

## Optimization of Village-Owned Enterprise Management at Improving Pades in Latukan Village, Lamongan Regency

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### ABSTRACT

Received : July 10, 2025  
Revised : August 30, 2025  
Accepted : September 29, 2025

#### Keywords:

*Good Corporate Governance, BUMDES, PADES.*

The purpose of this study was to determine the implementation of good corporate governance in order to optimize the increase in Village Original Income of BUMDes. The population in this study was BUMDes Sumber Rejeki in Latukan Village, Karanggeneng District, Lamongan Regency. Data were obtained through observation, interviews, and documentation. The research method used was qualitative research with triangulation analysis techniques. The results of this study indicate that the implementation of good corporate governance in BUMDes in Latukan Village is good in terms of the principles of transparency, accountability, responsibility, independence and honesty. BUMDes management decisions are taken objectively without interference from parties with personal interests. BUMDes is open to community participation and does not discriminate in recruitment. BUMDes has provided adequate information as a form of transparency in BUMDes management. The implementation of accountability is still weak in human resources owned by BUMDes, especially the treasurer. The treasurer already understands the implementation of accounting according to standards. Optimization of BUMDes management can be achieved through improving the implementation of good corporate governance, which not only strengthens financial management, but also BUMDes' contribution to inclusive and sustainable village development.

### INTRODUCTION

Village governance management is a strategic aspect because villages are indigenous areas with special rights, which enable the implementation of village autonomy. Considering Indonesia is an agrarian country with most of its potential in rural areas, it is very important to give authority to the village to participate in implementation of development (Ilmu et al., 2016). Bumdes is an entity that manages village resources productively. By upholding the principles of transparency, accountability, responsibility, and independence, and justice. This management aims to encourage economic growth, especially through positive changes in the economic conditions of the village community and increase in village original revenue (pades) (Suyanto Soeradi, 2023). To achieve that goal, the establishment of bumdes business units must be based on careful analysis regarding the needs of the community and the potential of the village. This approach ensures that the work program bumdes does not duplicate the initiatives of other villages, but rather creates added value that relevant and sustainable for their own village (Wardani & Fauzi, 2022).

According to Law Number 11 of 2021 concerning Village-Owned Enterprises, BUMDes is defined as a business entity whose entire or most of its capital owned by the village. This capital comes from the village's wealth that has been directly set aside. with the aim of managing assets, providing services, and conducting other businesses for the maximum welfare of the village community. (Hermawan, 2023) The establishment of BUMDes has been significant

realized in various villages, including Latukan Village, Karanggeneng District, Lamongan Regency, which has a village economic institution named BUMDes Sumber Rejeki. Geographically, this location serves as a platform for the village community to develop. In line with its goal of increasing community income, BUMDes also allows business owners to obtain funding sources through this institution. Therefore, effective fund management is highly needed so that the funds allocated to BUMDes can be managed wisely. Proper fund management in BUMDes plays an important role in preventing potential problems such as fraud that can harm the wider community. Thus, if BUMDes is able to utilize capital and its assets effectively to generate income both directly and does not directly benefit the entire village community, then the flow regulation the funding is considered good (Siahainenia & Si, 2020).

The abundance of resource potential possessed by the village of Latukan needs to be managed. clearly and purposefully. The role of BUMDes becomes very important in encouraging local economic development. Based on data from the Karanggeneng District, Kabupaten Lamongan, BUMDes Sumber Rejeki in Latukan Village has the highest income among 18 Villages in the Karanggeneng District, Lamongan Regency, that reach 600,000,000 in 2023. Desa Latukan obtained the highest income, which came from management of the Village Market Business Unit. Access to mobility towards Latukan village is very inadequate. but that does not become a challenge for the BUMDes managers in improving BUMDes revenue.

