



Village Owned Enterprises as a Financial Support Mechanism for Educational Management and Village Development

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ABSTRACT

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This study aims to analyze the role of Village-Owned Enterprises (BUMDes) in enhancing Village Original Revenue (PADes) through the application of good governance principles, namely cooperativeness, emancipatory values, participation, transparency, and accountability. The research employed a qualitative descriptive approach to capture an in-depth understanding of governance practices and their implications for village economic performance. Data were collected through in-depth interviews, direct observation, and document analysis involving village government officials, BUMDes managers, and community members. The results indicate that BUMDes contributes significantly to increasing village revenue through the management of rental-based business units, such as equipment and service facilities, which are responsive to community needs. The implementation of cooperative principles is reflected in strong collaboration among stakeholders, while emancipatory practices ensure equal access and non-discriminatory services for all community members. Participatory governance is evident in community involvement throughout the planning, implementation, and evaluation processes. Transparency and accountability are demonstrated through open financial reporting and periodic performance accountability reports. Beyond financial contributions, BUMDes also generates broader socio-economic impacts, including community empowerment, employment opportunities, and the stimulation of local economic activities. These findings imply that strengthening governance-oriented management within Village-Owned Enterprises is crucial for ensuring sustainable village development and maximizing the contribution of local economic institutions to village financial independence.

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INTRODUCTION

Villages represent the smallest yet most fundamental unit within the national governance system, holding strategic authority over local resource

management and community welfare improvement (Mustafa & Maulana, 2024; Rahmadan & Shudiq, 2024; Rahman et al., 2024). The importance of village development lies in its direct impact on reducing poverty, strengthening local economies, and ensuring inclusive growth across regions. According to Law Number 6 of 2014 on Villages, villages are granted autonomy to manage their own affairs based on local initiatives, customary rights, and socio-cultural characteristics recognized within the Indonesian governance framework. This autonomy positions villages as the frontline of national development, particularly in optimizing local economic potential and ensuring sustainable livelihoods (Umi Hidayanti, 2025). Empirical evidence shows that villages with effective economic institutions tend to experience improved fiscal independence and stronger social cohesion. Therefore, strengthening village-based economic governance is not only a local concern but also a national priority. In this context, the establishment of professional village economic institutions becomes a crucial instrument for translating autonomy into tangible socio-economic benefits for rural communities.

Despite the strategic role of villages, many rural areas continue to face persistent economic challenges, including limited revenue sources, weak institutional capacity, and dependency on external government assistance. Village Original Revenue (PADes) often remains minimal due to underutilized assets, ineffective management practices, and lack of accountability in economic institutions (Dewi & Manshur, 2026; Hefniy & Alwahedi, 2025; Holidi, 2025; Khofsah & Rozi, 2025). These conditions hinder villages from achieving financial independence and sustainable development. Moreover, the absence of professional governance mechanisms frequently results in inefficiencies, mismanagement, and low community trust. Several villages establish economic entities merely as administrative requirements, without ensuring their operational effectiveness or long-term sustainability. As a result, village economic institutions often fail to function optimally as engines of local economic growth. This structural problem highlights the urgent need for governance-oriented approaches that emphasize transparency, participation, and accountability (Hikmah & Mudarris, 2026; Kusumawati, 2025; Syafiih, 2025). Without addressing these governance deficiencies, village economic development initiatives risk becoming symbolic rather than transformative, limiting their broader social and economic impact.

In practice, the performance of Village-Owned Enterprises (BUMDes) varies significantly across regions. Some BUMDes remain inactive or generate minimal contributions to PADes, while others demonstrate notable success through effective asset utilization and community engagement (Hasan, 2023; Rozi & Rijal, 2023; Widat & Kholili, 2023; Yahya, 2023). This disparity reflects

differences in governance quality, managerial competence, and stakeholder collaboration. In certain villages, BUMDes operate as professional entities that transform dormant village assets into productive economic units, generating revenue and employment opportunities (Munawwaroh et al., 2024; Najiah & Baharun, 2025; Sholihah & Imam, 2025). Conversely, in other contexts, BUMDes face operational stagnation due to weak planning, limited participation, and lack of transparency. Observations from the field indicate that villages that consistently apply cooperative, participatory, and accountable governance principles tend to achieve better economic outcomes. These phenomena suggest that governance practices play a decisive role in determining the effectiveness of BUMDes. Understanding how governance principles are implemented at the village level is therefore essential for explaining variations in BUMDes performance and their contribution to village revenue enhancement.

