

Article

Village-owned enterprise governance and rural economic development: Evidence from Sumber Rejo, Indonesia

Muhamad Ruzaini Abdi¹, Yunus Praja Panjika²

¹Faculty of Economics and Business, University of Palangka Raya, Indonesia

²Faculty of Social and Political Sciences, University of Palangka Raya, Indonesia

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Corresponding Author :

Muhamad Ruzaini Abdi,
University of Palangka Raya
Email : muhamadruzainiabdi@feb.upr.ac.id

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Abstract

Economic development requires village institutions capable of transforming local resources into sustainable businesses and distributing their benefits equitably. This study analyzes the governance of Sumber Rejo Sejahtera Village-Owned Enterprise (BUMDes) and examines how its practices support or constrain community welfare in Sumber Rejo Village, Pematang Karau District, East Barito Regency. The study was motivated by the gap between the formal establishment of BUMDes and its limited capacity to generate inclusive economic benefits. A qualitative descriptive case-study design was employed. Data were collected through interviews with village officials, BUMDes managers, and community members, supported by direct observation and document analysis. The data were analyzed interactively through condensation, display, and conclusion drawing, while credibility was strengthened through source and technique triangulation. The findings show that BUMDes has supported agricultural activities and microenterprises, but its contribution remains limited and uneven. Financial and operational information is not disclosed regularly, accountability is oriented primarily toward administrative reporting, and community participation is concentrated at the implementation stage rather than planning, decision-making, supervision, and evaluation. Business diversification, capital, managerial competence, infrastructure, information dissemination, and market access also remain limited. The study recommends regular publication of financial and performance information, stronger supervision, inclusive community forums, managerial capacity building, and business development based on local potential and market feasibility. This study contributes an integrated explanation of how transparency, accountability, and participation shape the institutional conditions for rural welfare. Its findings are context-specific because the research covers one BUMDes and does not quantitatively measure changes in household income or employment.

Introduction

Rural development remains a central component of Indonesia's development agenda because disparities in productive capacity, infrastructure, market access, and institutional quality continue to differentiate economic outcomes across regions. Rural economies frequently depend on primary-sector activities, informal employment, and microenterprises that face limited access to capital, technology, managerial expertise, and broader markets. These constraints can suppress productivity, restrict employment creation, and perpetuate household vulnerability. Consequently, rural development requires more than fiscal transfers; it also requires locally embedded economic institutions capable of converting village resources into sustainable business activities and broadly distributed welfare gains (World Bank, 2025).

Indonesia's decentralization framework has expanded the authority of village governments to manage local resources and develop economic initiatives. Under Law No. 6 of 2014 on Villages, as amended by Law No. 3 of 2024, villages are positioned not merely as administrative units but as development actors with the authority to manage assets, establish enterprises, and pursue local economic autonomy. One of the principal instruments created to fulfil this mandate is the village-owned enterprise, locally known as Badan Usaha Milik Desa (BUMDes). Government Regulation No. 11 of 2021 further recognizes BUMDes as a legal entity established to manage businesses, utilize village assets, develop investment and productivity, provide public services, and promote community welfare.

From a development-economics perspective, BUMDes can address several structural constraints affecting rural economies. It can aggregate small-scale production, facilitate access to inputs and markets, reduce transaction costs, create employment, and retain a larger proportion of economic value within the village. [Arifin et al. \(2020\)](#) found that village funds contributed to the establishment of BUMDes and employment creation, although their economic effects varied according to local institutional capacity. [Hilmawan et al. \(2023\)](#) similarly demonstrated that village funds, BUMDes, and village-generated revenue are relevant to rural development; however, their effectiveness depends on whether financial resources are effectively transformed into productive and sustainable economic activities. Therefore, the number of BUMDes established should not be treated as the sole indicator of success; their governance, commercial viability, and contribution to local livelihoods must also be considered.

BUMDes occupies a hybrid position between a commercially oriented enterprise and a community-based institution. It is expected to generate revenue while simultaneously delivering social and economic benefits to village residents. This dual mandate distinguishes BUMDes from conventional private firms but also creates governance challenges. [Fitriani et al. \(2024\)](#) found that BUMDes accountability is shaped by tensions between administrative expectations, commercial objectives, and community demands. Similarly, [Wulandari et al. \(2024\)](#) conceptualized BUMDes as a social enterprise whose sustainability depends on its ability to combine business innovation with social and environmental value creation. Weak governance can consequently prevent village resources from being converted into productive investment, even where financial and natural resources are available.

The economic contribution of BUMDes is particularly dependent on transparency, accountability, and community participation. Transparency enables residents to obtain information about capital allocation, business performance, revenue, expenditure, and the distribution of benefits. Accountability ensures that managers can justify financial and operational decisions to village governments and communities. Participation enables business activities to reflect local resources, market opportunities, and household needs. [Kania et al. \(2021\)](#) emphasized that collaborative entrepreneurship and stakeholder involvement are essential to the sustainability of village enterprises. [Putra et al. \(2025\)](#) also found that organizational capacity, stakeholder collaboration, innovation, and local resource utilization are important drivers of rural entrepreneurship through BUMDes.

Previous Indonesian studies generally support the potential economic role of BUMDes. [Hailudin \(2021\)](#) showed that BUMDes could support community economic empowerment by creating locally managed business opportunities. [Riyanti \(2021\)](#) similarly reported that the optimization of BUMDes activities can contribute to community welfare when enterprises are aligned with local needs and supported by capable management. [Hestiana et al. \(2024\)](#) found that BUMDes performance is closely related to its ability to develop businesses and deliver benefits to the local economy. [Indiani et al. \(2024\)](#) further demonstrated that the establishment of BUMDes can strengthen community economic activities, although the extent of its effects differs across villages.

