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Determinant Factors Enhancing the Financial Accountability of Village-Owned Enterprises

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ABSTRACT

The uniqueness of BUMDes in terms of business form and purpose is what makes financial accountability important to be presented in the management of BUMDes to ensure that village funds are used effectively and efficiently, and maintain public trust in the management of BUMDes itself. Therefore, this study was conducted to examine the factors that affect financial accountability both directly and indirectly. The research data collected were from 434 respondents from the BUMDes Management in Banten Province. Furthermore, the data was analyzed using SmartPLS 4 Software using SEM-PLS after validity and reliability testing. The results of the study show that the information technology utilization, implementation and administration, as well as internal control systems, have a significant effect on financial accountability through the mediation of the financial reporting quality. Although the information technology utilization, implementation and administration, and internal control systems directly affect the financial reporting quality, the three have not been proven to have a direct effect on financial accountability. In addition, human resource competence has not been proven to have an effect either directly or indirectly on financial accountability or the quality of financial reporting.

Keywords: Financial Reporting Quality, Financial Accountability, Village-Owned Enterprises, Information Technology Utilization, Human Resources Competence, Internal Control System
JEL Classifications: M41, M42, H83

1. INTRODUCTION

Village-owned enterprises (known locally as BUMDes) are entities formed by villages by involving local communities to improve social welfare while seeking profits that will be returned to the community in order to create an independent village, both economically and resourcefully. Especially in Indonesia, the concept of BUMDes itself is regulated in Village Law No. 6 of 2024 and Government Regulation No. 11 of 2021 where BUMDes have an important role in building village independence in the economic, food security and social fields related to the welfare of the village community itself. In other Asian countries, there is a similar concept to BUMDes in Indonesia, but with different goals and characteristics. For example, in China, there are township-village enterprises (TVE) that are established with collective funding from village communities and private investment but have the business goal of village industrialization and labor absorption (Xu, 2011). In contrast to India and Bangladesh which focus on village cooperatives and women's empowerment (Datta and Gailey, 2012). In Kenya there are Community-Based Enterprises (CBEs) formed by local communities to meet basic needs such as water, energy and agriculture (Manyara and Jones, 2007). Although the core concept of everything is different, it remains the same, namely supporting the achievement of sustainable development goals (SDGs Desa), especially in the aspects of inclusive economic growth, poverty alleviation, and improving community welfare at the village level.

While these village-owned enterprises differ across countries, BUMDes still have a distinctive characteristic, that is involving village/local communities to build and develop village potential together. The large number of stakeholders, both directly and indirectly involved in the management of BUMDes makes the need for financial accountability increase. The lack of transparency and accountability in BUMDes is indicated by the findings of Indonesian Corruption Watch (2024) that in 2023 there were 187 cases with a total loss of IDR 162 billion involving village governments, including BUMDes administrators. Preventive measures must be taken immediately so that no more fraud occurs due to the closure of the public fund management process, business decisions, and the results of BUMDes' performance. As one of the principles of good governance, financial accountability emphasizes transparency and responsibility related to the use of public funds and the decisions of the management can be clearly and legally justified. In addition, stakeholders can directly supervise and audit BUMDes financial statements to maintain public trust and ensure that the use of resources is carried out effectively and efficiently by BUMDes Management (Barrueco, 2015; Brinkerhoff, 2017; Msindwana and Ngwakwe, 2022).

There are still few researchers who discuss the accounting and financial reporting practices of BUMDes in various countries, especially about financial accountability, making this research important to be conducted. Previous research conducted by (Dewi et al., 2019; Sumaryati et al., 2020; Tran et al., 2021) has proven empirically that accountability is influenced by human resource competence through mediation of financial reporting quality. The quality of financial reporting is an important variable in mediating the competence of human resources towards financial accountability, because a person's understanding of accounting standards and financial reporting produces more accurate and reliable information thus increasing the level of transparency and accountability of the reporting itself. However, there are other studies that have found that this mediation relationship is very weak and easily eliminated by other factors such as the use of accounting software in financial records. Other research found that the importance of human resource competencies in producing accountable reporting (Ginanjar et al., 2020; Mediaty et al., 2025; Muda and Erlina, 2020). In line with this, studies in Uganda also prove that managerial competence significantly strengthens accountability (Kaawaase et al., 2021; Nalukenge et al., 2017).

