

THE ROLE OF GOVERNANCE AND SERVANT LEADERSHIP IN ENHANCING ASSET MANAGEMENT OF VILLAGE-OWNED ENTERPRISES: THE EVIDENCE FROM THE INDONESIAN LEGAL CONTEXT

Ferry Irawan^{*}, Amrie Firmansyah^{**}, Zef Arfiansyah^{***},
Suparna Wijaya^{*}, Resi Ariyasa Qadri^{***}, Ekki Juniardi^{*}

^{*} Faculty of Economics and Business, Universitas Pembangunan Nasional Veteran Jakarta, Jakarta, Indonesia

^{**} Corresponding author, Faculty of Economics and Business, Universitas Pembangunan Nasional Veteran Jakarta, Jakarta, Indonesia

Contact details: Universitas Pembangunan Nasional Veteran Jakarta, Jl. RS Fatmawati Pd. Labu, Jakarta Selatan 12450, Indonesia

^{***} Polytechnic of State Finance STAN, Tangerang Selatan, Banten, Indonesia



Abstract

How to cite this paper: Irawan, F., Firmansyah, A., Arfiansyah, Z., Wijaya, S., Qadri, R. A., & Juniardi, E. (2026). The role of governance and servant leadership in enhancing asset management of village-owned enterprises: The evidence from the Indonesian legal context. *Corporate Law & Governance Review*, 8(1), 144–154. <https://doi.org/10.22495/clgrv8i1p12>

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ISSN Online: 2664-1542

ISSN Print: 2707-1111

Received: 25.06.2025

Revised: 07.10.2025; 26.01.2026

Accepted: 05.02.2026

JEL Classification: G38, I32, M12, M41, H83

DOI: 10.22495/clgrv8i1p12

Governance plays a crucial role in ensuring accountability, transparency, and efficiency in managing public resources (*Komite Nasional Kebijakan Governansi* [KNKG], 2021; Organisation for Economic Co-operation and Development [OECD], 2015). In community-based enterprises such as village-owned enterprises (*Badan Usaha Milik Desa*, BUMDes), effective governance determines the sustainability of village economic development and the optimal use of public assets. Building on these perspectives, this study examines how governance influences fixed asset management in BUMDes in Pacitan Regency, Indonesia, and investigates the moderating role of servant leadership. Primary data were collected from 88 BUMDes managers using a structured questionnaire and analyzed with partial least squares structural equation modeling (PLS-SEM). The results show that governance significantly enhances fixed asset management through systematic planning, consistent maintenance, and efficient utilization of resources. However, servant leadership does not significantly moderate this relationship, suggesting that traditional leadership culture may limit its application. This study contributes to stakeholder theory (Freeman, 1984) and leadership literature by integrating governance and servant leadership in the context of community-based public enterprises. Practical implications highlight the need for managerial training, participatory decision-making, and governance frameworks aligned with local leadership culture to support sustainable village development.

Keywords: Governance, Servant Leadership, Fixed Asset Management, Village-Owned Enterprises, Public Sector Accounting

Authors' individual contribution: Conceptualization — F.I. and A.F.; Methodology — F.I., A.F., and Z.A.; Validation — S.W., R.A.Q., and E.J.; Formal Analysis — F.I. and R.A.Q.; Investigation — A.F., Z.A., and E.J.; Writing — Original Draft — F.I., Z.A., and E.J.; Writing — Review & Editing — A.F. and S.W.; Supervision — F.I. and A.F.; Funding Acquisition — F.I.

Declaration of conflicting interests: The Authors declare that there is no conflict of interest.

Acknowledgments: The Authors express their sincere gratitude to the Community Empowerment and Village Administration Office of Pacitan Regency for their valuable support and collaboration during data collection. Appreciation is also extended to LPPM Universitas Pembangunan Nasional Veteran Jakarta for facilitating this research through institutional coordination.

1. INTRODUCTION

Village-owned enterprises (*Badan Usaha Milik Desa*, BUMDes) are a strategic government policy designed to strengthen the village economy by optimizing local potential in Indonesia. As a key instrument of village economic development, BUMDes is expected to catalyze the promotion of economic independence for village communities by efficiently utilizing available resources. Kerap et al. (2021) emphasized that BUMDes are vital in promoting village economic growth, creating jobs, and improving community welfare. This role is further supported by the Regulation of the Indonesian Minister of Villages, Development of Disadvantaged Regions, and Transmigration, highlighting the importance of active community participation in managing local economic potential to strengthen the village economy structure (Peraturan Mendes dan PDDT, 2015).

BUMDes not only opens opportunities for developing local businesses but also offers the potential for cooperation between villages and third parties, creating broader market networks. It includes improving the quality of public services and a more equitable economic distribution across villages. BUMDes must significantly increase village income and contribute to economic equity (Peraturan Mendes dan PDDT, 2015). However, in practice, BUMDes faces serious challenges, particularly in managing fixed assets, which often include land and buildings as dominant parts of their asset portfolios.

