FINANCE : International Journal Of Management Finance
Vol. 3, No. 3 March 2026, Page. 50-63
DOI: https://doi.org/10.62017/finance.v3i3.197

The Mediating Role of Business Document Readiness between Financial Literacy and BUMDes Effectiveness in Pesawaran Regency

Thawap Nasution *[1]
Eka Ningsih Puji Rahayu [2]

[1,2] Prasetya Mandiri Maritime Institute, Bandar Lampung, Indonesia
*e-mail: thawapnasty@gmail.com

Abstract
This study analyzes the influence of financial literacy on the effectiveness of Village-Owned Enterprises (BUMDes) through the readiness of business documents as a mediator in the context of strengthening village businesses. The study used a mixed methods explanatory sequential design. Quantitative data were obtained from 80 respondents involved in the management or governance of seven BUMDes in Pesawaran Regency, then analyzed using PLS-SEM with SmartPLS 4. The qualitative stage involved 10 core administrators to explain the quantitative results. Financial literacy has a positive effect on the readiness of business documents ($\beta = 0.458$; $p < 0.001$), while the readiness of business documents has a positive effect on the effectiveness of BUMDes ($\beta = 0.506$; $p < 0.001$). The direct effect of financial literacy on effectiveness is not significant ($\beta = 0.022$; $p = 0.875$), but the indirect effect is significant ($\beta = 0.232$; $p = 0.001$). The findings demonstrate indirect-only mediation and emphasize the importance of transforming the financial capabilities of managers into documented, accountable, consistent, and sustainable administrative practices that organizations can use.

Keywords: *financial literacy; business document readiness; BUMDes effectiveness; mediation; governance*

INTRODUCTION

Village-Owned Enterprises (BUMDes) are village economic institutions established to manage businesses, utilize assets, develop investment, provide services, and improve community welfare. Their institutional role is strengthened by Government Regulation Number 11 of 2021 concerning Village-Owned Enterprises. This role has become increasingly strategic because the 2025 Village Fund policy emphasizes food security, providing opportunities for BUMDes to develop activities related to food production, processing, distribution, and market access. Consequently, professional, transparent, and accountable management is increasingly important for optimizing village economic resources and improving community welfare (Sari et al., 2025; Purwani et al., 2023; Meilana et al., 2023). BUMDes effectiveness is not determined solely by capital or local commodity potential. Governance quality, managerial capability, accountability, business planning, market access, government support, and partnerships also influence organizational performance. Meilana et al. (2023) showed that BUMDes development in Pesawaran Regency is affected by socioeconomic and institutional factors, while Indrawanto et al. (2025) confirmed that BUMDes performance is multidimensional and influenced by internal and environmental conditions. One important internal capability is financial literacy, which enables managers to understand budgeting, transaction recording, cash flow, financial planning, risk management, and financial reporting. Brahmayanti and Febrianto (2024) found that financial literacy supports BUMDes financial resilience through financial planning, while Nugroho et al. (2023) reported its positive relationship with village-owned enterprise performance. However, these studies primarily emphasize the direct contribution of financial literacy and provide limited explanation of how individual financial capability is transformed into organizational effectiveness.

In practice, financial knowledge may not produce organizational benefits when it is not supported by adequate administrative systems. Many BUMDes still rely on manual records, irregular financial reporting, incomplete legal documents, and business plans that are not consistently used. Such weaknesses may reduce transparency, accountability, performance monitoring, and access to financing (Karisma et al., 2025). Utama (2021) also emphasized the importance of financial reporting assistance for BUMDes in Pesawaran, while Pongoliu and Yusuf (2025) demonstrated the need to integrate budgeting, reporting, financing, and business planning. Effective financial management therefore requires not only managerial knowledge but also organizational documentation and accountability practices (Fakhrurozi & Warsiyah, 2026). This condition highlights the importance of business document readiness, defined as the availability, regularity, currency, and usability of legal, financial, planning, reporting, and administrative documents. These documents support decision-making, audits, financing, partnerships, and management continuity. Therefore, business document readiness can be understood as an administrative capability that converts individual knowledge into organizational practices and verifiable records. Previous studies have emphasized administrative weaknesses, business planning, and accountability in BUMDes (Niron et al., 2025; Fitriani et al., 2024), but business document readiness has rarely been tested as a mechanism linking financial literacy with BUMDes effectiveness.

This constitutes the main research gap. First, previous studies predominantly examine the direct relationship between financial literacy and BUMDes performance or resilience. Second, studies on BUMDes documentation generally treat financial reports, legal documents, and business plans as administrative outputs rather than as an integrated organizational capability. Third, empirical evidence remains limited regarding whether business document readiness mediates the transformation of individual financial literacy into organizational effectiveness. Accordingly, the novelty of this study lies in positioning business document readiness as an administrative capability and mediating mechanism between financial literacy and BUMDes effectiveness. The study shifts the focus from whether financial literacy directly improves effectiveness to how financial capability becomes organizationally valuable through documented and verifiable administrative practices. This perspective also extends the Resource-Based View (RBV), in which financial literacy represents managerial capability at the individual level, while business document readiness represents organizational administrative capability (Barney, 1991). Therefore, this study aims to examine the effects of financial literacy on business document readiness and BUMDes effectiveness, analyze the effect of business document readiness on effectiveness, and test its mediating role. The hypotheses are: H1, financial literacy positively affects business document readiness; H2, financial literacy positively affects BUMDes effectiveness; H3, business document readiness positively affects BUMDes effectiveness; and H4, business document readiness mediates the relationship between financial literacy and BUMDes effectiveness.

