
Management Strategy of Village-Owned Enterprises (BUMDes) in Local Economic Development: A Study of BUMDes Binangun Sendang Artha, Kulon Progo

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Artikel info

Abstract. Penelitian ini bertujuan untuk menganalisis strategi pengelolaan BUMDes Binangun Sendang Artha dalam mendukung pengembangan ekonomi lokal di Desa Sendangsari, Kecamatan Pengasih, Kabupaten Kulon Progo, Indonesia. Penelitian menggunakan pendekatan kualitatif dengan desain studi kasus tunggal untuk memahami tata kelola kelembagaan, partisipasi masyarakat, pengembangan usaha, serta faktor pendukung dan penghambat dalam pengelolaan BUMDes. Pengumpulan data dilakukan melalui wawancara mendalam, observasi, dan dokumentasi dengan melibatkan pengurus BUMDes, pemerintah desa, dan masyarakat. Hasil penelitian menunjukkan bahwa BUMDes memiliki peran penting dalam memperkuat ekonomi lokal melalui layanan jasa keuangan mikro, khususnya kegiatan simpan pinjam yang mendukung usaha mikro dan aktivitas ekonomi produktif masyarakat. Keberhasilan BUMDes dipengaruhi oleh tingginya kepercayaan masyarakat, partisipasi aktif warga, dan dukungan pemerintah desa. Namun demikian, BUMDes masih menghadapi berbagai kendala seperti keterbatasan kapasitas sumber daya manusia, rendahnya inovasi usaha, terbatasnya diversifikasi usaha, dan rendahnya literasi digital. Penelitian ini menegaskan pentingnya penguatan kelembagaan, inovasi usaha, dan kemitraan lintas sektor dalam mendukung keberlanjutan pembangunan ekonomi desa yang inklusif dan berkelanjutan.

Abstract. This study examines the management strategy of BUMDes Binangun Sendang Artha in supporting local economic development in Sendangsari Village, Pengasih District, Kulon Progo Regency, Indonesia. The research employed a qualitative approach using a single case study design to explore institutional governance, community participation, business development, and supporting and inhibiting factors in BUMDes management. Data were collected through in-depth interviews, observation, and documentation involving BUMDes administrators, village government officials, and community

members. The findings show that BUMDes plays an important role in strengthening the local economy through microfinance services, particularly savings and loan activities that support microenterprises and productive community businesses. The success of BUMDes is influenced by strong social trust, active community participation, and support from the village government. However, several challenges remain, including limited human resource capacity, low business innovation, limited diversification of business units, and weak digital literacy. The study identifies institutional strengthening, business innovation, and cross-sector partnerships as key strategies for improving BUMDes sustainability and competitiveness. This research highlights the importance of community-based economic institutions in promoting inclusive and sustainable rural development.

Keywords:

BUMDes; local economic development; village institutions; community participation; economic empowerment.

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INTRODUCTION

National economic development is closely related to development at the local level, especially in villages as social, economic, and cultural foundations of Indonesian society (Todaro & Smith, 2021). Villages are no longer seen only as traditional agrarian administrative areas, but also as strategic entities with economic resources, social capital, and institutional capacities that can support inclusive and sustainable economic growth (Chambers, 2017; Putnam, 1993). In Indonesia, villages remain important because many people still depend on rural sectors such as agriculture, livestock farming, small-scale trade, handicrafts, and household-based microenterprises for their livelihoods (Bebbington et al., 2006; Ellis & Biggs, 2001). However, economic development in Indonesia has long been more focused on urban areas. This urban-centered development model has caused investment, infrastructure, technology, and market access to be concentrated in cities rather than villages (Harvey, 2008; Scott & Storper, 2015). As a result, rural areas continue to face structural challenges such as limited access to capital, weak human resource capacity, low economic innovation, and limited competitiveness of local products (Rondinelli, 1983; Sen, 1999). The inequality between rural and urban areas can also be seen in differences in education, healthcare, infrastructure, and employment opportunities (World Bank, 2020).