Research on accountability influenced by the application of information technology such as blockchain and ERP systems has been conducted in countries such as China, Japan and Korea. The results of the study prove that there is an improvement in the quality of financial information, the efficiency of data management and an increase in the reliability of financial statements using information technology. The use of blockchain provides credibility for financial recording because the process cannot be changed, thus minimizing the occurrence of fraud and profit management. In addition, the use of IoT and AI also provides a strong impact on transparency and increases stakeholder engagement in the reporting process. The important role of the use of information technology in the accounting process affects the quality of financial reporting generated and financial accountability consistently (Chege and Wang, 2020; Kim and Cho, 2023; Liao et al., 2025).

A separate study clarified that the implementation and management of finances, supported by institutional reforms, digitalization, and contextual factors, markedly improved the accountability and quality of financial reporting. This influence is considered significant as it fosters trust among stakeholders, mitigates the risk of exploitation, and advocates for enhanced reporting standards. Additionally, innovative governance methods such as democratization, informaticization, and management audits enhance the transparency and accountability of both village-level entities and village-owned enterprises (BUMDES). In China, institutional reforms aimed at strengthening village institutions and implementing transparent financial management systems have resulted in enhancing financial reporting and accountability, while reducing opportunities for misconduct, enhancing public trust, and clarifying oversight mechanisms (Dash and Mohanta, 2024; Peprah et al., 2023; Purohit et al., 2022; Quarshie et al., 2025; Tang et al., 2020; Zhu, 2014). A separate study elucidated that the execution and oversight of finances, bolstered by institutional reforms, digitalization, and contextual elements, substantially enhanced the accountability and quality of financial reporting. This influence is deemed significant as it fosters stakeholder trust, mitigates the risk of exploitation, and promotes the attainment of superior reporting standards. Moreover, governance innovations including democratization, informaticization, and the execution of management audits enhance transparency and accountability at both the village level and within village-owned enterprises (BUMDES). In China, institutional reforms aimed at fortifying village institutions and establishing transparent financial management systems have demonstrated enhancements in the quality of financial reporting and accountability, while concurrently diminishing opportunities for misconduct, bolstering public trust, and elucidating oversight mechanisms (Dash and Mohanta, 2024; Peprah et al., 2023; Purohit et al., 2022; Quarshie et al., 2025; Tang et al., 2020; Zhu, 2014).

Other studies indicate that an effective internal control system enhances financial accountability and the quality of financial reports by strengthening oversight, managing risk, and improving operational efficiency, thereby reducing the likelihood of fraud and promoting integrity in financial reporting (Tang et al., 2020). Businesses in African villages employ a combination of traditional and modern early warning systems to prevent disasters and fraud. The efficacy of these systems is contingent upon the community's preparedness and the robustness of the institutions (Macherera and Chimbari, 2016; Ringo et al., 2024).

This research provides a new perspective on how to measure the level of financial accountability through a comprehensive model and how good accountability can produce a more reliable quality of financial reporting, so as to be able to provide relevant information for stakeholders in setting accounting policies and standards in the future. Transparent accountability and quality reporting have an important role to play in supporting decision-making, especially for stakeholders and managers of BUMDes, as the availability of accurate, relevant, and accountable financial information will make the process of planning, managing, and evaluating policies more effective and sustainability-oriented. For this reason, this study uses a quantitative approach with the explanatory research survey method which is disseminated to BUMDes managers in Banten Province to test and analyze the influence of information technology use, human resource competence, implementation and administration, and internal control system on the accountability and quality of financial reporting in BUMDes.