The relationship among financial literacy, business document readiness, and BUMDes effectiveness is grounded in the Resource-Based View (RBV), which argues that organizational performance depends on the ability to acquire, develop, and effectively utilize valuable internal resources and capabilities (Barney, 1991). In this study, financial literacy represents a managerial capability embedded in individual managers, enabling them to understand budgeting, cash flow, financial reporting, risk, and business planning. However, from an RBV perspective, individual knowledge generates organizational value only when it is transformed into routines, procedures, and organizational resources that can be consistently used beyond the individual manager. Business document readiness serves as this transformation mechanism. Financial knowledge is codified into budgets, financial reports, business plans, legal documents, transaction records, SOPs, and archives that can be accessed, verified, and utilized collectively. Thus, business document readiness represents an administrative capability that institutionalizes individual financial knowledge into organizational practices. Greater document readiness can strengthen accountability, decision-making, access to financing, partnerships, operational continuity, and ultimately BUMDes effectiveness. Accordingly, RBV provides the theoretical basis for expecting financial literacy to improve business document readiness, which in turn enhances BUMDes effectiveness and potentially mediates their relationship. Since effectiveness is measured through respondents' assessments, it is interpreted as perceived organizational effectiveness, rather than objective financial performance.

Previous literature has primarily examined the direct impact of financial literacy on performance, financial resilience, or management behavior. Meanwhile, studies on business

Vol. 3, No. 3 March 2026, Page. 50-63
DOI: https://doi.org/10.62017/finance.v3i3.197

documents generally focus on governance evaluations or administrative assistance activities. Limited research explicitly examines the readiness of business documents as a mediator explaining how individual managers' financial capabilities translate into BUMDes organizational effectiveness. This gap is significant because BUMDes not only require managers with financial literacy but also documentation that allows this knowledge to persist beyond individuals, be used in decision-making, and be accounted for to stakeholders.

The novelty of this research lies in examining business document readiness as an administrative bridge between financial literacy and BUMDes effectiveness. The study does not assume that financial literacy always has a direct influence on effectiveness, but rather examines whether this influence operates through administrative readiness. In the context of village food security policy, this model is relevant because BUMDes managing agricultural, livestock, fisheries, processing, or food distribution activities require documented and auditable financial decisions. However, this study does not measure food self-sufficiency as a construct, so the relationship is positioned as a policy implication, not a direct empirical outcome.

The study aims to analyze the influence of financial literacy on the readiness of business documents and the effectiveness of BUMDes, test the influence of business document readiness on the effectiveness of BUMDes, and test the mediating role of business document readiness. Based on the framework, the hypotheses are formulated as follows: H1, financial literacy has a positive effect on the readiness of business documents; H2, financial literacy has a positive effect on the effectiveness of BUMDes; H3, business document readiness has a positive effect on the effectiveness of BUMDes; and H4, business document readiness mediates the influence of financial literacy on the effectiveness of BUMDes.

METHOD

The study employed an explanatory sequential mixed-methods design. The first stage involved quantitative analysis to test the influence and mediation models, followed by qualitative interviews to explain why certain pathways were significant or insignificant. This design was chosen because the statistical relationship between financial literacy, business document readiness, and BUMDes effectiveness requires contextual explanations regarding recording practices, legality, planning, archiving, and operational constraints faced by managers.

The study was conducted at seven BUMDes in Gedong Tataan District, Pesawaran Regency, Lampung Province. The quantitative phase involved 80 respondents selected using purposive sampling. Eligible respondents were individuals who were actively involved in BUMDes management or governance and had sufficient knowledge of its financial, administrative, and operational activities. Accordingly, the respondents included BUMDes administrators, village officials, and community leaders involved in or familiar with BUMDes activities. Sampling was conducted across the seven participating BUMDes to capture perspectives from different organizational settings. The sample size was also considered adequate for PLS-SEM analysis based on statistical power considerations rather than solely on the conventional ten-times rule. The most complex endogenous construct in the structural model was predicted by a maximum of two variables. Using a conventional a priori power criterion with a medium effect size ($f^2 = 0.15$), a significance level of 5%, and statistical power of 80%, the minimum required sample is approximately 68 observations. Therefore, the sample of 80 respondents was considered sufficient for estimating the proposed structural relationships (Hair et al., 2022). Because the measurements were collected at the individual level, BUMDes effectiveness is interpreted as perceived organizational effectiveness based on respondents' assessments rather than as an objective measure of organizational financial performance.

Quantitative data were collected using a Likert scale questionnaire with a score of 1 to 5. Three constructs were measured: financial literacy (X), business document readiness (M), and BUMDes effectiveness (Y). Financial literacy describes the ability to understand and implement budgeting, record keeping, cash flow, planning, risk management, and financial reporting. Business document readiness describes perceptions of the availability and management of legal

Vol. 3, No. 3 March 2026, Page. 50-63
DOI: https://doi.org/10.62017/finance.v3i3.197

documents, administration, planning, record keeping, and reporting. BUMDes effectiveness describes perceptions of the organization's ability to conduct business activities and achieve institutional goals. Prior to dissemination, the instrument's substance was reviewed by accounting and village management experts to assess the suitability of the indicator content with the constructs. To improve replicability, the final version of the article is recommended to include the source of each item and a table of indicator operationalizations.