These conditions have encouraged rural-to-urban migration because villages are often unable to provide sustainable economic opportunities for local communities (Tacoli et al., 2015). In the long term, this situation weakens the rural economy while increasing social and economic pressures in urban areas (Castells, 2010). Therefore, strengthening the rural economy has become an important strategy for achieving more equitable national development (UNDP, 2021).

The importance of village-based development encouraged the Indonesian government to issue Law Number 6 of 2014 concerning Villages (Government of Indonesia, 2014). This law provides greater autonomy for villages to manage their own development based on local potential and community needs (Antlöv et al., 2016). Villages are also given greater authority to strengthen local economies through village economic institutions (Sutoro, 2015). One of the important outcomes of this policy is the establishment of Village-Owned Enterprises (BUMDes). BUMDes are village-owned economic institutions designed to improve community welfare through the productive management of local resources (Ministry of Villages, Development of Disadvantaged Regions and Transmigration, 2015). BUMDes are not only profit-oriented business institutions but also function as instruments of community empowerment (Prabowo, 2014). In the context of local economic development, BUMDes play a strategic role in connecting village resources with market opportunities through community-based business management (Blakely & Leigh, 2017).

Conceptually, BUMDes can be understood as community-based enterprises that emphasize community participation in business management processes (Peredo & Chrisman, 2006). Their existence reflects a development approach that relies on local strengths, community participation, and institutional capacity rather than depending solely on central government intervention (Mansuri & Rao, 2013). In this context, communities act not only as beneficiaries but also as active participants in managing village economic resources (Chambers, 2017). From the perspective of New Institutional Economics, the success of local economic development is strongly influenced by the quality of institutions governing social and economic interactions (North, 1990). Strong institutions can create certainty, reduce transaction costs, and strengthen social and economic coordination (North, 1990). In the context of BUMDes, good governance is important for ensuring effective economic and social functions (Ostrom, 1990). Transparent, participatory, and accountable governance can increase public trust and strengthen institutional sustainability (Fukuyama, 1995).

The development of BUMDes is also closely related to the concept of Local Economic Development (LED), which emphasizes the use of local potential such as natural resources, community skills, social networks, and local culture to support economic growth (Helmsing, 2003; Pike et al., 2017). In rural areas, BUMDes function as instruments for organizing local economic potential to create added value and improve community welfare (Rodríguez-Pose & Tijmstra, 2005). Therefore, local economic development is not only about increasing economic growth but also about empowering communities through strengthening local capacities (Stohr, 1990). Although BUMDes are expected to play a strategic role in village development, many still face serious challenges. Some BUMDes experience business stagnation, weak institutional management, limited innovation, and even cease operations (Nuryanti et al., 2020). These problems are generally caused by limited human resources, weak governance, lack of business diversification, limited adaptability to market changes, and weak partnership networks (Sofyani et al., 2022). Similar conditions can also be found in Kulon Progo Regency, Special Region of Yogyakarta. Many BUMDes in this region are still categorized as developing institutions and have not yet significantly contributed to strengthening local economies (Regional Government of Kulon Progo, 2023). Limited managerial capacity, low innovation, and dependence on village capital support remain major challenges (Widodo, 2021). This condition reflects a gap between the expected role of BUMDes and the realities of implementation in the field (Eko et al., 2014). Despite these limitations, some BUMDes have shown relatively good institutional development. One example is BUMDes Binangun Sendang Artha in Sendangsari Village, Pengasih District, Kulon Progo Regency.

This BUMDes has developed through a microfinance business unit that provides savings and loan services for village communities (BUMDes Binangun Sendang Artha, 2025). Its presence has helped improve community access to capital and support local microenterprises and productive economic activities (Yunus, 2007).

BUMDes Binangun Sendang Artha is interesting to study because it demonstrates adaptive institutional characteristics supported by community participation, village government support, and strong social capital (Putnam, 1993). The institution also plays an important social role through empowerment and community assistance activities (Peredo & Chrisman, 2006). This indicates that the success of BUMDes is influenced not only by economic capital but also by governance quality, social trust, and collaborative relationships with the community (Fukuyama, 1995). From the perspective of community-based development, community involvement is essential for the success of BUMDes management (Mansuri & Rao, 2013). Participation can strengthen the sense of ownership, institutional legitimacy, and business sustainability (Pretty, 1995). Therefore, BUMDes development should not rely only on administrative approaches but also on strengthening social relations, improving community capacity, and building collaborative networks (Chaskin, 2001). In addition, globalization and digital technological development require BUMDes to become more adaptive to economic changes (Castells, 2010). Digitalization provides opportunities for villages to expand local markets through digital platforms, online marketing, and technology-based innovations (OECD, 2020). However, many BUMDes still face limitations in digital literacy and innovation capacity (Sutrisno et al., 2021). Consequently, many village enterprises remain conventional and struggle to compete in modern markets (Porter, 1998).

