
Integration of Local Wisdom in Participatory Accounting Systems for Community Empowerment in Supporting Sustainable Village-Owned Enterprise Development

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ABSTRACT: This article explores the integration of local wisdom into participatory accounting systems as a strategic approach to strengthening the governance of Village-Owned Enterprises (BUMDes) in Indonesia. BUMDes are designed as instruments for mobilizing local potential, fostering economic independence, and supporting sustainable rural development. However, many BUMDes face challenges in accountability, transparency, and financial management capacity. Drawing upon conceptual analysis, literature review, and case studies, this study highlights that participatory accounting not only functions as a technical financial tool but also as a social mechanism that enables meaningful community engagement in planning, budgeting, reporting, and monitoring. Integrating local wisdom, such as *musyawarah* (deliberation) and *gotong royong* (cooperation), along with customary environmental rules, strengthens social trust, enhances legitimacy, and ensures inclusivity in financial accountability. The findings reveal that participatory accounting, when rooted in local cultural values, empowers communities to transition from passive beneficiaries to active stakeholders, thereby increasing ownership and sustainability of BUMDes programs. Moreover, digitalization of accounting systems, if designed with cultural sensitivity and simplicity, further improves transparency, reporting accuracy, and public accessibility. Nonetheless, challenges persist in terms of digital literacy, infrastructure limitations, and harmonization between local norms and formal regulations. The study contributes theoretically to the discourse on rural governance and practically provides insights for BUMDes managers, policymakers, and stakeholders on designing culturally resonant, participatory, and adaptive accounting models. By integrating local wisdom, social participation, and appropriate technology, BUMDes can balance economic performance with social, cultural, and environmental sustainability.

KEYWORDS: BUMDes, participatory accounting, local wisdom, transparency, accountability, sustainable rural development, digitalization.

1. INTRODUCTION

Sustainable village development requires community economic management that is accountable, transparent, and sensitive to the local socio-cultural context. In Indonesia, Village-Owned Enterprises (BUMDes) are positioned as strategic instruments to mobilize local potential, strengthen village economic independence, and reduce poverty through various business units based on the needs of residents (Dulkiah et al., 2023; Geru et al., 2025; Hilmawan et al., 2023; Karyana & Astuti, 2023; Mahendra et al., 2022; Srirejeki, 2018). However, various studies show that the sustainability performance of BUMDes still varies: some are growing and strengthening, but many are hampered by inconsistent governance practices, limited financial administration capacity, and accountability mechanisms that are not yet fully effective (Amerieska et al., 2021; Andriana et al., 2021; Ardiyansyah & Pesudo, 2022; Hapsari et al., 2020; Hilmawan et al., 2023). Amid these challenges, strengthening accountability and transparency is a non-negotiable prerequisite for maintaining the social legitimacy of BUMDes and ensuring the fair distribution of benefits (Ardiyansyah & Pesudo, 2022; Lestari Widiah Ningsih & Lingga Yuliana, 2025; Romdoniah & Kamela, 2024; Sulistyowati & Nataliawati, 2022).

In recent years, the discourse and practice of "participatory accounting" has regained its place as an approach that is not only technical but also social, encouraging meaningful citizen involvement in the cycle of planning, budgeting, implementation,

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reporting, and monitoring (Kambaru et al., 2025; Romdoniah & Kamela, 2024; Sulistyowati & Nataliawati, 2022; Yuliani et al., 2024) . This approach views financial information not merely as an administrative product but as a medium for public dialogue that enables citizens to understand resource allocation, assess the performance of managers, and provide constructive feedback. Empirical evidence shows that citizen participation has a positive and significant effect on BUMDes' financial management, both through strengthening organizational commitment and increasing compliance with reporting standards (Astuti et al., 2021; . In other words, participatory accounting provides a social infrastructure for translating technical information into legitimate collective decisions.

The context of rural Indonesia, rich in local wisdom such as cooperation, consensus-based deliberation, customary institutions related to natural resource management, and collective ethical norms, provides a great opportunity to design "culturally resonant governance." The integration of local values into participatory accounting practices is believed to strengthen social trust, refine accountability mechanisms, and reinforce informal compliance, which is often more effective than formal sanctions (Dorongsihae et al., 2022; Fitriyanti, 2019; Hutagaol et al., 2025; Kamaru et al., 2025; Nurwanto, 2025) .When deliberative forums become institutional channels for reporting and evaluation, citizens not only access figures, but also interpret their implications for intergroup justice, environmental sustainability, and local cultural integrity . Thus, accounting does not stop at the ledger, but is present in the village's public deliberation space.

On the other hand, the dynamics of BUMDes sustainability are also closely related to social capital and innovation capacity. Recent research highlights that the sustainable performance of BUMDes is supported by internal-external trust networks, multi-stakeholder collaboration, and the organization's ability to adapt to market and regulatory changes. In this framework, participatory accounting serves as a mechanism for coordinating knowledge and preferences among actors, while local wisdom provides a reference norm for assessing the "common good" beyond mere financial indicators. The combination of the two helps BUMDes balance economic goals (profitability and business expansion) with socio-cultural goals (cohesion, justice, preservation of values) and environmental goals (conservation of carrying capacity) (Kambaru et al., 2025; Karyana & Astuti, 2023; Ravindra Ardiana Darmadi et al., 2025; Romdoniah & Kamela, 2024; Susanti, 2025) .