The measurement model was treated as reflective and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) using SmartPLS 4. Measurement model evaluation included outer loading, Cronbach's alpha, rho_A, composite reliability or rho_C, Average Variance Extracted (AVE), and Heterotrait-Monotrait Ratio (HTMT). As a guideline, AVE ≥ 0.50 and rho_C ≥ 0.70 indicate adequate convergent validity and composite reliability, while HTMT < 0.85 is used as a conservative criterion for discriminant validity (Henseler et al., 2015; Hair et al., 2022). Indicators with loadings between 0.40 and 0.70 were not automatically removed but were evaluated based on their content validity and impact on AVE and composite reliability.

The structural model was evaluated using path coefficients, t-statistics, p-values, effect sizes f^2, coefficients of determination R^2, and Q^2predicts. Significance testing used bootstrapping of 5,000 subsamples at a 5 percent significance level. Mediation was determined based on specific indirect effects. When the indirect effect is significant while the direct effect is insignificant, the pattern is categorized as indirect-only mediation (Zhao et al., 2010). A Q^2predict greater than zero is used as an indication that the PLS-SEM prediction outperforms the naive benchmark, but the level of predictive power cannot be concluded without comparing the prediction errors of PLS-SEM with the linear model benchmark (Shmueli et al., 2019). SRMR is reported as residual diagnostic information, not as the sole basis for assessing model quality.

The qualitative phase involved 10 core BUMDes administrators selected for their direct experience in financial and administrative management. Semi-structured interviews explored recording and reporting practices, legal compliance, use of business plans, filing systems, financing and partnership needs, and external factors influencing effectiveness. Data were analyzed through thematic coding, grouping codes into themes, reviewing theme consistency, and integrating results with quantitative findings. The validity of interpretations was strengthened through source triangulation and member checking in accordance with the principles of reflexive thematic analysis (Braun & Clarke, 2021). Mixed methods integration was conducted at the interpretation stage by assessing how interview themes explain the pathways H1 to H4.

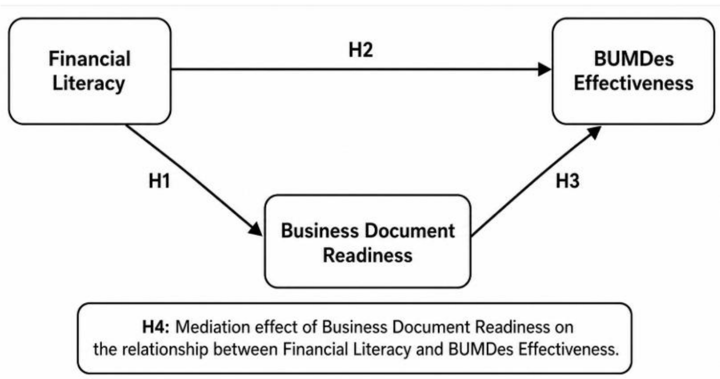

Figure 1. Conceptual Research Model

RESULTS AND DISCUSSION

Respondent Characteristics

Quantitative analysis was conducted on 80 respondents directly involved in the management or governance of Village-Owned Enterprises (BUMDes) in Pesawaran Regency. Based on demographic information in the source document, most respondents were between 30 and 45 years old. In terms of education, 62 percent had a high school diploma, 20 percent a diploma, and 18 percent a bachelor's degree. This composition indicates heterogeneity in educational backgrounds and strengthens the relevance of testing financial capability and administrative readiness. However, because the source document does not provide a detailed distribution of respondents by role and BUMDes, interpretation of respondent characteristics is limited to the available information.

Evaluation of Measurement Model

Table 1. Results of Measurement Model Evaluation

Construct	Indicators and outer loading	Alpha	rho_A	rho_C	AVE
Financial Literacy (X)	X1=0.687; X2=0.845; X3=0.861; X4=0.726; X5=0.860; X6=0.563	0.854	0.886	0.892	0.585
BUMDes Effectiveness (Y)	Y2=0.694; Y3=0.812; Y6=0.706	0.594	0.619	0.782	0.546
Business Document Readiness (M)	M2=0.706; M3=0.718; M4=0.772; M5=0.834; M6=0.834	0.835	0.850	0.882	0.601

The financial literacy construct has an AVE of 0.585 and a rho_C of 0.892, indicating adequate convergent validity and composite reliability. Indicators X2, X3, and X5 have the strongest loadings, while X6 has a loading of 0.563. X6 was retained because it falls within a range that is still considered exploratory research, and its removal was not necessary to bring the AVE or rho_C above the minimum threshold, which has been met. The decision to retain the indicator also took into account the importance of the construct's content coverage.

The BUMDes effectiveness construct has an AVE of 0.546 and a rho_C of 0.782. Thus, convergent validity and composite reliability meet the minimum criteria. However, Cronbach's alpha of 0.594 and rho_A of 0.619 are below 0.70. These results indicate that the internal consistency of the BUMDes effectiveness construct is not optimal. Because the final construct consists of only three indicators, alpha may be affected by the number of items. However, the low values should still be recognized as a measurement limitation and a reason to strengthen effectiveness indicators in future research.

Business document readiness demonstrated the most consistent measurement quality, with loadings ranging from 0.706 to 0.834, an AVE of 0.601, an alpha of 0.835, a rho_A of 0.850, and a rho_C of 0.882. Overall, this construct has good convergent validity and internal reliability.

