

EVALUATING THE ROLE OF VILLAGE-OWNED ENTERPRISE (BUMDES) IN CONTRIBUTING TO VILLAGE INDEPENDENT REVENUE (PADES): CASE STUDY OF BENTENG GAJAH VILLAGE

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ABSTRACT

Village-Owned Enterprises (BUMDes) aim to support rural economic independence through Village Independent Revenue (PADes). However, in Benteng Gajah Village, Maros, BUMDes Bulu Saukang remains inactive and has failed to contribute any PADes. Despite local potential such as agriculture, tourism, and livestock, BUMDes faces challenges hindering its operational capacity and sustainability. This study aims to identify core barriers to BUMDes performance and propose solutions to strengthen its role in the village economy. A qualitative case study approach was used, with interviews with ten key village stakeholders, including BUMDes officers, government officers, and community members. Thematic analysis was conducted using NVivo 15, guided by Van Meter and Van Horn's policy implementation model. Findings show that BUMDes performance is hindered by limited human capacity, weak strategic planning, legal ambiguity, and low public participation. Seven key challenges were identified, including operational discontinuity, lack of innovation, and over-dependence on key individuals. In response, the study proposes five strategies: institutional strengthening, business diversification, external collaboration, community empowerment, and branding. These recommendations aim to reposition BUMDes as a community-driven enterprise that can contribute to PADes and improve local welfare.

Keywords: Village-Owned Enterprises (BUMDes), Village Independent Revenue (PADes), local potential, village government, rural economic

ABSTRAK

Badan Usaha Milik Desa (BUMDes) bertujuan untuk mendukung kemandirian ekonomi desa melalui pendapatan asli desa (PADes). Namun, di Desa Benteng Gajah, Maros, BUMDes Bulu Saukang masih belum aktif dan gagal memberikan kontribusi terhadap PADes. Meskipun memiliki potensi lokal seperti pertanian, pariwisata, dan peternakan, BUMDes menghadapi tantangan yang menghambat kapasitas operasional dan keberlanjutannya. Penelitian ini bertujuan untuk mengidentifikasi hambatan utama dalam kinerja BUMDes dan memberikan solusi untuk memperkuat peran BUMDes dalam perekonomian desa. Pendekatan yang digunakan adalah studi kasus kualitatif dengan wawancara terhadap sepuluh pemangku kepentingan desa, termasuk pengurus BUMDes, aparat pemerintahan, dan masyarakat. Analisis tematik dilakukan menggunakan NVivo 15 dengan model implementasi kebijakan Van Meter dan Van Horn. Hasil penelitian menunjukkan bahwa kinerja BUMDes terhambat oleh keterbatasan kapasitas SDM, perencanaan strategis yang lemah, ketidakjelasan hukum, dan rendahnya partisipasi publik. Tujuh tantangan utama ditemukan, antara lain ketidakberlanjutan operasional, kurangnya inovasi, dan ketergantungan pada individu kunci. Sebagai solusi, penelitian ini mengusulkan lima strategi: penguatan kelembagaan, diversifikasi usaha, kolaborasi eksternal, pemberdayaan masyarakat, dan penguatan branding. Rekomendasi ini bertujuan untuk menjadikan BUMDes sebagai usaha berbasis masyarakat yang dapat berkontribusi pada PADes dan meningkatkan kesejahteraan lokal.

Kata Kunci: Badan Usaha Milik Desa (BUMDes), PADes, potensi lokal, pemerintah desa, ekonomi desa

INTRODUCTION

The enactment of the Law Number 6 of 2014 on the villages in Indonesia has

tremendously changed the portrayal of the governance in the village in which Malinowski (1922) works will be, allowing

the village to take charge of their own affairs, which led to active participation to be involved in the development process. This law stipulates villages' role in government administration, social and economic development, community building, and empowerment, based on the context of local culture and needs (Aritenang, 2021; Arnawa et al., 2023). The overall aim of these works is to improve the quality of the village community quality of life, through the fulfillment of basic needs, improved infrastructure sector and the potential for the utilization of the local economy (Rahayu et al., 2023 and Prasetya et al., 2023). Especially, the BUMDes, has served as an indispensable vehicle enabling villages to mobilize potential, enhance the creation of revenue, stimulate economic independence (Rohman, et al., 2023; Widyastuti & Kusumawati, 2024).