Digital transformation further strengthens the above agenda. The implementation of a digital-based accounting information system in BUMDes has been proven to improve the timeliness and accuracy of reporting, facilitate transaction tracking, and expand access to information for residents (Afridayani et al., 2025; Butler et al., 2022; Layn, 2024; Libraeni & Meisdina, 2025) . Although infrastructure constraints, digital literacy issues, and initial resistance often arise, a participatory mentoring approach can reduce adoption barriers and ensure that technology is truly "fit for purpose" rather than adding administrative burdens. Digitalization with simple interfaces, local languages, and features that visualize non-monetary contributions, such as mutual assistance, will make accounting systems more inclusive and acceptable (Afridayani et al., 2025) .

Finally, the accountability agenda for BUMDes cannot be separated from the policy ecosystem and ongoing conceptual debates. Recent developments underscore the urgency of reforming the BUMDes accounting system to align with contemporary transparency standards, without abandoning cultural sensitivities and village autonomy (Muttaqin et al., 2025) This debate is not a conflict between "modern" and "traditional," but rather an effort to marry robust accounting standards with legitimate local norms. Within this framework, the integration of local wisdom and participatory accounting is not merely an aesthetic choice, but an institutional strategy to strengthen legitimacy, reduce information asymmetry, and foster long-term sustainability (Hilmawan, 2023).

The main issue addressed by this study is how to design and implement a participatory accounting system in BUMDes that substantively integrates local wisdom, thereby improving accountability, transparency, and organizational sustainability performance. This issue includes (1) low community participation in the financial management cycle, (2) limited literacy and digital infrastructure capacity, (3) the variability of local norms that are sometimes not in line with formal procedures, and (4) the need for harmonization with applicable accounting standards and regulations (Ningsih, 2025; Muttaqin et al., 2025; Dorongsihae, 2022). In line with this, the objectives of this study are: first, to identify forms of local wisdom that are relevant for adoption in participatory accounting practices; second, to analyze the influence of the integration of local values and citizen participation on the accountability, transparency, and sustainable performance of BUMDes; third, to formulate an implementation model (including appropriate digitization options) that is contextual, adaptive, and replicable in various types of villages in Indonesia (Libraeni, 2025). With these achievements, the study is expected to contribute academically to the discourse on village governance as well as provide practical benefits in the form of operational guidelines for BUMDes managers, village governments, and broader stakeholders.

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2. LITERATURE REVIEW

2.1 BUMDes and Village Development

Village-Owned Enterprises (BUMDes) are an important instrument in mobilizing the local potential of villages to achieve economic independence and community welfare. Since the enactment of Village Law No. 6 of 2014, BUMDes have been positioned as the driving force behind development based on village assets that are managed professionally and sustainably. Recent studies confirm that the existence of BUMDes can increase the capacity of villages in providing basic services, economic empowerment, and job creation (Hilmawan, 2023). However, the main challenge that still exists is the imbalance between the great potential and the limitations of governance, so that the implementation of village development programs through BUMDes has not been optimal. Therefore, the role of BUMDes is not only understood as a business unit, but also as an institution that represents independence, inclusiveness, and community participation in managing village resources.

The contribution of BUMDes to village development can also be seen from its ability to generate Village Original Income (PADes) and strengthen the socio-economic network of the community. Research (Hilmawan et al., 2023; Lestari Widiah Ningsih & Lingga Yuliana, 2025; Yuliani et al., 2024) confirms that the application of participatory, transparent, accountable, and sustainable management principles has a real impact on increasing PADes and the sustainability of village businesses. In line with this, Ningsih's (2025) research found that transparency and accountability in village financial management encourage public trust and increase participation in the development process. Thus, the success of BUMDes is not only measured by financial performance, but also by the extent to which this institution can build social legitimacy, public trust, and collective solidarity in the village community. Furthermore, the integration of social and cultural aspects in BUMDes governance shows an important contribution to the sustainability of village development. Trimurni's (2025) study shows that local cultural wisdom becomes social capital that strengthens participatory governance and increases citizen compliance with joint management rules. These findings are in line with the research by Prasetya and Utami (2025), which emphasizes that social capital, innovation, and multi-stakeholder collaboration are determining factors for the sustainable performance of BUMDes. Meanwhile, Libraeni's (2025) research adds that the digitization of accounting systems can improve the quality of BUMDes' financial reporting while expanding access to information for the community. These findings collectively indicate that village development through BUMDes cannot be separated from a combination of economic, social, cultural, and technological aspects, thus requiring a comprehensive and contextual governance approach.