2. LITERATURE REVIEW

2.1. Financial Accountability

Financial accountability strengthens stakeholder trust through reasonable, relevant, efficient, effective, and auditable reporting. In community-based organizations, financial accountability also includes a moral obligation to account for funds to the public. In the context of BUMDES, financial accountability means openness and accountability in the management of village funds entrusted to BUMDES. This accountability is the responsibility of BUMDES to use public funds economically, efficiently and effectively, there is no waste and leakage of funds, as well as corruption. Financial accountability is very important because it is the main focus of the community. This accountability requires BUMDES to make financial reports to describe the financial performance of the organization to stakeholders (Amerieska et al., 2021).

Financial accountability of BUMDES is realized through standard-compliant recording, periodic reporting, and independent audits as efforts to strengthen public trust and support the sustainability of village enterprises. The measurement of financial accountability covers various dimensions and methods that aim to ensure transparency, compliance, and effective governance. Quantitative measurement can improve financial accountability and build public trust if it has clear audit instruments and more modern analysis. However, there are still many obstacles in its implementation, such as the complexity of the business and regulations that often change (Hanafi and Kusumastuti, 2022; Sofyani et al., 2022).

2.2. Financial Reporting Quality

High-quality financial reporting is a fundamental prerequisite for ensuring financial accountability. Reports that are relevant, reliable, timely, understandable, and comparable provide the foundation for stakeholders—including village communities, local governments, and BUMDES administrators—to objectively assess the financial condition of Village-Owned Enterprises. Relevant reports provide useful information to support decision-making in village enterprise management, while reliability ensures that financial reports are free from material errors and prepared in accordance with reliable accounting principles so that they can describe the financial performance of BUMDES honestly and accurately. Comparability, both between periods and between BUMDES, facilitates consistent performance evaluation. Meanwhile, comprehensibility requires that reports be presented in a clear and simple format so that they remain accessible to stakeholders even if they do not have an accounting background. In the end, accurate, complete, and high-quality reports not only support the formulation of effective policies by village governments, BUMDES managers, and business partners, but also ensure that financial information can be properly audited and accounted for (Wardana and Noerdajasakti, 2025).

2.3. Human Resources Competency

BUMDES and similar institutions play an important role in village development, poverty alleviation, and local economic sustainability in various countries in Asia and Africa. With the increasing amount of funds managed and the rising expectations of the community, the need for adequate human resource (HR) competencies and accountability systems in financial reporting has become increasingly crucial. Good HR management not only drives organizational performance, but also serves as a foundation for transparency, trust building, and sustainable rural development. Although its significance has been widely recognized, research specifically examining the relationship between HR competency, accountability, and financial reporting quality in BUMDES is still limited (Dong et al., 2025; Rahman et al., 2023; Zeng et al., 2011).

2.4. Technology Information Utilization

Accounting applications and financial software make it easier for BUMDES to record transactions, as the process can be carried out in a more organized and faster manner than manual recording. Information technology allows data to be entered directly when a transaction occurs, thereby reducing the chance of errors and making reconciliation and re-auditing easier. The use of IT-based systems also helps produce financial reports that are transparent, accountable, and open to parties who need them, ranging from the village government, the Village Consultative Body (BPD), to the community. In practice, the application of information technology in BUMDES includes compliance with cash reporting standards, the implementation of clear procedures in financial management, and the use of software tailored to the characteristics of village businesses (Ishak and Syam, 2020).

2.5. Implementation and Administration

Every organization, including Village-Owned Enterprises (BUMDES), requires orderly transaction recording as the basis for financial accountability. A regular bookkeeping process enables the preparation of financial reports in accordance with applicable standards, so that the information produced remains relevant and reliable. In BUMDES practice, bookkeeping is not only related to the management and administration of activities, but also includes the implementation of systematic procedures for running village business programs. Accuracy in recording cash inflows and outflows is important, because that is where a transparent financial picture can be obtained. This ultimately supports more accurate decision making and strengthens accountability to stakeholders (Sudarlan et al., 2024).