However, the presence of a village enterprise does not automatically generate poverty reduction or inclusive economic growth. [Parjono and Rahayu \(2025\)](#), in the article provided by the authors, found that village-generated revenue and community empowerment programs managed through an inter-village enterprise were associated with reductions in poor households, whereas productive economic assistance did not have a significant effect. Their findings suggest that access to business capital alone may be insufficient when it is not accompanied by appropriate targeting, business capacity, financial literacy, and managerial assistance. This evidence reinforces the argument that institutional and governance quality determines whether village economic programs generate meaningful development outcomes.

Before examining the institutional condition of BUMDes in Sumber Rejo Village, it is necessary to understand the wider geographical and demographic environment in which the enterprise operates. Pematang Karau District covers an extensive rural area comprising 13 villages. The district's demographic structure represents the potential local market, labour supply, and community base that village enterprises can mobilize. The principal regional indicators are presented in Table 1.

Table 1. Socio-Demographic Profile of Pematang Karau District

Indicator	Value
Administrative area	579 km ²
Number of villages	13 villages
Total population	13,305 people
Male population	6,876 people
Female population	6,429 people
Sex ratio	107

Source: *Statistics Indonesia–East Barito Regency (2025) and Government of East Barito Regency (2023).*

Table 1 shows that Pematang Karau District has 13,305 inhabitants distributed across an area of 579 km². Its relatively extensive geographical coverage creates economic opportunities as well as logistical constraints. A population of this size provides a potential labour force and local consumer market, but spatial dispersion may increase transportation costs, constrain access to services, and limit connections between producers and markets. Under these conditions, BUMDes can function as an intermediary that coordinates local production, facilitates distribution, and connects community enterprises with larger markets. Nevertheless, its effectiveness depends on the capacity of each enterprise to identify viable business opportunities and establish efficient operational arrangements.

The institutional environment of Pematang Karau District can be assessed not only by the existence of BUMDes but also by their stages of development. The 2022 assessment conducted by the East Barito Regency Community and Village Empowerment Office classified BUMDes into Basic, Growing, and Developed categories. The distribution of these categories is presented in Table 2.

Table 2. Development Status of Village-Owned Enterprises in Pematang Karau District

Development category	Number of BUMDes	Percentage
Basic	10	76.92%
Growing	3	23.08%
Developed	0	0.00%
Total	13	100.00%

Source: *East Barito Regency Community and Village Empowerment Office (2022), as reported in the East Barito Regency Development Plan 2024–2026.*

Table 2 indicates that all 13 villages in Pematang Karau District had established a BUMDes. However, institutional development remained limited: 10 enterprises, or 76.92%, were classified as Basic, while only three, or 23.08%, were categorized as Growing. No BUMDes had reached the Developed category. This distribution reveals a substantial gap between institutional establishment and organizational maturity. Although the policy of establishing village enterprises has achieved broad administrative coverage, most enterprises have not yet developed the governance, business diversification, market capacity, or financial performance required to become mature rural economic institutions.

This pattern is consistent with the distinction made by [Hilmawan et al. \(2023\)](#) between the availability of village-level institutions and their capacity to generate rural development outcomes. It also supports [Fitriani et al.'s \(2024\)](#) argument that formal reporting compliance does not necessarily indicate substantive accountability or strong commercial performance. Consequently, the development challenge in Pematang Karau is no longer simply to establish additional BUMDes, but to improve the performance of existing enterprises through professional governance, community involvement, market-oriented business planning, and measurable benefit distribution.

Within this district context, Sumber Rejo Village provides a relevant case for examining the relationship between BUMDes governance and rural economic development. Its enterprise, Sumber Rejo Sejahtera, was one of only three BUMDes classified as Growing. However, its institutional score indicates that substantial room for improvement remains. Several fiscal and institutional indicators relevant to the village are summarized in Table 3.

Table 3. Institutional and Fiscal Indicators of Sumber Rejo Village

Indicator	Recorded value or status
Name of BUMDes	Sumber Rejo Sejahtera
Institutional development score	44.58
BUMDes development classification	Growing
Village Fund allocation	IDR 708,995,000
Land and building tax realization	90%

Source: *East Barito Regency Community and Village Empowerment Office (2022), Government of East Barito Regency (2025a), and East Barito Regency Revenue Agency (2025).*

Table 3 shows that Sumber Rejo Sejahtera obtained an institutional development score of 44.58 and was classified as Growing. In addition, Sumber Rejo Village was allocated IDR 708.995 million in Village Funds in the 2025 regional financial document and recorded a land and building tax realization rate of 90% in 2025. The Village Fund allocation must not be interpreted as direct BUMDes capital because the available document reports the village's overall fiscal allocation rather than the amount specifically invested in the enterprise. Nevertheless, the indicators demonstrate

that Sumber Rejo possesses a meaningful village-level public-resource base and relatively strong local tax compliance.

These conditions produce an important development puzzle. Sumber Rejo possesses fiscal resources, an established village enterprise, and comparatively strong tax realization, yet its BUMDes has only reached the Growing category. The central issue is therefore whether available institutional and fiscal resources have been governed effectively enough to generate productive business expansion, employment opportunities, household-income improvement, and wider community welfare. Saputra and Havlíček (2025) maintain that sustainable BUMDes performance requires the integration of governance capacity, stakeholder involvement, resource management, and long-term business orientation. Without these elements, village enterprises may remain administratively active but economically limited.

Preliminary evidence presented in the original manuscript indicates several governance constraints in Sumber Rejo Sejahtera. Public access to financial and operational information remains limited; accountability is largely administrative and has not been communicated consistently to the wider community; and participation in business planning and evaluation has not involved all community groups. The enterprise also faces constraints relating to business diversification, capital, managerial capability, service infrastructure, and access to information. These problems may weaken public trust, limit the identification of viable local businesses, and reduce the enterprise's ability to distribute economic benefits inclusively.

The urgency of this research lies in the risk that public resources allocated to village development may not produce an adequate economic return or broad welfare impact when enterprise governance remains weak. This concern extends beyond Sumber Rejo because none of the BUMDes in Pematang Karau District had reached the Developed category. Studying Sumber Rejo as one of the district's comparatively more advanced enterprises can therefore reveal the governance constraints that persist even after a BUMDes has progressed beyond the Basic stage. The results may provide lessons for strengthening other village enterprises facing similar institutional conditions.