Managing fixed assets is a critical aspect that determines the long-term success of BUMDes. Pratama and Syakura (2022) noted that while fixed assets such as land and buildings often dominate BUMDes' asset structures, inefficient management can hinder optimizing these assets' potential. Ridlwan (2015) further stated that poor management of fixed assets could reduce BUMDes' ability to maintain business sustainability and diminish their contribution to the village economy. The Semester II Summary of Audit Results by the Supreme Audit Agency (BPK) (2023) revealed weaknesses in managing fixed assets in several regions, including inadequate physical verification, inaccurate asset recording, and incomplete documentation (Badan Pemeriksa Keuangan, 2024). These shortcomings impact the transparency and accountability of asset management, potentially undermining public trust and the operational effectiveness of BUMDes (Badan Pemeriksa Keuangan, 2024).

Moreover, Nelson (2019) emphasized that with proper management, fixed assets could drive the business capacity of BUMDes. Shi (2021) supported this argument by stating that optimal investment in fixed assets has the potential to expand the operational scale of these entities. However, Handoyo et al. (2023) noted that inefficient asset management negatively affects BUMDes' overall performance, highlighting the main challenge faced by BUMDes in maximizing the effective use of fixed assets.

The Government Regulation of Indonesia states that capital contributions to BUMDes can be money or goods, not land and buildings (Peraturan Pemerintah RI, 2021). This condition presents a unique challenge in managing fixed assets.

BUMDes often does not have complete control over the land or buildings it uses due to ownership status being under the village. Wijaya et al. (2020) pointed out that this often limits BUMDes' strategic maneuverability in developing its fixed assets.

Another challenge faced by BUMDes is the weakness in asset inventory. Kusuma and Purnamasari (2016) emphasized that poor asset recording often leads to low transparency and accountability in BUMDes' financial statements. Inaccurate asset management and minimal record-keeping can decrease the quality of information provided to stakeholders, including the village community. Consequently, BUMDes management accountability becomes vulnerable, particularly in ensuring that fixed asset management follows applicable standards and policies. To address these weaknesses, governance becomes a critical factor in improving the accountability and sustainability of BUMDes operations. Effective governance in local economic institutions has become essential to Indonesia's public sector reform and rural development agenda. Strengthening the governance of BUMDes is crucial to ensuring the efficient use of public resources and promoting sustainable community empowerment. Previous studies highlight that BUMDes' performance is often constrained by limited managerial capacity and weak financial governance (Firmansyah, 2025; Fitriani et al., 2024). In addition, disparities in institutional capacity and community participation have created uneven development outcomes among villages, as some BUMDes thrive while others remain stagnant (Haeril et al., 2025). Therefore, improving governance within BUMDes is vital to enhancing transparency, accountability, and long-term sustainability in local economic management.

The relationship between governance and fixed asset management in BUMDes is a primary focus of this study. Setiawan and Bharata (2022), Sofyani et al. (2020), and Widiastuti et al. (2019) emphasized the importance of exemplary governance implementation in ensuring the success of BUMDes activities. Sofian (2021) and Wardana et al. (2022) argued that good governance positively impacts the economic welfare of village communities. Yuliana and Alinsari (2022) showed that effective governance is crucial in improving the quality of BUMDes' financial decisions. However, there is still a scarcity of studies that deeply explore the relationship between good governance and the effectiveness of fixed asset management in BUMDes, indicating a gap in the academic literature that needs addressing. Hilman and Nasution (2019) and Hayyuna et al. (2014) have discussed strategic steps in managing fixed assets in BUMDes, but have not directly connected how good governance can influence fixed asset management. It highlights the importance of further exploring the relationship between governance and fixed asset management in BUMDes.

This study also emphasizes the role of servant leadership as a moderating variable in the relationship between governance and fixed asset management. Eva et al. (2019) defined servant leadership as leadership oriented toward serving others, which, in the context of BUMDes, is expected to shift the focus of leadership from personal interests to community welfare. Applying servant

leadership is expected to create a more inclusive organizational culture where BUMDes leaders pursue economic goals and consider the holistic welfare of the village community. Kaltiainen and Hakanen (2022) supported this view by showing that servant leadership increases employee engagement and reduces burnout, strengthening organizational performance.

This study applies stakeholder theory (Freeman, 1984) and the concept of servant leadership to explain how good governance supports effective fixed asset management in BUMDes. Both frameworks emphasize ethical decision-making, transparency, and collective benefit. Graham et al. (2013) provided perspectives on the importance of ethical decision-making in organizations, which can be applied to the BUMDes context to strengthen governance and organizational accountability. Ethical decision-making helps leaders consider long-term interests, not just short-term financial gains.

