

## Growing The Village Economy Through Village-Owned Enterprises (Bumdes) Governance

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### Abstract

This study aims to analyze the governance of the Creative Village-Owned Enterprise (BUMD) in Bukit Baru Village, North Kolaka Regency, in enhancing village economic growth. The study focuses on aspects of planning, implementation, organization, and supervision, as well as their impact on village original income (PADes), infrastructure development, job creation, and community income growth. The research method used was a qualitative descriptive approach, with data collection techniques through observation, interviews, and documentation. The results indicate that BUMDes governance has been running quite well, although it still faces challenges. In terms of planning, BUMDes has developed a phased business program, but community participation remains low. In practice, the patchouli distillation business unit is a major contributor to village revenue (PADes) and community income, while the furniture and credit businesses are less popular. Organization has been carried out according to a formal structure, but community ownership still needs to be strengthened. Oversight remains informal with limited transparency. The impact of the BUMDes' existence is evident, including increased PADes (Vocational Income), support for village infrastructure development, job creation, and increased community income through easier access to production facilities. Thus, the Creative BUMDes in Bukit Baru Village plays a crucial role as a driving force for the village economy, but requires strengthening aspects of participation, managerial capacity, and management transparency for business sustainability.

Keywords: Bumdes; Governance; Village\_Economic\_Growth; PADes; Community\_Participation

### 1. Introduction

Village economic development is a crucial aspect in improving community welfare. Despite rapid economic growth, the imbalance between urban and rural areas remains a fundamental issue. Rural communities, the majority of whom work as farmers, often face various challenges in increasing their incomes. Consequently, many villages in Indonesia remain trapped in a cycle of underdevelopment, with high poverty rates and a heavy economic dependence on the traditional agricultural sector. For example, minimal economic diversification, weak village institutional capacity, and limited human resources are major obstacles to village development [1]. Owned Enterprises (BUMDes). BUMDes is formed to collectively manage the economic potential of the village and is expected to improve the welfare of the community and strengthen the economic structure of the village through the utilization of local resources. In Law Number 6 of 2014 concerning Villages, which opens up great opportunities for villages to become independent, one of which is the establishment of Village-Owned Enterprises (BUMDes)[2]. BUMDes is formed to collectively manage the economic potential of the village and is expected to improve the welfare of the community and strengthen the economic structure of the village through the utilization of local resources [3].

The Village-Owned Enterprise (BUMDes) in Bukit Baru Village, Batu Putih District, North Kolaka Regency, was established in 2021. Initially, the BUMDes operated a patchouli distillation and furniture rental business. Then, in 2022, it established a new business, namely

loans/credit. The BUMDes' existence is expected to drive the village economy through community empowerment, job creation, and increased village income [4].

The APBDes report in Bukit Baru Village from 2018 to 2023 is as follows:

Development of Village Revenue in Bukit Baru Village

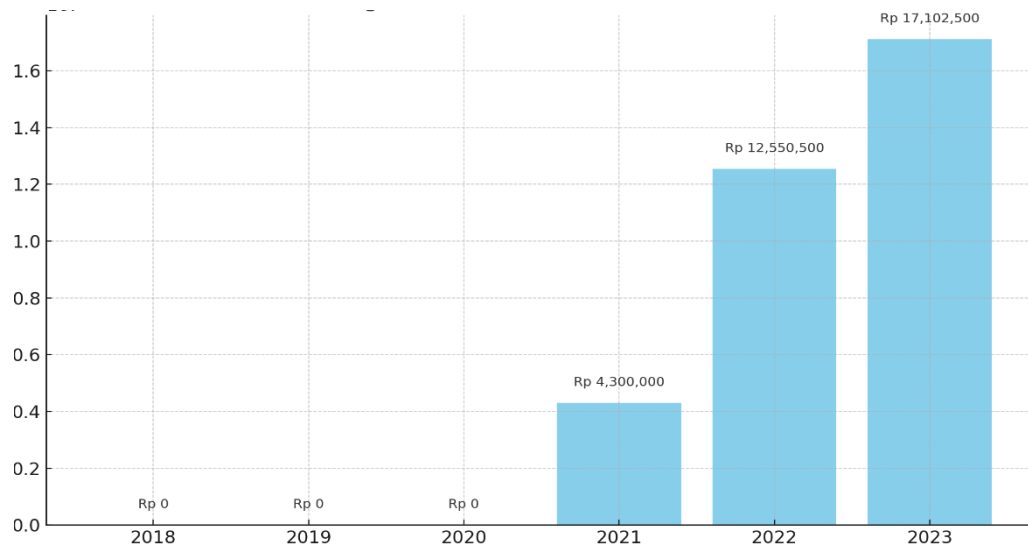


Figure 1. Bukit Baru Village Budes For 2018-2023

The data above shows that before the establishment of BUMDes, from 2018 to 2020, Village Original Income (PADes) was not visible or emerging. This was because, at that time, villages did not have independently managed business units or economic activities to generate income. The majority of village budgets were focused on infrastructure development and meeting basic community needs, rather than productive economic activities or businesses. Furthermore, the government's managerial and entrepreneurial capacity was still limited, thus preventing it from optimally managing village potential. Village assets that actually have economic value, such as village treasury land or tourism potential, have not been fully utilized. Since the establishment of the Village-Owned Enterprise (BUMDes) in 2021, villages have begun to have legal and institutional frameworks that enable them to manage their own businesses, and this has led to the emergence of a source of income for the village through organized economic activities. The BUMDes annual report shows that the patchouli oil business unit is the most productive in increasing community economic growth.

Therefore, it is also important to assess the direct impact of the BUMDes on the income of the Bukit Baru Village community. The establishment of a BUMDes also serves an important purpose: improving community welfare through job creation and increasing family income [5]. BUMDes is expected to open up employment opportunities for the village community, both through direct businesses managed by the BUMDes itself and by creating job opportunities through businesses supported by the BUMDes' presence.

The results of this study refer to previous research conducted [6], showing the role of BUMDes in improving the village economy has helped the income of the village community and the strategies used by BUMDes have improved the economic sector, income and finance of the village and the impact achieved by BUMDes is in the form of success in improving the community's economy. Therefore, the researcher chose how BUMDes increases village

economic growth through several indicators such as increasing Village Original Income (PADes), employment and infrastructure.

This study chose BUMDes (Village-Owned Enterprises) in Bukit Baru Village as the topic because the researcher wanted to know how BUMDes contributes to increasing the village's economic growth and what obstacles are related to its implementation. Although in theory BUMDes has a major role in driving village economic growth, the reality in the field is not necessarily as expected. In Bukit Baru Village, for example, BUMDes has indeed experienced an increase annually, but there are still many obstacles such as the lack of management training for administrators as seen from the less than optimal management of BUMDes finances, minimal community involvement in business activities such as the village community itself, many of whom still do not use the BUMDes business as their main priority, whether in rental, credit, and furniture businesses but prefer to go to other places that may be more affordable. In addition, until now there has been no in-depth study on the extent of the BUMDes' impact on community income, job creation, or overall village economic development.

This study aims to further explore the role of BUMDes in Bukit Baru Village in increasing village economic growth. The results are expected to provide useful input for BUMDes managers, village government, and other stakeholders to improve the effectiveness and success of BUMDes in promoting sustainable economic growth in Bukit Baru Village.

## 2. Methodology

This research was conducted in Bukit Baru Village, Batu Putih District, North Kolaka Regency. The data used in this study were:

- a. Primary data is data collected by researchers from primary sources [7]. The primary data sources in this study were interviews with village heads, BUMDes managers, and community members.
- b. Secondary data is data collected by researchers to support primary sources. In this study, secondary data was taken from written documents such as BUMDes reports and other supporting data.