The importance of implementing corporate governance principles in managing BUMDes becoming increasingly apparent, meaning there is a framework that includes rules, policies, and practices that govern the organization are implemented and supervised. Corporate Implementation Good governance is expected to enhance accountability, transparency, Responsibility, Independence, and fairness (Ilham et al., 2025). Process and structure that used to direct and manage a business to improve prosperity and accountability are closely related to corporate governance (good corporate governance). This shows that how an organization is governed and managed greatly affects its success and transparency (Wardani & Fauzi, 2022). In its implementation, the application of good governance principles governance) has become very important. This is crucial to ensure transparency, accountability, and community participation can function optimally. In other words, good governance practices ensure that every aspect of management is conducted transparently, can be held accountable, and involves all relevant parties. Related to BUMDes, the quality of good governance (good governance BUMDes) greatly influences the performance of BUMDes itself. The more effective and good governance that is implemented in BUMDes, then the performance of BUMDes will also become increasingly positive. This indicates the presence of the direct relationship between responsible governance practices and achievements and the success of BUMDes (Fuadi, 2022).

Human Resources (HR) are the main determinant in management BUMDes can be a driver of progress or an obstacle (Hasan, 2019). Therefore, the community's enthusiasm for developing the village through BUMDes must be balanced with adequate knowledge and skills in managing BUMDes. This important for BUMDes to survive and continue functioning as a means of improvement Village Original Revenue (PADes) (Ilham et al., 2025). Previous research on good governance of BUMDes generally only focuses on one village and business activities that run. Additionally, there has not yet been a thorough explanation regarding the management of BUMDes in

Desa Latukan specifically in the context of increasing Village Original Income. This condition of course, it will impact the quality of life of the village community (Dharma, 2022). In addition, this research will also examine aspects of good corporate governance in a thorough, to get a more comprehensive picture of how Good governance of BUMDes can encourage the improvement of PADes and the quality of life. the community of Latukan Village. With this, the researcher is interested in studying Optimization. Management of Bumdes in Improving Villages Through the Implementation of Good Corporate Governance in Latukan Village, Lamongan Regency.

## RESEARCH METHODS

This research adopts a qualitative research type, which is rooted in post- philosophy. positivism. This approach is chosen to study objects in their natural conditions, where the researcher acts as a key instrument in data collection and analysis (Sugiyono, 2019). In this study, we focus on two main variables: Income Increase Asli Desa and Good Corporate Governance. To collect data, we using observation, interview, and documentation methods. Observation was conducted directly at the BUMDes that has become the object of research. Interviews involve three key informants:

the Village Head, the BUMDes Director, and a community representative. After interview data has been collected, the next step is to conduct further observations and data analysis that has been obtained. Data analysis is conducted using techniques triangulation, which allows us to draw comprehensive conclusions and offering alternative strategies to address the issues identified in the research this.

## RESULTS AND DISCUSSION

Indonesia is a country with abundant natural resources that can be utilized to improve its economy and the welfare of its people. However, it is important to note that the overall welfare of society depends on the effective management and utilization of natural resources. Therefore, the development of human resources is very important to achieve collective welfare. Therefore, the development of natural resources is very important to achieve collective prosperity. The fundamental goal of economic development is to realize a just and prosperous society, as mandated by the 1945 Constitution. To achieve this goal, it is necessary to implement well-planned and well-integrated development programs that prioritize a long-term perspective (Hendri, 2020).

The area of Indonesia is estimated to remain around 1,904,569 km<sup>2</sup>, making it the 14th largest country in the world based on land area. Indonesia is divided into 34 provinces with 538 regencies or cities, and as of 2023, the number of villages in Indonesia is recorded at around 83,000 villages. This number includes villages located throughout Indonesia, from Sabang to Merauke. Each village has different characteristics, both in terms of population, infrastructure, and natural resources, depending on its geographical location. This number continues to grow along with the formation of new villages or the expansion of villages carried out by the local government (BPS, 2024).

Based on the findings from the interviews and observations conducted, the researcher found that each BUMDes already has a role in accordance with (Peraturan Pemerintah, 2021) which is to manage businesses, utilize assets, develop investment and productivity, providing service, and offering types of businesses others to improve the welfare of the village community. The interview results about the management of BUMDes in increasing the village's original income shows that BUMDes generates revenue growth every year.