Despite the expanding literature on BUMDes, three gaps remain. First, many studies evaluate the existence or general role of BUMDes without connecting governance processes to concrete rural economic mechanisms such as productive resource allocation, employment creation, market access, and income generation. Second, previous research has predominantly examined villages in Java, Bali, and other relatively accessible regions, while evidence from geographically dispersed areas of Central Kalimantan remains limited. Third, studies often discuss transparency, accountability, and participation as administrative principles rather than as institutional factors that determine the economic productivity of village assets.

This study addresses these gaps by examining how transparency, accountability, and community participation shape the economic role of Sumber Rejo Sejahtera BUMDes. Rather than treating governance solely as administrative compliance, the study positions governance as an economic mechanism influencing trust, resource allocation, business development, and the distribution of benefits. Accordingly, the study aims to analyze the governance of Sumber Rejo Sejahtera BUMDes and assess how its governance practices support or constrain rural economic development and community welfare in Sumber Rejo Village, Pematang Karau District, East Barito Regency.

Literature Review

Village-Owned Enterprises and Rural Economic Development. Village-Owned Enterprises (Badan Usaha Milik Desa or BUMDes) are economic institutions established by village governments and communities to manage local assets, develop village potential, and improve community welfare. The establishment of BUMDes is based on the principle that rural economic resources should be managed collectively and directed toward meeting local needs. Under Law Number 6 of 2014 concerning Villages, villages are authorized to establish BUMDes according to their economic potential and community needs. This authority is further regulated by the Minister of Villages Regulation Number 4 of 2015, which concerns the establishment, management, administration, and dissolution of BUMDes.

BUMDes perform both commercial and social functions. Their commercial function is carried out through the management of local resources and business activities to generate profits. In contrast, their social function is reflected in the provision of services that benefit village communities (Tomisa & Syafitri, 2020). BUMDes may operate savings and loan services, agricultural businesses, trading activities, public services, tourism, and other business units that correspond to the characteristics and resources of each village.

The existence of BUMDes is expected to stimulate rural economic activity, create employment opportunities, increase community income, and contribute to village-generated revenue. [Hailudin \(2021\)](#) explains that BUMDes can contribute to community economic empowerment when their business activities are connected to the needs and productive activities of residents. [Wahyuni et al. \(2022\)](#) also examine the role of BUMDes in empowering rural communities through the development of economic activities and the utilization of local potential. These findings indicate that the contribution of BUMDes to community welfare depends not only on their establishment but also on their ability to manage sustainable and relevant business programs.

[Riyanti \(2021\)](#) emphasizes that the role of BUMDes needs to be optimized so that the benefits generated are not limited to the institution but are also experienced by the wider community. [Hestiana et al. \(2024\)](#) similarly examine BUMDes performance in improving the rural economy, showing the importance of institutional performance in determining the economic contribution of BUMDes. Therefore, BUMDes should be regarded not merely as village business entities but as instruments for local economic development and community empowerment.

Governance of Village-Owned Enterprises. BUMDes governance refers to the processes, structures, and mechanisms used to plan, implement, supervise, and evaluate village business activities. Effective governance is required to ensure that village capital, local resources, and business profits are managed according to community interests. Governance also determines the ability of BUMDes to maintain public trust, improve institutional performance, and achieve their social and economic objectives ([Widiastuti et al., 2019](#); [Sofyani et al., 2020](#)).

Good governance in BUMDes requires a clear organizational structure, an appropriate division of responsibilities, transparent decision-making, orderly financial administration, regular reporting, effective supervision, and community involvement. The consistent application of these elements can reduce information asymmetry and prevent managers from prioritizing individual or group interests over village interests. Conversely, weak governance may create administrative problems, reduce public confidence, and limit the economic benefits generated by BUMDes ([Amerieska et al., 2021](#); [Ghofar et al., 2022](#)).

BUMDes governance differs from the governance of privately owned companies because BUMDes must simultaneously pursue commercial sustainability and social benefits. Business decisions cannot be based exclusively on profit because BUMDes are also responsible for providing services, expanding local economic opportunities, strengthening community businesses, and supporting village welfare. This dual function requires governance that balances business efficiency, public accountability, social responsibility, and local participation ([Tomisa & Syafitri, 2020](#); [Hailudin, 2021](#); [Gursida et al., 2023](#)).

The governance analysis in this study focuses on three principal dimensions: transparency, accountability, and community participation. These dimensions are essential because BUMDes manage village resources and operate on behalf of the community. Transparency enables residents to access information concerning business and financial management; accountability ensures that managers can explain and justify their decisions; and participation allows community needs and aspirations to be incorporated into BUMDes programs. The integration of these dimensions can strengthen institutional legitimacy, community trust, and the sustainability of village business activities ([Sofyani et al., 2020](#); [Fitriani et al., 2024](#); [Widyastuti & Kusumawati, 2024](#)).

Transparency in BUMDes Governance. Transparency refers to the openness of BUMDes managers in providing accessible, accurate, and timely information to the village government and community. The information includes business plans, capital allocation, sources of revenue, operational expenditures, profits, program implementation, and financial reports. Transparency allows residents to understand how village resources are managed and how the benefits of BUMDes activities are distributed.

Transparent management can strengthen public trust because community members are able to evaluate the progress and performance of BUMDes. Access to information also supports community supervision and reduces the possibility of misunderstanding or suspicion regarding the use of village funds. [Pramita \(2018\)](#) highlights the importance of understanding BUMDes regulations and utilizing information systems to support management accountability. Information systems can facilitate recordkeeping, financial reporting, and the dissemination of information to village communities.

Transparency should not be limited to presenting reports during formal village meetings. Information needs to be communicated through media that are accessible to different community groups, such as village information boards, periodic meetings, printed reports, official social media, or other village communication channels. The effectiveness of transparency depends on whether the information is understandable and accessible to the community.