Previous studies have extensively examined the role of BUMDes in supporting rural economic development and increasing PADes. Research by Khaidir Ali (2020) emphasizes that BUMDes function as village economic drivers by optimizing local potential and strengthening community-based enterprises. Similarly, Fatmawati (2025) highlights that successful BUMDes contribute not only to financial gains but also to social empowerment and job creation. Other scholars underline the importance of governance principles such as transparency and accountability in ensuring the sustainability of village enterprises. However, most existing studies tend to focus on financial outcomes or descriptive assessments of BUMDes activities. While these studies provide valuable insights, they often treat governance principles as complementary factors rather than central analytical variables. Consequently, the mechanisms through which governance practices shape BUMDes performance and PADes growth remain underexplored.

Furthermore, prior research rarely integrates governance principles cooperativeness, emancipatory values, participation, transparency, and accountability into a unified analytical framework. Many studies examine only one or two aspects, such as participation or transparency, without assessing their collective and interactive influence on village economic performance (Hamdanah & Thohir, 2025; Islamiah & Maulidiah, 2024; Musthofa & Faizin, 2025; Rohmatillah & Jannah, 2024; Safitri & Lateh, 2024). This fragmented approach creates a research gap, particularly in understanding how integrated governance practices strengthen institutional effectiveness and public trust. Additionally, empirical studies focusing on micro-level governance implementation within BUMDes remain limited, especially those grounded in qualitative field evidence. As a result, existing literature lacks comprehensive explanations of how governance principles are operationalized in daily BUMDes management and

how they translate into measurable economic and social outcomes. Addressing this gap is crucial to advancing both theoretical understanding and practical guidance for village economic governance.

This study offers novelty by positioning governance principles as the core analytical lens for examining the role of BUMDes in increasing Village Original Revenue. Unlike previous studies that emphasize outcomes alone, this research systematically analyzes how cooperative, participatory, emancipatory, transparent, and accountable governance practices are implemented in BUMDes management. By adopting a qualitative descriptive approach, the study captures rich empirical insights into institutional processes, stakeholder interactions, and decision-making dynamics. This governance-centered perspective contributes to the state of the art by linking village economic performance with principles commonly associated with public sector management and organizational governance. The findings are expected to provide a more nuanced understanding of how village autonomy can be translated into sustainable economic development through effective institutional governance.

Based on the above discussion, this study addresses the central research problem: how does the implementation of good governance principles within BUMDes contribute to the enhancement of Village Original Revenue? The underlying argument of this research is that BUMDes performance is not solely determined by asset availability or business type, but fundamentally shaped by governance quality. The study hypothesizes that integrated governance practices strengthen institutional legitimacy, enhance community participation, and improve managerial accountability, thereby increasing PADes contributions. By empirically examining governance implementation within BUMDes, this research contributes to both academic discourse and policy practice. It provides evidence-based insights for village governments and policymakers on how governance-oriented management can transform BUMDes into sustainable instruments of rural development.

RESEACH METHODS

This study employed a qualitative research design with a descriptive approach to explore in depth the role of Village-Owned Enterprises (BUMDes) in increasing Village Original Revenue (PADes). The qualitative approach was selected because it allows researchers to understand social phenomena, governance practices, and institutional dynamics from the perspectives of the actors involved (Donkoh & Mensah, 2023; Mulyana et al., 2024; Niam et al., 2024). This design is particularly appropriate for examining how governance principles, namely cooperativeness, participation, emancipatory values, transparency, and accountability, are implemented in the daily management of BUMDes. By

emphasizing contextual understanding rather than numerical measurement, the qualitative descriptive method enables a comprehensive analysis of managerial processes, stakeholder interactions, and decision-making mechanisms that shape BUMDes performance.