However, the intended function of BUMDes as engines of local economic growth faces substantial operational and institutional challenges. As noted in several studies, many BUMDes battle issues such as ineffective management practices, a lack of strategic planning, and inadequate involvement from the community (Rohim et al., 2024; Wahib et al., 2024). The BUMDes in the Benteng Gajah Village, which was formed in 2022, serves as a case study to illustrate these key issues. The Village TMP had received the status of following criteria for his financial independence, although until now BUMDes has not been able to give significant impact to PADes, as one of important parameters of the activity of financial independence in Villages is considered to be the difficulty of making use of the potential in various sectors such as agriculture, animal husbandry and tourism (Rosari et al., 2022; Sebayang et al., 2024). This starkly contrasts with the village's capabilities and raises critical questions regarding the barriers hindering BUMDes from contributing to local economic development.

One of the predominant obstacles encountered in the BUMDes setting is their high dependence on government funding, thereby hindering their potential toward self-sufficiency and sustainable income generation (Rohman et al., 2023; Widyastuti & Kusumawati, 2024). Moreover, successful community involvement is essential for the survival of BUMDes, as suggested by the studies indicating that successful management is underlain by strong social capital and support from the community (Kresnawati et al., 2024; Yustin & Baroroh, 2024). This is important because the local community is not only the stakeholders but can be a potential consumer and worker of the BUMDes that involvement is expected to play a role in being able to identify business opportunities that are potential to be developed in accordance with the needs of the community (Malaikosa et al., 2014; Irianto & Wati, 2022).

Through a qualitative case study approach, this research aims to dissect the specific operational and institutional challenges that BUMDes Bulu Saukang faces in generating revenue. By engaging directly through in-depth interviews with key informant interviews, such as officials of the BUMDes, local officials, and citizens, this research is expected to reveal the root of the problem faced by the BUMDes, which does not contribute to the economic development of the village (Yustin & Baroroh, 2024; Laksana et al., 2023). Thematic analysis of the data will reveal the existing challenges and contribute to enlightening what can be done incrementally to make BUMDes 'working well' further improving its ability to sustainably produce PADes.

Furthermore, the literature indicates that the different types of business in BUMDes could develop financial independence and sustainability (Sitohang & Purba, 2023; Alfin, 2024). Nuraini (2020) argues that diversification and more active community participation are decisive

in guaranteeing the sustainability of BUMDes (Arnawa et al., 2023; Yuliani et al., 2024). Furthermore, introduction of integrated field-oriented courses that directly address business management and financial knowledge can potentially enhance the ability of BUMDes managers to deal with the intricacy of local economies. Capacity building that includes risk management and strategic planning will strengthen the operation system of BUMDes, adding resilience in facing the uncertainty of economic period (Istikoma & Siregar, 2024; Yopisah et al., 2024).

Approaches derived from recent studies that can help improve the performance and sustainability of BUMDes, emphasize the role of developing strong social capital and social cohesiveness at the local level. Establishing cooperation between BUMDes and its community may help in sharing resources, increase trust and maximize business opportunities. Such collective formats not only support Community engagement but even amplify a social capital essential for successful Entrepreneurship in rural areas (Nursetiawan et al., 2024; Purnomo et al., 2023).

Ultimately, this study hopes to help to shed more light on the 'gap' between the high economic opportunity that the likes of Benteng Gajah appear to offer and what such BUMDes deliver. This study aims to provide recommendations that are actionable and will primarily be focused on how the BUMDes could contribute more productively to the generation of PADes as well as on sustainable village development in Indonesia (Pratiwi et al., 2024; Imaroh et al., 2023) by unpacking and analysing the institutional and operational effectiveness of BUMDes, especially from the theory of social capital and community mobilisation perspectives. Since the existence of viable (well-managed, financially sound) BUMDes is crucial to broader socio-economic goals, addressing these challenges is crucial not only to local

development, but national-level aspirations about poverty reduction and rural identity.

RESEARCH METHODS

This research utilizes a qualitative case study methodology, ideal for exploring complex, context-specific issues such as the performance of Village-Owned Enterprises (BUMDes) in Benteng Gajah Village. Qualitative research allows for an in-depth understanding of participants' perspectives and the factors influencing their actions (Creswell, J. W., & Poth, C. N., 2018). By taking a specific case study of BUMDes in this village, the research would like to dig up both the operational difficulties and the reasons behind its inability to produce Village Independent Revenue (PADes). The use of a case study design to gain a more comprehensive understanding of the phenomenon allows for the use of multiple sources of evidence for triangulation to enhance the validity (Yin, 2018). The flow of research is shown below.