In Sumber Rejo Village, transparency remains a central concern because community access to financial reports and information regarding the use of BUMDes funds is still limited. Although managers have attempted to provide information through village meetings and notice boards, details regarding revenues, expenditures, profits, and fund allocation have not been communicated consistently. Limited transparency may weaken public trust and reduce community willingness to participate in BUMDes programs.

Accountability in BUMDes Governance. Accountability refers to the responsibility of BUMDes managers to explain and justify the use of capital, implementation of programs, business decisions, and results achieved. Accountability requires clear administrative procedures, financial records, performance reports, supervision, and evaluation. Every resource managed by BUMDes should be used according to the agreed business plan and be reported to the village government and community.

Accountability is essential because BUMDes capital may originate from village assets and other resources that are collectively owned. Managers are therefore responsible not only to the village government but also to community members as the beneficiaries of BUMDes programs. Inadequate accountability may increase the risk of administrative errors, ineffective use of funds, and loss of public trust.

Pramita (2018) explains that regulatory understanding and information utilization influence the accountability of BUMDes management. Effective accountability requires managers who understand financial administration, reporting standards, and their institutional responsibilities. External supervision from village consultative bodies, local governments, or other authorized institutions can also strengthen the credibility of BUMDes reports.

Accountability in Sumber Rejo Village has been implemented through reporting and supervision mechanisms. However, financial and operational reports have not always been communicated to the community in sufficient detail and on a regular basis. Supervision also remains limited because of inadequate human resources and minimal external involvement. Strengthening managerial capacity, reporting procedures, and periodic evaluation is therefore necessary to ensure that BUMDes programs are implemented responsibly.

Community Participation in BUMDes Management. Community participation refers to the involvement of village residents in the planning, implementation, supervision, utilization, and evaluation of BUMDes programs. Participation allows BUMDes activities to reflect local needs, resources, and economic opportunities. It also creates a sense of ownership that encourages residents to support and maintain village business programs.

Participation should begin during the planning process. Community members need opportunities to identify economic problems, propose business activities, and express their expectations regarding the distribution of program benefits. Participation during implementation may take the form of employment, business partnerships, product supply, use of BUMDes services, or involvement in community-based business groups. Participation in supervision and evaluation enables residents to provide feedback and assess whether BUMDes programs have achieved their objectives.

The social capital of rural communities, including cooperation, solidarity, and mutual assistance, can support collective business development. However, strong participation in social activities does not automatically translate into active involvement in BUMDes economic activities. Residents may be reluctant to participate when they do not understand the economic benefits, perceive that benefits are distributed unevenly, or feel excluded from decision-making.

Community participation in Sumber Rejo Village remains limited to particular groups. The dissemination of information concerning BUMDes programs has not reached all community groups, while village meetings have not consistently involved broader elements of the population. This condition reduces the ability of BUMDes to identify community needs and utilize local resources. More inclusive village discussions, community forums, regular socialization, and opportunities for business collaboration are needed to expand participation.

BUMDes and Community Welfare. Community welfare in the context of this study refers to improvements in income, employment opportunities, access to economic services, infrastructure, information, and community capacity. BUMDes can contribute to welfare when their business activities create economic value that is distributed to village residents. The contribution may be direct, such as employment and increased income, or indirect, such as improved village services and infrastructure.

Indiani et al. (2024) examine the impact of BUMDes formation on community economic improvement, indicating that BUMDes can become an instrument for strengthening local economic

activities. Riyanti (2021) also highlights the importance of optimizing the role of BUMDes so that its programs produce broader welfare benefits. The performance of BUMDes should consequently be assessed not only through profits but also through its contribution to employment, community businesses, service accessibility, and local economic independence.

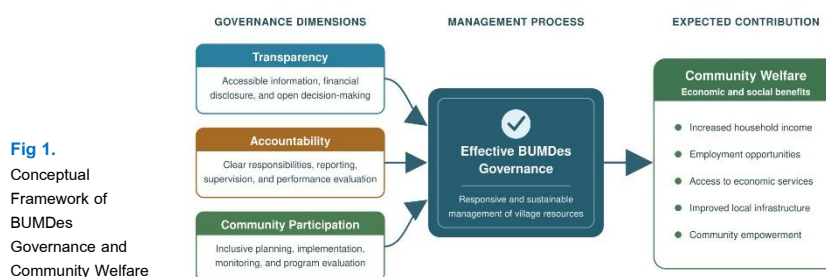
Infrastructure and facilities influence the economic benefits of BUMDes. Adequate roads facilitate the distribution of agricultural products and local commodities, while markets and public facilities support community economic activities. Access to information also allows residents to obtain knowledge about business opportunities, assistance programs, markets, and government regulations. Improvements in human resource quality further strengthen the ability of the community to participate in productive activities.

BUMDes in Sumber Rejo Village has contributed to local economic activities, particularly those related to microenterprises and agriculture. Nevertheless, its contribution has not reached its full potential because of limited business diversification, capital constraints, inadequate infrastructure, uneven information, and low community participation. Improvements in governance are therefore required to ensure that BUMDes programs generate sustainable and more equitably distributed welfare benefits.

Conceptual Focus of the Study. Previous studies have discussed the role, performance, accountability, and economic contribution of BUMDes in different village contexts. However, the effectiveness of BUMDes is strongly influenced by local institutional conditions and community characteristics. The conditions identified in one village cannot be automatically generalized to another village because each BUMDes has different business units, resources, managerial capacities, and levels of community participation.

This study focuses on BUMDes governance in Sumber Rejo Village, Pematang Karau District, East Barito Regency. Governance is examined through transparency, accountability, and community participation, while its contribution to community welfare is assessed through changes in economic opportunities, income, access to services and information, infrastructure support, and community empowerment. A qualitative case-study approach is used to obtain an in-depth understanding of governance practices, constraints faced by managers and residents, and the perceived contribution of BUMDes programs to community welfare.