2.6. Internal Control System

A solid internal control system (ICS) is key to making BUMDES financial management more accountable and trustworthy. Beyond management's own oversight, the village government, the Village Consultative Body (BPD), and local communities all play important roles in supervising operations. Clear procedures, proper record-keeping, and a sensible division of duties help the ICS function as intended. At the same time, having rules for handling misconduct, regular supervision, and careful bookkeeping ensures that financial practices remain transparent and responsible (Hidayati et al., 2023).

3. METHODS

This research uses a quantitative approach with the explanatory research survey method. This method was chosen to explain the causal relationship of variables based on existing theories. The research focused on BUMDes managers in Banten Province, Indonesia, where official records from the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration (Kemendes PDTT) indicate 168 active BUMDes. As the exact number of management members is unavailable, 434 managers were surveyed using a convenience sampling technique, which was considered appropriate given the absence of a comprehensive sampling frame and the practical constraints of data collection.

The data in this research were obtained by distributing questionnaires, conducting interviews, observations, and documentation. This study uses primary data obtained directly by visiting BUMDES in Banten Province and by distributing Google Form links via WhatsApp to BUMDES Managers. Based on the characteristics of the respondents in Figure 1, it can be concluded that the majority of respondents in this study are men (72%) with the age of 36-45 years (40%). Their last education was high school (63%) and had work experience as a BUMDES manager between 1 and 5 years (57%). It can be concluded that the respondents of this study are still of productive age and have moderate professional experience.

The analysis of research data using the SmartPLS 4 application uses the Partial Least Squares – Structural Equation Modeling (PLS-SEM) approach. PLS was chosen because this method assumes minimal data, requires a relatively small sample size, and is suitable for studies that have a weak theoretical basis. The data analysis carried out includes: (1) testing the measurement model (outer model) to assess the validity and reliability of the construct. (2) The validity test is carried out through the examination of convergent validity values (Average Variance Extracted/AVE values) and discriminant validity. (3) Construct reliability is evaluated using Cronbach's Alpha and composite reliability (CR) values. (4) Testing of the R-Squared structural model (inner model) to measure the explanatory strength of the model. (5) Q-Square testing to test predictive relevance. (6) Test the path significance (path coefficient) through the bootstrapping procedure.