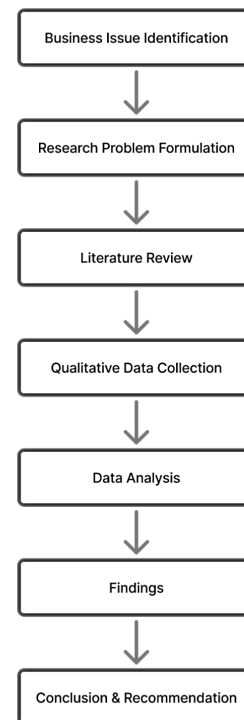


Figure 1. Research Design to achieve Research Objective (Source: Author)

Data in this study is collected by applying deep interviews, observations and documents, as proposed by Creswell, J. W., & Poth, C. N. (2018) in qualitative research. The use of various data sources strengthens the results that were obtained was through interviews with the Village Head, BUMDes management, and the community. Observation will be on BUMDes operations, infrastructure and community involvement where document analysis will be in regard to the official report such as the APBDes and BUMDes financial report. Such triangulation guarantees a holistic view of research questions.

Semi-structured interviews with BUMDes's key stakeholders provide room for flexibility while emphasizing on important issues related to BUMDes performance. Interviews will focus on issues related to operational challenges, styles of management and release time for PADes. Participant interviews provide a rich examination into the experiences and world views of the participants (Creswell, J. W., & Poth, C. N., 2018). Face-to-face in depth interviews will be carried out in Benteng Gajah Village asking open-ended questions to allow a detailed response.

Observation is employed to obtain a firsthand understanding on the ground regarding BUMDes management. The analyst will pay attention to specific elements including the business unit's level of action, and the state of infrastructure and community involvement. This strategy offers insightful background information that complements interview data, disclosing physical and social consideration that affect the performance of BUMDes (Sekaran & Bougie, 2016).

Data analysis is conducted using thematic analysis with NVIVO 15 software, a tool designed to manage and code qualitative data. The process involves familiarization with the data, initial coding, theme identification, and refinement. These themes are then organized into a coherent narrative to address the research questions.

Thematic analysis allows for the extraction of patterns and insights that provide answers to the challenges BUMDes faces and proposes strategies for improvement.

RESULTS AND DISCUSSIONS

This study addresses the key challenges faced by BUMDes Bulu Saukang in Benteng Gajah Village, particularly its failure to generate Village Independent Revenue (PADes). Through the use of the policy implementation model by Van Meter and Van Horn (as cited in Saputra, 2021), combined with Rendra's (2018) insights, six primary factors affecting BUMDes performance were identified: policy standards and objectives, resources, inter-organizational relationships, characteristics of implementing agencies, social, economic, and political conditions, and the disposition of implementers. The findings from semi-structured interviews and thematic analysis highlighted that the lack of a formalized business plan, absence of legal regulations (Perdes), inadequate resources, and weak leadership continuity have significantly impacted BUMDes's ability to fulfill its economic potential. Moreover, challenges such as mismatched business ventures, limited access to capital, and low community participation further hinder its growth and contribution to PADes.



Figure 2. Most Frequently Mentioned Words Related to BUMDes Performance in Interviews (*Source: Author*)

The analysis shows that BUMDes faces a variety of operational, institutional,

and contextual challenges. Key issues identified include poor management and personnel commitment, insufficient business planning, limited financial resources, and lack of inter-organizational coordination. The absence of a clear operational strategy and structured financial management has created inefficiencies, while weak community involvement and business risks, such as climate change and market instability, have further complicated efforts to create

sustainable revenue. Despite these challenges, there are opportunities to improve, including leveraging the village's strategic location and existing assets, enhancing leadership, and fostering greater community engagement. Addressing these challenges through reforms in management, institutionalization, and business diversification could unlock BUMDes's potential to generate PADes and drive economic growth for the village.

Table 1. Research Results Findings

Challenge Area	Findings
Policy Standards and Objectives	Lack of Perdes (village regulation) governing PADes, resulting in unclear goals and maladministration.
Resources	Resource limitations, including underutilized village assets and lack of human capital and financial resources.
Inter-organizational Relationships	Weak inter-organizational relationships with informal communication, causing logistical issues and inefficiencies.
Characteristics of Implementing Agencies	Fragile internal structure and lack of succession planning, leading to leadership gaps and operational stoppages.
Social, Economic, and Political Conditions	Social passivity, limited economic participation, and unoptimized local potential despite proximity to Makassar.
Disposition (Attitudes) of Implementers	Lack of commitment and motivation among implementers due to absence of financial incentives and clear responsibilities.