Table 2. Heterotrait-Monotrait Ratio (HTMT)

Construct relationship	HTML
Financial Literacy and BUMDes Effectiveness	0.325
Financial Literacy and Business Document Readiness	0.527
BUMDes Effectiveness and Business Document Readiness	0.684

All HTMT values were below 0.85. The highest value was 0.684 for the relationship between BUMDes effectiveness and business document readiness. Thus, the three constructs can be empirically distinguished and meet the criteria for discriminant validity.

Structural Model Evaluation and Hypothesis Testing

Table 3. Hypothesis Testing Results and Effect Size

Hypothesis	Connection	β	Elementary School	t	p	f^2	Decision
H1	Financial Literacy → Business Document Readiness	0.458	0.095	4,803	<0.001	0.265	Accepted
H2	Financial Literacy → BUMDes Effectiveness	0.022	0.142	0.158	0.875	0.001	Rejected
H3	Business Document Readiness → BUMDes Effectiveness	0.506	0.113	4,463	<0.001	0.276	Accepted
H4	Financial Literacy → Business Document Readiness → BUMDes Effectiveness	0.232	0.070	3,316	0.001	ta	Accepted

H1 was accepted because financial literacy had a positive and significant effect on business document readiness ($\beta = 0.458$; $t = 4.803$; $p < 0.001$). The f^2 value of 0.265 indicated a medium effect. These results indicate that increased financial capability among respondents is associated with better administrative readiness.

H2 was rejected because the direct effect of financial literacy on BUMDes effectiveness was insignificant ($\beta = 0.022$; $t = 0.158$; $p = 0.875$). The f^2 value of 0.001 indicates that this direct contribution is practically negligible. This finding provides an important basis for assessing whether the influence of financial literacy operates through other mechanisms.

H3 is accepted because the readiness of business documents has a positive and significant effect on BUMDes effectiveness ($\beta = 0.506$; $t = 4.463$; $p < 0.001$). The f^2 value of 0.276 indicates a medium effect and is the largest direct effect in the model. Thus, the regularity and usability of business documents are closely related to perceived organizational effectiveness in the study sample.

Mediation Testing

The specific indirect effect of financial literacy on BUMDes effectiveness through business document readiness is $\beta = 0.232$ with SD = 0.070, $t = 3.316$, and $p = 0.001$. Because the indirect effect is significant while the direct effect of financial literacy on effectiveness is not significant, the pattern formed is indirect-only mediation. Thus, H4 is accepted. Substantively, these results indicate that in the research sample, the benefits of financial literacy on BUMDes effectiveness primarily emerge when such knowledge is reflected in the readiness of documents and administrative practices that the organization can use.

Explanatory Power and Predictive Relevance of the Model

Table 4. Explanatory Power and Predictive Relevance of the Model

Endogenous constructs	R^2	Adjusted R^2	Q^2predict	RMSE	MAE
Business Document Readiness	0.210	0.200	0.164	0.935	0.746

Vol. 3, No. 3 March 2026, Page. 50-63
DOI: https://doi.org/10.62017/finance.v3i3.197

Endogenous constructs	R^2	Adjusted R^2	Q^2predict	RMSE	MAE
Effectiveness of BUMDes	0.267	0.248	0.027	1,037	0.806

The R^2 value of business document readiness of 0.210 indicates that financial literacy explains 21.0 percent of the variation in business document readiness. The R^2 value of BUMDes effectiveness of 0.267 indicates that financial literacy and business document readiness together explain 26.7 percent of the variation in perceived organizational effectiveness. The unexplained proportion indicates that BUMDes effectiveness is also related to other factors, including leadership, working capital, government support, community participation, business unit characteristics, infrastructure, and market access.

Q^2predict is positive for business document readiness (0.164) and BUMDes effectiveness (0.027). Positive values indicate that the PLS-SEM model has predictive relevance compared to the naive benchmark for these endogenous constructs. However, the level of predictive power cannot be fully classified based on Q^2predict alone. A more complete assessment requires a comparison of the RMSE and MAE of PLS-SEM with the linear benchmark model. Because these benchmark values are not available in the source documents, this study limits the interpretation to the presence of predictive relevance, rather than to claims of high, medium, or low levels of prediction. The SRMR of 0.091 is reported as residual diagnostic information and is not used as sole evidence of model quality.

Qualitative Findings and Mixed Methods Integration

Interview analysis identified four main themes that complemented and explained the quantitative findings. First, financial recording and reporting practices were still relatively simple and reactive. In several BUMDes, financial reports were prepared mainly when requested by the village or district government rather than routinely used for evaluating costs, cash flows, margins, and business performance. One manager explained that: "We usually prepare the financial report when the village government asks for it. For daily activities, we mainly record cash inflows and outflows, but the records have not yet been routinely used to evaluate business performance." *(Informant 1, BUMDes Manager).* This finding helps explain why financial literacy did not have a significant direct effect on BUMDes effectiveness. Managers may understand basic financial concepts, but this knowledge has limited organizational impact when it is not consistently translated into routine reporting and managerial decision-making.

Second, legal documentation and business planning were not yet fully established. Although several BUMDes had basic documents such as deeds of establishment and Taxpayer Identification Numbers (NPWP), some had not completed other documents, including Business Identification Numbers (NIB), or had not developed written business plans that were actively used in operations. An informant stated: "We already have some basic legal documents, but not all business documents are complete. The business plan also exists only in a simple form and has not become a regular reference for managing the business." *(Informant 4, BUMDes Administrator).* This theme reinforces the mediating role of business document readiness. Financial knowledge becomes more useful when translated into formal documents that support financing, partnerships, accountability, and operational planning.