Theoretically, this study contributes significantly to the literature on organizational governance, fixed asset management, and servant leadership within public organizations such as BUMDes. The application of stakeholder theory broadens the understanding of how good governance can support efficient, fixed asset management that is aligned with the interests of various parties involved in BUMDes. Servant leadership adds a new dimension to enhancing governance effectiveness, emphasizing community welfare and active participation in managing village resources.

This study offers practical contributions relevant to policymakers and international organizations focusing on local economic development and public asset management. The recommendations include strengthening governance, improving management competencies, and implementing servant leadership to enhance transparency, accountability, and community participation in asset management. With a comprehensive approach, it is hoped that BUMDes can achieve more effective and sustainable management.

This research article is structured into four primary sections to ensure a coherent and comprehensive presentation. Section 2 provides an in-depth review of the relevant literature, identifying theoretical frameworks and gaps and proposing research hypotheses. It includes an exploration of governance and its influence on fixed asset management in BUMDes, as well as the potential moderating effect of servant leadership. Section 3 outlines the research methodology, detailing the data collection process, survey instruments, and analytical techniques to evaluate the hypotheses. Section 4 presents the findings of the study, accompanied by detailed statistical analyses and interpretations. Section 5 offers conclusions, policy and practice implications, and future research recommendations.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Stakeholder theory provides a profound framework for how an organization or business entity should respond to and involve all parties interested in

the organization. Freeman (1984) explained that this theory emphasizes no significant difference between the interests of the business and the interests of the groups and individuals involved. Therefore, stakeholder interests must be central to business decision-making, as they are integral to the entity's existence (Barney & Harrison, 2020). Stakeholder involvement becomes the primary goal, not just a means to achieve other objectives such as financial performance.

This view of business as a tool to advance stakeholder interests is closely related to moral considerations. Harrison et al. (2015) stated that this theory's major issues are how humans are treated in business processes and the impact they receive from business activities. A strong moral foundation in stakeholder theory requires companies to consider moral principles such as care, fairness, loyalty, and respect (Graham et al., 2013). Thus, this theory is not only normative but also bases every business decision on moral obligations related to stakeholders (Bridoux & Stoelhorst, 2022).

Corporate governance emerged as a response to the separation between management and ownership within a company, which often creates conflicts of interest between shareholders and managers. Garvey and Swan (1994) defined governance as managing decisions involving various contracts within an entity. Shleifer and Vishny (2007) described corporate governance as mechanisms ensuring that capital owners receive investment returns. The Organisation for Economic Co-operation and Development (OECD) (2015) outlined that corporate governance is a system that distributes rights and responsibilities among corporate participants, including the board of directors, managers, and shareholders, to direct and control the company's operations.

Based on these definitions, governance can be interpreted as a process that organizes how an organization achieves its goals while maintaining good relationships with stakeholders. According to the National Committee on Governance Policy, the main principles of good governance include ethical behavior, accountability, transparency, and sustainability (Komite Nasional Kebijakan Governansi [KNKG], 2021). These principles function to maintain fair relationships with stakeholders, ensure the company can account for its performance, provide open information, and encourage operations that align with sustainable development goals.

Fitriani et al. (2024) emphasized that weak financial governance and limited managerial capacity remain significant barriers to achieving accountability and transparency in BUMDes. Similarly, Firmansyah (2025) found that strengthening governance mechanisms, particularly in financial reporting and digital transparency, can improve the efficiency of public resource utilization at the village level. These findings are consistent with Setyorini et al. (2023), who demonstrated that the effectiveness of governance structures in public organizations significantly affects asset utilization and organizational performance, suggesting that robust governance mechanisms are essential to sustainable value creation.

Fixed asset management is crucial as assets hold economic value and are essential resources for an entity (Kieso et al., 2024). In the context of

BUMDes, fixed assets play a significant role in supporting long-term income for legal entities in Indonesia (Government Regulation (PP) Number 11 of 2021 concerning Village-Owned Enterprises, 2021). These assets fall into the tangible assets used over one period and serve production or administrative purposes (Ikatan Akuntan Indonesia, n.d.). BUMDes must ensure that these assets are managed well, with effective governance crucial.

Necula (2019) highlighted the importance of separating decision-making rules from the implementation model to improve fixed asset management. For BUMDes, applying structured management rules can enhance efficiency and accountability in managing fixed assets, aligning with stakeholders' interests. Yao et al. (2023) also studied how political uncertainty affects corporate investment decisions. In the context of BUMDes, local political dynamics may also impact resource allocation and asset management, emphasizing the need for robust governance to safeguard stakeholder interests amid political uncertainty.

Previous studies have analyzed the relationship between good governance practices and asset management. Junaedi (2020) concluded that good governance protects company assets, while research by Kumalasari and Pratikto (2018) and Tjondro and Wilopo (2011) found that good governance positively impacts the return on assets, indicating that assets are managed more effectively. Although fixed assets have different characteristics from other asset groups, their status as tangible physical assets still requires effective management. Thus, the impact of governance on fixed asset management is expected to be similar to its influence on overall asset management.