The research was conducted in Buntongi Village, Ampana Kota District, Tojo Una-Una Regency. This location was selected due to the active operation of BUMDes in managing village economic activities and its measurable contribution to Village Original Revenue. The village represents a relevant case for studying governance-based BUMDes management, as it demonstrates consistent implementation of business activities supported by village assets and community involvement. The selection of this location was also based on accessibility of data, availability of key informants, and the suitability of the village context for addressing the research objectives.

Data were collected using multiple qualitative techniques to ensure depth and credibility of the findings. In-depth interviews were conducted with key informants, including the village head, BUMDes managers, and community members involved in BUMDes activities. These interviews aimed to capture perceptions, experiences, and insights regarding governance practices and their impact on PADes. Field observations were carried out to examine directly the operational activities and interactions within BUMDes management. Additionally, documentation such as financial reports, activity records, and village regulations was reviewed to support and validate the interview and observation data.

Data analysis followed an interactive model consisting of data condensation, data display, and conclusion drawing and verification. Data condensation involved selecting, focusing, simplifying, and transforming raw data obtained from interviews, observations, and documents. The condensed data were then organized and presented in the form of narrative descriptions and thematic matrices to facilitate interpretation. Finally, conclusions were drawn through a continuous process of data verification, ensuring that interpretations were supported by consistent evidence. This analytical process enabled the researcher to identify patterns, relationships, and meanings related to the implementation of governance principles in BUMDes management and their contribution to Village Original Revenue.

RESULTS AND DISCUSSION

The thematic analysis demonstrates that the presence of Village-Owned Enterprises (BUMDes) in Buntongi Village significantly enhances the Village Original Revenue (PADes). BUMDes operates as a strategic economic institution within the village, providing a reliable source of income that underpins local

development initiatives. The income generated by BUMDes reduces the village's dependency on external transfers and enables more autonomous decision-making in allocating resources. Its contribution is especially relevant in maintaining financial stability, as it ensures continuous revenue even during periods when government funding is limited or delayed (Wahyudi, 2025). These findings indicate that BUMDes is essential not only as a financial instrument but also as a mechanism for fostering sustainable local economic growth, emphasizing the importance of strong institutional governance in rural economic management.

The study identifies that BUMDes management consistently applies key governance principles, namely cooperativeness, participatory practices, emancipatory values, transparency, and accountability. Cooperativeness facilitates collaboration between the village government, BUMDes managers, and community members, ensuring that all stakeholders work together to achieve shared goals. Emancipatory practices promote fairness and equal opportunity for all community members to participate in economic activities, while transparency and accountability guarantee that financial management and operational decisions are open and verifiable. These principles collectively ensure that the institution operates according to good governance standards, fostering stakeholder trust and encouraging greater community involvement. Implementing these principles also enhances institutional credibility, making BUMDes a sustainable model for other rural economic enterprises.

A central factor in the successful operation of BUMDes is the strong synergy between the village government, BUMDes managers, and community members. This collaboration is evident in joint decision-making, coordinated planning, and collective problem-solving, which ensures the continuity of BUMDes rental services such as tents, chairs, and other event equipment. The active involvement of all stakeholders reduces conflicts, enhances operational efficiency, and strengthens the social legitimacy of BUMDes activities. Such synergy also creates a platform for knowledge sharing, capacity building, and skill development among community members, further embedding participatory governance into everyday operations. Consequently, the collaborative framework supports not only economic outcomes but also strengthens social cohesion and community empowerment within the village.

All stakeholders emphasized that BUMDes operates without discrimination, providing equitable access and opportunities for all community members. This inclusivity ensures that residents from diverse backgrounds can engage in BUMDes activities and benefit from its outcomes. Non-discriminatory practices are particularly important in rural settings where social hierarchies and inequalities may otherwise limit participation. By promoting fairness, BUMDes

fosters social trust, encourages collaboration, and builds a sense of ownership among the population. The principle of fairness is closely linked to participatory governance, ensuring that every voice is considered in decision-making processes (Prayoga, 2025). This approach not only strengthens the social legitimacy of BUMDes but also enhances community satisfaction and encourages sustained engagement in village economic initiatives.