2.2. Participatory Accounting: Concepts and Principles

Participatory accounting has developed as a concept that places the community not only as beneficiaries but also as active actors in the financial management process. This system promotes the principles of transparency, accountability, inclusiveness, and fairness in the financial management of village institutions, including BUMDes. Recent research emphasizes that community involvement in every stage of financial management—from planning, budgeting, implementation, to reporting—can increase the social legitimacy of managers and strengthen the community's sense of ownership of village enterprises. Participatory accounting also allows for the recognition of non-monetary contributions from the community, such as labor in mutual assistance or the utilization of local resources, which are not recorded in conventional financial reports but have high economic and social value. In practice, participatory accounting has been proven to reduce information asymmetry between BUMDes administrators and villagers. Ningsih's (2025) study shows that financial transparency and accountability encourage community trust in village administrators and increase citizen participation in decision-making. Research also found that information disclosure and direct community involvement have a positive impact on residents' perceptions of fairness and satisfaction with the benefits of village programs (. Thus, participatory accounting not only improves the quality of reporting but also serves as a social empowerment instrument that strengthens community cohesion.

In addition, the integration of local cultural values in participatory accounting is an important factor in creating sustainable governance. Research on (Dorongsihae et al., 2022; Permata & Hapsari, 2020; Purnamawati et al., 2023; Romdoniah & Kamela, 2024; Safri et al., 2025; Sobri, 2019; Yadi & Prihatin, 2024) confirms that local cultural wisdom, such as deliberative consensus and cooperation, serves as a moral foundation in participatory accounting practices, so that the community is more accepting and supportive of the reporting and financial supervision processes. This is in line with research (Kambaru et al., 2025; Karyana & Astuti, 2023; Nurwanto, 2025; Permata & Hapsari, 2020; Safri et al., 2025) which shows that social capital, including customary norms and trust networks, contributes significantly to the sustainable performance of BUMDes. Thus, participatory accounting that respects local values can bridge the gap between formal rules and social norms, making village governance more inclusive and legitimate.

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Digital transformation also plays an important role in strengthening the implementation of participatory accounting. The implementation of technology-based accounting systems in a number of villages has shown positive results in improving the transparency and efficiency of reporting. Libraeni's (2025) study reveals that the use of digital-based accounting systems in BUMDes not only improves the quality of financial reports but also expands access to information for the community, thereby encouraging citizen involvement in the oversight process. However, obstacles in the form of limited digital literacy and infrastructure remain challenges that must be overcome through continuous assistance and training. Therefore, participatory accounting in the context of BUMDes cannot be separated from the synergy between socio-cultural approaches and the use of technology to respond to the need for adaptive, inclusive, and sustainable governance.

2.3. Local Wisdom in the Context of Villages

Local wisdom is a socio-cultural heritage passed down across generations and serves as a moral guide, norm, and social regulatory mechanism in village life. Values such as cooperation, deliberative consensus, and customary prohibitions against excessive exploitation of natural resources form the basis for the sustainability of village life. Recent research shows that local wisdom plays a strategic role in supporting sustainable village governance and economy (Trimurni, 2025). Local wisdom not only maintains the balance of relationships between citizens but also strengthens social legitimacy in the collective decision-making process, including in the management of BUMDes. Thus, local wisdom can be seen as social capital inherent in village life and capable of supporting the success of community-based development.

In the context of BUMDes management, local wisdom serves as a social glue that minimizes potential conflicts and strengthens residents' sense of ownership of village enterprises. Community participation in the supervision and deliberation of BUMDes management is influenced by local cultural values that uphold openness and justice (Kambaru et al., 2025; Sulistyowati & Nataliawati, 2022; Yuliani et al., 2024). In line with this, Layn's (2024) research on the Sasi culture in Maluku emphasizes that customary practices can be an effective instrument in supporting the principles of green accounting, which considers environmental and sustainability aspects in financial reporting. These findings confirm that the integration of local wisdom into the governance system not only strengthens social aspects but also contributes to environmental sustainability, which is one of the dimensions of sustainable development.

In addition to being a social norm, local wisdom also serves as a value system that shapes the economic behavior of rural communities. Social capital, including networks of trust and customary rules, has a significant influence on the sustainable performance of BUMDes. Forms of community participation based on the values of mutual cooperation and deliberation have been proven to increase the effectiveness of village development programs and support the achievement of the Sustainable Development Goals (SDGs). This shows that local wisdom is not only relevant in the traditional sphere, but also compatible with the global development agenda that emphasizes inclusiveness, justice, and sustainability (Amerieska et al., 2021; Dulkiah et al., 2023; Putra et al., 2024).

Amidst the tide of modernization and digitalization, the main challenge is how to maintain the relevance of local wisdom without neglecting the need for innovation and efficiency in village governance. Libraeni's (2025) study confirms that the digitalization of BUMDes accounting can be effective if it is designed with consideration for the local cultural context, such as the use of local languages in the interface or the recognition of non-monetary contributions in the reporting system. In this way, local wisdom is not positioned as an obstacle to modernization, but rather as a foundation of values that makes innovation more adaptive, inclusive, and acceptable to the village community. Therefore, the integration of local wisdom in BUMDes management needs to be understood as a hybrid strategy that combines traditional values with modern governance practices.