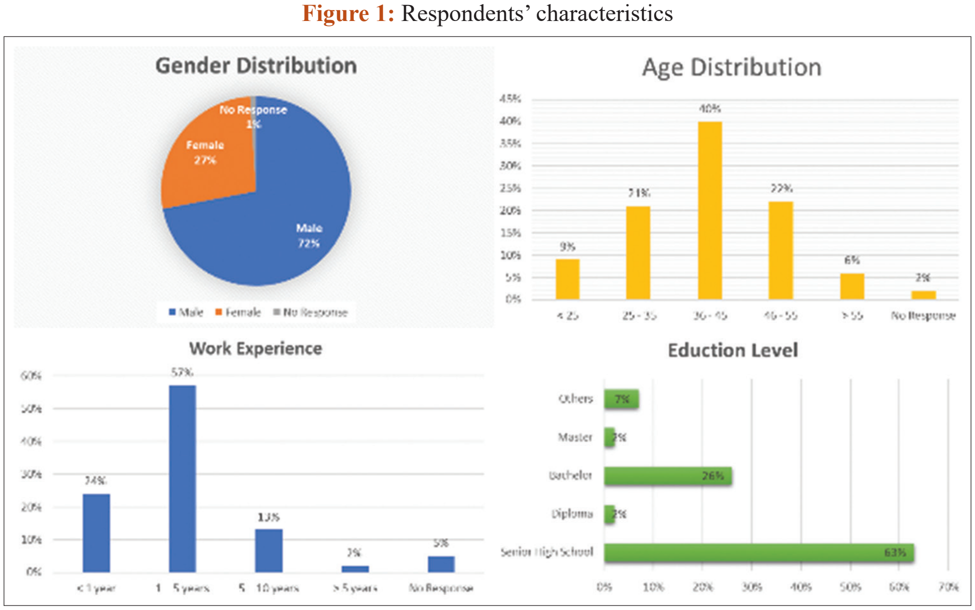
4. RESULTS

In this study, six latent variables were examined: Human resources competency (X1), namely information technology utilization (X2), implementation and administration (X3), internal control system (X4), financial reporting quality (Z), and financial accountability (Y). The estimated research model is presented in Figure 2. The validity test of the instrument has been carried out using the outer loading test, and all indicators have a value of >0.50, so it can be interpreted that all items have relevance in measuring variables (Hair, 2022). Furthermore, a discriminant validity test has been carried out, and all AVE values are above 0.50, which means that all variables are valid. Cronbach's Alpha and CR values show results above 0.70, so the instrument is said to be reliable.

The determination coefficient in Table 1 shows a moderate value of 0.489 for financial accountability and 0.441 for the quality of financial reporting. This shows that the model formed has a moderate influence on explaining its dependent variables. These results reflect a moderate level of explanatory strength. The predictive relevance is further confirmed via Q^2. Both constructs resulted in Q^2 values above zero, with Financial Accountability ($Q^2 = 0.239$) indicating moderate predictive strength and Financial Reporting Quality ($Q^2 = 0.213$) indicating stronger predictive ability. Lower RMSE and MAE for Financial Reporting Quality also showed moderate predictive accuracy (Hair et al., 2022).

Based on the hypothesis test using the path coefficient in Table 2, it is known that there are no independent variables that directly affect financial accountability, except for the quality of financial reporting. The quality of financial reporting has a P = 0.000

Figure 1: Respondents' characteristics



Source: Processed data, 2025

below 0.05 which means that the quality of financial reporting is proven to have a significant influence on financial accountability. The independent variables that significantly affect the quality of financial reporting are the use of information technology (P = 0.000), implementation and administration (P = 0.007) and internal control systems (P = 0.008). Meanwhile, the human resource competency variable (P = 0.719) had no effect on the quality of direct financial reporting. The results of the indirect hypothesis test, namely making the quality of financial reporting as a mediating variable, obtained significant results in the use of information technology (P = 0.000), implementation and administration (P = 0.008) and internal control system (P = 0.012). However, the human resource competency variable (P = 0.723) was not proven to have an indirect influence through the quality of financial reporting on financial accountability.

Figure 2: Research framework

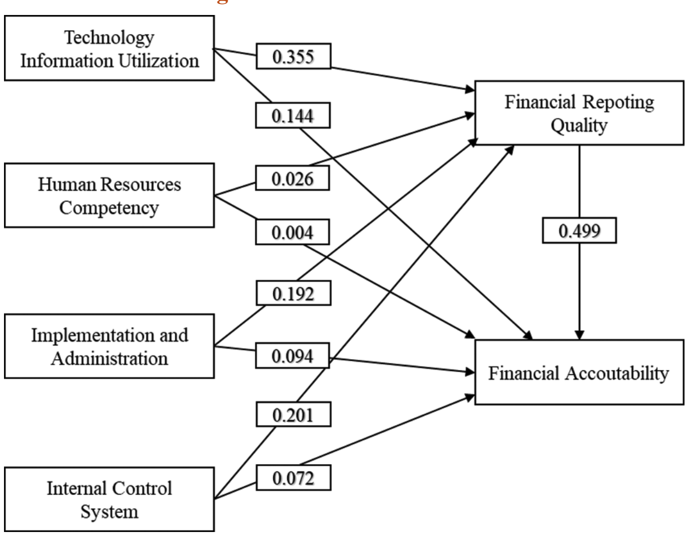


Table 1: R-square and q-square

Dimension	R-square adjusted	Q^2 predict
Financial accountability	0.489	0.239
Financial reporting quality	0.441	0.213

