

# Exploring the role of village head in empowering sustainable village economy: A multiple-case study in Indonesia

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## Abstract

**Purpose:** This study explores the challenges in implementing the Village-Owned Enterprises (BUMDES) program and investigates the role of village leaders in transforming BUMDES into a sustainable business to enhance rural community welfare.

**Design/methodology/approach:** A qualitative method by employing a multiple case study design was utilised, which encompasses a selection of BUMDES organizations characterised by diverse orientations, including profit-oriented and social-oriented models, and varying degrees of developmental progress. Data were analysed using thematic analysis.

**Findings:** This study identifies key strategies in BUMDES transformation, including boosting community participation, rebalancing administrators' profit and social goals, ensuring effective supervision, incorporating innovation and technology, enhancing BUMDES social activities for community ownership, promoting democratic leadership, granting autonomy to administrators, and fostering a culture of learning.

**Research limitations/implications:** While the study doesn't aim for broad generalizations across all BUMDES organizations, it prioritizes theoretical and research-based generalisation, recognising the trade-off between depth and breadth in research. Nevertheless, it offers a profound understanding of the specific issues examined.

**Practical implications:** This study offers policy recommendations to transform BUMDES into a sustainable business, including enhancing the capacity of BUMDES administrators and encouraging community participation in BUMDES programs.

**Originality/value:** In contrast to previous studies that typically took a pragmatic perspective in examining BUMDES transformation and paid limited attention to the village head, this study contributes to the use of the institutional entrepreneurship framework in analysing the pivotal role of village heads. It employs a comprehensive multiple-case study approach with thematic analysis, setting it apart from earlier single-case studies with descriptive analysis.

**Keywords:** Institutional Entrepreneurship, Transformation, Innovation, BUMDES, Sustainable Business, Sustainable Development Goals (SDGs)

## **Introduction**

Income inequality is a significant challenge, especially in low- and middle-income countries (Ravallion, 2014; Sehrawat & Giri, 2016). Between 1999 and 2010, these nations witnessed an 11% increase in income inequality, measured by the Gini Index, exceeding the 9% increase observed in developed countries during the same period (Hoeven, 2019). Contributing to this Gini Index rise, disparities in income and living standards between rural and urban areas, as argued by Lagakos & Lagakos (2020), are among the principal causes, further intensifying poverty (Sehrawat & Giri, 2016).

Indonesia is affected by the challenge of income inequality. The Gini Index in Indonesia has increased from 0.344 in 2002 to 0.388 in March 2023, according to Statistics Indonesia (2023). Acknowledging the influence of income disparities between rural and urban areas in worsening poverty, policymakers in low- and middle-income countries persist in their dedication to crafting effective models for rural development and empowerment.

The BUMDES program in Indonesia was established to enhance village welfare by empowering communities to tap into the potential and resources within their villages, as mandated by Law No. 6 Year 2014 on Village. To ensure the sustainability of the BUMDES program, the government extends financial support by permitting the use of village funds for BUMDES. The Indonesian government envisions these BUMDES entities as transformative agents capable of maximizing village potential to enhance the well-being of village communities.

The considerable expectations placed on BUMDES do not align with the practical reality that the business profits generated by BUMDES have not significantly contributed to the village's original income, and therefore, they are not of substantial value for financing development activities and enhancing the welfare of village communities. This is evident in the national average proportion of original village income, which typically hovers around 2% to 4%, as reported by Statistics Indonesia (2023). This underscores the continued dependency on financial support from both the central government and regional authorities for village development. The reliance on village funds and the relatively modest financial support provided by BUMDES to the village revenue give rise to apprehensions regarding the long-term viability of the initiative. In the event of a change in national policy that diminishes the emphasis on allocating village funds to support the BUMDES initiative, it is plausible that the initiative could face the risk of termination.

The issue of sustaining rural development initiatives, such as BUMDES and similar programs, is not exclusive to Indonesia but has also been documented in other nations, including Thailand, Malawi, and Vietnam, as referenced in studies by Anh (2013), Kitipadung & Jaiborisudhi (2021), Kurokawa (2009), Kurokawa, Tembo & te Velde, 2010; Mukai & Fujikura, 2015; Natsuda, Igusa, Wiboonpongse & Thoburn, 2012; Phan, Kim, Nguyen, Do, Nguyen & Dang, 2021). These countries have encountered comparable challenges primarily due to their utilization of a top-down approach, which results in a heavy dependence on governmental support to maintain the sustainability of these initiatives. This excessive reliance on government aid poses a potential threat to the enduring continuity of the programs. One contributing factor is the absence of ownership and community-driven initiatives aimed at enhancing the well-being of their respective regions through their concerted endeavours. Instead, communities often implement these programs based on directives without a full grasp of the underlying philosophy and objectives.

Previous investigations into rural empowerment initiatives, such as OVOP in Japan, OTOP in Thailand, OCOP in Vietnam, and OVOP in Malawi, have predominantly centred on pragmatic aspects. These studies have explored the evolution, issues, and obstacles confronted by these initiatives within their respective countries (Denpaiboon & Amatasawatdee, 2012; Indramedhi,

2017; Kemavuthanon, 2014; Kitipadung & Jaiborisudhi, 2021; Mukai & Fujikura, 2015; Phan et al., 2021). In a similar vein, research on BUMDES in Indonesia has primarily revolved around elucidating the role of BUMDES in the enhancement of village well-being (Chikmawati, 2019; Lazuardiah, Balafif & Rahmasari, 2020; Riyanti, 2021; Subehi, Luthfi, Mustofa & Gunawan, 2020; Utami, Tripalupi & Meitriana, 2019, Prasetyo, 2016). In a similar vein, investigations into BUMDES (Village-Owned Enterprises) in Indonesia have predominantly focused on elucidating the contribution of BUMDES to the improvement of village well-being. Additionally, previous studies have also delved into the obstacles and challenges encountered during the establishment and progression of BUMDES initiatives, as documented by (Anggraeni, 2016; Budiono, 2015; Fajarwati, Yusuf & Handayani, 2016; Kania, Anggadwita & Alamanda, 2020; Nardin, 2019; Pradnyani, 2019; Prasetyo, 2016; Sirait & Sinaga, 2020; Srirejeki, 2018; Subehi, Luthfi, Mustofa & Gunawan, 2020; Utami, Tripalupi & Meitriana, 2019). The challenges encountered by BUMDES are likely to constrain the realization of the full potential of villages to levels below the optimal.

While previous research has pinpointed challenges contributing to the suboptimal utilization of village potentials, however, there is a noticeable dearth of studies that systematically investigate the strategies employed to address these issues through transformative actions initiated by village heads within the BUMDES entities, utilizing theoretical frameworks. This research gap has been a significant motivator for the present study, which seeks to delve deeper into the agency role of village heads in effecting transformations within BUMDES entities, ultimately rendering them sustainable businesses aimed at enhancing the welfare of rural areas. This examination will be undertaken through a multiple-case study approach encompassing 10 (ten) BUMDES entities.

Specifically, in exploring the role of village heads in the transformation of BUMDES, this study aims to address the following questions:

1. How has the effective optimization of village resources by BUMDES been constrained?
2. How have village heads facilitated the transformation of BUMDES into sustainable businesses?
3. How does the transformation led by village heads contribute to the achievement of the Village's Sustainable Development Goals (SDGs)?