The establishment of BUMDes Sumber Rejeki has been regulated in the village regulation of Latukan No. 02 of 2022 concerning the Establishment of Village-Owned Enterprises in Latukan Village, Karanggeneng District, Lamongan Regency. BUMDes is managed with a spirit of kinship and mutual cooperation, and BUMDes can conduct business in the economic sector and/or public services in accordance with the provisions of the legislation (Zandri et al., 2018).

The objectives of establishing Village-Owned Enterprises (BUMDes) include:

1. To develop the village economy.
2. To increase the village's original revenue.
3. The provision of public welfare services for the allocation of livelihoods for the village community also needs to be considered.
4. The formation of pioneering roles in business activities in the village is very important.

The objectives of establishing Village-Owned Enterprises include:

1. Increasing the participation of the village community in managing legitimate sources of original village revenue;
2. Developing the economic activities of the village community within village business units;
3. Developing informal sector businesses to absorb the village community's workforce;

Good Corporate Governance (GCG) can be defined as a process and structure implemented by a company (commissioners or supervisory board, directors, and shareholders or capital owners) to enhance the company's performance and accountability with the aim of creating long-term value for shareholders, while also considering the interests of other stakeholders, and based on ethical values and legal regulations. The Organisation for Economic Co-operation and Development (OECD) defines Good Corporate Governance (GCG) as a series of relationships that occur between shareholders, company management, and other parties that have an affiliation with the company.

The implementation of good corporate governance in the management of BUMDes will not be effective without strong collaboration among various stakeholders (Iit, 2021). This shows that the success of BUMDes greatly depends on the synergy and cooperation of all parties involved. The implementation of effective good corporate governance must emphasize important principles such as transparency, accountability, responsibility, independence, and fairness. These principles require strong idealism and commitment from the BUMDes managers to be implemented consistently and responsibly (Agus, 2023).

- a. Transparency is defined as openness within a company to carry out the decision-making process and disclose material and relevant information about the company.
- b. Accountability, defined as the clarity of functions, execution, and accountability of the company's organs so that the management of the company is carried out effectively.
- c. Responsibility, defined as compliance with applicable laws and healthy corporate principles.
- d. Independence, defined as the absence of conflicts of interest and external influences/pressures that do not comply with applicable laws and healthy corporate principles.
- e. Fairness, defined as justice and equality in fulfilling the rights of stakeholders arising from agreements and applicable laws.

The need for Good Corporate Governance (GCG) arises from the necessity to encourage the formation of organizations that demonstrate efficiency, transparency, and adherence to legal frameworks and regulations. The implementation of Good Corporate Governance (GCG) relies on three inter-related pillars, namely the state and its apparatus as regulators, the business world or natural potential as market players, and society as users of business products and services (Shaumi & Srimindarti, 2022).

### Transparency

According to (KNKG, 2006), transparency is a principle of Good Corporate Governance (GCG) that emphasizes the openness of the company in providing material and relevant information. This information must be easily accessible and understandable by stakeholders. Transparency includes openness in the decision-making process and the disclosure

of information related to the company's performance, structure, and policies to the public. This is supported by (Mardiasmo, 2003 in (Moenek, 2019). who states that transparency is the openness of the government regarding the management of public resources to parties who need information. In this case, BUMDes Sumber Rejeki has implemented this principle by providing information transparency to all stakeholders through open meetings conducted by BUMDes Sumber Rejeki along with village officials and the community.



**Figure 1.** Open Meeting of BUMDes Sumber Rejeki

To maximize the application of the principle of Transparency in increasing village original income in Latukan village, Karanggeneng sub-district, Lamongan district, BUMDes Sumber Rejeki needs to encourage all members to always be transparent and maintain public trust in BUMDes Sumber Rejeki which involves identifying external and internal factors that affect the organization, as well as providing easy access to information to all local communities.