2.4. Accountability, Transparency, and Local Wisdom in BUMDes

Accountability and transparency are important foundations in BUMDes governance. Both serve as mechanisms to ensure that the use of village funds and business profits can be openly accounted for to the community. Recent research emphasizes that low accountability is often the main cause of weakening public trust in BUMDes (Hilmawan, 2023). Conversely, strong transparency encourages citizen participation in the planning and oversight processes, thereby creating more inclusive and fair financial management (Ningsih, 2025). Thus, accountability and transparency not only fulfill administrative requirements but also strengthen the social legitimacy needed for the sustainability of BUMDes.

The integration of local wisdom into the BUMDes accountability system provides added value in maintaining public trust. Customary norms such as deliberation and cooperation can serve as social control mechanisms that complement formal regulations. These cultural values bring BUMDes management closer to the aspirations of the community and make it more acceptable to residents, as it is in line with their value system. Community involvement in village deliberation forums, which are part of local tradition, strengthens financial transparency and reduces the risk of fund misuse. This confirms that local wisdom can

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be an effective instrument in maintaining accountability at the community level (Lestari Widiah Ningsih & Lingga Yuliana, 2025; Romdoniah & Kamela, 2024; Sulistyowati & Nataliawati, 2022) .

Furthermore, integrating cultural aspects into financial management also contributes to the sustainability of BUMDes. Layn's (2024) research on the Sasi culture in Maluku demonstrates that customary rules can serve as an internal control system, maintaining the balance of natural resource utilization while supporting sustainable accounting practices. These findings show that local wisdom is not only relevant for maintaining social harmony but also plays a role in the ecological aspects of village development. Meanwhile, Prasetya (2024) emphasizes that social capital, including trust in local norms, can strengthen BUMDes' performance and encourage the achievement of economic, social, and cultural goals in a balanced manner. Therefore, accountability and transparency, supported by local wisdom, contribute to multidimensional village development.

Digital transformation continues to expand the scope for transparency and accountability based on local wisdom. Libraeni's (2025) research shows that the implementation of a digital-based accounting system in BUMDes can increase public access to financial information and improve the quality of reports. However, the success of this technology's implementation is greatly influenced by social acceptance, which in turn is determined by the system's compatibility with the values and cultural norms of the village. By designing interfaces and reporting mechanisms that take local wisdom into account, digitization becomes not only a technical instrument, but also a means of strengthening social legitimacy. This shows that the sustainability of BUMDes is largely determined by the balance between modern technology, formal accounting principles, and local cultural values that are alive in the community.

3. METHOD

This article uses a conceptual approach combined with literature review and empirical case study analysis to develop an analytical framework for the integration of local wisdom into the participatory accounting system at BUMDes. The conceptual approach was chosen because the topic discussed is not only practical but also normative, requiring in-depth theoretical elaboration. Through this method, the research does not merely describe facts but also examines the interrelationships between concepts in the literature to produce a more comprehensive understanding (Creswell & Creswell, 2023). In the context of BUMDes governance, this approach is relevant because the issues of accountability, participation, and local wisdom are multidimensional and cannot be solved by quantitative methods alone.

The first stage is a literature review, which includes examining academic journals, research reports, and government policy documents related to BUMDes, participatory accounting, local wisdom, and sustainable development. The literature review is conducted systematically, taking into account the latest findings in the 2020–2025 period to ensure the relevance of the analysis. This study identifies research gaps, such as the lack of participatory accounting models that integrate local cultural values and the limited implementation of digital technology at the village level (Libraeni, 2025; Ningsih, 2025). The literature approach also serves as a conceptual basis for linking field observations with theories of accountability, transparency, and sustainable development.

The second stage is case study analysis, which highlights real examples of BUMDes that have been studied in previous publications. The case studies selected include BUMDes Mutiara Welirang in Mojokerto and BUMDes Kaduagung Barat, which represent the practices of integrating local wisdom and implementing a digital-based accounting system (Sari et al., 2024; Pramono et al., 2025). The case study analysis was conducted by comparing existing governance practices with participatory accounting principles and assessing the extent to which local wisdom is involved in decision-making, financial reporting, and social oversight mechanisms. This approach was chosen because it provides a concrete empirical picture of the challenges and opportunities in applying the concepts under review (Prasetya, 2024) .

The third stage is synthesis and normative reflection, which is the process of integrating findings from literature and case studies to develop an operational framework and strategic recommendations. Synthesis is carried out using a thematic analysis approach, which groups findings into categories such as community empowerment, financial accountability, and the role of local wisdom. Next, normative reflection is carried out to assess the suitability of practices in the field with the norms and objectives of sustainable development, including social, economic, environmental, and cultural aspects. Through this reflection, the research produced recommendations that are not only technical but also contextual and adaptive to the local characteristics of the village (Prasetya et al., 2023; Putra et al., 2024; Rahmawati et al., 2024; Yuliani et al., 2024) . Thus, the method used in this study enables the creation of a BUMDes governance framework based on local values while aligning with modern principles of accountability and transparency.