Third, document archiving remained predominantly manual. Financial records, legal documents, and transaction evidence were generally stored in folders or box files, while systematic digital archiving had not yet been widely implemented. One participant described this condition as follows: "Most documents are still stored in folders. When an old document is needed, sometimes we have to search for it again, and not all files have digital copies." *(Informant 7, BUMDes Administrator).* Such practices increase the risk of documents being lost, outdated, difficult to retrieve, or unavailable when required for reporting, audits, financing applications, and

Vol. 3, No. 3 March 2026, Page. 50-63
DOI: https://doi.org/10.62017/finance.v3i3.197

partnerships. This finding supports the argument that business document readiness concerns not only document availability but also accessibility, updating, and organizational usability.

Fourth, respondents emphasized that BUMDes effectiveness was also shaped by external business conditions. High transportation costs, limited market access, fluctuating commodity prices, and distribution constraints could reduce business margins even when internal management had improved. As one informant noted: "Even when administration and financial records are better, we still face problems in marketing. Transportation costs are high and the market is limited, so the profit margin is sometimes small." *(Informant 9, BUMDes Manager).* This qualitative evidence is consistent with the relatively limited explanatory power of the structural model, indicating that financial literacy and business document readiness are important internal capabilities but do not fully determine BUMDes effectiveness.

Overall, the qualitative findings clarify the quantitative mediation mechanism. Financial literacy alone does not automatically improve BUMDes effectiveness when financial knowledge remains at the individual level and is not institutionalized into systematic records, legal documents, business plans, reporting procedures, and accessible archives. Business document readiness therefore functions as an administrative mechanism through which managers' financial capabilities are transformed into organizational practices that support accountability, decision-making, financing, partnerships, and management continuity.

Table 5. Integration of Quantitative and Qualitative Findings

Quantitative findings	Qualitative explanation	Integration of interpretation
H1 is significant: X → M	Understanding budgeting and record keeping makes it easier for managers to prepare business reports and documents.	Financial literacy serves as an initial capability that helps build administrative readiness.
H2 is not significant: X → Y	Financial knowledge is often not used routinely for business decisions and evaluations.	Individual capabilities do not automatically translate into organizational effectiveness without supporting routines and documents.
H3 is significant: M → Y	Legality, reports, business plans, and archives facilitate accountability, partnerships, and management continuity.	Administrative capability has a stronger direct relationship with the effectiveness of BUMDes.
H4 indirect-only mediation	When financial knowledge is embodied in comprehensive and managed documents, the benefits to the organization become more tangible.	Business document readiness bridges the conversion of individual knowledge into organizational practices.

DISCUSSION

Financial Literacy and Business Document Readiness

The positive relationship between financial literacy and business document readiness ($\beta = 0.458$; $p < 0.001$) suggests that the value of financial knowledge extends beyond individual competence. Managers with stronger financial literacy are better positioned to identify what financial and administrative information needs to be recorded, reported, organized, and

Vol. 3, No. 3 March 2026, Page. 50-63
DOI: https://doi.org/10.62017/finance.v3i3.197

maintained to support organizational decision-making and accountability. In the BUMDes context, this means that knowledge of budgeting, cash flow, transaction recording, financial planning, and reporting can encourage the development of more systematic administrative practices.

This finding extends previous studies that mainly associate financial literacy with financial planning, resilience, and business performance. Brahmayanti and Febrianto (2024) showed that financial planning plays an important role in translating financial literacy into BUMDes financial resilience, while Karisma et al. (2025) emphasized that improvements in financial literacy need to be accompanied by better record-keeping and administrative practices. Similarly, Pongoliu and Yusuf (2025) demonstrated that financial literacy becomes more operationally relevant when linked to budgeting, risk management, financing decisions, and business planning. Taken together, these findings indicate that the organizational benefits of financial literacy depend not only on what managers know, but also on their ability to convert financial knowledge into usable administrative outputs. The qualitative findings provide an important contextual explanation for this relationship. Interview evidence indicated that financial recording and reporting in several BUMDes remained relatively simple and were often conducted only when required by the village or district government. This pattern suggests that financial literacy does not automatically create systematic documentation. Its organizational value becomes more visible when financial knowledge is routinely codified into records and documents that can be accessed, reviewed, and used for planning, monitoring, and evaluation.

From the Resource-Based View perspective, this finding illustrates the initial transformation of an individual-level resource into an organizational capability. Financial literacy represents managerial knowledge embedded in individual managers, while business documents codify part of this knowledge into organizational resources that can be stored, transferred, reviewed, and reused. Once financial knowledge is translated into budgets, reports, business plans, SOPs, transaction records, and administrative archives, it becomes less dependent on individual memory and more available to the organization. Business document readiness can therefore be understood as a form of administrative capability and organizational memory that supports continuity, accountability, and managerial decision-making (Barney, 1991). This interpretation strengthens the argument that BUMDes capacity building should not separate financial literacy from administrative capability. Improving financial knowledge without improving the ability to produce and maintain relevant documents may limit the organizational benefits of training. Therefore, financial literacy programs should also evaluate whether managers are able to produce and consistently use financial reports, budgets, business plans, transaction records, and supporting administrative documents.