The analytical relationship among the study's central concepts is presented in the following framework:



Methods

Research Approach and Design. This study employed a qualitative approach with a descriptive case-study design. The qualitative approach was selected because the study sought to obtain an in-depth understanding of BUMDes governance practices and their contribution to community welfare based on the experiences, perceptions, and interpretations of the actors directly involved. Qualitative research enables researchers to examine social and institutional processes within their natural setting and to explain how participants interpret the conditions they experience (Creswell & Poth, 2018).

The case-study design focused on the governance of BUMDes in Sumber Rejo Village, Pematang Karau District, East Barito Regency. The study did not statistically measure causal relationships between variables. Instead, it explored how transparency, accountability, and community participation were implemented, the constraints encountered in their implementation, and how these governance practices contributed to the local community's economic welfare.

Research Location and Period. The research was conducted in Sumber Rejo Village, Pematang Karau District, East Barito Regency, particularly within the village government and BUMDes operational environment. The location was selected purposively because Sumber Rejo Village has

an operating BUMDes that supports community economic activities and offers opportunities to develop local business activities. The location was also relevant to the research problem because preliminary findings indicated limited access to financial information, weaknesses in reporting and supervision, and low community participation in BUMDes programs.

Field data were collected from [insert month and year] to [insert month and year]. Research activities included initial observation, identification of informants, interviews, document collection, data verification, and confirmation of relevant findings.

Research Focus. The study focused on BUMDes governance and its contribution to community welfare. Governance was examined through transparency, accountability, and community participation. Community welfare was explored through income, employment opportunities, access to economic services and information, infrastructure support, local business development, and community empowerment. The research focus is presented in Table 4.

Table 4. Research Focus

Research Focus	Aspects Examined	Evidence Explored
Transparency	Openness of information, accessibility of financial reports, communication of business plans, and disclosure of revenues, expenditures, and profit allocation	Information delivered through village meetings, notice boards, reports, and communication media
Accountability	Clarity of managerial responsibilities, financial administration, reporting, supervision, program evaluation, and conformity between plans and implementation	Financial and activity reports, managerial explanations, supervision mechanisms, and evaluation practices
Community participation	Community involvement in planning, decision-making, program implementation, utilization, supervision, and evaluation	Attendance and involvement in village meetings, proposals, business cooperation, use of services, and community supervision
Community welfare	Income, employment opportunities, economic services, information access, infrastructure, local business development, and community independence	Perceived economic benefits, opportunities created by BUMDes, access to services, and changes experienced by community members

Source: *Developed by the researchers based on the research focus, 2025.*

Informants and Informant Selection. Research informants were selected purposively based on their knowledge, experience, and direct involvement in the management or utilization of BUMDes programs. The informants represented three principal groups: village government officials involved in BUMDes policy and supervision, BUMDes managers responsible for business operations and financial administration, and community members who participated in or received benefits from BUMDes activities.

The principal criteria for selecting informants were: (1) having knowledge of the establishment, management, or supervision of BUMDes; (2) being directly involved in BUMDes programs or services; (3) understanding the economic conditions of Sumber Rejo Village; and (4) being willing to provide relevant information. The selection of informants continued until the information obtained was sufficient to explain the research focus and no substantial new themes emerged from subsequent interviews.

Table 5. Categories of Research Informants

Informant Category	Basis for Selection	Information Explored
Village government officials	Involved in policy formulation, guidance, or supervision of BUMDes	Establishment, policy direction, capital support, supervision, and expected community benefits
BUMDes managers	Directly responsible for managing BUMDes programs and business activities	Business management, financial reporting, information disclosure, operational constraints, and program performance
Community members	Participated in, used, or were affected by BUMDes programs	Access to information, participation, perceived benefits, service accessibility, and community expectations

Source: *Developed by the researchers, 2025.*

Types and Sources of Data. This study used primary and secondary data. Primary data were obtained directly from informants through in-depth interviews and field observations. Interview data included informants' explanations of transparency, financial reporting, supervision, decision-making, community involvement, program implementation, and the perceived contribution of BUMDes to community welfare.

Secondary data were obtained through documentation relevant to BUMDes governance and village economic activities. The documents examined included the village profile, BUMDes organizational documents, work programs, activity reports, financial accountability documents, meeting records, information displayed to the community, photographs, and other supporting documents available at the research location. Secondary data were used to provide institutional context and verify information obtained through interviews and observations.

In-depth interviews. Semi-structured interviews were conducted to provide informants with opportunities to explain their experiences and perceptions while ensuring that the discussion remained consistent with the research focus. The interview questions addressed access to BUMDes information, financial reporting, managerial responsibility, supervision, community involvement, business constraints, and the economic benefits experienced by residents. Follow-up questions were used to clarify incomplete or inconsistent information.

Observation. The researcher conducted direct observation within the village government and BUMDes environment. Observation focused on BUMDes operational activities, interaction between managers and community members, the availability of information media, service accessibility, facilities, business activities, and community involvement. The observations were recorded as field notes and used to compare actual practices with information provided during interviews.

Documentation. Documentation was used to obtain administrative, financial, institutional, and visual evidence related to BUMDes governance. Relevant documents were examined to verify the existence of programs, reporting procedures, information disclosure, supervision, and community involvement. Documentation also provided supporting evidence regarding village economic conditions and the contribution of BUMDes programs.

Research Instrument. The researcher served as the principal instrument in collecting, interpreting, and analyzing qualitative data. Supporting instruments included semi-structured interview guidelines, observation guidelines, document review sheets, field notes, and recording devices. The interview guidelines were developed according to the four research focuses: transparency, accountability, community participation, and community welfare. The use of semi-structured guidelines allowed data collection to remain systematic without limiting informants' ability to explain unexpected experiences or issues. The researcher could therefore explore findings that emerged during fieldwork while maintaining consistency with the objectives of the study.

Data Analysis. Data analysis was conducted interactively throughout the data collection process by adapting the qualitative analysis model of Miles, Huberman, and Saldaña (2020). The analysis consisted of data condensation, data display, and conclusion drawing and verification. Data condensation involved selecting, simplifying, coding, and grouping information obtained from interviews, observations, and documents. The data were classified according to transparency, accountability, community participation, community welfare, governance constraints, and recommended improvements.