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4. RESEARCH FINDINGS AND DISCUSSION

4.1. *Unique Identification of Local Wisdom*

The first step in integrating local wisdom into the participatory accounting system of BUMDes is to identify local values that are relevant to village governance. Local wisdom that has developed in Indonesian village communities includes deliberation, cooperation, customary prohibitions, and recognition of traditional leaders as figures of legitimacy. These values are not merely traditions, but have become collective guidelines in regulating social relations and resource management. Trimurni's (2025) research confirms that the practices of deliberation and cooperation play a fundamental role in village governance, as they reflect the principles of participation and togetherness that form the basis for the application of participatory accounting. Thus, the identification of local values needs to be seen as a decisive initial step in building an accountability framework that is in line with the characteristics of the village community.

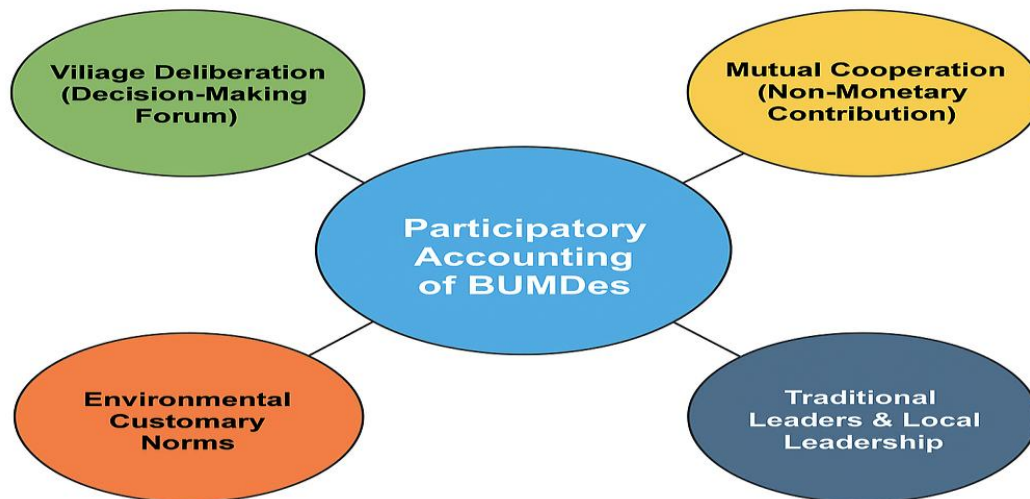


Figure 1: Integration of Local Wisdom in the Participatory Accounting System of BUMDes

Village deliberations or traditional meetings are concrete examples of deliberative practices that can be used as a medium for reporting and monitoring BUMDes' finances. These forums allow the community to express their aspirations, assess the performance of managers, and give collective approval for the use of funds. Latif's (2025) study in Je'netallasa Village shows that transparency and accountability increase when BUMDes' financial reports are presented through deliberative forums that directly involve residents. In this context, deliberation is not only a mechanism for democratization but also a more effective means of social control because it is bound by local norms and culture. This shows that participatory accounting can gain stronger legitimacy if it is rooted in the tradition of village deliberation that is deeply embedded in community life.

Gotong royong or community service is another form of local wisdom that is relevant to be integrated into the participatory accounting system. Contributions of labor, time, and non-monetary resources often have significant value in supporting the sustainability of BUMDes, even though they are not recorded in formal financial reports. Research by Simon et al. (2023) emphasizes that community participation based on gotong royong contributes positively to the achievement of sustainable development goals in villages. By recognizing these contributions as a form of social capital, participatory accounting can provide a more complete picture of the resources owned by BUMDes and reduce the perception gap between administrators and the community regarding the value of citizen participation.

In addition, customary norms prohibiting environmental damage are also an important element in the integration of local wisdom. Some village communities have customary rules that prohibit the felling of certain trees or regulate the use of water resources to maintain the sustainability of the ecosystem. Layn's (2024) research on Sasi practices in Maluku shows that such customary rules can be positioned as a form of *green accounting*, where ecological dimensions are taken into account in financial management and sustainability reporting. Thus, participatory accounting that values local wisdom does not only focus on financial aspects, but also pays attention to ecological responsibilities that are relevant to sustainable village development.

Another factor that is no less important is the cultural value related to leadership and the role of traditional leaders. In many village communities, the legitimacy of formal leadership is often reinforced or even determined by the community's trust in traditional leaders or local leaders. The study Prasetya et al.,(2023) shows that social capital in the form of trust and cultural

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networks has a significant effect on the sustainability of BUMDes' performance. When traditional leaders are involved in accountability forums, social legitimacy increases, and the potential for conflict can be minimized. Therefore, recognition of the value of leadership based on local culture is an integral part of identifying local wisdom that can strengthen the effectiveness of participatory accounting systems in the village context.

4.2. Design and Implementation of a Participatory Accounting System Based on Local Values

The initial design must begin with legal-institutional frameworks that explicitly incorporate local wisdom into village regulations and BUMDes rules. Clauses requiring deliberation before every strategic financial decision, public consultation obligations, and open reporting mandates are governance anchors that ensure meaningful participation and social accountability. Empirical evidence shows that integrated governance, which combines participatory principles, transparency, and cultural sensitivity, correlates with the sustainable performance of BUMDes (Sari et al., 2024). On the policy side, recent debates have also encouraged reforms to the BUMDes accounting system so that modern accountability standards do not negate local autonomy and norms, but rather incorporate them as legitimate operational principles in village-level regulations. Thus, formal regulations become a gateway to normalizing cultural practices (deliberation/cooperation) as part of the accounting cycle.