The data collection techniques in this study are:

- a. This interview can ask key informants (village heads, BUMDes administrators, and community members) questions about planning, implementation, organization, and supervision.
- b. Documentation, namely data collected through relevant written documents and archives [8], such as BUMDes annual reports, organizational structures, financial records, and village economic growth data. This also includes data related to the role of Village-Owned Enterprises (BUMDes) in increasing village economic growth.

The informants in this study were: the village head, 2 BUMDes administrators and 5 community leaders related to BUMDes.

The method used to analyze this research is a qualitative approach. According to [9], data analysis is carried out in three stages: a). Data reduction is the process of selecting and selecting data to focus on relevant information. Data reduction is carried out so that the data obtained is more focused on what is to be researched; b) Data presentation is an important step in compiling and presenting information that has been obtained during the research. Data

presentation aims to provide a clear and in-depth picture of the findings that have been analyzed, so that further activities or work can be planned based on what has been understood; c) Conclusion drawing/verification is the final process of what has been researched and drawing conclusions from the reduced data [10].

### 3. Result and Discussion

#### 3.1. Result

##### a. Village-Owned Enterprises (BUMDes) Governance in Increasing Village Economic Growth

Table 1. Analysis Results of Village-Owned Enterprise Governance in Increasing Economic Growth in Bukit Baru Village

Aspects of Village-Owned Enterprise Governance	Finding Research	Analysis	Implications
Planning	<ul style="list-style-type: none"> <li>• BUMDes has prepared an annual business plan (patchouli distillation, furniture and credit).</li> <li>• Village deliberationsss are held to discuss plans.</li> </ul>	<ul style="list-style-type: none"> <li>• Community participation is still low (only village officials and saome of the community) masyarakat).</li> <li>• The parcipatory principle has not been implemented optimally.</li> </ul>	<ul style="list-style-type: none"> <li>• Need to increase participation of all levels of society in villege deliberations.</li> <li>• Socialize the BUMDes plan more widely so that the community is actively involved.</li> </ul>
Implementation	<ul style="list-style-type: none"> <li>• Has run 3 business units: (patchouli distillation, furniture and credit).</li> <li>• Most successful patchouli distillation and supports local leivehoods.</li> </ul>	<ul style="list-style-type: none"> <li>• Furnitre and credit businesses are less popular.</li> <li>• Financial management remains weak due to limited managerial skills.</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on strengthening potential businesses (patchouli distillation.</li> <li>• Provide management and financial administration training for administrator.</li> <li>• Evaluate unproductive business units.</li> </ul>
Organizing	<ul style="list-style-type: none"> <li>• A formal organizational structure exists.</li> <li>• Management carries out of operational and management duties for business units.</li> </ul>	<ul style="list-style-type: none"> <li>• Community involvement in operations is still low → a sense of ownweship.</li> <li>• The community’s collective spirit is lacking.</li> </ul>	<ul style="list-style-type: none"> <li>• Form hamlet/RT-RW based working groups to liaise with the community.</li> <li>• Increase program outreach through village media, meetings, and social media</li> </ul>
Controlling	<ul style="list-style-type: none"> <li>• Supervision is carried out by the village heads as an advisor.</li> <li>• There are no regular and transparent financial reports.</li> </ul>	<ul style="list-style-type: none"> <li>• The monitoring system is still informal.</li> <li>• Minimal public access to financial informatioan and business activities.</li> </ul>	<ul style="list-style-type: none"> <li>• Implement an open reporting system (quarterly/semester reports).</li> <li>• Publish reports on village information boards and social media.</li> <li>• Encourage participatory</li> </ul>

oversight through annual evaluation meetings.