In addressing the aforementioned research questions, this study is guided by an institutional entrepreneurship approach, which helps explain how the transformation is enacted by the Village Head as the key agent of change and the outcomes achieved in both the short and long term. The primary contribution of this study lies in offering recommended strategies for pertinent authorities to facilitate the transformation of BUMDES into sustainable businesses. These strategies are designed to be applicable not only in Indonesia but also in other countries that exhibit similar characteristics to BUMDES initiatives in Indonesia.

Diverging from previous qualitative studies on BUMDES, which have typically relied on single-case studies featuring descriptive analyses, this study advances the field of qualitative research methods. It does so by employing a multiple case study approach, complemented by thematic analysis, and encompasses ten BUMDES entities that represent various profit-based and social business orientations. These entities also exhibit distinct developmental stages.

## **Literature Review**

Villages have an important role for Indonesia in realizing the ideals of a just and equitable national development. This government commitment is expressed by giving autonomy to the village government to regulate and run its government as well as making efforts to develop the village, including developing its economy. Law No. 6 of 2014 is a manifestation of the government's commitment to developing villages. Village Law No. 6 of 2014 also regulates

the existence of Village-Owned Enterprises which are a means for villages to maximize village potential for village community welfare. Furthermore, the management of BUMDES is regulated under Government Regulation No. 11 the Year 2021 and the Minister of Village Regulation No. 4 of 2015.

Since the inception of the BUMDES initiative in 2015, several studies have identified challenges that hinder the optimal utilization of village resources. These challenges encompass the inability to identify and harness the full potential of villages (Handajani, Abidin & Pituringsih, 2021; Risnawati, 2017; Sofianto & Risandewi, 2021), lack of community interest and participation in the BUMDES program (Fajarwati, Yusuf & Handayani, 2016; Iryani & Mauliza, 2020; Marshaliany, 2019; Risnawati, 2017), mis-priorities in allocating BUMDES business profits to finance expenditures for village officials (in particular to pay the salary of village officials) rather than for village development purposes (Permatasari, Pratiwi & Suwondo, 2013) and limited capacity of BUMDES management team (Agunggunanto, Arianti, Kushartono & Darwanto, 2016; Purnamawati & Indriani, 2021; Sofianto & Risandewi, 2021). As a result, village potentials that should be optimized for village welfare are constrained. Therefore, this study intends to follow up on solving these problems by specifically examining the role of village leaders in leading the transformation.

Transformation is a critical concern within the public sector, and its significance has been notably amplified in the wake of the global COVID-19 pandemic. The pandemic has exerted substantial pressure on governments across various jurisdictions, prompting diverse responses of different scales. What is evident is that many governments have engaged in experimentation and innovation across various dimensions of their operations. They have streamlined bureaucratic processes and introduced novel and previously unimagined modes of operation (BCG Consulting, 2021). These transformative endeavours are particularly imperative in times of crisis and in addressing persistent issues in the public sector, such as inefficiency, suboptimal resource utilization, and excessive reliance on government funding. Consequently, transformation often represents a more viable and necessary alternative.

The village head plays an exceptionally significant role in the management of BUMDES. According to Government Regulation No. 11 Year 2021 on Village Owned Enterprises, the village head not only serves as the primary authority responsible for governing the village but also functions as an advisor and an integral part of the village council, to which BUMDES is answerable for its performance. Furthermore, the BUMDES budget is sourced from village funds, necessitating the approval of the village head before these funds are allocated to BUMDES for capital. Given the critical role of the village head, it is reasonable to consider the leadership of the Village Head as one of the primary factors that warrant investigation for the successful transformation of BUMDES into a sustainable business within the village. Therefore, this study examines how the role played by village heads in transforming the management of village assets and achievements are generated in both the short and long term so that this transformation model can be replicated by other villages.

While prior research has addressed concerns related to optimizing village resources, there is a notable gap in the literature regarding how village heads can act as catalysts for change in transforming the utilization of village assets to enhance village welfare through BUMDES. To elucidate the role of these change agents in reshaping the utilization of village resources, this study employs an institutional entrepreneurship approach, as proposed by P. DiMaggio (1998). The institutional entrepreneurship approach is grounded in the broader framework of institutional theory, initially advanced by P. J. DiMaggio & Powell (1983).

According to institutional theory, organizations within the same domain tend to exhibit homogeneity due to coercive, mimetic, and isomorphic pressures stemming from competition, state regulations, and professional standards. In this theoretical context, behaviour is



significantly influenced by pre-existing institutionalized norms. However, in practice, these institutional actors possess the capacity to introduce and effect changes within the institutional context in which they are embedded, giving rise to the concept of the paradox of embedded agency (Battilana & Dorado, 2010; Dorado, 2005; Greenwood & Suddaby, 2006; Holm, 1995; Seo & Creed, 2002). Consequently, institutional entrepreneurship serves as a framework to explain why endogenous institutional change occurs (Battilana, Leca & Boxenbaum, 2009). Eisenstadt (1980), who is credited with coining the term "institutional entrepreneurship," posits that actors serve as catalysts for instigating structural change, taking the lead in change initiatives, and directing these transformative processes (Leca, Battilana, & Boxenbaum, 2008). P. DiMaggio (1998) builds upon this concept by further elucidating how actors can contribute to altering established institutions, even in the face of pressures to maintain the status quo. He argues that the process of institutional change is contingent on the specific form of agency adopted by these actors and their ability to mobilize resources and seize opportunities to effect change.

The agency adopted by a change actor is contingent on the predominant temporal orientation that characterizes the actor's mindset, which may be oriented towards the past, present, or future (Emirbayer & Mische, 1998). The process of mobilizing support and gaining acceptance involves the emergence of support and acceptance from a multitude of different actors who interact probabilistically (Van de Ven & Garud, 1993). It also relies on the political skills of the actors to rally support and acceptance, ultimately leading to the creation of new collaborative arrangements (Lawrence, Hardy & Phillips, 2002; Rao, 1998; Stinchcombe, 2000). Additionally, the actors' ability to identify opportunities for change plays a pivotal role in the transformation process, although this ability is contingent on the objective conditions within the organizational field (Dorado, 2005). Hence, this study seeks to examine the prevailing time orientation that influences the sense-making of actors, such as village heads, in executing transformation efforts. It also aims to investigate how these actors mobilize support from various stakeholders within the village and identify opportunities for change within the village context.

When undertaking structural changes to optimize village potential, it is essential to prioritize long-term business sustainability. This sustainability involves three interrelated components: nature, life support systems, and communities while focusing on building and nurturing the well-being of people, the local economy, and the community (Parris & Kates, 2003). The concept of sustainable development, which encompasses these principles, was initially addressed in the United Nations "World Charter for Nature" in 1982 (Wood, 1985) and subsequently expanded upon to create the 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development (United Nations, 2015). These sustainable development goals have been embraced by global leaders, including those in Indonesia.

In Indonesia, the SDGs have been actively implemented since 2017, as outlined in Presidential Regulation No. 59 of 2017 on Implementation of Achieving Sustainable Development Goals. These principles have also been cascaded down to the local village government administration level, as stipulated in the. This underscores the country's commitment to achieving sustainable development at the grassroots level and aligning with global sustainability goals.