Strengthening institutional capacity, business innovation, and cross-sector partnerships has therefore become increasingly important in BUMDes development strategies. According to the Triple Helix perspective, collaboration among government, the private sector, and academia is necessary to strengthen innovation and institutional capacity (Etzkowitz & Leydesdorff, 2000). BUMDes that can build wider partnership networks have greater opportunities to access capital, technology, training, and markets (Granovetter, 1985). Based on these conditions, research on BUMDes management strategies is important both academically and practically. This study seeks to analyze the management strategies of BUMDes Binangun Sendang Artha in supporting local economic development, identify supporting and inhibiting factors in its management, and understand how village institutions can become drivers of community economic development (North, 1990). This research is expected to contribute to the understanding of the importance of strengthening community-based economic institutions in village development (Ostrom, 1990). The findings are also expected to provide references for village governments, BUMDes managers, and other stakeholders in developing more adaptive, participatory, and sustainable BUMDes strategies (Blakely & Leigh, 2017). In this way, BUMDes can function not only as village business entities but also as strategic instruments for strengthening local economic resilience, creating business opportunities, and encouraging more inclusive and independent village development (UNDP, 2021).

Data and Methodology

This study employed a qualitative approach with a case study design to gain an in-depth understanding of the management strategy of Village-Owned Enterprises (BUMDes) in local economic development (Creswell & Creswell, 2018; Yin, 2018). The qualitative approach was selected because the study was not solely oriented toward quantitative measurement of institutional performance, but

rather emphasized understanding social processes, institutional dynamics, interaction patterns among actors, and management strategies implemented within a particular local context (Denzin & Lincoln, 2018). This approach enabled the researchers to obtain a more contextual understanding of how BUMDes performs its economic and social functions amidst the dynamics of rural society (Moleong, 2019). Methodologically, this study utilized a single case study design. This design was chosen because the research focused on one specific object, namely BUMDes Binangun Sendang Artha in Sendangsari Village, Pengasih District, Kulon Progo Regency, Special Region of Yogyakarta (Yin, 2018). The case study approach was employed to explore the phenomenon intensively and comprehensively so that the researchers could understand the relationship between institutional strategies, community participation, business innovation, and local economic development within a unified social context (Stake, 1995). BUMDes Binangun Sendang Artha was purposively selected because it possesses characteristics relevant to the focus of this study. This BUMDes has a relatively well-developed microfinance business unit and demonstrates a higher level of community involvement compared to several other BUMDes in surrounding areas (Patton, 2015). Moreover, the institution also demonstrates a combination of economic and social functions in the management of village enterprises (Peredo & Chrisman, 2006).

The research was conducted in Sendangsari Village, Pengasih District, Kulon Progo Regency, Special Region of Yogyakarta. The research site was selected based on the consideration that the village has relatively stable experience in managing BUMDes and active institutional support from the village government in local economic development (Blakely & Leigh, 2017). The research was conducted over a three-month period, from November 2025 to January 2026, covering preparation, field data collection, data analysis, and research report preparation. The data sources in this study consisted of primary and secondary data (Sugiyono, 2020). Primary data were obtained directly through in-depth interviews and field observations involving BUMDes administrators, village government officials, and community members utilizing BUMDes services (Kvale, 2007). Meanwhile, secondary data were collected from supporting documents such as BUMDes profiles, financial reports, village regulations, organizational documents, and academic literature relevant to local economic development and village institutions (Bowen, 2009).