Financial Literacy and BUMDes Effectiveness

The direct effect of financial literacy on BUMDes effectiveness was not statistically significant ($\beta = 0.022$; $p = 0.875$; $f^2 = 0.001$). This finding should not be interpreted as evidence that financial literacy is unimportant. Instead, when considered together with the significant indirect effect, the result suggests that financial literacy contributes to BUMDes effectiveness primarily when financial knowledge is embedded in organizational practices and administrative routines. This finding differs from Nugroho et al. (2023), who reported a positive relationship between financial literacy and the performance of village-owned enterprises in East Java. Several factors may explain the difference, including geographical context, characteristics of respondents, differences in the operationalization of performance, and structural model specifications. The present study includes business document readiness as a mediating variable, allowing the relationship between financial literacy and effectiveness to be decomposed into direct and indirect pathways. Therefore, an association that appears as a direct relationship in another model may operate through an intervening organizational mechanism in the present model. However, this interpretation should not be treated as evidence that model specification alone explains the differences between studies.

Vol. 3, No. 3 March 2026, Page. 50-63
DOI: https://doi.org/10.62017/finance.v3i3.197

The qualitative findings help explain why the direct relationship was weak. Several administrators understood the importance of financial recording, but financial reports were often prepared mainly for accountability purposes rather than routinely used to calculate margins, monitor costs, project cash flows, evaluate unit performance, or assess expansion opportunities. In such conditions, financial literacy remains largely an individual capability and may not immediately influence organizational effectiveness.

BUMDes effectiveness is also multidimensional. It depends not only on the financial capability of managers but also on governance, organizational structure, leadership, community participation, access to capital, infrastructure, market conditions, institutional support, and the characteristics of business units. Indrawanto et al. (2025) similarly showed that BUMDes performance is influenced by a combination of organizational and environmental factors. This interpretation is consistent with the R^2 value of 0.267, indicating that financial literacy and business document readiness explain 26.7 percent of the variance in perceived BUMDes effectiveness, while a substantial proportion remains associated with factors outside the model.

From an RBV perspective, the nonsignificant direct effect provides an important theoretical insight. Possessing a potentially valuable resource does not guarantee an organizational outcome unless that resource is effectively organized and utilized. Financial literacy may constitute valuable managerial human capital, but its organizational contribution depends on mechanisms that enable knowledge to become part of collective routines. In this study, business document readiness appears to provide such a mechanism.

Business Document Readiness and BUMDes Effectiveness

Business document readiness had a positive and significant relationship with BUMDes effectiveness ($\beta = 0.506$; $p < 0.001$), with an f^2 of 0.276. This was the largest direct relationship in the structural model and indicates that document readiness has managerial functions beyond administrative compliance. Legal documents provide institutional certainty, financial reports provide information for monitoring and control, business plans guide resource allocation, transaction records support accountability, and archives preserve organizational information across management periods. Accordingly, document readiness contributes to the ability of managers to make decisions based on available information rather than relying solely on personal memory or informal communication. This finding is consistent with Fitriani et al. (2024), who highlighted the gap between formal expectations of BUMDes accountability and actual management practices. The present study adds that business document readiness may provide a basic organizational infrastructure for reducing this gap. When documents are complete, current, accessible, and actively used, managers are better able to explain financial conditions, asset utilization, business plans, and organizational responsibilities to village governments and community stakeholders. Niron et al. (2025) also emphasized the importance of management capacity and business planning in determining appropriate business development strategies for BUMDes. The present findings suggest that such capacity is strengthened when planning and administrative knowledge are institutionalized in documents that can guide operational activities. The qualitative evidence further indicates that business document readiness is not simply a matter of whether documents exist. Some documents may be formally available but have limited managerial value if they are outdated, difficult to retrieve, incomplete, or rarely used in organizational decision-making. This suggests that document readiness should be understood through several practical dimensions, including completeness, regularity, currency, accessibility, and usability.

Document readiness may also reduce information gaps between managers, village governments, and other stakeholders because financial conditions, legal status, and organizational decisions can be verified through available records. It also reduces dependence on specific individuals when management transitions occur. In this sense, document readiness supports organizational continuity by retaining information and procedures that would otherwise remain embedded in individual managers. The finding therefore contributes to a broader

Vol. 3, No. 3 March 2026, Page. 50-63
DOI: https://doi.org/10.62017/finance.v3i3.197

understanding of administrative capability. Business documents should not be viewed merely as compliance requirements but as resources that support coordination, accountability, financing, partnerships, continuity, and evidence-based decision-making.

The Mediating Role of Business Document Readiness

The central contribution of this study lies in the mediation finding. The specific indirect effect of financial literacy on BUMDes effectiveness through business document readiness was significant (β = 0.232; p = 0.001), while the direct effect was not significant. This pattern indicates indirect-only mediation (Zhao et al., 2010). This finding provides a more specific explanation of how financial literacy can contribute to organizational effectiveness. Financial literacy enables managers to understand what needs to be planned, recorded, controlled, evaluated, and reported. Business document readiness then provides an organizational mechanism through which this knowledge can be translated into budgets, financial reports, business plans, legal records, SOPs, transaction documents, and archives that are accessible and verifiable. The qualitative evidence provides a contextual explanation for this mediation pattern. When financial reporting is reactive, legal documents are incomplete, business plans are not used operationally, and archives are poorly organized, the organizational benefits of financial knowledge remain limited. Conversely, when financial knowledge is reflected in structured and usable documents, it becomes more available for planning, accountability, financing, partnerships, and managerial continuity.