Source: research analysis results, 2025

### b. Impact on Village Economic Growth

Table 2. Results of the Impact Analysis of the Creative BUMDes in Bukit Baru Village

Aspect	Key Findings	Problems/Challenges	Recommendation/Implications
Village Original Income	<ul style="list-style-type: none"> <li>Before 2021, there was no Village-Owned Enterprise (PADes).</li> <li>After the establishment of the Village-Owned Enterprise (BUMDes), PADes began to emerge and increase annually.</li> <li>Initial funding in 2021: IDR 440 million (IDR 200 million for patchouli distillation, IDR 240 million for business capital).</li> </ul>	<ul style="list-style-type: none"> <li>Initial dependence remains on central funds.</li> <li>Challenges in maintaining sustainable increases in Village Original Income (PADes).</li> </ul>	<ul style="list-style-type: none"> <li>Innovation in new business units is needed to meet local needs.</li> <li>Improve financial management to ensure more stable and sustainable contributions to Village Revenue (PADes).</li> </ul>
Village Infrastructure	<ul style="list-style-type: none"> <li>In 2022, Rp 6 million in Village Revenue (PADes) was allocated for bridge repairs due to landslides.</li> <li>Infrastructure supports the smooth running of the Village economy.</li> <li>BUMDes recruited 4 people (supervisor, director, treasurer, secretary) since 2021.</li> </ul>	<ul style="list-style-type: none"> <li>Limited funds so not yet able to finance large infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>Village-Owned Enterprises (BUMDes) can play a direct role in infrastructure development and maintenance.</li> <li>Transparency is needed to increase public trust.</li> </ul>
Opening of Job Opportunities	<ul style="list-style-type: none"> <li>Opening job opportunities based on village potential.</li> </ul>	<ul style="list-style-type: none"> <li>The scale of the workforce is still small, not absorbing many people.</li> </ul>	<ul style="list-style-type: none"> <li>Business diversification is needed to expand employment opportunities.</li> <li>Encourage greater local community involvement in business unit operations.</li> </ul>

Source: research analysis results, 2025

## 3.2. Discussion

### a. Village-Owned Enterprise Governance in Increasing Village Economic Growth

The governance of the Creative Village-Owned Enterprise (BUMDes) in Bukit Baru Village has demonstrated a significant role in local economic development, despite still facing a number of challenges. Analysis shows that the four governance aspects: planning, implementation, organization, and supervision have achieved varying levels of success.

#### 1) Planning

The Bukit Baru Village-Owned Enterprise (BUMDes) has developed a phased business plan, developing new business units annually. This step demonstrates a vision to make the BUMDes a driver of the village economy. However, community participation in deliberations

remains low due to the dominance of village officials. This aligns with previous research findings that community participation is a key indicator of successful BUMDes planning. Low community involvement can diminish a sense of ownership in the BUMDes and potentially weaken business sustainability.

#### 2) Implementation

Overall, the implementation of the BUMDes business program is proceeding according to plan. The patchouli distillation business unit has proven to be the most significant contributor due to its relevance to the livelihoods of the local community. Conversely, the furniture and credit business units have not been successful due to competition from products from outside the village and formal financial institutions. This fact confirms that the success of BUMDes is highly dependent on the business's alignment with the needs and purchasing power of the community. Furthermore, the limited managerial capacity of the management is a serious obstacle that needs to be addressed through training and mentoring.

#### 3) Organizing

The BUMDes organizational structure has been established and is operational, but weak community involvement in business operations has resulted in a low sense of ownership. Ideally, BUMDes, as a collective business entity, should involve the community more broadly, for example by establishing hamlet- or neighborhood-based working groups. Intensive outreach is also needed to ensure the community is aware of business opportunities and the types of contributions they can make. Thus, organization goes beyond simply establishing a structure, but also building a strong social network between administrators and villagers.

#### 4) Controlling

Oversight remains focused on village heads and is informal. The lack of a transparent and accountable reporting system limits public access to information [11]. This has the potential to undermine public trust in BUMDes management. Participatory oversight through annual evaluation forums, open financial reports, and the use of social media could be solutions to increase BUMDes transparency and accountability.

### b. Impact of BUMDes on Village Economic Growth

Impact analysis shows that the existence of BUMDes Kreatif Bukit Baru Village has made a real contribution to the village economy, even though it is still in the early stages of development

#### 1) Village Original Income

Before the establishment of the BUMDes, Bukit Baru Village's local revenue (PADes) did not exist. Following its establishment in 2021, PADes began to increase year after year. This demonstrates that BUMDes can serve as an alternative source of income for villages, excluding central transfer funds [12]. With PADes, villages have greater flexibility in financing development and community empowerment activities.