Table 1. Research Data Sources

Type of Data	Data Sources	Information Focus
Primary Data	BUMDes administrators, village government, service users	Institutional governance, business strategies, community participation, and local economic development
Secondary Data	BUMDes documents, financial reports, village regulations, academic literature	Institutional data, business development, village policies, and theoretical foundations

Data collection techniques were conducted through three main methods: in-depth interviews, observation, and documentation (Miles et al., 2014). In-depth interviews were conducted semi-structurally so that researchers maintained interview guidelines while still allowing informants to explain their experiences and perspectives openly (Kvale, 2007). Interviews focused on aspects of BUMDes governance, business development strategies, forms of community participation, institutional challenges, and partnership patterns developed by the BUMDes. Observations were

conducted to directly examine BUMDes management practices, business activities, interactions among actors, and institutional operational conditions in the field (Spradley, 2016). Through observation, researchers could understand how management strategies were implemented in daily practice. In addition, documentation was used to complement research data through analysis of administrative documents, activity reports, financial reports, and other institutional archives (Bowen, 2009).

Table 2. Data Collection Techniques

Technique	Form of Activity	Purpose
In-depth Interviews	Semi-structured dialogue with key informants	To explore information regarding management strategies and institutional dynamics
Observation	Observation of BUMDes activities and operations	To understand management practices and social interactions in the field
Documentation	Analysis of institutional and administrative documents	To validate and complement interview and observation findings

Research informants were determined using purposive sampling techniques, namely the selection of informants based on specific considerations relevant to the research focus (Patton, 2015). Informants were selected because they were considered to possess knowledge, experience, and direct involvement in both the management and utilization of BUMDes services (Creswell & Poth, 2018).

Table 3. Research Informants

Informants	Criteria	Role in the Research
BUMDes Administrators	Directly involved in business management	Providing information regarding management strategies and institutional governance
Village Government	Possessing authority in BUMDes supervision	Explaining policy support and the role of village government
Community Members	Users of services or beneficiaries of BUMDes	Providing perspectives regarding impacts and community participation

The validity of the data in this study was tested through source triangulation and technique triangulation (Denzin, 1978). Source triangulation was conducted by comparing information from various informants, while technique triangulation was conducted by comparing the results of interviews, observations, and documentation (Lincoln & Guba, 1985). In addition, the researchers also conducted member checking with several key informants to ensure that the interpretation results corresponded with the conditions intended by the informants (Creswell & Creswell, 2018). Data analysis was conducted interactively using the Miles, Huberman, and Saldaña model, which includes data reduction, data display, and conclusion drawing (Miles et al., 2014). Data reduction was carried out by selecting and categorizing data according to research themes, such as institutional governance, business innovation, community participation, and local economic development. Subsequently, the data were presented in descriptive narrative and tabular forms to facilitate understanding and analysis (Huberman & Miles, 2002).

The final stage of analysis involved conclusion drawing and continuous data verification throughout the research process (Miles et al., 2014). This process was conducted to identify patterns, relationships, and meanings related to BUMDes management strategies in local economic

development. Through this approach, the study is expected to produce an in-depth, systematic, and contextual analysis of the dynamics of BUMDes management as an instrument of village economic development (Yin, 2018).

Results and Discussion

Current Conditions of BUMDes Binangun Sendang Artha Management

The findings indicate that BUMDes Binangun Sendang Artha occupies a relatively strategic position in supporting the economic activities of the Sendangsari Village community. The existence of the BUMDes functions not only as a village business institution, but also as an instrument of community economic empowerment through the provision of microfinance services for small-scale business actors at the village level (Yunus, 2007; Peredo & Chrisman, 2006). The primary business unit in the form of savings and loan services serves as the backbone of BUMDes economic activities because it effectively addresses community needs for accessible, rapid, and socially based capital access (Morduch, 1999). Institutionally, the management of the BUMDes demonstrates a relatively clear organizational structure dividing roles among advisors, supervisors, and operational implementers. This structure reflects the implementation of organizational governance principles oriented toward accountability and institutional role distribution (Ostrom, 1990; Fukuyama, 1995). In practice, decision-making processes are conducted through coordination between administrators and the village government, thereby creating a mechanism of social control in every policy decision (North, 1990).