In the context of Indonesian villages, the Sustainable Development Goals (SDGs) have been adapted to incorporate the preservation of local wisdom and customs. Consequently, the village SDGs have expanded to include 18 targets, which encompass a range of vital objectives of (1) Villages without poverty, (2) Villages without hunger, (3) Healthy and prosperous villages, (4) Quality village education, (5) Involvement of village women, (6) Decent villages clean water and sanitation, (7) Clean and renewable energy village, (8) Village economic growth, (9) Village innovation and infrastructure, (10) Village without inequality, (11) Sustainable village

settlement area, (12) Environmentally conscious village consumption and production, (13) Village control and climate change, (14) Village marine ecosystem, (15) Village land ecosystem, (16) Peaceful and just village, (17) Partnership for village development, and (18) Dynamic village institutions and adaptive village culture (Minister of Villages, Development of Disadvantaged Regions, and Transmigration No. 21 Year 2020, 2020). In this investigation, we focused on the 18 Village SDGs to assess how the transformation efforts of BUMDES contribute to achieving the sustainable development goals within the villages.

## **Methods**

This multiple-case study was conducted in three Indonesian provinces: West Java, the Special Region of Yogyakarta, and West Nusa Tenggara. The research employed a qualitative approach to gain a profound understanding of motivations, actions, and contextual influences on beliefs and behaviours. In this qualitative framework, the study explores how symbolic constructions affect individual and institutional behaviour in the BUMDES field, focusing on accountability practices. This approach facilitated in-depth knowledge through direct interactions between researchers and the involved actors.

This investigation was conducted as part of Universitas Indonesia's Internationally Indexed Leading Publication Grant 2022. Before data collection, the study obtained authorization from the Research Directorate of Universitas Indonesia under PUTI Q2 Grant No. NKB-534/UN2.RST/HKP.05.00/2022 to ensure ethical research standards were followed.

BUMDES were chosen based on specific criteria to ensure diverse perspectives, encompassing different stages of development and various business orientations. These stages of development were determined using a five-stage business life cycle framework proposed by Hallbom (2003) and Wang (2002), which aligns with the Ministry of Villages' ranking system for BUMDES. The selected BUMDES also had diverse business orientations, including both commercial and social focus, to provide insights into different institutional entrepreneurship within these organizations.

In this multi-case study, a total of ten BUMDES were carefully chosen, representing three provinces: West Nusa Tenggara (comprising 3 units of analysis), West Java (encompassing 4 units of analysis), and the Yogyakarta Special Region (containing 4 units of analysis). These selected organizations exhibit a wide range of business orientations, with some being primarily motivated by commercial objectives, while others have missions that are more socially oriented.

In the West Nusa Tenggara Province, a total of three BUMDES organizations were selected from different regions, specifically from East Lombok, Central Lombok, and North Lombok Regencies. East Lombok and Central Lombok Regencies are the first and second most densely populated areas in the province, with populations of 1.366 million people and 1.068 million people, respectively. In contrast, North Lombok Regency has a relatively smaller population of 256.4 thousand people, ranking seventh in terms of population among the ten cities and regencies within West Nusa Tenggara Province. In terms of poverty rates, East Lombok and Central Lombok Regencies have the highest poverty rates, while North Lombok Regency is ranked sixth, according to data from the Statistics West Nusa Tenggara (2023).

**Table 1. The Observed BUMDES Entities in West Nusa Tenggara Province**

No	Name	Village	Province	Field of Business	Business Orientation	2022 Village Development Index	Development Stage
1	BUMDES KK	NTB1 Village	West Nusa Tenggara	Sharia-based microfinance; homestay; tourist attractions for coffee and coconut oil making; tour guides	Commercial-oriented	Developed Village	Advanced
2	BUMDES MS	NTB2 Village	West Nusa Tenggara	Microfinance loans	Commercial-oriented	Developing Village	Declined
3	BUMDES PB	NTB3 Village	West Nusa Tenggara	Rental of homestays, swimming pool, and tourism village	Commercial-oriented	Independent Village	Rebirth

In the West Java Province, field studies were conducted in three BUMDES organizations located in Bogor Regency. This region has the highest population density, with 5.556 million people, the largest number of people living in poverty (491.24 thousand people), and the highest number of villages (435 villages) as of 2023, according to Statistics West Java Province (2023).

**Table 2. The Observed BUMDES Entities in West Java Province**

No	Name	Village	Province	Field of Business	Business Orientation	2022 Village Development Index	Development Stage
1	BUMDES TA	JBR1 Village	West Java	Natural hot spring	Commercial-oriented	Independent Village	Advanced
2	BUMDES KP	JBR2 Village	West Java	Multi-payment service	Commercial-oriented	Developed Village	Developing
3	BUMDES KM	JBR3 Village	West Java	WIFI rental; multi-payment service	Commercial-oriented	Developed Village	Developing

Meanwhile, in the Special Region of Yogyakarta Province, a total of four BUMDES organizations were selected, of which two BUMDES are located in Sleman Regency and the remaining two are from Bantul Regency. These two regencies are the most densely populated areas in the province, with respective populations of 1.148 million people and 1.013 million people in 2022, as reported by the Statistics Special Region of Yogyakarta Province (2023). In 2022, Bantul Regency had the highest number of individuals experiencing poverty, totalling 130.13 thousand people, while Sleman Regency ranked third, with 98.92 thousand people living in poverty, according to the same report.

Access to the organizations and participants for this case study was facilitated through snowballing or chain-referral techniques (Biernacki & Waldorf, 1981; Naderifar, Goli & Ghaljaie, 2017; Noy, 2008). The process began by establishing professional connections with regional bureaucrats involved in village development and empowerment, academics, and community development activists. Through these contacts, a network of participants was identified. In total, 48 participants agreed to take part in this study. The targeted participants included (a) Village heads (10 participants), (b) members of the Village Consultative Body (*Badan Permusyawaratan Desa* or BPD) (7 participants), (c) BUMDES administrator (11 participants), (d) Regional government officials (i.e., Regency Offices and Village Development & Empowerment Services at Regency and Provincial levels) (4 participants), and (e) ordinary villagers (16 participants).

**Table 3. The Observed BUMDES Entities in Special Region of Yogyakarta Province**

No	Name	Village	Province	Field of Business	Business Orientation	2022 Village Development Index	Development Stage
1	BUMDES SR	DIY1 Village	Special Region of Yogyakarta	Trading; tourism village; sheep breeding	Commercial-oriented	Independent Village	Pioneer
2	BUMDES TM	DIY2 Village	Special Region of Yogyakarta	WIFI rental; waste collector service	Commercial and social-oriented	Independent Village	Rebirth
3	BUMDES AP	DIY3 Village	Special Region of Yogyakarta	Waste processing facility; rental of culinary stalls, swimming pool; futsal court; and rice milling service	Commercial and social-oriented	Independent Village	Advanced
4	BUMDES PL	DIY4 Village	Special Region of Yogyakarta	Waste processing facility; restaurant; meeting hall; and village markets	Commercial and social-oriented	Independent Village	Advanced

Data were collected using three different research instruments, including semi-structured interviews, observations, and documentation to ensure triangulation and construct validity. Ethical measures were upheld, including providing comprehensive information about the research to participants, obtaining informed consent that emphasized confidentiality and document protection, and creating a consent form in both English and Bahasa Indonesia to enhance participant understanding. These steps were taken to maintain ethical standards and respect participant rights and privacy.