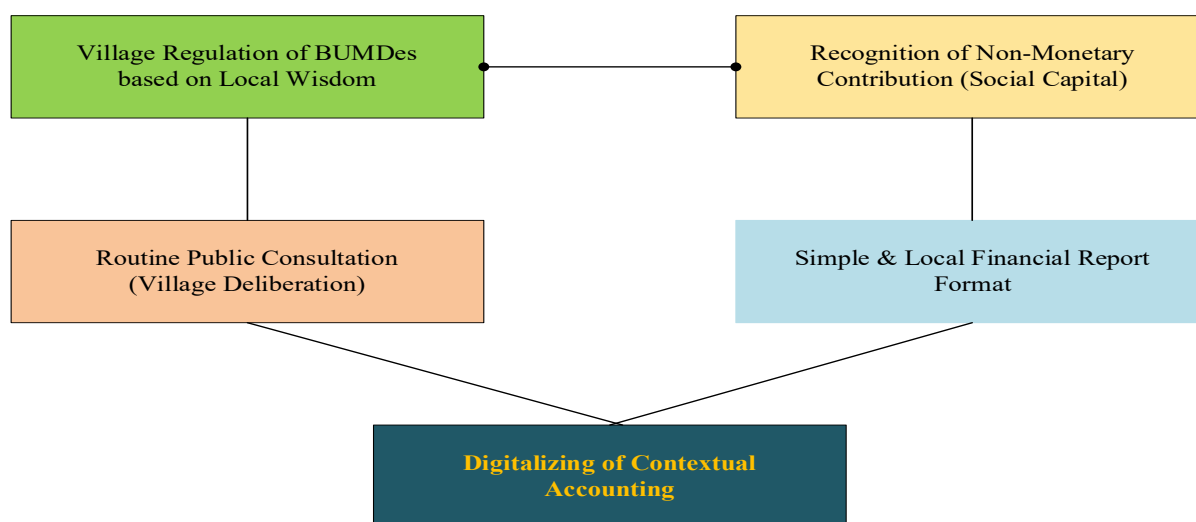


Figure 2: Design of a Participatory Accounting System for Village-Owned Enterprises Based on Local Wisdom

Second, the design needs to recognize and measure non-monetary contributions: mutual assistance, local materials, land access, as social capital in internal reporting. This practice captures economic value that has been invisible (intangible) in conventional financial reports, thereby reducing the perception gap between administrators and residents regarding the weight of community participation. The valuation approach can refer to replacement costs or equivalent working hours in rupiah, accompanied by narrative notes to maintain transparency and avoid double claims. Field findings show that recognizing non-monetary contributions fosters a sense of ownership and social legitimacy over BUMDes' financial decisions (Islah, 2025; Trimurni, 2025). In addition, the integration of environmental customary norms—such as prohibitions on cutting down certain trees or regulating the use of springs—can be recorded as a green accounting commitment that influences investment policies and environmental restoration costs (Layn, 2024).

Third, the format of financial reports must be easy to understand and communicative for villagers. Technically, the reports still follow the minimum structure (cash flow, financial position, notes), but are supplemented with an executive summary in the local language, simple graphs, and participation tables that explain the sources of funds, allocations, and social-environmental benefits. Research on the transparency of the APBDes shows that language accessibility and presentation affect the level of understanding and engagement of citizens (Ningsih, 2025). In BUMDes environments that are heterogeneous in terms of education, multimodal reporting (visual, verbal in forums, and documents) helps convey technical information for collective decision-making. This standard is in line with integrated governance recommendations that place public communication as a core component of accountability (Sari et al., 2024).

Fourth, the design must establish a regular cycle of public announcements and consultations—for example, monthly for cash flow and quarterly for performance evaluations—through village meetings, information boards, and community media. The practice of open forums has been proven to strengthen social control, reduce information asymmetry, and increase public trust in

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managers. To be effective, each public meeting should include a standard agenda: (1) a brief presentation of financial and operational performance, (2) a discussion of non-monetary contributions and ecological and social impacts, (3) a question-and-answer session and recommendations from residents, and (4) documentation of decisions. This structure links accounting with village deliberative traditions, so that formal standards are not divorced from cultural practices.

Fifth, all of the above designs are reinforced by an appropriate digital accounting information system, a simple interface, regional language options, a non-monetary contribution recording module, and a public dashboard feature for performance summaries. An implementation study in West Kaduagung shows that digitization, when accompanied by training and mentoring, improves timeliness, accuracy, and access to information for citizens (Pramono et al., 2025). Another study confirms that digital accounting systems designed for the village context have an impact on the quality of reports and facilitate internal audits and transaction tracking (Libraeni, 2025). To be sustainable, the digitization package is combined with social audit mechanisms and internal control procedures that are proportional to the capacity of BUMDes, so that technological innovation does not lose its footing in local norms and participatory principles.