Nevertheless, the findings also reveal that institutional governance still faces several limitations, particularly concerning human resource capacity and business innovation development. Most administrative management and business unit development still rely heavily on the practical experience of the administrators rather than being fully based on modern management systems (Sofyani et al., 2022). This condition has resulted in relatively slow business development and a continued focus on conventional business units (Porter, 1998). From the perspective of New Institutional Economics proposed by North (1990), this condition demonstrates that the effectiveness of local institutions is strongly influenced by the quality of regulations, organizational capacity, and the level of social trust within the community. BUMDes Binangun Sendang Artha has been able to survive because it possesses relatively strong social legitimacy in the eyes of the community (Putnam, 1993). Public trust in the administrators constitutes important social capital in maintaining institutional sustainability (Fukuyama, 1995). Furthermore, community participation in BUMDes activities is also relatively high. Community members function not only as service users, but also support the sustainability of the institution through involvement in village deliberation forums and social oversight of business management (Pretty, 1995). This high level of participation indicates that the success of BUMDes is determined not only by economic aspects, but also by its ability to build participatory and inclusive social relationships (Mansuri & Rao, 2013).

Table 4. Current Conditions of BUMDes Management

Aspect	Research Findings	Analysis
Governance	Organizational structure functions relatively well	Indicates the existence of institutional role distribution
Business Unit	Focus on microfinance services	Serves as the primary source of village economic activity
Community	Relatively high	Strengthens the social legitimacy of

Participation		BUMDes
Business Innovation	Still limited	Business development has not yet diversified
Human Resource Capacity	Not yet optimal	Requires managerial strengthening and digitalization

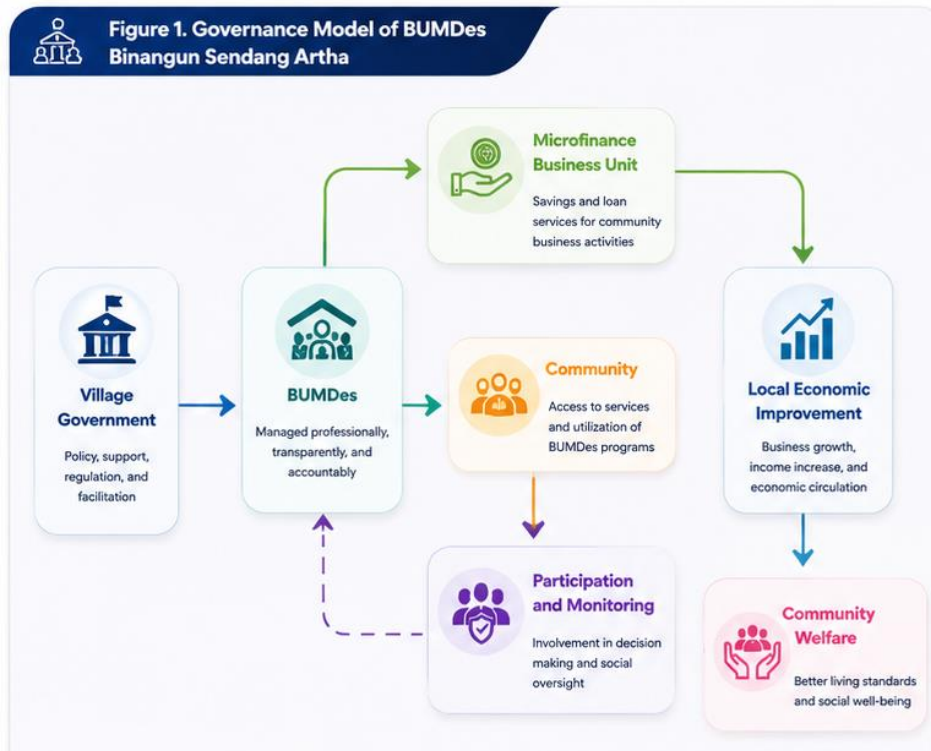


Figure 1. Governance Model of BUMDes Binangun Sendang Artha

The figure illustrates that BUMDes management operates through reciprocal relationships among the village government, institutional administrators, and the community. These relationships create an institutional system that is not only economically oriented but also grounded in social participation (Ostrom, 1990; Putnam, 1993).