Data display involved organizing the condensed data into narrative descriptions, thematic matrices, and comparisons among informant statements, observation results, and documentary evidence. This stage enabled the researcher to identify patterns, similarities, differences, and relationships among the findings.

Conclusion drawing and verification involved interpreting the meaning of the findings and formulating conclusions regarding BUMDes governance and its contribution to community welfare. Preliminary conclusions were continuously compared with field notes, interview statements, and documents to ensure that the final interpretation was supported by adequate evidence. The analysis was thematic rather than statistical. The terms "role," "contribution," "implementation," and "perceived impact" were used to explain the relationship between governance and community welfare. The study did not use statistical hypotheses or inferential testing.

Data Trustworthiness. The trustworthiness of the findings was maintained through source triangulation and technique triangulation. Source triangulation was conducted by comparing information obtained from village government officials, BUMDes managers, and community members. Technique triangulation was conducted by comparing interview results with field observations and documentary evidence.

Credibility was strengthened by clarifying information that was incomplete or inconsistent and repeatedly checking the conformity of interpretations with the available data. Dependability was maintained by applying the same research focus and data collection guidelines to each relevant informant category. Confirmability was supported by field notes, interview records, documents, and other evidence that allowed the conclusions to be traced to their data sources. Transferability was supported by providing a clear description of the research location, institutional context, informant characteristics, and governance conditions so that readers could assess the relevance of the findings to other BUMDes contexts (Creswell & Poth, 2018).

Research Procedure. The research was conducted through four stages. The first stage involved preliminary observation, identification of the research problem, and preparation of interview and observation guidelines. The second stage involved selecting informants and collecting data through interviews, observations, and documentation. The third stage involved organizing, coding, categorizing, and verifying the data based on the research focus. The final stage involved interpreting the findings, comparing them with relevant literature, drawing conclusions, and formulating recommendations for improving BUMDes governance in Sumber Rejo Village.

Result and Discussion

Overview of the Findings. The findings show that BUMDes governance in Sumber Rejo Village has incorporated transparency, accountability, and community participation, although their implementation remains suboptimal. BUMDes managers have provided program information through village meetings and notice boards, prepared financial and activity reports, and involved residents in several economic activities. However, detailed financial information remains difficult for residents to access, reporting has not been communicated regularly to the wider community, supervision remains limited, and participation is concentrated among particular groups.

BUMDes has begun to contribute to the local economy, particularly through activities connected with agriculture and microenterprises. Nevertheless, its contribution has not reached all community groups because of limited capital, inadequate business diversification, insufficient infrastructure, uneven information dissemination, and limited managerial capacity. The principal findings are summarized in Table 6.

Table 6. Summary of the Research Findings

Theme	Principal Findings	Consequences	Required Improvements
Transparency	Information is provided through village meetings and notice boards, but detailed information on revenues, expenditures, profits, and fund allocation remains limited.	Residents do not fully understand the financial condition and development of BUMDes.	Periodic public reports, open meetings, notice boards, and official digital communication channels
Accountability	Financial and activity reports are prepared, but they are not consistently communicated in detail to the wider community.	Accountability remains primarily administrative and oriented toward village authorities.	Standardized reporting, public accountability forums, training, and stronger supervision
Community participation	Residents participate in several activities, but involvement in planning, decision-making, supervision, and evaluation remains limited.	Programs do not fully represent diverse community needs and the sense of ownership remains weak.	Inclusive village forums, wider socialization, community representation, and business partnerships
Community welfare	BUMDes contributes to agricultural and microenterprise activities, but the benefits have not been experienced evenly.	The contribution is positive but has not resulted in comprehensive welfare improvement.	Business diversification, expanded market access, employment creation, and community empowerment

Institutional constraints	Business diversification, capital, infrastructure, managerial capacity, and program information remain limited.	Business development, service quality, participation, and sustainability are constrained.	Capacity building, collaboration, infrastructure support, and feasibility-based business development
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Source: Interviews, observations, and documentation processed by the researchers, 2025.

Transparency in BUMDes Governance. The findings indicate that BUMDes management has attempted to provide information through village meetings and notice boards. These mechanisms are used to communicate basic information about BUMDes activities and program development. This practice shows that transparency has been recognized as an important component of governance.

A BUMDes manager explained the existing information-disclosure process as follows:

"We usually provide information about BUMDes activities during village meetings and through the notice board. However, detailed information concerning revenues, expenditures, and business profits has not been communicated regularly to the entire community."
(BUMDes Manager, interview, 2025).

The statement demonstrates that information disclosure has been implemented but remains limited in scope and frequency. Information concerning business activities is more accessible than detailed information regarding financial performance, profits, expenditures, and fund allocation. Transparency therefore tends to focus on general program communication rather than comprehensive financial openness.

The community's experience supports this finding. A resident stated:

"We know that BUMDes operates several programs, but we do not always receive detailed information about its financial condition, the profits generated, or how the funds are allocated."
(Community Member 1, interview, 2025).

Observation findings also show that information disclosure remains dependent on conventional channels. Residents who do not attend meetings or visit the village office may not receive complete information. BUMDes does not yet have an official website, digital portal, or social media account specifically used to publish financial information and program performance. Document examination indicates that administrative reports may be available to managers and village authorities. However, the existence of reports does not automatically ensure public transparency because the documents have not always been converted into concise and understandable public information.

The finding supports Pramita (2018), who emphasizes that BUMDes accountability requires adequate regulatory understanding and effective information systems. Sofyani et al. (2020) also demonstrate that transparency contributes to stronger BUMDes governance and institutional performance. Information must therefore be prepared accurately and communicated in an accessible form. The conditions in Sumber Rejo Village reveal a distinction between formal and substantive transparency. Formal transparency occurs when reports are prepared or information is announced at official meetings. Substantive transparency requires residents to be able to access, understand, question, and use the information to supervise BUMDes management.