From an RBV perspective, this result suggests that individual managerial capability does not necessarily produce organizational value directly. Rather, its contribution becomes more apparent when it is embedded in routines, procedures, and organizational artifacts that allow collective utilization. Financial literacy can be interpreted as managerial capability at the individual level, while business document readiness represents administrative capability at the organizational level. The mediation mechanism therefore reflects a process in which individual knowledge becomes more organizationally usable through institutionalization and documentation. Business document readiness can thus be conceptualized as an administrative bridge connecting financial capability with perceived organizational effectiveness. This interpretation refines the application of RBV in the BUMDes context by showing that the value of internal resources depends not only on their possession but also on the organizational mechanisms through which they are codified and utilized (Barney, 1991). The finding is also consistent with the broader argument that BUMDes performance may emerge through intermediary organizational processes. Kurnianto et al. (2025), for example, demonstrated the importance of mediating mechanisms in explaining BUMDes performance, although their study focused on competitive advantage as the mediator. The present study differs by identifying administrative readiness as the mechanism connecting managerial knowledge and organizational effectiveness.

Nevertheless, the mediation finding should be interpreted carefully. Because the study uses cross-sectional data, the observed relationship does not fully establish temporal causality. The mediation pattern supports a theoretically consistent mechanism within the sample, but longitudinal evidence would be required to demonstrate how financial capability develops into administrative capability and subsequently influences organizational effectiveness over time.

Implications for Strengthening BUMDes and the Context of Food Security

The findings have practical implications for BUMDes capacity-building programs. Training should not focus solely on improving managers' knowledge of financial concepts. It should also be designed to produce concrete organizational outputs. After receiving financial literacy training, managers should be capable of preparing budgets, cash books, periodic financial reports, asset records, business plans, transaction SOPs, legal documents, and structured digital archives. Training evaluation should therefore assess not only knowledge improvement but also the extent to which administrative documents are produced, updated, and used in organizational decision-making. This integrated approach is particularly relevant in the context of village food businesses.

The 2025 Village Fund policy emphasizes food security, increasing the importance of planned and accountable economic activities managed by BUMDes. Sari et al. (2025) showed that strengthening BUMDes business models for food security requires systematic mapping of resources and business drivers. The present study adds an administrative perspective by suggesting that document readiness can support accountable investment, financing, procurement, distribution, and partnership decisions. For BUMDes involved in agriculture, livestock, fisheries, food processing, or distribution, financial and administrative readiness may help ensure that the use of village resources can be documented, monitored, and evaluated. However, food security and food self-sufficiency were not measured as constructs in this study. Therefore, the findings should not be interpreted as evidence of a direct statistical effect of financial literacy or document readiness on food security outcomes. Their relevance is better understood as a managerial and policy implication.

The relatively limited explanatory power of the structural model and the qualitative findings also emphasize the importance of the wider business ecosystem. Even BUMDes with relatively strong financial and administrative capabilities may still face high transportation costs, limited market access, commodity price volatility, inadequate working capital, and insufficient infrastructure. These constraints may reduce business margins and limit organizational effectiveness. Therefore, strengthening internal capability should be accompanied by broader interventions, including improved access to financing, stronger buyer and partnership networks, market digitalization, government support, logistics infrastructure, and community participation. The effectiveness of BUMDes ultimately depends on the interaction between internal managerial and administrative capabilities and the external environment in which the organization operates. Overall, the findings indicate that strengthening BUMDes requires more than financially knowledgeable managers. Financial knowledge becomes more organizationally meaningful when it is institutionalized through business documents that can be accessed, verified, and used collectively. Business document readiness therefore represents an important administrative capability that connects individual managerial knowledge with perceived organizational effectiveness, while broader institutional and market conditions remain necessary to support sustainable BUMDes development.

CONCLUSION

Research indicates that financial literacy improves business document readiness but does not directly affect BUMDes effectiveness. In contrast, business document readiness significantly enhances effectiveness and mediates the relationship between financial literacy and BUMDes effectiveness. This indirect-only mediation suggests that managers' financial capabilities create organizational value when translated into verifiable documents, procedures, and administrative practices.

Theoretically, the findings extend the Resource-Based View by showing how individual managerial capability can be transformed into organizational administrative capability. Business document readiness functions not merely as a formal requirement but as a mechanism that supports accountability, decision-making, financing, partnerships, and management continuity. However, because effectiveness was measured through respondents' perceptions, the findings should be interpreted cautiously.

Practically, BUMDes capacity-building programs should integrate financial literacy with administrative management and produce measurable outputs such as budgets, financial reports, business plans, legal documents, SOPs, asset records, and digital archives. The study is limited by its sample of 80 respondents from seven BUMDes, perception-based measures, and relatively low reliability of the effectiveness construct. With an R^2 of 0.267, future research should include broader samples, objective performance data, stronger indicators, and additional variables such as governance, leadership, digitalization, financing access, community participation, and market access.

Acknowledgment

The author would like to express his gratitude to the Directorate of Research, Technology, and Community Service of the Ministry of Education, Science, and Technology of the Republic of Indonesia for the funding support through the Beginner Lecturer Research scheme for the 2025 Fiscal Year. Thanks are also extended to the Prasetya Mandiri Maritime Institute, the Pesawaran Regency Government, the village government, BUMDes managers, and all parties who have supported the data collection process and research implementation.

BIBLIOGRAPHY

Barney, J. (1991). Firm resources and sustained competitive advantage. Journal of Management, 17(1), 99–120. https://doi.org/10.1177/014920639101700108

Brahmayanti, IAS, & Febrianto, GN (2024). The influence of financial literacy on financial resilience through financial planning: Study on BUMDes in East Java. Ekspektra: Journal of Business and Management, 8(1), 1–15. https://doi.org/10.25139/ekt.v8i1.7339

Braun, V., & Clarke, V. (2021). One size fits all? What counts as quality practice in reflexive thematic analysis? Qualitative Research in Psychology, 18(3), 328–352. https://doi.org/10.1080/14780887.2020.1769238

Fakhrurozi, M., & Warsiyah. (2026). BUMDes Rising: A smart strategy for building an independent and sustainable village economy. Insight Mediatama.