5. DISCUSSION

This research contributes to filling the gap in the literature that is still limited on Village-Owned Enterprises, especially related to the issue of financial accountability. The quality of financial reporting has a significant influence on partial financial accountability. This proves that the existence of accounting, recording and financial reporting standards in BUMDes significantly increases financial accountability. With good financial reports, stakeholders feel safe and trust in the management of BUMDes because all use of public funds is reported and the performance of BUMDes becomes more measurable. These findings are in line with research conducted in Uganda and Kenya where it was found that the role of good reporting standards communicates governance so that it can increase accountability and expand access to finance (Kamukama and Natamba, 2013; Mpaata et al., 2025; Okello Candiya Bongomin et al., 2016). Another study in Vietnam proves that there is a positive contribution between the quality of financial reporting and accountability in public organizations (Tran et al., 2021b). Overall, it can be concluded that quality financial reporting can strengthen accountability both at BUMDes and at the village level.

The results showed that the use of information technology did not have a direct effect on financial accountability (β = 0.144; t = 1.849; P = 0.064), but had a significant effect on the quality of financial reporting (β = 0.355; t = 5.898; P = 0.000) with a contribution of 35.5%. These findings confirm that information technology functions more as a technical means to improve the speed, accuracy, consistency, and accessibility of data, so that financial reports become more relevant and reliable. Financial accountability can only be strengthened if it combines the integration of advanced technologies such as blockchain, ERP, and e-governance systems with oversight, an open organizational culture, and regulatory compliance. This proves that information technology does not have a direct relationship with the increase or decrease in accountability in BUMDes. On the other hand, the use of information technology and accounting software directly improves the quality of information generated in financial

Table 2: Hypothesis test

Hypothesis	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P-values*
Financial reporting quality -> financial accountability	0.499	0.503	0.053	9.356	0.000
Information Technology Utilization -> Financial accountability	0.144	0.131	0.078	1.849	0.064
HR Competency -> Financial accountability	-0.004	0.004	0.074	0.058	0.953
Implementation and Administration -> Financial accountability	0.094	0.092	0.076	1.227	0.220
Internal Control System -> Financial accountability	0.072	0.077	0.080	0.890	0.373
Information Technology Utilization -> Financial reporting quality	0.355	0.358	0.060	5.898	0.000
HR Competency -> Financial reporting quality	0.026	0.026	0.072	0.360	0.719
Implementation and Administration -> Financial reporting quality	0.192	0.192	0.071	2.695	0.007
Internal Control System -> Financial reporting quality	0.201	0.201	0.076	2.633	0.008
Information Technology Utilization -> Financial Reporting Quality -> Financial Accountability	0.177	0.181	0.040	4.435	0.000
HR Competency -> Financial Reporting Quality -> Financial Accountability	0.013	0.013	0.037	0.354	0.723
Implementation and Administration -> Financial Reporting Quality -> Financial Accountability	0.096	0.096	0.036	2.662	0.008
Internal Control System -> Financial Reporting Quality -> Financial Accountability	0.100	0.101	0.040	2.502	0.012

*P<0.05

statements by ensuring that records are in accordance with applicable accounting standards (Ji et al., 2020; Kim and Cho, 2023; Liao et al., 2025; Shang, 2009; Xiao et al., 2024). Therefore, the use of information technology in BUMDes and similar entities needs to be accompanied by capacity building, infrastructure development, and policies in accordance with the local context in order to support the improvement of the quality of reporting as well as financial accountability in a sustainable manner.

The results of the analysis showed that human resource competence did not have a significant effect on financial accountability (β = –0.004; t = 0.058; P = 0.953) and the quality of financial reporting (β = 0.026; t = 0.360; P = 0.719). The results of the study show that human resource competence does not have a significant influence on accountability and quality of financial reporting. The competence of human resources in the era of all technology can be covered by the use of recording software and AI-based technology so that this is no longer relevant to improve the quality of financial reporting and financial accountability. The results of this study are different from previous studies that found that human resource competencies have an effect on financial accountability and transparent and reliable financial reporting (Ginanjar et al., 2020; Kaawaase et al., 2021; Mediaty et al., 2025; Muda and Erlina, 2020; Nalukenge et al., 2017). The results of this research related to human resources are not always consistent because they are greatly influenced by training, organizational culture, applicable regulations and regional characteristics. This condition confirms that the quality of financial reporting is multifaceted and requires a holistic approach that involves structural support, regulation, technology utilization, and internal controls.