Fitriani et al. (2024) similarly identify a gap between the formal expectations of BUMDes accountability and its implementation. Widyastuti and Kusumawati (2024) also find that transparency and information openness contribute to managerial integrity and public trust. Limited transparency may create perceptions of exclusivity and unequal benefit distribution, thereby reducing community support. BUMDes should publish periodic summaries of its financial and operational performance. The information should include revenue, expenditure, profit, allocation of business results, program achievements, and institutional constraints. Village meetings, printed reports, notice boards, official social media, and the village website can be combined to reach different community groups.

Accountability in BUMDes Governance. The results show that BUMDes managers have demonstrated responsibility by preparing financial and activity reports. These reports are submitted to village authorities and relevant supervisory parties as part of formal administrative accountability.

A BUMDes manager explained:

"Financial and activity reports have been prepared and submitted to the village government. However, these reports have not always been presented openly and in detail to the wider community."
(BUMDes Manager, interview, 2025).

This statement shows that administrative accountability has been implemented, but public accountability remains limited. The reporting process focuses on institutional obligations to village authorities and has not fully developed into an open explanation of performance to community members.

The study also found weaknesses in the supervision mechanism. A village official stated:

"Supervision has been conducted by the village government and the parties responsible for BUMDes. However, it remains limited because we do not yet have sufficient personnel with strong financial and business-management capabilities."
(Village Official, interview, 2025).

Limited human resources affect the ability of supervisory parties to examine financial administration, evaluate business performance, and recommend corrective actions. External involvement from local government agencies or independent parties in auditing and evaluating BUMDes performance also remains limited.

Accountability must not be assessed solely through the existence of financial reports. It includes the accuracy of records, clarity of responsibilities, conformity between plans and implementation, achievement of business targets, effectiveness of services, and follow-up to evaluation findings. Amerieska et al. (2021) explain that BUMDes accountability should be linked with the sustainability of community livelihood assets rather than limited to administrative compliance. Ghofar et al. (2022) emphasize the importance of governance mechanisms in reducing agency problems and ensuring that managers act according to village and community interests. Fitriani et al. (2024) also demonstrate that accountability often faces practical constraints related to managerial capacity, reporting, transparency, and stakeholder relationships.

The findings indicate three levels of accountability. Administrative accountability is reflected in the preparation of reports and supporting documents. Public accountability requires managers to communicate the reports and provide opportunities for residents to ask questions. Performance accountability requires BUMDes to demonstrate that its programs have achieved their economic and social objectives.

Administrative accountability has begun to operate in Sumber Rejo Village. Public and performance accountability, however, still require strengthening. Widyastuti and Kusumawati (2024) find that accountability in BUMDes management is supported not only by reports but also by transparency, honesty, participation, loyalty, and institutional integrity. BUMDes should establish standardized financial records, a regular reporting schedule, clear managerial responsibilities, and periodic program evaluation. Financial and performance reports should be presented at open community forums. Training in financial administration, business planning, and reporting is also required to improve managerial professionalism.

Community Participation in BUMDes Programs. Community participation remains limited and uneven. Several residents participate in program implementation and use BUMDes services, but only a small proportion are involved in planning, decision-making, supervision, and evaluation.

A BUMDes manager explained:

"Community participation is still limited. Residents usually become involved when a program is being implemented, but only a few of them participate in planning, decision-making, and evaluation."
(BUMDes Manager, interview, 2025).

The statement indicates that participation is primarily operational rather than strategic. Residents may participate as users or beneficiaries but have limited influence over the selection, direction, and evaluation of business programs.

A community member stated:

"Not all residents are invited or actively involved in discussing BUMDes programs. Most of us only receive information after a program has been decided or implemented."
(Community Member 2, interview, 2025).

This finding suggests that village meetings have not consistently accommodated diverse community groups. Decision-making may be dominated by village officials, managers, or particular community representatives. This condition reduces the sense of collective ownership.

Uneven socialization is another cause of limited participation. A resident explained:

"Some residents are still reluctant to participate because they do not clearly understand the programs and benefits offered by BUMDes. They also feel that the benefits have not been distributed evenly."
(Community Member 3, interview, 2025).

The statement demonstrates that participation is influenced by information and perceived benefit distribution. Residents may hesitate to participate when program objectives are unclear or when benefits are perceived as concentrated among particular groups. Transparency and participation are therefore closely connected.

Wahyuni et al. (2022) position community involvement as a fundamental element of BUMDes-based economic empowerment. Riyanti (2021) similarly explains that optimizing the role of BUMDes requires residents to participate in productive activities. Sofyani et al. (2020) identify participation as an essential principle of good BUMDes governance. Participation should not be interpreted merely as attendance at meetings. Substantive participation requires residents to have opportunities to propose ideas, influence decisions, become business partners, supervise program implementation, and evaluate results. Amerieska et al. (2021) connect community involvement with the sustainability of local livelihood assets.

Sumber Rejo Village possesses social capital through cooperation, kinship, and mutual assistance. However, these values have not been fully transformed into collective economic participation. Maani (2011) explains that empowerment requires authority, confidence, opportunity, responsibility, and institutional support. BUMDes should organize inclusive community forums and involve representatives of farmers, microenterprise actors, women, young people, and other groups. Residents should also receive opportunities to become suppliers, employees, service users, marketing partners, or members of BUMDes-supported business groups.

Contribution of BUMDes to Community Welfare. The findings show that BUMDes has begun to contribute to local economic activities, particularly agriculture and microenterprises. BUMDes provides an institutional platform through which local resources can be connected with productive activities and economic services.

A village official explained:

"BUMDes has provided benefits to the community, particularly through activities related to agriculture and microenterprises. Nevertheless, the scale of these activities remains limited and has not yet reached all residents."
(Village Official, interview, 2025).

This statement indicates that BUMDes has generated positive economic benefits, but the scale and distribution of these benefits remain limited. Residents who are directly connected with BUMDes programs experience the contribution more clearly than those who have limited knowledge or involvement.

A community member stated:

"The BUMDes program has helped several residents develop their economic activities, but the benefits are more evident among those who are directly involved in the program."
(Community Member 4, interview, 2025).