Face-to-face interviews were carried out from July to September 2022. These interviews involved 48 participants, and no new thematic elements emerged, making the results conclusive. In West Nusa Tenggara Province, an interpreter assisted with interviews in the



Sasak dialect and translated responses into Indonesian. However, no translation was necessary for interviews in Central Java and West Java Provinces, as the primary researcher was proficient in both Javanese and Sundanese languages. The interviews were transcribed in Indonesian and then translated into English, ensuring consistency of meaning through cross-referencing with the Indonesian version.

The interview findings were validated through a triangulation process involving observations and document reviews. Observations included visits to BUMDES offices and business units, providing insight into business processes and interactions among BUMDES actors. Visits to businesses partnered with BUMDES were also made. Observations extended to social media platforms like YouTube, Facebook, Instagram, WhatsApp groups, and websites. Document reviews involved examining annual reports, financial statements, and village regulations related to BUMDES.

The data collected were subjected to a thorough analysis employing thematic analysis. Thematic analysis is a qualitative data analysis method that involves the systematic processing, coding, and summarization of information extracted from existing data, facilitating the identification of recurring themes and patterns (Sandelowski, 2000).

To initiate the analysis, NVivo 12 Pro was used to assist in identifying initial themes. However, the interpretation and in-depth exploration of these themes were carried out through the authors' creative and critical reading and reflection on the data. To mitigate potential bias, each author independently reinterpreted and recoded the emerging themes. They subsequently cross-validated each other's findings and arrived at a consensus regarding the final themes and codes. This collaborative process aimed to ensure the robustness and rigour of the analysis.

## **Findings**

The study's findings are organized into three main sections, which encompass: (a) the challenges encountered by BUMDES in the process of maximizing village resources, (b) the leadership role played by village heads in the transformation of BUMDES, and (c) the impact of BUMDES transformation on the fulfilment of Village Sustainable Development Goals (SDGs). These sections have been delineated using thematic analysis methods to uncover prominent themes associated with the aforementioned subjects.

### ***a) Fundamental Problems Faced by BUMDES in Optimizing Village Resources***

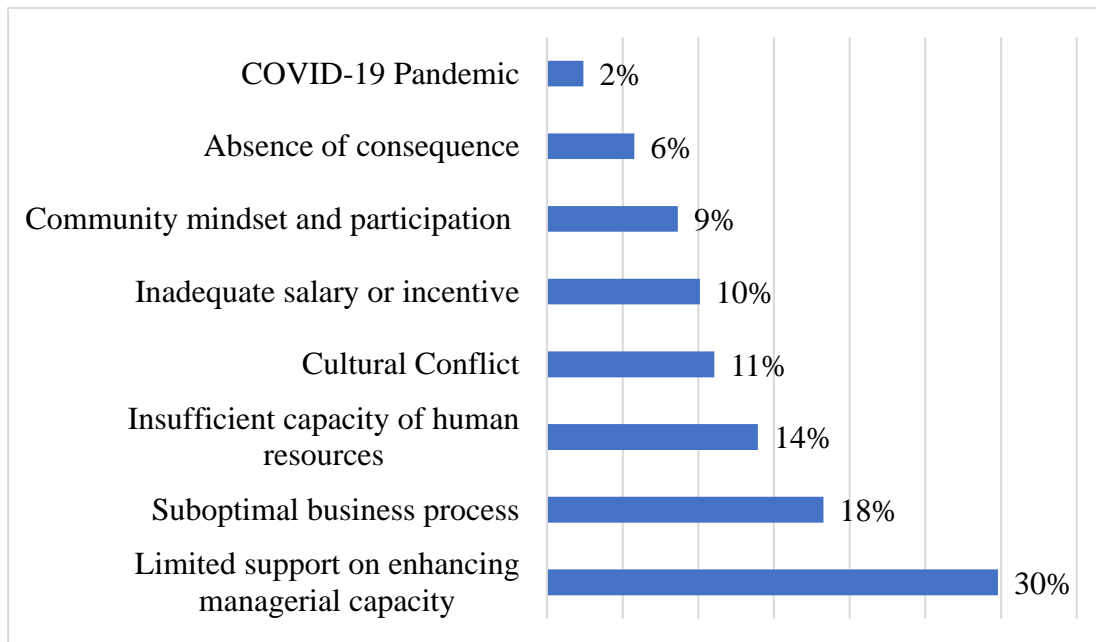
The study's findings, acquired through the utilization of thematic analysis within the data analysis process, have revealed a minimum of eight significant thematic elements that represent critical challenges in the optimization of village resources by BUMDES organizations seeking to generate sustainable benefits for the local community. A concise summary of the primary issues associated with the BUMDES program is provided in Figure 1.

The principal impediment in the process of optimizing village resources and potentials is recognized as the inadequate support provided for augmenting the managerial capabilities of BUMDES. This insufficiency is also evident in the incapacity of the BUMDES management team to discern village potential or resources amenable to optimization by the BUMDES. The subsequent interview excerpt serves to elucidate these challenges.

*“... we are only being asked to establish BUMDES organization, but there is almost no coaching, training, and intervention from the regional government at all on how to manage it.” (Participant P9, Village Head, 2022)*

*“...what is lacking is how to identify the village's business potential. After the BUMDES business is running, there is almost no monitoring and evaluation from the regional*

government. At most, they are only asked whether the BUMDES have been established and the results of the business. Even when the BUMDES condition worsened, we were left alone.” (Participant P11, Village Head, 2022).



**Figure 1. Challenges in Maximizing Village Resources by BUMDES**

Furthermore, inadequacies in internal business processes and a dearth of human resource capacity have been identified as formidable challenges confronting BUMDES in the management of village assets. BUMDES acknowledges that its suboptimal business processes stem from a scarcity of human resources necessary for effective organizational management. The majority of BUMDES managers have completed no more than a high school education or possess qualifications at lower educational levels. Among the ten BUMDES organizations included in the case study, just two are overseen by individuals holding undergraduate degrees, while the remaining eight have educational backgrounds that span from high school to elementary school levels. Additionally, many of these managers primarily engage in occupations such as farming or fishing, thus lacking the requisite experience and knowledge in the domain of business management. The relatively limited educational attainment, restricted literacy, and the absence of substantial business management experience constitute impediments to the expeditious advancement of BUMDES.

The ensuing quotations exemplify the subpar state of business processes within BUMDES:

*“The challenge at hand pertains to the debt collection approach. In our competitor, ABC Rural Bank, their debt collectors, predominantly women, demonstrate remarkable persistence. If a customer fails to make a payment by evening, these collectors are willing to patiently await the payment. However, BUMDES, which is predominantly managed by men, employs a distinct, less persistent strategy. The women at ABC Rural Bank work with specific targets and make repeated attempts, even returning in the afternoon or even at night, to secure payments. In contrast, BUMDES is not currently capable of adopting such a proactive strategy.”* (Participant P6, Village Head, 2022)

*“Our attempts to engage potential administrators for loan collection revealed their hesitation. They expressed the need for some time to consider the proposition. These*

*individuals indicated their willingness to collect debts from villagers in other areas, but they exhibited reluctance when it came to collecting debts within their community.” (Participant P6, Village Head, 2022)*

*“I had the impression that the BUMDES in our village had ceased its operations due to the absence of loan officers. Additionally, the multi-payment counter, which I used to pay my motorbike taxes and electricity bills, often closes when I need it. Consequently, I ceased interacting with BUMDES, under the assumption that it was no longer in operation.” (Participant P23, Villager, 2022)*