H1: Governance positively affects the management of BUMDes' fixed assets.

Servant leadership is a leadership style that emphasizes serving others before serving personal or organizational interests. According to Greenleaf (2007), a servant leader is an individual who first acts as a servant and becomes an effective leader through this service orientation. In the context of BUMDes, where fixed asset management plays a crucial role in ensuring operational sustainability and contributing to village community welfare, servant leadership is predicted to play an essential role in strengthening the influence of governance on fixed asset management.

Governance underscores the importance of transparent, accountable, and participatory decision-making practices. Good governance in BUMDes ensures that all fixed assets, including property and facilities, are managed effectively and efficiently to support village community welfare. Eva et al. (2019) asserted that servant leadership encourages followers to think more about others' interests and engage in ethical and responsible decision-making. Leaders who serve focus on employee empowerment and the well-being of all stakeholders (Liden et al., 2008). In BUMDes, leaders who adopt a servant leadership style will ensure that good governance principles are applied in every aspect of fixed asset management. With an emphasis on community welfare and asset sustainability, servant leadership creates a participatory work environment where every employee feels responsible for maintaining assets and ensuring transparency in their management.

Effective fixed asset management in BUMDes depends on the organization's ability to adapt to social, political, and economic changes (Kaltainen & Hakanen, 2022). Servant leaders facilitate this adaptation process and ensure that fixed asset management meets high governance standards. Setyorini et al. (2023) mentioned that servant leadership in BUMDes enhances governance effectiveness by promoting more ethical, transparent, and community-oriented decisions. Moreover, Rabiul et al. (2022) found that servant leadership contributes to increased employee engagement, directly impacting fixed asset management. This engagement is crucial as employees empowered and valued by servant leaders tend to care more about asset maintenance and responsible management.

Servant leadership acts as a catalyst that strengthens the positive influence of governance on fixed asset management in BUMDes. Ruiz-Palomino et al. (2022) demonstrated that servant leadership can reduce internal issues, such as conflicts and work pressure, that may affect asset management. In the BUMDes context, servant leaders help maintain internal harmony and ensure that every decision related to fixed asset management aligns with transparency and accountability principles. This leadership style supports good governance implementation, enhances organizational resilience in operational crises, and strengthens the commitment to asset sustainability.

In this regard, servant leadership enhances the positive impact of governance on fixed asset management by prioritizing the long-term interests of stakeholders (Miles, 2017). With strong community-oriented governance, BUMDes' fixed assets can be managed more effectively, accountably, and sustainably. Furthermore, servant leadership fosters an environment where engagement, compassion, and transparency drive better asset management (Ahmad et al., 2023). Servant leadership amplifies the positive effect of governance on fixed asset management by prioritizing stakeholders' long-term interests. In the BUMDes context, servant leaders ensure that fixed assets are managed transparently and accountably, according to the community's needs as primary stakeholders.

H2: Servant leadership enhances the positive influence of governance on the management of BUMDes' fixed assets.

3. RESEARCH METHODS

The research utilized a quantitative methodology to analyze the effects of independent variables on the dependent variable through statistical analysis. Primary data were collected directly from the research site using structured questionnaires distributed to respondents. These questionnaires included core items reflecting research indicators and demographic information, with respondent confidentiality maintained throughout. This study adopts a quantitative approach because it allows empirical testing of causal relationships among variables and the evaluation of moderation effects within a theoretical model. The study employed non-probability sampling through purposive sampling, specifically targeting BUMDes managers

directly involved in asset management in Pacitan Regency. Pacitan Regency was selected as the research site because it represents a typical rural economy where BUMDes plays a vital role in local development and public asset management. The region offers diverse business contexts and accessible empirical data, making it a relevant and representative case for this study (Firmansyah et al., 2024).

Indicators within the survey were measured using a 1–6 Likert scale. This scale was chosen for its effectiveness in preventing neutral bias, where respondents might opt for a middle option as a safe choice when uncertain, thus yielding more precise survey results (Chyung et al., 2017). It also provides higher precision than minor scales while remaining easy for respondents to understand (Preston & Colman, 2000). Data collection occurred from May 2024 to October 2024 in collaboration with the Community Empowerment and Village Administration Office of Pacitan Regency. The questionnaires were distributed via an online link sent to BUMDes representatives, resulting in 88 complete responses out of 118 existing BUMDes, achieving a response rate of 74.58%. The population of this study consists of all BUMDes in Pacitan Regency, while the sample includes 88 BUMDes selected through purposive sampling based on operational status and completeness of financial data. The respondents were BUMDes managers directly responsible for managing fixed assets and financial reporting.