Income improvement is one of the expected outcomes. Participation in agricultural activities, microenterprises, product marketing, and other village businesses may provide additional income. However, the findings do not support a claim that household income has increased equally

throughout the village. The result should therefore be interpreted as an emerging and perceived contribution.

Hailudin (2021) identifies BUMDes as an instrument of community economic empowerment when business activities are connected with local productive sectors. Riyanti (2021) also explains that BUMDes can improve welfare when its role is optimized according to local resources and needs. Wahyuni et al. (2022) similarly find that BUMDes can strengthen economic activities through community empowerment.

Employment opportunities may emerge from BUMDes operations, but their number and diversity depend on the scale of business activities. Dependence on a limited number of business units restricts the range of employment and partnership opportunities. Hestiana et al. (2024) emphasize that BUMDes performance determines its ability to contribute to the village economy. Indiani et al. (2024) also connect BUMDes development with the improvement of community economic conditions.

Infrastructure affects the economic contribution of BUMDes. A community member explained:

"Road access, supporting facilities, and market connections remain limited. These conditions affect the distribution of agricultural products and restrict the development of local businesses." (Community Member 5, interview, 2025).

Inadequate road access and supporting facilities increase transportation costs and restrict market access. Simbolon et al. (2021) emphasize that village infrastructure is an important foundation for local development and economic activities. Access to information also forms part of community welfare. Residents need information concerning markets, business assistance, regulations, technology, and available services. Limited information restricts the ability to identify and utilize economic opportunities.

The contribution of BUMDes should not be evaluated solely through institutional profit. Tomisa and Syafitri (2020) explain that BUMDes perform commercial and social functions. Sinarwati and Prayudi (2021) also emphasize their contribution to village-generated revenue and local development. Employment, service accessibility, business development, community empowerment, and economic independence are consequently important indicators.

Institutional and Economic Constraints. The research identifies limited business diversification, capital, managerial capacity, infrastructure, information dissemination, and market access as the principal constraints on BUMDes development.

A BUMDes manager stated:

"The principal constraints are limited capital, a lack of skilled personnel, and the small number of business units. These conditions make it difficult for BUMDes to develop new programs and provide broader benefits to the community." (BUMDes Manager, interview, 2025).

Dependence on a narrow range of activities increases business vulnerability. When one activity encounters operational or market problems, BUMDes has limited alternative sources of revenue. Limited diversification also reduces opportunities for residents with different skills and economic backgrounds. Insufficient capital restricts the ability to develop new business units, improve facilities, adopt technology, and expand market access. Additional financing must nevertheless be accompanied by sound governance and business planning because capital alone cannot ensure sustainability.

Human resource limitations affect financial administration, service quality, marketing, innovation, and business development. Sofyani et al. (2019) identify managerial competence as an important success factor in BUMDes performance. Gursida et al. (2023) also emphasize organizational capacity and governance in developing sustainable BUMDes businesses. Weak communication concerning programs further limits participation. Residents cannot participate in activities they do not understand. Infrastructure and market limitations also prevent local products from being distributed efficiently.

These constraints are interconnected. Limited competence affects reporting and innovation; weak transparency reduces trust; low trust decreases participation; limited participation restricts business development; and narrow business activities reduce community benefits. Improvement consequently requires an integrated strategy.

Integration of Governance and Community Welfare. The findings demonstrate that transparency, accountability, and community participation form an interconnected governance system. Transparency provides the information needed for accountability and participation. Accountability ensures that managers explain their decisions and respond to evaluation. Participation enables community needs and local knowledge to influence program priorities.

A village official summarized the required improvements as follows:

"BUMDes needs to communicate its programs and financial information more openly, involve residents from the planning stage, and develop business activities that correspond to the potential and needs of the village."

(Village Official, interview, 2025).

The governance conditions in Sumber Rejo Village explain why BUMDes has generated positive economic benefits but has not yet achieved broad welfare improvement. Information is available but incomplete, reports are prepared but not consistently communicated, and residents participate in several activities without being comprehensively involved in strategic decisions.

This finding supports Widiastuti et al. (2019), who argue that BUMDes governance must be assessed according to its institutional characteristics and stakeholder relationships. Sofyani et al. (2020) demonstrate that good governance contributes to BUMDes performance. Amerieska et al. (2021) connect accountability with sustainable community livelihoods, while Fitriani et al. (2024) show that BUMDes governance is shaped by institutional and stakeholder pressures.

Four priorities emerge from the findings. First, financial and operational information should be published regularly through accessible media. Second, reporting, supervision, and evaluation mechanisms should be strengthened. Third, participation should be expanded from program implementation to planning and evaluation. Fourth, business development should be based on local potential, market feasibility, available resources, and opportunities for broad community involvement.

The findings support the conceptual framework of the study. Nevertheless, the relationship between governance and welfare should not be interpreted as a statistically tested causal relationship. The qualitative evidence indicates that transparency, accountability, and participation create institutional conditions that support public trust, business sustainability, and the wider distribution of economic benefits.

Conclusion

This study concludes that the governance of the Village-Owned Enterprise (BUMDes) in Sumber Rejo Village has contributed positively to community welfare, particularly by supporting agricultural activities and microenterprises; however, its contribution remains limited because transparency, accountability, and community participation have not been implemented optimally. Financial information and profit allocation have not been communicated regularly, public accountability and supervision remain limited, and community involvement is concentrated mainly at the program implementation stage rather than in planning, decision-making, and evaluation. BUMDes management is therefore advised to publish accessible financial and activity reports, strengthen internal and external supervision, involve diverse community groups throughout the program cycle, improve managerial competence, and develop business units based on local potential and market demand. Future research should involve more BUMDes institutions, broader informant groups, and comparative or longitudinal designs to examine changes in governance practices and their contribution to community welfare over time. This study is limited to a single village, relies primarily on qualitative accounts from selected informants, and does not quantitatively measure changes in household income, employment, or the distribution of economic benefits; consequently, its findings are context-specific and cannot be generalized to all BUMDes.

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