#### 2) Village Infrastructure

Revenue from the Village-Owned Enterprise (BUMDes) has been allocated to improve village infrastructure, such as repairing the bridge following the 2022 landslide. Although the amount of funds is relatively small, this allocation demonstrates that the BUMDes not only plays a role in generating Village-Owned Enterprise (PADes) revenue but also contributes

directly to the village's physical development. Good infrastructure ultimately improves the smooth running of community economic activities

### 3) Opening of Job Opportunities

The Village-Owned Enterprise (BUMDes) has recruited several workers since its inception, although the number remains limited. This aligns with its role as a local job provider. Going forward, the more BUMDes business units develop, the greater the job opportunities it can create for the village community.

### 4) Community Income

The existence of BUMDes has also had a positive impact on community income, particularly through patchouli distillation, which helps reduce production costs. BUMDes provides a means for communities to access production facilities at lower costs and more easily accessible. While the impact has not been evenly distributed, this represents an initial step towards improving community welfare sustainably

Overall, the governance of Bukit Baru Village's Creative Village-Owned Enterprise (BUMDes) has positively impacted the village's economic growth, including increased village-owned revenue (PADes), infrastructure development, job creation, and increased community income. However, several aspects still need strengthening, including:

- 1) Increase community participation in planning, implementation, and monitoring
- 2) Improve the managerial capacity of BUMDes administrators through training
- 3) Improve transparency and accountability through open financial reporting
- 4) Develop business units based on real community needs for greater sustainability

By improving these weaknesses, BUMDes has the potential to become a driving force for a more independent and sustainable village economy.

The research results show that the governance of the Creative BUMDes (Village-Owned Enterprise) in Bukit Baru Village has played a significant role in improving the village economy, despite still facing several obstacles. Business planning is carried out in stages with a clear vision, but community participation remains low. Business program implementation is proceeding according to plan, particularly the patchouli distillation unit, which is relevant to local potential. While other businesses are underdeveloped due to limited competitiveness and management capacity. An organizational structure has been established, but community involvement in operations remains minimal. Oversight is also not transparent, as it is only informally conducted by the village head.

In terms of impact, BUMDes has been proven to increase Village Original Income (PADes), support infrastructure development, create jobs, and help increase community income, particularly through the management of locally-based businesses. Overall, BUMDes has made a significant contribution to village economic growth, but its sustainability requires increased community participation, managerial capacity, transparency in management, and the development of business units tailored to village needs.

## 4. Conclusion

BUMDes plays a role in boosting village economic growth, as evidenced by an increase in Village Original Income (PADes) since 2021, although its contribution has not been optimal. BUMDes also encourages infrastructure improvements and creates job opportunities, although this is not yet sustainable.

Village-Owned Enterprise (BUMDes) governance from several aspects: Business planning has been carried out since the BUMDes was established, but community participation remains minimal. In the planning process, BUMDes plays a role in increasing local revenue (PAD) and community income, while BUMDes plays a less significant role in improving infrastructure and creating jobs; Business implementation has proceeded according to plan, particularly the patchouli distillation business, which is a productive business unit. However, the furniture and credit businesses still face obstacles in marketing and public trust. In the implementation process, BUMDes plays a role in increasing local revenue (PAD), community income, and employment. Meanwhile, in the development of village infrastructure, BUMDes Kreatif still plays a lesser role. BUMDes organization has been formally established, but community participation in business activities is still limited. This has resulted in a low sense of ownership and community involvement in BUMDes development. In the organizational process, BUMDes plays a lesser role in the four indicators of village economic growth. Supervision is carried out directly by the Village Head as an advisor, but is not yet equipped with a transparent and accountable reporting system to the wider community, so training in reporting and public information is needed. In the supervision process, BUMDes plays a role in increasing local revenue (PAD). Meanwhile, job creation, infrastructure development, and increasing community income still play a lesser role

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