The dependent variable in this study is the quality of BUMDes' fixed assets (FAQ). The indicators for measuring fixed asset quality are based on the financial reporting standards for micro, small, and medium-sized enterprises (*Standar Akuntansi Keuangan Entitas Mikro, Kecil dan Menengah*, SAK EMKM). BUMDes are categorized as micro, small, and medium-sized enterprises (MSMEs) according to the Law of the Republic of Indonesia No. 20 of 2008, which classifies entities as MSMEs if they have net assets of up to IDR 10 billion or annual sales of up to IDR 50 billion. Indicators for the quality of fixed assets include separate recording of land and buildings, legal ownership recognition at acquisition cost, proper recording and measurement, documentation of repair and renovation costs, asset impairment recognition, depreciation expenses, depreciation methods, asset life periods, asset retirement, and fixed asset presentation in financial statements; 17 questionnaire items represent these aspects.

The independent variable in the study is BUMDes governance (GOV). The dimensions and indicators, adapted from Widiastuti et al. (2019), cover transparency, accountability, cooperation, participation, emancipation, and sustainability. Transparency indicators include mechanisms for checks and balances, management selection systems, infrastructure procurement, asset and financial management procedures, cost standards, employee selection mechanisms, performance evaluations, remuneration systems, reward and punishment structures, accountability measures, capital investment procedures, profit usage, and distribution processes, monitoring and evaluation systems, business legality, and accessibility of financial statements. Accountability indicators

encompass strategic planning, ownership of Articles of Association and Bylaws, business and strategic plans, annual work plans, budget planning, standard operating procedures (SOPs) for recruitment, main activities, service delivery, transaction recording, financial reporting, performance monitoring, internal control systems, and computer-based accounting systems. Cooperation indicators focus on partnerships with external parties, complaint handling, and social responsibility mechanisms. Participation indicators emphasize the involvement of stakeholders in the establishment of BUMDes and the selection of business units, as well as community participation in business development. Emancipation indicators cover professional leader selection, public access to activities, fair service delivery, and equitable information dissemination. Sustainability indicators involve community needs surveys, stakeholder feedback, conflict of interest avoidance, business development plan revisions, and environmental impact protection. Indicators for servant leadership are drawn from Green et al. (2016), including the leader's positive influence, consistency in role modeling, commitment and leadership skills, empathy, responsibility and care, adaptability, analytical thinking, problem-solving skills, business development preparedness, and ethical decision-making.

Hypothesis testing or data analysis was conducted using partial least squares structural equation modeling (PLS-SEM), a multivariate analysis technique suitable for analyzing complex relationships between variables. Structural equation modeling (SEM) allows for the simultaneous evaluation of structural and measurement models, providing comprehensive insights into theoretical models (Hair et al., 2019). PLS-SEM was chosen due to its flexibility with data assumptions, suitability for non-normally distributed data often found in social and management research using ordinal scales, and applicability for small to medium sample sizes (Hair et al., 2019). It supports theoretical model testing and is effective for validating models involving multiple latent constructs and examining the relationships between independent and dependent variables (Hair et al., 2019). Validity and reliability tests were conducted for each variable to ensure construct accuracy and internal consistency. Reliability was assessed using Cronbach's alpha and composite reliability, while validity was examined through the average variance extracted (AVE). PLS-SEM facilitated model validation and confirmation, providing precise variable relationship predictions.

Although other approaches, such as qualitative case studies or mixed-method designs, could provide deeper contextual understanding of governance and leadership dynamics in BUMDes, this study employed a quantitative method using PLS-SEM due to its suitability for analyzing complex relationships among latent variables and limited sample sizes.

4. RESULTS AND DISCUSSION

4.1. Results

The research included an analysis of the validity of all questionnaire items completed by 88 respondents. The standard for validity in this

study was determined by a factor loading greater than 0.7 (Hair et al., 2019). The summary of the validity test results is presented, highlighting that various indicators used for measuring constructs, such as the quality of fixed asset management (FAQ), governance (GOV), and servant leadership (SL), demonstrated satisfactory factor loadings. The summary outlined that key items for the quality of fixed asset management (FAQ) exhibited high factor loadings, confirming their validity. Indicators for governance (GOV) showed consistent factor loadings across various components, including transparency (TR), accountability (ACC), cooperation (CO), participation (PAR), emancipation (EM), and sustainability (SUS). The servant leadership (SL) construct also displayed strong validity, with all items meeting or exceeding the threshold of 0.7.

The reliability of the constructs was assessed. The findings indicated that all latent variables in the study were reliable, as demonstrated by Cronbach's alpha and composite reliability values

above 0.7 and AVE values exceeding 0.5. The reliability analysis, summarized in an additional table, decomposed the governance component into specific sub-components, including accountability, cooperation, emancipation, participation, sustainability, and transparency. These sub-components maintained high-reliability scores, reinforcing the consistency of the measurements used in this research. This comprehensive approach ensured that the constructs' validity and reliability met rigorous academic standards, supporting the robustness of the research findings.