The inadequacies in the capacity of the BUMDES management team are reflected by the following:

*“I encounter difficulties using a computer. Whenever there are tasks that necessitate computer or online processing, I heavily depend on my secretary. However, none of my secretaries find it comfortable to work here, and their tenure typically does not exceed a year. I'm at a loss as to what to do since I cannot handle these tasks independently. I am also unaware of how to create a BUMDES report on my own.” (Participant P7, BUMDES administrator, 2022)*

*“The issue at hand revolves around whether the individual overseeing the BUMDES is an experienced business operator. These individuals typically have backgrounds as farmers, fishermen, or participants in traditional business endeavours. Although they receive business capital, they encounter difficulties in effectively managing their businesses. Some display enthusiasm, yet lack the necessary knowledge and skills to proficiently manage a business.” (Participant P18, Village Head, 2022)*

A significant challenge impeding BUMDES management is the emergence of cultural conflicts. These conflicts arise from various factors, including the vested interests and interventions of the village head in the appointment of BUMDES directors. Personal preferences and disagreements can lead to discord between BUMDES managers and the village government. Moreover, the presence of the cultural norm known as *"ewuh pakewuh"* exacerbates these challenges. This norm involves a reluctance to be candid, pose questions, seek clarification, or assert oneself when interacting with individuals who have familial ties or occupy a higher social status. These cultural barriers represent substantial obstacles to the successful implementation of the BUMDES program. The following excerpts provide a concrete illustration of these challenges.

*“A transition in village head leadership typically exerts an influence on the composition of the BUMDES management team. It is acknowledged that the election of the BUMDES director often carries a political aspect, favouring individuals with close ties to the village head. Consequently, the selected person may not necessarily possess the requisite competence for effective business management.” (Participant P3, Member of Village Consultative Body, 2022)*

*“We are responsible for debt collection from the residents, but we experience a sense of embarrassment. This seems counterintuitive, as traditionally, it is those with debts who are expected to feel ashamed. However, due to our frequent interactions with residents to collect loans, I, as the caretaker, end up feeling uncomfortable. Many of them are my*

*relatives, and I find it difficult to charge them as well.” (Participant P7, BUMDES administrator, 2022)*

*“The Village Head has a personal dislike for me, and it seems that whatever I do is always perceived as wrong. If he holds such negative feelings towards me, why doesn't he convene a village meeting to formally dismiss me? I am willing to disclose all the details in that scenario. However, the Village Head chooses to take no action and simply ignores the situation.” (Participant P20, BUMDES administrator, 2022)*

BUMDES confronts formidable hurdles in both attracting and retaining highly skilled human resources from within the village. The most talented individuals residing in rural areas are frequently lured away by the more lucrative salary prospects offered in urban settings. This predicament is compounded by the fact that the remuneration for BUMDES management relies on the profitability of the BUMDES itself. Village governments face constraints in reallocating capital for the initial operations, making it challenging to adequately compensate BUMDES management. Consequently, villages grapple with the task of securing committed human resources possessing the requisite professional acumen to effectively manage BUMDES.

*“None of the secretaries maintain a long-term commitment to BUMDES, primarily for several reasons. Firstly, the absence of remuneration for their work at BUMDES is a significant deterrent. Secondly, BUMDES does not yet have a dedicated office space. However, it is acknowledged that the principal and most compelling reason is the absence of a salary from BUMDES.” (Participant P7, BUMDES administrator 2022)*

*“The BUMDES management does not receive any honorarium or incentives; they only receive reimbursement for operational expenses. This circumstance makes it challenging to persuade individuals to take on roles within the village, as there is no guaranteed salary to support themselves and their families through BUMDES. Their compensation is contingent upon the BUMDES generating a profit.” (Participant P9, Village Head, 2022)*

The mindset of the community plays a pivotal role in influencing the success and progress of BUMDES, particularly about the involvement and backing of its business ventures. Nevertheless, specific elements of the community mindset can impede these endeavours. Two particular obstacles underscored by the participants are the perception that repaying loans to BUMDES is unnecessary and a lack of trust in BUMDES, as illustrated below.

*“...this situation has arisen due to trust-related issues. There exists a tradition where individuals tend to place more trust in residents from other villages rather than their own.” (Participant P3, Member of Village Consultative Body, 2022)*

*“The villagers were aware that BUMDES utilized funds sourced from the village fund, which led to their unwillingness to repay loans to BUMDES. However, when borrowing from other banks, they display a greater readiness to adhere to a disciplined repayment schedule, often making weekly instalments.” (Participant P6, Village Head, 2022)*

The establishment of a well-defined mechanism for assessing the positive and negative consequences of the BUMDES program implementation remains a challenge. This lack of clarity in evaluation procedures constitutes one of the primary obstacles to the successful execution of the BUMDES program, as exemplified in the following quote:

*“We have not been informed about the evaluation process or the outcomes of the ranking. Thus far, our knowledge is limited to hearsay suggesting that certain BUMDES may receive recognition, but we lack definite confirmation or details.” (Participant P4, Village Head, 2022)*

*“The potential consequence would, at best, entail returning the funds. Nevertheless, there has been no verification to ascertain whether these funds have indeed been reimbursed to the regional treasury or not.” (Participant P15, Regional government, 2022)*

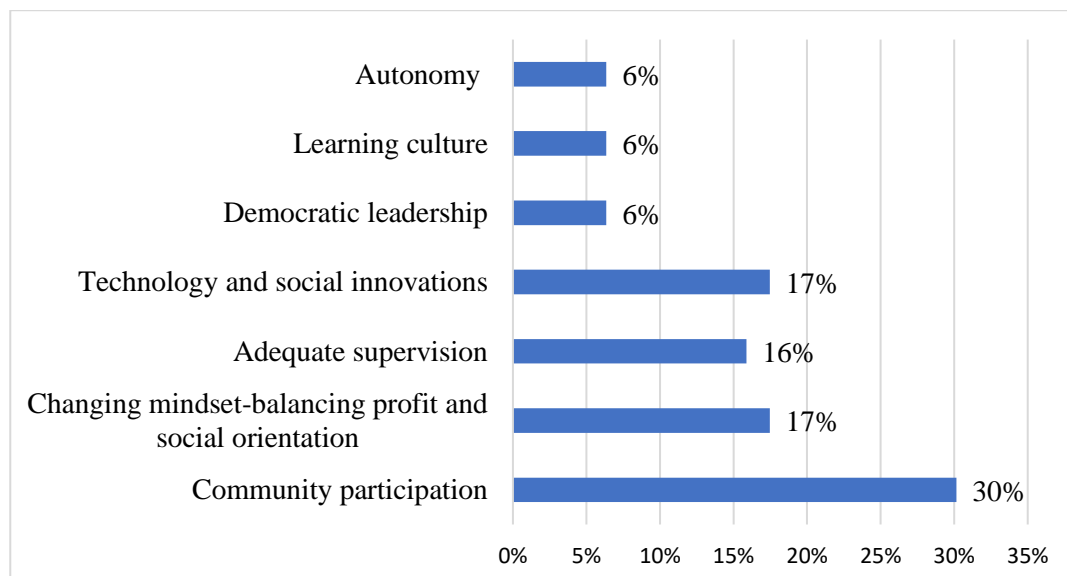
The conditions arising from the COVID-19 pandemic have additionally posed constraints on BUMDES, primarily because there has been a shift in priorities towards allocating village funds for COVID-19-related initiatives, rather than directing them toward the development of BUMDES businesses.