(Source: Author)

Several challenges emerged from the interviews and thematic analysis that explain BUMDes' inability to generate PADes. The lack of community engagement is a significant barrier to BUMDes' success. The presence of BUMDes is hardly felt by many villagers, and they do not feel ownership towards and accountability vis-à-vis BUMDes; a sign of failure in community driven initiative. The findings indicate that the community tend to take a 'wait-and-see approach', stepping in once it is likely that the strategy works. It is that lack of involvement that is amplified by the level of poor planning and supervision in the BUMDes. In the absence

of a real business plan, operational targets, and a system of follow-up, those business ventures, such as the Pasar Sakeang and banana farming projects, never get past the grounding stage.

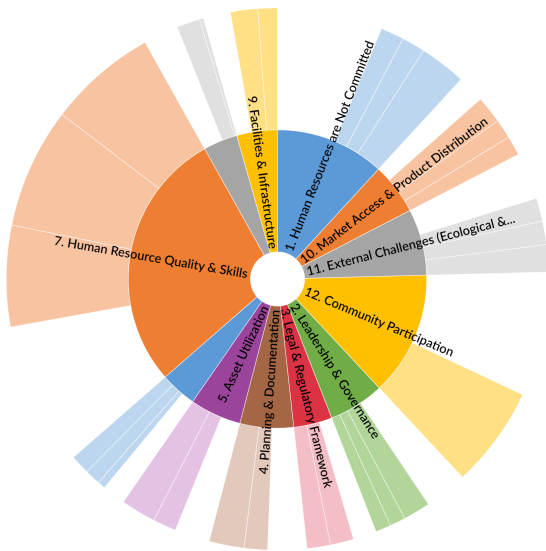


Figure 3. The Challenges Faced Hierarchy Chart (*Source: Author*)

The lack of creativity and the diverse of BUMDes' economic troubleshooting are also problematic. The emphasis has largely been on agriculture and cattle, with the Cavendish banana project as priority. On the other hand, other sectors that the area might offer such as tourism or creative industries have not been exploited, notwithstanding the strategic location of Benteng Gajah close to Makassar. This is limiting the growth potential and the income opportunities of BUMDes, and makes them exposed to market changes. Compounding the issue is the reliance on influential individuals. The organization has been highly personalized in its operations, and so changes in leadership have led to stasis and leadership vacuums. This is exacerbated by low financial literacy and entrepreneurship among BUMDes administrators and the general population, resulting in ineffective business planning and resource management.

The results of this research are in line with several literatures on sustainability of rural business. For example, the theory of institutional sustainability by Korten (1980) suggests that organizations cannot survive without

an enabling organizational environment that has the capacity to learn and change. In the same way, the theory on policy implementation (Van Meter and Van Horn, 1975) stresses the role of explicit goals, sufficient resources, and shared inter-organizational power. This research confirms these arguments when it comes to determining that the unsuccessful in generating PADEs by BUMDes are not separated by disorganized institutions, lack of resources, and weak leadership.



Figure 4. The Failure to Contribute to PADEs Hierarchy Chart (*Source: Author*)

Further, both the community product development and innovation results align with Isenberg (2010), who explains that successful business enterprises need systems that foster risk-taking, innovation and diversification. In the context of BUMDes, the absence of innovation and part of an omnibus rural economic strategy minimizes the realization of the potential that the village has, and reflects the problem of other enterprises in rural areas found in many other similar studies.

CONCLUSION AND SUGGESTION

This study found several problems faced by BUMDes Bulu Saukang in Benteng Gajah Village and human resource was the main issue. BUMDes lack skilled

workers, impartial commitment and community participation, as well as poor leadership and coordination, as well as inadequate infrastructure so that their ability to create Village Independent Revenue (PADes) is hampered. Even though they had prospects of assets and business ideas, but what is the problem at the local BUMDes level is indeed the transition of planning to sustainability. These problems, in addition to their deficiency on the rule of law and good business planning, then had put those BUMDes efforts to economically develop their home areas at a stake. Strategic reform such as strengthening institution, increasing business capacity, more diversification of business, and more social empowerment will be needed to enhance BUMDes svl (gap), etc) and sustainability of PADes generation.

Several advices are recommended to improve the BUMDes performance. They involve the legal legitimization of the BUMDes, the strengthening of leadership and management skills through structured training as well as business diversification. Moreover, the encouragement of a socially inclusive governance (Community participation in planning and operation) is imperative for sustainability. Future studies could benefit from comparative case studies of several villages in order to compare regional variations in BUMDes implementation, and to examine BUMDes that have more formal legal management structures for long-term performance evaluations. In addition, adding of financial performance assessment and investigating the role of community involvement and local leadership models will make the description more complete about the variables that affect the success of BUMDes.

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