Furthermore, Table 1 presents the main hypothesis testing results, which include the examination of the influence of GOV on the quality of fixed asset management, as well as the moderation test of servant leadership on the positive influence of governance on asset management quality. Additionally, Table 1 provides the results of testing the six fixed asset management governance components.

Table 1. The summary of the hypothesis test

Variable	Coefficients	t-stat	Prob.	Coefficients	t-stat	Prob.
GOV → FAQ	0.997	7.482	0.000***			
SL → FAQ	-0.211	1.398	0.081*			
GOV * SL → FAQ	-0.011	0.297	0.383			
TR → FAQ				0.024	0.096	0.462
ACC → FAQ				0.476	2.318	0.021**
CO → FAQ				-0.026	0.143	0.443
PAR → FAQ				-0.337	2.267	0.012**
EM → FAQ				0.308	1.514	0.065*
SUS → FAQ				0.415	2.205	0.014**
R ²	0.705				0.746	
Adj. R ²	0.694				0.727	

Note: The results indicate significance levels of *** at 1%, ** at 5%, and * at 10%.

Source: Authors' elaboration.

4.2. Discussion

4.2.1. The effect of governance on the BUMDes' management of fixed assets

The analysis shows that governance has a significant positive influence on the BUMDes management of fixed assets. Good governance provides a solid foundation for thorough planning, consistent maintenance, and efficient asset use. This finding aligns with Sudyanto and Kurniawan (2025), who emphasize that performance management systems in non-profit organizations rely heavily on strong governance mechanisms to ensure accountability and sustainable resource utilization. It also supports the view of Machmud et al. (2023), who state that implementing effective governance supports resource optimization, even as BUMDes in Pacitan Regency faces financial, technical, and human resources limitations. A simple organizational structure in BUMDes can still be effectively managed if supported by strong governance. Good governance establishes clear asset management procedures and strict supervision, promoting adherence to established policies and ensuring that fixed assets are managed according to set standards (Bui & Krajcsák, 2024).

For BUMDes managers with non-accounting backgrounds, knowledge limitations in accounting and asset management can present challenges. However, robust governance serves as a practical

guide for decision-making related to asset management. Strong governance allows managers to overcome technical limitations through training and the provision of additional resources. Adequate education among managers plays a crucial role in applying good governance, and most BUMDes administrators in Pacitan have higher educational backgrounds, supporting its implementation. External support, such as local economic conditions and intervention from regional governments, also plays a critical role in influencing how BUMDes implements sustainable governance amid local economic challenges. This finding is consistent with Firmansyah (2025) and Fitriani et al. (2024), who highlight that effective local governance enhances accountability and asset utilization in community-based enterprises, particularly when supported by capacity development and policy oversight.

Stakeholder theory provides an essential framework regarding the need for involvement from various organizational parties. Freeman (1984) asserts that stakeholder interests should be central in business decision-making as they are integral to the organization's sustainability (Barney & Harrison, 2020). In the context of fixed asset management in BUMDes, stakeholder theory suggests that involving stakeholders enhances accountability and transparency and garners broader support. This involvement helps BUMDes manage risks and conflicts while ensuring that decisions related to fixed assets are relevant to the needs of the community and other related parties. This

empirical evidence supports stakeholder theory's proposition that effective governance can balance competing interests among stakeholders and promote collective welfare (Setyorini et al., 2023).

The moral aspect of stakeholder theory is highly relevant in business decision-making. Harrison et al. (2015) emphasize that people's treatment and impact are central to the theory. Moral principles such as care, fairness, loyalty, and respect must be considered in every decision (Graham et al., 2013). It makes stakeholder theory normative and embedded with a moral obligation to evaluate the impact of decisions on stakeholders. For BUMDes, managers should account for the social impact of asset management, ensuring that fixed assets are managed with the community's broader needs in mind.

Garvey and Swan (1994) highlight the importance of governance in addressing conflicts of interest between owners and management. Principles of governance, including accountability, transparency, ethics, and sustainability, help build trust among stakeholders (KNKG, 2021; OECD, 2015). These principles ensure that the management of fixed assets in BUMDes is carried out efficiently and responsibly, strengthening trust between stakeholders. This aligns with the statistical results showing that accountability, sustainability, and participation dimensions of governance significantly influence asset management quality, reinforcing that multi-dimensional governance is essential for long-term organizational credibility (Setyorini et al., 2023).