*“In 2020-2021, our efforts to expand BUMDES were halted due to the pandemic. Rather than focusing on the growth of BUMDES, my daily thoughts were consumed by the needs of residents impacted by COVID-19. Each day was occupied with providing oxygen, facilitating hospital visits, organizing volunteer efforts, and ensuring the prompt burial of the deceased.” (Participant P30, Village Head, 2022)*

#### **b) Village Head Roles in Transforming BUMDES into Sustainable Business**

Utilizing thematic analysis to scrutinize the study's findings, seven themes have surfaced in connection with the leadership role of the Village Head in facilitating the transformation of BUMDES into a sustainable business. These themes are depicted in Figure 2.

Community involvement is indispensable in identifying village potential, managing BUMDES businesses, and utilizing the products or services generated by BUMDES. Without active participation from the community in BUMDES management, the businesses operated by BUMDES are unlikely to be sustainable over the long term.



**Figure 2. Village Heads' Role in BUMDES Transformation**

Consequently, the leadership responsibilities of the Village Head in encouraging community engagement must encompass various initiatives. This includes creating opportunities for all segments of the village community to assume management roles or employment positions



within BUMDES. Additionally, it involves leveraging diverse accessible media channels for community communication about BUMDES programs, products, and services, as well as transparently disclosing the business outcomes resulting from BUMDES operations.

*“The essential element for success revolves around community participation in BUMDES, underscoring our commitment to transparency and collaboration with the community. We extend invitations to young individuals, to encourage them to venture into entrepreneurship within business domains that align with their interests. BUMDES offers the capital required for them to establish small workshops, mini barbershops, food carts, or other enterprises tailored to their preferences.”* (Participant P2, Village Head, 2022)

*“As an increasing number of village programs collaborate with BUMDES, the community has experienced greater unity and active participation through BUMDES in conjunction with the village government. Consequently, our residents no longer hesitate to visit the village office and engage in discussions with us regarding village government services and BUMDES business services that align with their specific needs.”* (Participant P3, Member of Village Consultative Body, 2022)

*“We employ various digital platforms such as village websites and WhatsApp groups to disseminate information about village government activities, including those related to BUMDES. Villagers have the opportunity to join these groups and access information about BUMDES products, services, and reports. This facilitates allow them to reach out to us at any time via these platforms.”* (Participant P46, Member of Village Consultative Body, 2022)

In the capacity of a BUMDES advisor, the Village Head assumes a vital role in reshaping the mindset of BUMDES administrators. This involves underlining the significance of striking a balance between the objective of generating profits from BUMDES businesses and the imperative of achieving social goals for the community. In essence, in managing BUMDES, a professional approach to profitability is indispensable, as it serves the government's social objectives through BUMDES. Without profits derived from BUMDES enterprises, the village government would be unable to fulfil its mission of enhancing the welfare and elevating the living standards of village residents. However, it's crucial to note that profit generation is not the sole goal or metric of BUMDES success.

*“Since my inception as a BUMDES administrator, the Village Head has consistently emphasized that BUMDES should not exclusively pursue profits. While BUMDES needs to generate a profit, the primary focus should be on how BUMDES can be of assistance to the community.”* (Participant P4, BUMDES administrator, 2022)

*“An effective BUMDES can generate profits, as this has several advantages for the community. These benefits include financing projects like constructing a village office, supporting the renovation of houses owned by less privileged residents, providing compensation for orphans, and contributing to various social activities within the village.”* (Participant P13, BUMDES administrator, 2022)

Effective supervision conducted by the Village Head plays a significant role in the transformation of BUMDES, ensuring that it is managed professionally and transparently.

*“We monitor its performance every day through the accounting information system used by BUMDES, we can see how much money comes in and goes out every day. We are*

*monitoring it closely because this BUMDES business is in the field of micro-funding.”*  
(Participant P2, Village Head, 2022)

The technological innovations implemented by BUMDES have significantly enhanced the efficiency of its operations. Additionally, the innovations in social services offered by BUMDES to the community play a crucial role in reinforcing BUMDES' substantial impact on improving community well-being. These innovations ultimately foster greater trust and a sense of ownership of BUMDES within the village community.

*“We employ a micro-finance computer application that was procured from a vendor. This application allows each of our customers to instantly access their updated savings and loan balances when they visit. Additionally, we share deposit and loan balance reports with the supervisors. They can access this application in real-time to stay updated on the financial status.”* (Participant P4, BUMDES administrator, 2022)

*“BUMDES contribution has allowed us to offer social support to our residents. We provide our residents with free ambulance services for the sick, as well as compensation of Rp. 2 million per deceased individual. Additionally, during the pandemic, we initiated the "Warung Sodaqoh" (alms shop), funded by 2.5% of BUMDES profits. This initiative provides essential items like rice, eggs, and sugar to the underprivileged free of charge. Those who are financially able can also make donations of rice, eggs, sugar, or other items.”* (Participant P2, Village Head, 2022)

The leadership approach adopted by the village head about BUMDES entails granting autonomy to BUMDES management to formulate its business development strategy. Moreover, there is a commitment to actively listen to the input provided by BUMDES management and village residents to identify additional business prospects.

*“My observation indicates that a majority of BUMDES administrators tend to simply adhere to the directives provided by the Village Head. However, I am inclined to depart from this approach. I aspire for BUMDES administrators to have the autonomy to make sound business decisions that serve the best interests of BUMDES. My role primarily involves supervision rather than dictating all operational aspects.”* (Participant P2, Village Head, 2022)

*“We consistently take into account input from the grassroots. For instance, when advancing a tourist village project, we consider the needs of the community. Guests who visit our village often encounter challenges when it comes to withdrawing cash, given that the nearest ATM is located in the sub-district centre. Subsequently, we engaged in discussions with BUMDES management and reached an agreement to collaborate with a bank for the placement of EDC (Electronic Data Capture) machines within BUMDES, addressing this issue.”*(Participant P2, Village Head, 2022)

The Village Head's role in cultivating a culture of learning among BUMDES administrators is instrumental in enhancing BUMDES performance. While the central and regional governments may face constraints in offering support for the development of BUMDES administrators' capabilities, the Village Head can establish a learning culture through cost-effective means despite these limitations.