The Role of BUMDes in Local Economic Development

The findings reveal that BUMDes Binangun Sendang Artha has made tangible contributions to local economic development, particularly in strengthening microeconomic activities within the village community (Blakely & Leigh, 2017). The existence of savings and loan services helps community members obtain business capital access through procedures that are simpler than those of formal financial institutions (Yunus, 2007). This condition greatly benefits small business actors who previously experienced limited access to financing (Morduch, 1999). The BUMDes also plays a role in creating a more stable local economic circulation. Most funds managed by the institution circulate within the village environment, enabling economic benefits to be directly experienced by local residents (Rodríguez-Pose & Tijmstra, 2005). This situation aligns with the concept of Local Economic Development (LED), which emphasizes the importance of managing local resources to create community-based economic growth (Helmsing, 2003). From the perspective of Blakely and Leigh (2017), local economic development becomes more effective when communities become the primary

actors in managing economic resources. The findings demonstrate that BUMDes has successfully become a collective economic space connecting community needs with village economic potential (Peredo & Chrisman, 2006). In addition to increasing access to capital, the BUMDes also strengthens social solidarity through service approaches based on social proximity (Granovetter, 1985).

From a socio-economic perspective, the existence of BUMDes also contributes to strengthening the economic resilience of village communities. During unstable economic conditions, community members continue to have access to more flexible financial services based on social trust (Fukuyama, 1995). This demonstrates that the function of BUMDes is not solely profit-oriented, but also contains a social dimension, as argued by Polanyi (1944), who stated that economic activities are always embedded within social values and community solidarity.

Table 5. The Role of BUMDes in Local Economic Development

Role of BUMDes	Impact on the Community
Provider of capital access	Assists the development of microenterprises
Strengthening local economy	Increases village economic circulation
Community empowerment	Enhances community economic participation
Social function	Strengthens solidarity and mutual cooperation



Figure 2. Local Economic Development Cycle through BUMDes

The figure illustrates that BUMDes serves as the primary intermediary between local potential and the process of strengthening community economies. The more effective the institutional management of BUMDes, the greater its contribution to village economic development (Pike et al., 2017).

Supporting and Inhibiting Factors in BUMDes Management

The study identified several internal factors supporting the successful management of BUMDes Binangun Sendang Artha. The first factor is the high level of public trust in BUMDes administrators. Social capital in the form of trust becomes a crucial foundation in maintaining business sustainability and community participation (Putnam, 1993; Fukuyama, 1995). The second factor is the relatively strong support from the village government, both in the form of regulations, institutional guidance, and village capital participation (Government of Indonesia, 2014). This support demonstrates the existence of institutional synergy between the village government and BUMDes administrators. From the perspective of community-based development, local institutional support becomes an important factor in strengthening the sustainability of community-based economic development (Chaskin, 2001). In addition to supporting factors, the study also identified several obstacles in BUMDes management. The primary challenge relates to limited human resource capacity, particularly in the fields of business management and digitalization (Sutrisno et al., 2021). Business management is still conducted in relatively simple ways, thereby limiting the institution's ability to develop business innovation optimally (Porter, 1998).

Another challenge is the limited diversification of business units. Dependence on a single type of business causes the capacity of BUMDes to respond to economic changes to remain relatively weak (OECD, 2020). In addition, limited market access and low levels of digital literacy also become major challenges in the development of village enterprises (World Bank, 2020).

Table 6. Supporting and Inhibiting Factors in BUMDes Management

Supporting Factors	Inhibiting Factors
Support from village government	Limited human resource capacity
High level of public trust	Low business innovation
Active community participation	Limited business diversification
Strong social capital	Low digital literacy

These findings indicate that the development of BUMDes cannot rely solely on economic capital, but also requires continuous strengthening of institutional capacity and business innovation (North, 1990). From the perspective of the OECD (2020), digitalization has become an important factor in improving local economic competitiveness. Therefore, strengthening digital literacy and technology-based innovation has become a strategic necessity for the sustainability of BUMDes in the modern economic era (Castells, 2010).