Junaedi (2020) supports the view that good governance helps protect company assets, while Kumalasari and Pratikto (2018) and Tjondro and Wilopo (2011) show that effective governance positively impacts asset management efficiency, including returns on assets. Necula (2019) underscores the importance of separating decision-making from implementation to improve efficiency. It is relevant for BUMDes to ensure that structured management rules are applied effectively. Yao et al. (2023) also highlight the importance of governance in navigating local political dynamics that can influence asset management decisions, emphasizing that strong governance protects stakeholder interests in uncertain situations.

Accountability has been proven to significantly affect the quality of fixed asset management at BUMDes. Respondents noted that strategic policies, clear Articles of Association (AD/ART), and structured business plans reflect strong accountability principles. It ensures asset management is based on solid planning and accountability (Bui & Krajcsák, 2024). However, challenges in achieving financial targets remain a concern. Although policies and planning are well-established, strengthening implementation and monitoring financial targets is necessary. It can be achieved through intensive training, regular evaluations, and strict supervision to ensure BUMDes achieves optimal performance and maintains the trust of the community and stakeholders.

The emancipatory aspect also serves as an essential component in supporting good governance. BUMDes in Pacitan has made efforts to provide equal access to information and services for

all community members. This commitment to inclusivity and equality fosters broader community engagement, enhancing transparency and public trust (Barney & Harrison, 2020; Freeman, 1984). However, active community involvement remains challenging, especially in areas with limited human resources and education. Adaptive strategies and training must be enhanced to maximize community participation across all BUMDes. This reinforces the idea that governance effectiveness in community-based enterprises depends on structural mechanisms and moral and participatory engagement, aligning empirical findings with the normative essence of stakeholder theory.

4.2.2. The moderating role of servant leadership on the influence of governance on fixed asset management in BUMDes

The hypothesis testing results indicate that servant leadership does not enhance the positive effect of governance on fixed asset management in BUMDes. Servant leadership, which emphasizes service and empowerment within an organization (Liden et al., 2008). It is expected to improve performance, including asset management. However, findings from BUMDes in Pacitan Regency reveal that servant leadership has not been effective in strengthening the relationship between governance and fixed asset management. It suggests that servant leadership has not yet been optimally implemented, possibly due to an organizational culture that is not conducive to such an approach.

According to the principles of servant leadership, a leader is expected to serve first before leading (Greenleaf, 2007). This leadership style transforms followers to prioritize collective interests over personal gains (Eva et al., 2019). In the context of fixed asset management, this model is anticipated to foster a culture of empowerment, emotional care, and community orientation. However, research results in Pacitan indicate that servant leadership has not significantly impacted governance effectiveness in asset management.

One factor to consider is the organizational culture within BUMDes, which tends to be informal and community-oriented. The prevalent traditional leadership style may hinder the adoption of more formal and structured servant leadership practices. Most BUMDes leaders, who also act as asset managers, have non-accounting educational backgrounds and may rely more on conventional managerial or administrative approaches. This reliance can reduce the effectiveness of servant leadership in strengthening the relationship between governance and asset management.

Questionnaire results indicate that BUMDes generally applies good governance practices in fixed asset management. The recognition, recording, depreciation, and reporting of fixed assets are conducted consistently, although variations exist among respondents. Proper recording and depreciation processes suggest that BUMDes managers adhere to standard procedures. Nonetheless, implementing governance can be enhanced through more effective leadership, including adopting servant leadership principles.

Data from the questionnaire on servant leadership show that BUMDes leaders are perceived

to have several positive leadership characteristics, such as exerting positive influence, being exemplary, demonstrating commitment, empathy, and responsibility. They are also considered adaptive and capable of making wise decisions. However, skills in problem identification and solution, as well as the ability to prepare BUMDes to contribute positively to organizational development, still need improvement. Enhancing these aspects is crucial to strengthening the effectiveness of servant leadership in supporting governance in asset management.

From the stakeholder theory perspective, servant leadership aligns with prioritizing all stakeholders' well-being (Barney & Harrison, 2020; Freeman, 1984). This theory emphasizes the importance of ethical and transparent approaches in considering the interests of all parties related to the organization (Harrison et al., 2015). Despite its potential, servant leadership in BUMDes in Pacitan Regency has not yet strengthened existing governance, possibly due to resistance to change and the tendency to adhere to more traditional approaches (Ahmad et al., 2023).

Furthermore, Kaltainen and Hakanen (2022) argue that servant leadership helps organizations adapt to social and economic changes. Ideally, applying this leadership style in BUMDes could help the organization adapt to the ever-changing dynamics, including in asset management. However, cultural resistance and focus on short-term results may hinder effective implementation. The adoption of servant leadership could bring more significant benefits if integrated with more technical approaches and adjusted to the developing and straightforward structure of BUMDes, which has been emerging since 2022. Although servant leadership has the potential to strengthen governance through an inclusive and ethical approach, its application in BUMDes in Pacitan Regency still requires further adaptation and development. Servant leadership can play a crucial role in improving the quality of fixed asset management if implemented with strategies tailored to the local culture and organizational needs.