Digitization cannot be applied generically without considering the local context of the village. Technology-based accounting systems need to be designed with simple interfaces, using local languages or symbols that are easily understood by the community, and compatible with the devices available in the village. In addition, limited internet infrastructure in rural areas is often a major obstacle. Therefore, support in the form of training and ongoing assistance is crucial to ensure effective technology adoption. A study by Sari et al. (2024) on integrated BUMDes governance emphasizes that human resource capacity is an important prerequisite for the successful implementation of digital systems, in addition to technical factors such as internet networks.

Furthermore, the use of digital technology can also serve as a means of building broader public participation. Digital accounting systems enable the provision of public dashboards that display financial report summaries, community contributions, and the social and ecological impacts of BUMDes programs. Thus, digitization not only improves technical efficiency but also serves as an instrument of social accountability. Recent studies highlight that the integration of information technology in village reporting strengthens public legitimacy and increases citizens' trust in managers (Ningsih, 2025; Public Money & Management, 2025). Therefore, contextual digitalization—that is, digitalization that is sensitive to local resource constraints while being open to community aspirations—is key to ensuring the sustainability of BUMDes.

4.3. Impact on Community Empowerment and Sustainable Development

The integration of local wisdom into participatory accounting in BUMDes has been proven to increase the capacity of communities in village financial management. Through traditional training on village deliberations and the use of local languages in the preparation of financial reports, villagers have gained a better understanding of the budgeting process, expenditures, and financial oversight. As a result, they are no longer merely recipients of information but are actively involved in analysis and decision-making (Ningsih, 2025). For example, research on APBDes management in Sowanlor Village, Jepara, shows that when financial reports are written in easy-to-understand language and announced publicly, the community understands how village funds are used (Ningsih, 2025).

The second impact is the strengthening of a sense of ownership of BUMDes' businesses and village resources. Community contributions through mutual assistance, use of local resources, and participation in financial decision-making forums make residents feel that the village business is "shared property." This reduces feelings of alienation from administrators and increases residents' motivation to maintain and support BUMDes programs. The study "Development of BUMDes based on local potential as a driver of the village economy" found that villages whose communities contribute non-monetary resources report higher involvement in the management of BUMDes businesses.

Third, this integration helps reduce the gap between administrators and villagers and increases the legitimacy of the administrators. When accountability and transparency are implemented, residents feel that the decisions made and financial reports are not just formalities, but reflect the collective will. Research at BUMDes Mitra Karya Sejahtera, South Toapaya, Bintan Regency, states that villagers consider administrators to be more trustworthy when the fund management process is carried out openly and involves the community (Romdoniah & Kamela, 2024). This legitimacy is important for the sustainability of social support and the long-term viability of village enterprises.

The integration of a participatory accounting system that values local values produces clear and accessible financial reports, which in turn increases public trust in BUMDes administrators. The study "Transparency and Accountability in the Management of the 2024 Village Budget (APBDes) in Sowanlor Village, Jepara" shows that despite efforts to improve transparency, there are still obstacles in terms of accessibility and understanding of financial reports by the community (Ningsih, 2025). However, villages that

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have successfully presented reports regularly and in the local language report an increase in public trust in resident participation surveys.

Social oversight through traditional leaders and village deliberative forums is an effective instrument for preventing the misuse of funds. Traditional leaders who are respected by the community can serve as informal auditors who examine the compliance of decision implementation with customary norms, especially in terms of the use of natural resources and the environment. In a study in Bintan, Romdoniah & Kamela (2024) reported that residents rely on traditional leaders as figures who provide clarification when questions or ambiguities arise from the financial reports of administrators. These dialogue forums add a layer of social control beyond the formal mechanisms of the village government.

An integrated formal and informal accountability system strengthens the overall governance of BUMDes. Formal accountability to the village government is realized through periodic reports and official audits, while informal accountability to residents and traditional leaders is carried out through deliberations and public dialogues. The Study of Accountability and Transparency Analysis of BUMDes Mitra Karya Sejahtera Management in South Toapaya emphasizes that the combination of formal and informal accountability improves the integrity of village financial management (Romdoniah & Kamela, 2024). Finally, when both systems are consistently implemented, accountability and transparency are not just slogans, but become real practices that are believed by the community.

From an economic perspective, BUMDes managed using participatory accounting principles and local wisdom show potential for more stable income and expansion of business units. For example, the study "Transforming Rural Economy Through Community-Based Tourism with Village-Owned Enterprise BUMDes ..." shows that the development of potential village businesses (such as community-based tourism) can increase household income and the economic resilience of village families. This economic sustainability is also closely related to business diversification, so that BUMDes are not overly dependent on a single source of income.

Socially, the integration of local wisdom strengthens solidarity, togetherness, and social networks in villages. The values of cooperation and village deliberation encourage residents to help and support each other in village enterprises and social activities. Research on "Waste management in the production process of BUMDes" in Borobudur shows that joint environmental activities increase social awareness and strengthen networks between residents, as well as improve the social image of BUMDes (Darmadi, 2025). Thus, social sustainability is not only a matter of participation in economic activities, but also involvement in the norms and traditions of village daily life.