*“Before commencing BUMDES savings and loan operations, we underwent a three-month internship at the Islamic financial institution. Furthermore, the Village Head extended invitations to finance experts from universities, who generously provided training to us BUMDES administrators at no cost.” (Participant P4, BUMDES administrator, 2022)*

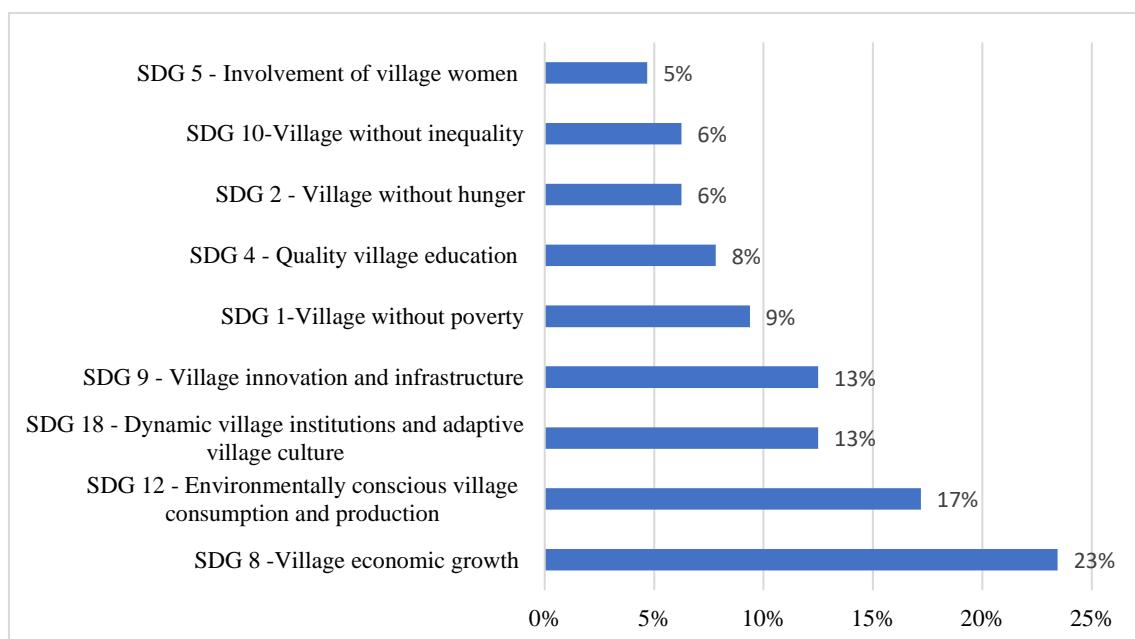
### **c) Contribution of BUMDES Transformation to the Attainment of SDGs**

The transformation initiatives led by the village heads within the BUMDES organizations examined in this study demonstrate their dedication to advancing a minimum of nine Village Sustainable Development Goals (SDGs), as summarized in Figure 3.

The study findings indicate that the village government's foremost objective, through the presence of BUMDES, is to attain SDG 9, with a focus on rural economic growth. BUMDES serves as the vanguard for the village government in offering job opportunities to village residents, with special attention given to vulnerable groups who may not readily find opportunities in the wider employment landscape.

*“With the establishment of BUMDES, we have been able to create job prospects for village residents. We extend capital loans and establish business units, such as workshops, car washes, waste management, kiosks, and homestays, particularly geared towards providing opportunities for young people. This enables village residents to engage in employment, generate income and additionally contribute to the village's revenue through the profits generated by BUMDES. These earnings are then reinvested into the community in the form of social funds and zakat.” (Participant P2, 2022)*

*“The village community has observed that we are capable of mitigating unemployment within the village by offering fair minimum wages. Our primary focus is on providing employment opportunities within BUMDES for individuals who have discontinued their education or possess limited formal education, making them less likely to secure positions in the competitive job market.” (Participant P46, Member of Village Consultative Body, 2022)*



**Figure 3. The SGDs Addressed through BUMDES Transformation**

The findings highlight the village's commitment to environmentally conscious production and consumption practices. This commitment is evident in the village's initiatives to sort, reuse, and process waste, showcasing their responsibility for sustainable production and consumption within the community. This environmentally aware approach is exemplified by the establishment of a BUMDES business sector focused on waste processing. The village's motivation for a clean and healthy living environment, combined with the pressing issue of a significant increase in waste volume, has driven it to tackle this waste challenge through BUMDES. As a result, the transformation of BUMDES aligns with SDG 12, which promotes environmentally conscious consumption and production in the village.

*"The initial business unit run by our BUMDES focuses on waste management. We opted for this venture due to the prevalent waste issue in our area. Given that our region shares borders with urban areas where waste is a significant concern, addressing waste management was imperative. Additionally, from an economic standpoint, this waste-related business posed the least risk, making it a strategic choice for our BUMDES."* (Participant P44, Village Head, 2022)

*"We decided to focus on waste management because waste has been a persistent issue that has yet to be fully resolved. It's a timeless problem that affects every individual since waste is an inevitable byproduct of human existence. Furthermore, we view it as our responsibility to address this problem, given that we are the ones generating the waste in the first place."* (Participant P46, Member of Village Consultative Body, 2022)

The transformation in BUMDES management takes into account the unique cultural values and norms of the village. These values emphasize cooperation, care for others, and the avoidance of competition between BUMDES businesses and residents' businesses. This approach aligns with SDG 18, which focuses on fostering dynamic village institutions and adaptive village culture.

*"BUMDES should avoid engaging in businesses that could harm the sustainability of local community businesses. We need to progress while ensuring that neighbouring businesses are not negatively affected by BUMDES activities. Our role should be to enhance and consolidate the economic efforts of village residents."* (Participant P17, BUMDES administrator, 2022)

*"BUMDES serves as an integral component of the social safety net, aiming to broaden access to sustainable livelihoods for vulnerable demographics. Consequently, it is crucial for BUMDES not to undermine local community businesses to ensure the welfare of the village population."* (Participant P44, Village Head, 2022)

The innovative use of technology and the introduction of new social activities by BUMDES, as previously discussed, contribute to increased efficiency and community ownership of BUMDES, thereby aligning with the objectives of SDG 9, which emphasizes village innovation and infrastructure.

The transformation of BUMDES, with a focus on enhancing the welfare of village communities, involves establishing a safety net for vulnerable communities within villages. This aims to elevate living standards and ensure that no villagers face hunger, thus aligning with the objectives of SDG 1, which seeks to eradicate poverty in villages, and SDG 2, which aims to eliminate hunger in villages, as evident in the following excerpts.

*“The Self-Help Home Program is an initiative initiated by the village government, with funding provided by BUMDES. This program focuses on renovating dilapidated houses owned by impoverished residents in the village, rendering them safe and habitable. Through this BUMDES program, these underprivileged individuals gain access to decent and secure living spaces.”* (Participant P11, Village Head, 2022)

*“I would rather my people be able to eat, than not eat. I am happy that the economically vulnerable people can work in BUMDES, they can afford to eat every day. What's the point of having a large village income but my people don't eat?”* (Participant P46, Member of Village Consultative Body, 2022)

The profits earned by BUMDES are directed towards increasing the village's source of income, which, in turn, supports enhanced educational opportunities for the residents. One of the ways this is achieved is by offering scholarships for school tuition to orphaned children in the community, although the number of scholarships may be limited. This reflects a commitment to improving access to education, particularly for vulnerable or disadvantaged children in the village. It aligns to reduce inequalities and promote quality education, as outlined in SDG 4 (Quality in village education) and SDG 10 (Village without inequalities).

*“In each community unit, we provide support to 20 orphans, rotating assistance each month. Each orphan receives approximately Rp. 2 to 2.5 million in compensation from BUMDES, which is allocated to help cover their school fees.”* (Participant P11, Village Head, 2022)

The study also highlights the active involvement of village women in the BUMDES transformation process. This is evidenced by appointing female BUMDES administrators to oversee and manage BUMDES businesses. It is recognized that involving women in BUMDES management can contribute to enhanced performance due to their known attributes of persistence and diligence. This approach aligns with the broader objective of promoting gender equality and women's empowerment, supporting the Village SDG 5 on village women's involvement (gender equality).