5. CONCLUSION

This study concludes that effective governance plays a significant positive role in managing fixed assets in BUMDes. Good governance practices facilitate thorough planning, consistent maintenance, and efficient asset utilization. Despite challenges such as limited financial, technical, and human resources, BUMDes in Pacitan Regency benefits from strong governance, which optimizes resource use. The simplicity of BUMDes organizational structures offers clear and directed procedures for asset management. Good governance ensures strict oversight and adherence to procedures, aligning asset management with established standards. Technical knowledge gaps among BUMDes managers, particularly those without an accounting background, can be mitigated through strong governance supported by training and additional resources. Internal factors, such as adequate educational backgrounds of managers, are essential in strengthening governance. External support, including assistance from local government, also plays a critical role in sustaining effective

governance through technical guidance and training. Effective governance enhances not only technical aspects but also accountability and transparency. Involving stakeholders ensures that decision-making aligns with the needs of the community and related parties, reflecting stakeholder theory that emphasizes broad engagement for organizational sustainability. Active community participation, government support, and the role of BUMDes management contribute to sustainable and fair asset management practices. These findings empirically reinforce stakeholder theory, showing that governance mechanisms reflecting accountability and transparency can strengthen community trust and institutional credibility in managing public assets.

The study further reveals that servant leadership does not enhance the positive effect of governance on asset management in BUMDes. While theoretically expected to strengthen this relationship by focusing on service and empowerment, the study finds that servant leadership has not significantly impacted asset management in BUMDes Pacitan. It is attributed to cultural and practical challenges, as the informal, community-oriented nature of BUMDes and a preference for administrative leadership styles hinder the effective implementation of servant leadership. Although BUMDes leaders generally demonstrate positive traits such as empathy and responsibility, improvement in problem identification and solution formulation is needed. Adaptation must be aligned with BUMDes' organizational culture and strategic leadership approaches for servant leadership to be effective. When integrated with structured, context-specific strategies, servant leadership has the potential to reinforce governance and enhance fixed asset management in BUMDes. This finding extends prior literature by highlighting that leadership orientation alone may not effectively moderate governance outcomes without institutional and cultural alignment.

This study has several limitations. The sample size was limited to 88 respondents out of 118 existing BUMDes, which may not be fully representative of all BUMDes in the Pacitan Regency. This limitation can affect the generalizability of the results, especially in statistical analyses that require larger sample sizes for more robust outcomes. There is also potential respondent bias, as most respondents were BUMDes leaders, which may lead to findings that do not fully capture the perspectives of other managerial levels or staff more directly involved in daily operations. As a result, the perspective of servant leadership in strengthening governance may not be entirely reflected. The study focused exclusively on BUMDes in Pacitan Regency, which has unique cultural, economic, and political characteristics. Therefore, the findings may not be generalizable to all BUMDes in Indonesia, which may operate under different contexts. Additionally, the measurement of servant leadership was limited, emphasizing direct service aspects, while elements such as empowerment and community influence were less represented. This limitation may restrict a comprehensive understanding of the complexity of applying servant leadership within the BUMDes context.

Future research could explore local factors that influence the implementation of servant leadership in BUMDes, as elements such as local culture, community structure, and traditions may play a crucial role in shaping leadership practices. A deeper understanding of these factors would aid in tailoring the servant leadership model to the specific context of BUMDes. In addition to servant leadership, future studies could examine other leadership types, such as transformational or transactional leadership, which may be more relevant to the BUMDes context, particularly in more structured environments or with specific economic objectives. Further research involving a larger sample size is needed to better represent conditions across Indonesia, or it could also be applied to similar entities in other countries.

There are several strategic recommendations for local government authorities and national policymakers. Local government authorities should implement comprehensive training programs for managing community-based enterprises, such as BUMDes, which particularly focus on accounting and fixed asset management. It is essential, as many managers may not have formal accounting backgrounds. Enhanced training initiatives would ensure that these managers can effectively manage technical and managerial aspects of asset management, improving overall efficiency and transparency.

Local authorities should also encourage the use of information systems that support governance and asset management. Implementing advanced accounting and asset management software can help bridge knowledge gaps and support smoother operations. Monitoring governance practices within community enterprises is necessary to maintain asset management standards and accountability. Policymakers at the national level should promote leadership development programs that incorporate principles like servant leadership. Emphasizing service-oriented leadership, empathy, and community engagement can foster organizational cultures that support sustainable asset management. Additionally, government bodies should provide clear guidance on the participatory role of local councils or assemblies in reviewing and approving strategic plans for these enterprises. This participatory approach can enhance governance practices and ensure decision-making processes align with community needs and priorities, reinforcing the effectiveness of community-based economic initiatives. These implications underscore that technical capacity building must be integrated with value-based leadership development to achieve sustainable community enterprise governance in Indonesia.

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