The results showed that implementation and administration did not have a significant influence on financial accountability (β = 0.094; t = 1.227; P = 0.220), but had a significant influence on the quality of financial reporting (β = 0.192; t = 2.695; P = 0.007). Logically, this condition is in accordance with the reality of practice because implementation and administration are more administrative, so that neat accounting data and report quality are improved, but do not directly encourage accountability. Accountability demands transparency, public oversight, and internal control that cannot be met only by the implementation and administration of good and neat record-keeping. Thus, accountability emphasizes more on the results of the quality of reporting than just the recording itself. These findings are in line with those conducted in China and India, where the implementation of reporting standards can significantly improve quality and accountability, although its success depends on regulation, institutional support, and human resource capacity (Bathla and Sharma, 2020; Hehanussa, 2025; Masum and Parker, 2020; Peng et al., 2008; Wu et al., 2015).

This study also identifies that weak bookkeeping practices and lack of use of information technology have a significant impact on the quality of BUMDES' financial statements. These findings are consistent with the resource-based view (RBV), that managerial competence and technological capabilities are strategic resources that determine organizational excellence (Dhrubo et al., 2024) These results are in line with the research of (Ningsih et al., 2025), which identified that the financial accountability of BUMDES is influenced by the effectiveness of implementation, administration, and utilization of information technology. Furthermore, the use of information technology has been proven to be able to improve the quality of financial reporting while reducing barriers related to governance and limited financial literacy, thus having implications for a substantial increase in the level of financial accountability (Yusnita et al., 2024).

The results showed that the internal control system did not have a direct effect on financial accountability (β = 0.072; t = 0.890; P = 0.373), but had a significant effect on the quality of financial reporting (β = 0.201; t = 2.633; P = 0.008). This is because internal control plays a more role as a preventive and detective mechanism that ensures the recording of transactions according to procedures, maintains data integrity, and produces accurate and transparent financial reports. Financial accountability, requires broader dimensions such as public openness, management responsibility, and regulatory compliance. These findings are in line with previous research that found that effective internal controls significantly improve the quality of financial statements. In the context of governance, culture, and resources, the implementation of the COSO framework and human resource investment are the determining factors for the implementation of the internal control system to run well and affect the quality of financial reporting. However, in-depth empirical research at the village and community levels is still limited, so qualitative studies and mixed methods are needed to understand the factors that affect its effectiveness (Bruwer et al., 2018; Bure and Tengeh, 2019; Chacko and Padmakumari, 2023; Chen et al., 2025; Hosoda, 2018; Huang, 2010; Kim, 2024; Koo and Ki, 2020; Lartey et al., 2020; Xu and Zhang, 2010; Yoon et al., 2023).

Mediation testing showed that the quality of financial reporting did not mediate the relationship between human resource competence and financial accountability (β = 0.013; t = 0.354; P = 0.723). Thus, while competent human resources can support the preparation of good financial statements, it does not automatically increase accountability. Accountability requires additional dimensions such as management commitment, regulatory compliance, and information disclosure that are not fully reflected in the quality of reports. These findings are in line with the literature that confirms that the influence of HR competencies on accountability is indirect and strongly influenced by intermediary factors, such as internal control systems, organizational support, and governance (Tran et al., 2021a; Yamin and Lawaidjo, 2025). In other words, the quality of reporting does play a role as a mediator, but its role is often weak or neutralized by other disruptive factors (Dewi et al., 2019; Sumaryati et al., 2020; Tran et al., 2021a).