In addition, transparency at BUMDes Sumber Rejeki has been carried out in accordance with the principles of transparency (transparency) contained in good corporate governance. The indicators that have been carried out are the disclosure of information that is submitted in an accurate and easy to understand manner, BUMDes Sumber Rejeki also discloses about information disclosure, openness decision making, BUMDes Sumber Rejeki sets business goals and organizational strategies, risk management systems, has a supervisory body and internal control even though it is simple and policies regarding BUMDes Sumber Rejeki have all been regulated in the Latukan Village Regulation on the Establishment of BUMDes.

### Accountability

According to (Daniel Rahandari, 2024) accountability is a form of responsibility for the execution of functions and duties in accordance with the authority held by all components of the company, including shareholders. This also means there must be clarity in the functions, implementation, and accountability of an organization so that the management of the company runs effectively. This view is in line with (Kartika Hendra, 2021) who defines accountability more narrowly as the ability to provide answers or explanations to higher authorities for the actions of individuals or groups within an organization, or to the broader public. In general, BUMDes Sumber Rejeki in this study has carried out its duties and functions in accordance with the rules that have been determined, in the form of



AD/ART and PERDes which are written rules that must be owned by BUMDes and used as guidelines in carrying out the management that is run.

Accountability at BUMDes Sumber Rejeki has been implemented very well. In carrying out their duties, BUMDes members always refer to the applicable regulations. In addition, members of BUMDes Sumber Rejeki are also able to complete all accountability reports at the end of each year and always hold meetings that always prioritize the community. This approach aims to enable the community to understand deeply how BUMDes Sumber Rejeki runs its operational activities. Thus, it can be seen that BUMDes Sumber Rejeki has implemented the principle of accountability in its management well in all aspects of activities that occur in the management of BUMDes operational activities.

## Responsibility

According to (Tusna et al., 2024), responsibility (*tanggung jawab*) in the context of Good Corporate Governance (GCG) is a principle that emphasizes the obligation of the company to manage its business correctly, measurably, and in accordance with the interests of the company, while still considering the interests of shareholders and other stakeholders, as well as complying with laws and regulations and fulfilling responsibilities towards society and the environment. Responsibility can also be defined as a measure of how public services are provided in accordance with the principles of proper administration and organization. In this case, BUMDes Sumber Rejeki in Latukan Village, Karanggeneg District, Lamongan Regency has implemented the principle of Responsibility well by responding to proposals from the residents of Latukan Village regarding the management of BUMDes to create an increase in Village Original Income. For example, by opening a retail business unit, which was proposed by local residents because Latukan Village faces difficulties in mobility and is far from the city center, the establishment of this retail business unit can help the community and support BUMDes in increasing PADes.



**Figure 2.** Bumdes Sumber Rejeki Retail Unit

The application of the management principle of responsibility in the management of BUMDes Sumber Rejeki is seen from several indicators, namely:

1. The existence of deliberations with the community regarding the aspirations that conveyed
2. Responding to complaints and wishes of the community quickly and precisely

3. The existence of community participation in assisting the management of BUMDes
4. The creation of new innovations according to community needs.

The principles of responsibility management implemented by the management of BUMDes Sumber Rejeki are in accordance with statutory regulations and carry out efforts to maintain business continuity, so that the tasks of BUMDes Sumber Rejeki, can be carried out properly in Latukan village. The procedures set regarding social responsibility to the community around BUMDes Sumber Rejeki and responsibility for the environment have been carried out well, it is an important aspect for BUMDes Sumber Rejeki, this is the same as previous research conducted by (Zahiq, 2023) which has carried out social responsibility, such as assistance provided to the community.