*“We have widely opened vacancies to become BUMDES administrators and five people, all of them women, have volunteered. We selected three people to be chairman, secretary and treasurer. We believe that women are more tenacious and diligent, hopefully, BUMDES can run better.”* (Participant P9, Village Head, 2022)

### **Discussion and Conclusion**

The initial program planning was highly regarded and considered a groundbreaking endeavour with the potential to reduce poverty and enhance the well-being of the Indonesian population. Drawing inspiration from successful programs in other countries like Japan and Thailand, the implementation of BUMDES was initially expected to encounter few challenges or complications.

In contrast to the initial expectation that the implementation of BUMDES would face a few challenges in practice, the reality has turned out differently. In practical terms, the implementation of the BUMDES program in Indonesia can be aptly described as resembling "organized chaos" due to several fundamental obstacles that impede their effectiveness in managing village resources.

The fundamental obstacles highlighted in this study encompass limited support for capacity building from relevant government authorities, suboptimal business processes, restricted



capacity of BUMDES administrators, cultural conflicts, unattractive salary incentives, insufficient village community participation, absence of consequences for management failures in BUMDES, and the repercussions of the COVID-19 pandemic.

The findings concerning these obstacles corroborate the claims made by Agunggunanto et al. (2016), Purnamawati & Indriani (2021), Sofianto & Risandewi, (2021) regarding the limited capacity of the human resources selected to manage BUMDES, which results in suboptimal business operation processes. The failure of BUMDES to identify village potential, as explained in studies conducted by Handajani et al. (2021), Risnawati (2017), Sofianto & Risandewi (2021), is also attributed to the limited managerial capacity of BUMDES. The lack of active participation from village residents in the BUMDES program, identified as a significant hindrance to the effective utilisation of village resources in this study, aligns with the findings of previous research by Fajarwati et al. (2016), Iryani & Mauliza (2020), Marshaliany (2019), and Risnawati, (2017). These prior studies also highlighted the challenge of engaging and involving local community members in the BUMDES initiatives, indicating a recurring issue in the implementation of the program.

The findings of this study broaden the understanding of fundamental obstacles hindering the optimization of village resources, as compared to previous research. These newly identified obstacles include limited support from relevant authorities for enhancing the capacity of BUMDES administrators, suboptimal business processes, cultural conflicts, unattractive incentive schemes, minimal consequences for mismanagement, and the impact of the COVID-19 pandemic. This research, therefore, contributes to a more comprehensive assessment of the challenges faced by BUMDES in their efforts to maximize village resources.

The application of an institutional entrepreneurship approach, as explained by (P. DiMaggio, 1998) and further developed by scholars like Battilana & Dorado (2010), Dorado (2005), Greenwood & Suddaby (2006), Holm (1995), Seo & Creed (2002), posits that transformation actors, in this context the Village Heads, play a pivotal role in instigating structural change, guiding change efforts, and steering the direction of change. This approach expects these actors to bring about institutional change, even in the face of resistance to maintaining the status quo. Furthermore, the process of institutional change is influenced by the form of agency embraced by these actors, their ability to mobilize limited resources, and their capacity to create innovative opportunities within the existing institutional framework. In essence, the success of institutional change depends on the proactive role and strategic actions of these transformation actors in the pursuit of change and development.

### ***Theoretical Implications***

This study provides a significant contribution by applying the concept of institutional entrepreneurship to shed light on the role of village heads in the transformation of BUMDES entities into sustainable businesses aimed at enhancing village welfare. Additionally, the study contributes to mapping how the outcomes of this transformation align with and contribute to the attainment of Village SDGs.

The study posits that the transformation led by the Village Head, who plays a pivotal role in enhancing transformation initiatives, involves several key strategies. These strategies include promoting increased participation of the village community in BUMDES activities, fostering a change in the mindset of BUMDES administrators to balance profit-seeking goals with social goals, ensuring adequate supervision, introducing innovation and technology into BUMDES operations, enhancing BUMDES social activities to increase the sense of ownership among village residents, adopting democratic leadership by listening to grassroots input, granting autonomy to BUMDES administrators to make sound business decisions, and promoting a culture of learning within BUMDES despite existing limitations. This agency role aligns with

the concept of institutional entrepreneurship as proposed by scholars such as P. DiMaggio (1998), Battilana & Dorado (2010), Dorado (2005), Greenwood & Suddaby (2006), Holm, (1995), and Seo & Creed (2002).

The transformation efforts implemented in the BUMDES entities included in this study were observed to contribute to nine (9) Village Sustainable Development Goals (SDGs). These SDGs encompass SDG 1 - Villages without poverty, SDG 2 - Villages without hunger, SDG 4 - Quality village education, SDG 5 - Involvement of village women, SDG 8 - Village economic growth, SDG 9 - Village innovation and infrastructure, SDG 10 - Village without inequality, SDG 12 - Environmentally conscious village consumption and production, and SDG 18 - Dynamic village institutions and adaptive village culture.

### ***Practical and Social Implications***

This study suggests strategic approaches for transforming BUMDES in Indonesia into sustainable enterprises. These approaches are crafted to be relevant not just in Indonesia but also in other nations sharing akin traits with BUMDES initiatives in Indonesia. Collaborative efforts between relevant stakeholders, including academics and practitioners are required to enhance BUMDES administrators' capacity, by tailoring a structured curriculum to varying developmental levels, from beginner to advanced. Designing this curriculum should involve consultations with BUMDES organizations, experts, and academics.

To ensure nationwide access to this capacity-building initiative, the government should consider implementing a free online learning management system, making training materials accessible. The capacity-building program must be closely linked to the BUMDES rating system, so adherence to capacity-building policies carries tangible outcomes, such as rewards or penalties, reflected in BUMDES ratings. Ultimately, BUMDES capacity-building should be a key criterion in evaluating and ranking BUMDES organizations' performance.

To boost community involvement in the BUMDES program, the village government and BUMDES management should proactively promote trust and transparency. Effective strategies include: a) Utilizing informal gatherings, by taking advantage of community events, religious functions, and local celebrations to engage in casual conversations with residents. These settings provide opportunities to communicate BUMDES activities, financial transparency, and performance achievements, thereby enhancing transparency and understanding among villagers. b) Leveraging social media by making use of popular social media platforms like WhatsApp, Instagram, Facebook, YouTube, and others to increase BUMDES visibility and facilitate communication with residents. These platforms offer accessible channels for sharing information, and updates, and participating in discussions, expanding BUMDES outreach and strengthening transparency and accountability. c) Encouraging villagers' involvement as partners by engaging villagers in the decision-making process and identifying their needs that can be supported by BUMDES initiatives. This entails evaluating villagers' potential businesses and providing financial assistance for their growth. Prioritizing vulnerable groups and generating employment opportunities within BUMDES can further enhance community engagement and inclusivity.

### ***Limitations***

This multiple-case study focused on ten BUMDES entities in three Indonesian provinces, using a qualitative approach. Findings are generalized based on theoretical foundations and prior research, not across all BUMDES organizations. The depth of examination for these ten entities balances the breadth of coverage. A limitation is the absence of central government participants, particularly the Ministry of Villages, which could have provided more comprehensive insights. Challenges in engaging the central government and temporal limitations were contributing

factors. There's also potential bias in identifying and classifying emerging themes, highlighting the need for continuous efforts to enhance research quality.

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