative industry players and also BUMDes by providing a lot of assistance in

the form of training and education as well as capital assistance aimed at improving and advancing the business world. Financial management must be managed properly as well. With good BUMDes financial management and in accordance with standards, the business will run smoothly and develop well.



The first session explained about the administrative material and requirements for managing a BUMDes legal entity. This material was conveyed considering that during the focus group discussion, it turned out that many BUMDes managers did not have legal entities. Of the 27 BUMDes in Karanggeneng and Paciran districts, only 3 BUMDes managed legal entities. Thus, this material was important to provide an understanding of the importance of having a legal entity and the requirements to manage it. Additionally, the latest regulations said that in 2022 only BUMDes with legal entities can use village funds as their capital participation. Therefore, BUMDes managers must immediately file legal entities and also understand the laws related to BUMDes so that they can manage them properly and do not get out of statutory regulations.



The second session was related to the management or utilization of village assets. On this occasion, it was explained that before establishing a BUMDes management business unit together with the village government had to identify and map the potential of natural and human resources so that the identification produced a business unit that managed useful products or services. In this session, the speaker also provided an understanding of the importance of financial records and the preparation of correct, rapid and appropriate financial reports in accordance with the standards. Considering the poor understanding of BUMDes managers in applicable accounting standards, this session also presented an explanation of accounting standards which needed to be implemented by BUMDes managers.

Then, the third session was training in the preparation of financial reports. The material was to explain the recording flows starting from the collection of transaction evidence to the preparation of financial statements. Furthermore, participants were given some cases and asked to practice the preparation of financial reports for the application program. In the last session, the team delivered an evaluation of the participants' understanding regarding the material through discussion and question and answer session. Furthermore, the participants were asked to practice making financial reports in the provided application program. The team provided assistance in carrying out the practice of recording and preparing financial reports. Participants were very enthusiastic about the explanation and assistance provided by the community service team. Participants were active and tried to understand what was conveyed by the presenter. Various questions were asked by the participants and responded well by the community service team. The practical process of recording and compiling participants' financial reports was assisted by students as team members.



For the evaluation, the team assessed the that training participants' understanding of BUMDes management materials related to administration, laws and regulations, utilization of village assets and preparation of BUMDes financial reports had increased.

Assistance in the financial management of BUMDes

Mentoring was carried out after the training. The mentoring program for BUMDes managers was carried out periodically every 2 weeks by visiting partner places. This assistance aimed to ensure that the BUMDes managers had carried out financial records. From this assistance, good progress was made by BUMDes management and had been in accordance with accounting standards. Mentoring was also carried out intensively and communicatively, either directly or indirectly.



IV. CONCLUSION

Several things can be concluded from the activities. First, BUMDes managers increase their understanding of financial reports and the importance of submitting financial reports in village deliberation activities. Second, simple accounting system in BUMDes can be created through Microsoft excel. Third, BUMDes managers can improve skills in the field of accounting, especially those needed in the daily operations.

However, the team will continue to assist BUMDes managers in recording and compiling financial reports because they do not really understand how to prepare financial statements according to accounting standards. In addition, we provide some suggestions for the managers. First, it is better if the managers of BUMDes always upgrade their knowledge in the field of accounting to give frequent changes in accounting standards. Second, BUMDes are expected to be able to actively hold annual meeting activities, especially to submit financial reports to members. With regular annual meetings, it is hoped that public confidence trust will increase. Finally, it will have an impact on the sustainability and development of BUMDes.

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