## Independence

Independence in the context of good corporate governance (gcg) according to (KNKG, 2006) means that every corporate organ, such as the board of commissioners and the board of directors, must be able to carry out their duties and responsibilities independently, free from pressure or influence from other parties that could harm the company. This ensures that decision-making is carried out objectively and in the best long-term interest of the company. Independent means not easily influenced, neutral because the auditor performs their duties for the public interest. In the principle of independence for the optimal performance of a bumdes in increasing pades, bumdes sumber rejeki implements this by not being influenced by external pressures or operating the bumdes independently while still paying attention to the surrounding conditions. In this case, it is proven by the preparation of the work program, which was organized by the bumdes management themselves without coercion and intimidation from unrelated parties.

To run a BUMDes, it is a must that BUMDes can be managed independently or independently without any domination or pressure from any party such as outsiders. So that in making a decision can be done objectively and correctly. In independent BUMDes governance, it can be done by avoiding pressure or intervention from any party and decision making together without taking sides so that the benefits can be felt together not by one party alone. BUMDes Sumber Rejeki has run independently and is not affected by personal interests, where decision making is carried out together in deliberation so that decision making is objective.

BUMDes Sumber Rejeki is not under the influence of external pressure. The BUMDes Director also said that since the establishment of BUMDes Sumber Rejeki they run BUMDes independently but still pay attention to the surrounding conditions. Even with a lot of input from several parties, BUMDes Sumber Rejeki remains professional by not favoring the decisions of any of the stakeholders involved. With no outside influence, BUMDes management will be more efficient in increasing PADes.

## Fairness

According to (Bhaharudin, T, 2019) the principle of fairness (equity and equality) in good corporate governance (gcg) emphasizes fair and equal treatment of all stakeholders in accordance with their rights arising from agreements and applicable laws and regulations. The implementation of this principle has been carried out by bumdes sumber rejeki in optimizing the management of bumdes to improve the village of latukan by treating every bumdes member fairly and not

discriminating based on ethnicity, religion, or group in providing services to the community.

The principles of fairness and equality that are Carried out by bumdes hsummer rejeki are in accordance with the general Guidelines issued by (KNKG, 2006). Where bumdes Provides opportunities for anyone to provide suggestions And criticism of the bumdes itself, provides equal and fair Treatment to both the management and the community. To the manager, the distribution of results is in accordance with the agreement that has been made before and the community is always Given the same service. The principle of equality is implemented by The management of bumdes sumber rejeki by operationalizing activities that are Based on the principle of equality, so that no conflicts occur between bumdes and other businesses. In addition, bumdes Sumber rejeki village is very open and opens opportunities for All villagers to become bumdes employees regardless of Class. And in service everything is treated the same there is no distinction whether it is to the community or to village officials.

Bumdes sumber rejeki members have received equality in any Matter such as not being differentiated between ras, ethnicity or religion And have never been differentiated in their respective social circumstances. So Also with the latukan village community who are not differentiated in any Aspect in obtaining services carried out by Bumdes. This can encourage the active participation of the village community and Ensure success in the management of village-owned enterprises in order to Increase village revenue.

## CONCLUSION

Based on the provided narrative, it can be concluded that BUMDes Sumber Rejeki has been operating optimally in managing BUMDes to increase Village Original Income (PADes) through the application of Good Corporate Governance principles. BUMDes Sumber Rejeki has fulfilled its role in accordance with PP No. 11 of 2021, which includes managing businesses, utilizing assets, developing investments and productivity, providing services, and offering other types of businesses to improve the welfare of the community. BUMDes Sumber Rejeki clearly implements the five principles of GCG: Transparency is carried out through open meetings with village officials and the community, as well as providing material and relevant information. Accountability is demonstrated through the accountability of all activities by reporting on each managed business unit. Responsibility is demonstrated by responding to community proposals, such as the opening of retail business units that help the community and BUMDes increase village revenue. The independence of BUMDes in formulating work programs autonomously without influence or pressure from external parties. And on the principle of Fairness, BUMDes treats every member and the community fairly without distinguishing between ethnicity, religion, or group in its services. Thus, it is evident that BUMDes Sumber Rejeki not only performs its functions but also implements them with good governance and is oriented towards improving community welfare and village income, which indicates.

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