Transparency and accountability emerged as critical governance elements in BUMDes management. Financial reporting, operational records, and profit-sharing mechanisms are openly communicated to stakeholders, allowing for independent verification and community oversight. This openness enhances institutional trust and reduces opportunities for mismanagement or corruption. Accountability mechanisms, such as regular reporting to village authorities and public meetings, reinforce responsible financial and operational conduct. By adhering to these principles, BUMDes demonstrates that economic management can coexist with participatory and ethical governance. Transparency also provides a basis for performance evaluation, enabling the village government and community members to assess progress, make informed decisions, and ensure that resources are effectively allocated to meet both economic and social objectives.

PADes in Buntongi Village is derived from four main sources: BUMDes operations, utilization of village assets, community self-help contributions, and government transfers. Among these, BUMDes represents the most consistent and independent source of revenue, providing a reliable financial foundation for village development. Informants revealed that BUMDes regularly contributes 40% of its profits to the village, highlighting its direct impact on fiscal sustainability. While government transfers remain supportive, they are less predictable and depend on higher-level budget allocations. The consistent contribution from BUMDes demonstrates its critical role in sustaining village programs, maintaining public services, and financing social and economic development. These findings reinforce the notion that institutionalized local enterprises can significantly strengthen rural fiscal autonomy.

The research indicates that BUMDes contributes not only to economic activity but also to the fiscal independence of the village. By generating a stable stream of income, BUMDes allows the village government to plan development projects without excessive reliance on external funds. This financial autonomy enables more flexible budgeting, the prioritization of local needs, and the implementation of programs that directly benefit residents. The ability to manage revenue independently also fosters long-term planning and encourages responsible resource management. As a result, BUMDes serves as both a financial and strategic instrument, enabling sustainable development and strengthening

the village's capacity to respond effectively to economic challenges while maintaining social programs and infrastructure improvements.

Beyond its economic functions, BUMDes serves as a platform for social participation and community empowerment. Residents are actively involved in planning, implementing, and evaluating BUMDes activities, which enhances their skills, builds social capital, and fosters a sense of ownership over village development initiatives. Participation in BUMDes promotes cooperative behavior, encourages collective problem-solving, and strengthens community cohesion. These social benefits complement the economic advantages, ensuring that BUMDes functions as both a financial and social institution. Consequently, the study highlights that well-governed BUMDes can simultaneously drive economic growth, promote social engagement, and reinforce sustainable development within the village context.

CONCLUSION

The findings of this study highlight the strategic role of Village-Owned Enterprises (BUMDes) in enhancing Village Original Revenue (PADes) through productive and sustainable management of local potential. BUMDes contributes not only through direct financial transfers to the village treasury but also via indirect economic effects, including increased community economic activity and greater empowerment of village residents. The successful management of BUMDes is strongly supported by the integrated implementation of five governance principles: cooperativeness, emancipatory practices, participatory engagement, transparency, and accountability. Cooperative practices ensure harmonious collaboration among the village government, BUMDes managers, and the community, while emancipatory and participatory principles guarantee fair, equal, and active involvement of residents in planning, management, and oversight. Transparency and accountability further reinforce trust and legitimacy in BUMDes operations. Overall, these findings demonstrate that well-governed BUMDes can strengthen institutional capacity and optimize contributions to sustainable local revenue generation.

This study contributes to the scholarly understanding of rural economic governance by linking good governance principles directly to fiscal and social outcomes in village enterprises. It emphasizes the importance of institutionalized community participation in promoting both economic and social sustainability. However, the study is limited by its focus on a single village, which may constrain the generalizability of the findings. Future research should examine BUMDes management across multiple villages, consider variables like innovation and digitalization, and assess long-term impacts on community development and local economic resilience.

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