BUMDes Management Strategies in Local Economic Development

Based on the research findings, the management strategy of BUMDes Binangun Sendang Artha in local economic development can be analyzed through three primary approaches: institutional strengthening, business development, and partnership building. The first strategy involves institutional strengthening through improving organizational governance in a more transparent and participatory manner (Ostrom, 1990). Institutional strengthening is carried out through clear organizational task distribution, community involvement in oversight, and regular coordination with the village government (North, 1990). This strategy is important for maintaining social legitimacy and increasing public trust in the institution (Fukuyama, 1995). The second strategy involves developing business units based on community needs. The focus on microfinance services was selected because it aligns with the economic needs of village communities (Yunus, 2007). Nevertheless, the findings indicate the need

for business diversification and the development of innovations based on local potential in order to enhance the economic resilience of BUMDes (Porter, 1998).

The third strategy involves building partnership networks with various parties, including regional governments, financial institutions, and other external stakeholders. From the perspective of Triple Helix theory, cross-sector collaboration becomes an important factor in strengthening institutional capacity and local economic innovation (Etzkowitz & Leydesdorff, 2000). Broader partnership networks enable BUMDes to gain greater access to capital, technology, training, and market expansion (Granovetter, 1985).



Figure 3. BUMDes Development Strategy

The model demonstrates that the development of BUMDes requires integration between strong institutions, business innovation, and broad partnership networks. These three elements are interconnected and form the foundation of sustainable local economic development (Pike et al., 2017). Overall, the findings indicate that BUMDes Binangun Sendang Artha has played an important role in supporting local economic development in Sendangsari Village. Although it still faces various limitations, particularly in aspects of innovation and human resource capacity, the BUMDes continues to possess substantial potential to develop as an adaptive and sustainable village economic institution (Peredo & Chrisman, 2006). Strengthening institutional capacity, business digitalization, and cross-sector collaboration constitute the primary strategies that need to be reinforced in order to improve the competitiveness and sustainability of village economies in the future (OECD, 2020; UNDP, 2021).

Conclusion

Written This study demonstrates that BUMDes Binangun Sendang Artha plays an important role in supporting local economic development in Sendangsari Village, Pengasih District, Kulon Progo Regency. The existence of the BUMDes has not only functioned as a village business institution but has also become a means of community economic empowerment through microfinance services that support small-scale enterprises and productive economic activities. Through savings and loan services, the BUMDes has helped improve community access to business capital, strengthen local economic circulation, and maintain the economic resilience of rural communities. The findings also indicate that the success of BUMDes management is strongly influenced by institutional governance, community participation, and social trust. The relatively strong relationship between village government, BUMDes management, and the community has contributed to the sustainability of the institution. Community

participation in institutional activities and social oversight has strengthened the legitimacy of BUMDes as a community-based economic institution. This condition confirms that the development of BUMDes is not solely determined by economic capital, but also by the quality of institutional governance and social capital within rural communities (North, 1990; Putnam, 1993).

However, the study also found several challenges that still hinder the optimal development of BUMDes. These challenges include limited human resource capacity, low levels of business innovation, limited diversification of business units, and weak digital literacy. The management system remains relatively conventional, which limits the institution's ability to adapt to changes in the economic environment and increasing market competition. Therefore, strengthening managerial capacity, improving digital competencies, and encouraging innovation-based business development are important priorities for the sustainability of BUMDes in the future (OECD, 2020; Sofyani et al., 2022). Based on the findings, the study identifies three main strategies that are important for strengthening BUMDes development: institutional strengthening, business innovation and diversification, and cross-sector partnerships. Institutional strengthening can be achieved through transparent, participatory, and accountable governance. Meanwhile, business innovation and diversification are necessary to increase economic resilience and reduce dependence on a single business sector. In addition, collaboration among village governments, private sectors, academics, and other stakeholders is essential for improving access to capital, technology, training, and markets (Etzkowitz & Leydesdorff, 2000).

The study concludes that BUMDes has significant potential to become a strategic instrument for strengthening local economic resilience and promoting inclusive rural development. With stronger institutional capacity, broader community participation, and adaptive innovation, BUMDes can contribute not only to economic growth but also to sustainable community empowerment and village independence. Therefore, strengthening BUMDes should become an important agenda in rural development policies in Indonesia.

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