Fitriani, D., Shahbudin, ASM, & Shauki, ER (2024). Exploring BUMDES accountability: Balancing expectations and reality. Cogent Business & Management, 11(1), 2402083. https://doi.org/10.1080/23311975.2024.2402083

Hair, J.F., Hult, G.T.M., Ringle, C.M., & Sarstedt, M. (2022). A primer on partial least squares structural equation modeling (PLS-SEM) (3rd ed.). Sage.

Henseler, J., Ringle, C. M., & Sarstedt, M. (2015). A new criterion for assessing discriminant validity in variance-based structural equation modeling. Journal of the Academy of Marketing Science, 43, 115–135. https://doi.org/10.1007/s11747-014-0403-8

Indrawanto, C., Mardiharini, M., Plaček, M., Wardhana, IW, Raharjo, T., Wirawan, A., Ubed, RS, Saliem, HP, Sudjarmoko, B., Ermiati, E., Wardono, B., Wahyudi, A., & Ardana, IK (2025). Determinant factors of BUM Desa (village-owned enterprises) performance in Indonesia: A partial least squares structural equation models approach. Cogent Business & Management, 12(1), 2580028. https://doi.org/10.1080/23311975.2025.2580028

Karisma, M., Rahmamita, D., Hizryan, F., Madurani, D.N., & Kariza, N. (2025). Improving financial and administrative literacy through financial literacy training for managers and MSMEs assisted by BUMDes Makmur Anugerah Lestari. Gandhi: Journal of Community Service, 2(2), 88–96. https://doi.org/10.33830/g-jpm.v2i2.13892

Ministry of Villages and Development of Disadvantaged Regions of the Republic of Indonesia. (2024). Regulation of the Minister of Villages and Development of Disadvantaged Regions Number 2 of 2024 concerning Operational Instructions for the Focus of Village Fund Use in 2025.

Kurnianto, S., Heriyati, D., Nugroho, Y., & Nikma, L.F. (2025). Enhancing Village-Owned Enterprises' performance through effective governance: The mediating role of competitive advantage. EKUITAS: Journal of Economics and Finance, 9(2), 193–207. https://doi.org/10.24034/j25485024.y2025.v9.i2.7027

Meilana, R., Yanfika, H., & Hasanuddin, T. (2023). Factors related to the dynamics and success of BUMDes in developing the village economy in Pesawaran Regency. JIA: Jurnal Ilmiah Agribisnis, 8(1), 1–8. https://doi.org/10.37149/jia.v8i1.409

Niron, FXD, Meo, M., Sius, KT, Welin, EDM, Lamawuran, YD, & Ethelbert, YK (2025). Socialization of strategies for determining business types to support the progress of BUMDes in

Paubokol Village, Nubatukan District, Lembata Regency. PIMAS Community Service Journal, 4(2), 163–175. https://doi.org/10.35960/pimas.v4i2.1889

Nugroho, TW, Rahman, MS, Toiba, H., Andriatmoko, ND, Hartono, R., & Shaleh, MI (2023). Does financial literacy matter for village-owned enterprises' performance? Evidence from East Java, Indonesia. Cogent Social Sciences, 9(2), 2263945. https://doi.org/10.1080/23311886.2023.2263945

Government of the Republic of Indonesia. (2021). Government Regulation of the Republic of Indonesia Number 11 of 2021 concerning Village-Owned Enterprises.

Pongoliu, YI, & Yusuf, N. (2025). Improving the capacity of BUMDes managers through financial literacy training in Ulantha Village. Jurnal Abdimas Bina Bangsa, 6(2), 1414–1421. https://doi.org/10.46306/jabb.v6i2.1909

Purwani, ES, Fakhrurozi, M., & Warsiyah. (2023). Rural potential analysis for the development of tourism villages in Indonesia. Journal of Event, Tourism and Hospitality Studies, 3, 22–35. https://doi.org/10.32890/jeth2023.3.2

Ringle, C.M., Wende, S., & Becker, J.-M. (2024). SmartPLS 4. SmartPLS.

Sari, EP, Fatchurrohman, M., & Sari, FT (2025). Designing a BUMDes business model based on Canvas and ISM to support food security. Journal of Management Science, 13(4), 933–943. https://doi.org/10.26740/jim.v13n4.p933-943

Shmueli, G., Sarstedt, M., Hair, J.F., Cheah, J.-H., Ting, H., Vaithilingam, S., & Ringle, C.M. (2019). Predictive model assessment in PLS-SEM: Guidelines for using PLSpredict. European Journal of Marketing, 53(11), 2322–2347. https://doi.org/10.1108/EJM-02-2019-0189

Utama, FR (2021). Mentoring and preparation of BUMDes financial reports in Pesawaran Regency. Sricommerce: Journal of Sriwijaya Community Services, 2(2), 159–168. https://doi.org/10.29259/jscs.v2i2.58

Zhao, X., Lynch, J. G., & Chen, Q. (2010). Reconsidering Baron and Kenny: Myths and truths about mediation analysis. Journal of Consumer Research, 37(2), 197–206. https://doi.org/10.1086/651257