On the other hand, this variable was shown to mediate the relationship between implementation and administration with financial accountability (β = 0.096; t = 2.662; P = 0.008), the use of information technology with financial accountability (β = 0.177; t = 4.435; P = 0.000), and internal control systems with financial accountability (β = 0.100; t = 2.502; P = 0.012). Thus, the quality of financial reporting plays an important role as a mediating variable in increasing financial accountability. The results of this study show that the quality of financial reporting functions as an important bridge in improving financial accountability. This means that the implementation and administration, the use of information technology, and the internal control system do not necessarily increase accountability if they stand alone. These three variables only have a significant impact on accountability when they are able to produce quality financial reports. So it can be concluded that accurate, transparent, and standard-compliant financial statements are the main mechanism that translates administrative, technological, and internal control practices into real accountability for (Anto and Yusran, 2023; Monteiro et al., 2021; Sudarlan et al., 2024). Financial accountability remains the cornerstone of organizational governance, public trust, and sustainable performance. Efforts to improve accountability have focused on implementing strong internal controls, utilizing information technology, and improving administrative processes. However, this mechanism does not always automatically increase accountability. Instead, the quality of financial reporting acts as an important bridge—linking the impact of information technology, internal controls, and implementation with financial accountability.

This study found that the weak role of supervision from the village government and BPD also worsened the accountability condition of BUMDES. The low control function has an impact on the lack of transparency in the submission of financial statements. These findings are consistent with stewardship theory, which emphasizes that external oversight and control are necessary to ensure managers act in the best interests of the community (Keay, 2017). In the context of BUMDES, the findings of this study also confirm that the effectiveness of the internal control system plays an important role in improving financial accountability through the quality of financial reporting. This is in line with empirical evidence in local governments in Indonesia, which shows that the better the implementation of internal controls, the higher the level of financial accountability that can be achieved. Thus, internal control not only functions as a supervisory mechanism, but also as an instrument that ensures the reliability, accuracy, and transparency of BUMDES financial statements (Kewo, 2017).

The combination of the various problems above ultimately has implications for a decrease in the level of public trust in BUMDES and village governments. Transparency and accountability are two aspects that are closely intertwined in building public legitimacy. In other words, public trust does not only depend on information disclosure (transparency), but also on the extent to which financial statements can be accounted for accurately and in accordance with applicable accounting standards (Sofyani et al., 2022).

6. CONCLUSION

This study aims to empirically examine the influence of information technology utilization, human resources competency, implementation and administration, as well as internal control systems, on the financial accountability of BUMDES, with the quality of financial reporting as a mediating variable. The results of the study show that financial reporting quality has a significant effect on financial accountability. Then, information technology utilization, implementation and administration, as well as internal control systems, have a direct effect on financial accountability and financial reporting quality. However, human resources competency has no effect on financial accountability or financial reporting quality. The use of information technology has been proven to improve the accuracy and timeliness of recording transactions, good execution and administration contribute to orderly financial administration, while an effective internal control system strengthens transparency mechanisms and the prevention of misuse of funds.

Furthermore, this study confirms that the quality of financial reporting plays a significant mediating variable. This means that these three internal factors not only have a direct effect on accountability, but also indirectly through improving the quality of financial statements. These findings confirm the relevance of public accountability theory, agency theory, resource-based view (RBV), and stewardship in the context of BUMDES management.

In terms of contribution, this study expands the literature on village financial governance by providing empirical evidence that improving the quality of financial reporting is the main key to strengthening the financial accountability of BUMDES while rebuilding public trust. Practically, the results of this study recommend the need to strengthen the capacity of BUMDES managers in financial literacy and information technology, the application of accounting standards, and increase the effectiveness of the internal control system so that BUMDES financial accountability can be achieved in a sustainable manner.

This study is limited to BUMDes in Banten Province, Indonesia, so the findings of the study may not be fully generalized to other regions with different socioeconomic and institutional characteristics. In addition, the analysis relies on self-reported survey data from BUMDes managers, which may be biased and do not fully reflect actual accountability practices. The next research is expected to expand the sample to several provincial areas, compare the concept of financial accountability of BUMDes with other countries, and use other research approaches such as qualitative and mix-method.

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