The environmental and cultural impacts are also significant: local wisdom often contains customary rules that limit environmental exploitation, protect natural resources, and preserve the sustainability of village ecosystems. In addition, the preservation of local norms, rituals, and traditions through recognition in the formal accounting system also helps to maintain cultural identity. BUMDes that implement waste management and environmental conservation practices increase environmental awareness and provide economic and social benefits (Susanti, 2025). Local culture that is recognized in village regulations and financial reports strengthens the sense of pride and cultural sustainability of the village.

5. CONCLUSION AND PRACTICAL IMPLICATIONS

This study confirms that integrating local wisdom into participatory accounting systems contributes significantly to strengthening the governance of Village-Owned Enterprises (BUMDes). Cultural values such as deliberation, cooperation, customary rules related to the preservation of the environment, and the role of traditional leaders not only serve as a legacy of tradition but also as effective instruments in strengthening accountability, transparency, and social legitimacy. By adopting this approach, financial reports and accountability mechanisms do not stop at administrative aspects alone, but are present as social practices that can build a sense of trust and collective solidarity among village communities. Local value-based participatory accounting is therefore not only a technical strategy, but also an institutional strategy that connects economic, social, cultural, and environmental aspects in a balanced manner for the long-term sustainability of BUMDes.

In addition, this integration has had a tangible impact on the empowerment of rural communities. Residents are no longer positioned as passive recipients of information or benefits, but are actively involved in planning, budgeting, monitoring, and evaluating the use of BUMDes funds. This involvement strengthens the collective sense of ownership of village enterprises and managed resources, increases the legitimacy of managers, and motivates residents to support the sustainability of village programs. Furthermore, an accounting system that recognizes non-monetary contributions such as mutual assistance and local resources adds meaning to community participation, thereby reducing the perception gap between administrators and the community. Thus, participatory accounting rooted in local wisdom can encourage the growth of inclusive, fair, and resilient village governance.

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Strengthening BUMDes governance through participatory accounting is also increasingly relevant in the era of digitalization. A simple, easy-to-use, digital-based accounting system that adapts to local languages and cultural contexts has been proven to improve the quality of record keeping, speed up reporting, and expand access to public information. Digitalization is not just a technical innovation, but also a means of strengthening social accountability by providing open access to data for the community. Despite still facing obstacles such as limited internet infrastructure and digital literacy, continuous assistance can reduce barriers to adoption and make technology an instrument of empowerment. Thus, the combination of local wisdom and digital technology opens up opportunities for the emergence of more adaptive, participatory, and sustainable BUMDes governance.

The practical implications of this study provide clear direction for BUMDes managers, village governments, and other stakeholders. First, the results of the study show the importance of improving the financial literacy of rural communities through regular training for administrators, traditional leaders, and residents, so that they are able to understand basic accounting principles, read financial reports, and recognize non-monetary contributions. Second, it is necessary to formulate village regulations that explicitly recognize and legitimize local cultural practices—such as deliberation, mutual assistance, and customary social supervision—as part of official governance. Third, the digital accounting system implemented should be "fit for purpose," i.e., simple, user-friendly for people with low literacy levels, use the local language, and be compatible with the devices available in the village. Fourth, participatory practices such as deliberative forums, social audits by residents, and public announcements through information boards or local media need to be made routine mechanisms so that transparency is truly felt by the community. Fifth, the evaluation of BUMDes' performance should not be limited to financial aspects, but should also include social, cultural, and environmental indicators so that multidimensional sustainability is truly realized. Thus, the implications of this research are operational, can be directly applied while maintaining the relevance between modern accounting standards and local wisdom values.

6. LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

Although offering a comprehensive framework, this study is not without limitations. First, the approach used is still conceptual in nature, relying on literature reviews and secondary case studies, so that the results emphasize theoretical development and analytical frameworks rather than direct empirical testing. Consequently, generalizing the findings to all BUMDes in Indonesia must be done with caution, given the wide variation in socio-cultural conditions, human resource capacity, and infrastructure support between regions. Second, the rich variety of local wisdom can present challenges because not all traditional values are in line with formal accounting procedures or village government regulations. Finally, limited financial literacy, low manager capacity, and limited access to technology in some villages remain serious obstacles that this study has not fully addressed. Thus, although this article provides a strategic overview, its application in the field still requires careful contextual adaptation.

Further research is highly recommended to expand the scope of analysis with a more in-depth empirical approach, either through cross-regional surveys, comparative studies, or field experiments. This study will enable more detailed testing of the extent to which the integration of local wisdom and participatory accounting truly impacts the long-term economic, social, cultural, and environmental performance of BUMDes. In addition, piloting the implementation of a locality-based digital accounting system with features for recognizing non-monetary contributions, a simple interface, and local languages will provide practical insights into appropriate digitalization models for rural areas. Longitudinal studies assessing changes in social legitimacy, increased citizen participation, and the multidimensional sustainability impacts of integrating local values into BUMDes governance are also important. Thus, future research will not only contribute to theoretical development but also provide more applicable operational guidance for BUMDes managers, village governments, and other stakeholders.

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