



EVALUATION OF VILLAGE-OWNED ENTERPRISE DEVELOPMENT POLICY FROM THE PERSPECTIVE OF REINVENTING GOVERNANCE IN THE DIGITAL ERA

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Abstract :

The growth in the number of Village-Owned Enterprises (BUMDes) in Indonesia has not been accompanied by comparable governance quality; recent data shows that only 75.8 percent of the tens of thousands of BUMDes are actually actively operating. BUMDes development policies have also been more oriented towards adding business units and technical digitization, rather than towards comprehensive governance arrangements. This study aims to evaluate BUMDes development policies through the perspective of reinventing governance integrated with digital era governance, in order to identify gaps between policy design and practice in the field. The study used a qualitative approach with a case study method in BUMDes Karya Mandiri, Ngoran Village, Blitar Regency. The study population included all BUMDes stakeholders, with a sample of five key informants selected purposively from the village government, BUMDes administrators, digital service managers, and community service users. Data were analyzed using the interactive model of Miles, Huberman, and Saldaña, which includes data reduction, data presentation, and conclusion drawing, accompanied by triangulation of sources and techniques. The results show partial policy implementation: the village government has acted as a catalyst and is results-oriented, but has not demonstrated strong evidence of empowerment and citizen ownership. In terms of digitalization, BUMDes services have only touched on administrative digitization, while reintegration of services and holistic citizen-centeredness have not been achieved, potentially creating a new digital literacy gap. The study concluded that BUMDes policy reform needs to be directed not only at increasing business units but also at strengthening citizen participation and equitable digital access.

Keywords : BUMDes, reinventing governance, digital era governance, village governance, village digitalization

INTRODUCTION

Since the enactment of Law Number 6 of 2014 concerning Villages, Village-Owned Enterprises (BUMDes) have emerged as the new backbone of the village economy. They are expected to be the engine of Village Original Income and a driver of local potential that has so far been underutilized. Numerously, this hope appears to be coming true. Data from the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration, as of June 22, 2024, recorded 65,941 BUMDes throughout Indonesia although only 18,850 of these are legally incorporated (Mendes PDPTT: 18,850 BUMDes have legal status, 2024).

However, this large figure tells a different story. The Financial and Development Supervisory Agency (BPKP) noted that of the approximately 66,000 village-owned enterprises (BUMDes) established, only 75.8 percent are



actively operating. The remaining 24.2 percent have received village capital investment but have stalled (BPKP stated that only 75.8 percent of BUMDes in Indonesia are active, as of 2024). This is where the real problem arises: the institutional growth of BUMDes is far outpacing the growth in the quality of their governance.

This gap is the starting point for this research. To date, village-owned enterprise (BUMDes) development policies have primarily encouraged the creation of new units, but have not addressed the truly necessary governance model one that is efficient, accountable, and adaptable to technology. Tarlani et al. (2023), in their study of BUMDes governance indicators in the Industrial Revolution 4.0 era, emphasized that digitalization remains a standalone structural consequence, not yet integrated into the full BUMDes development policy framework. Ghofar et al. (2021) added a similar note: strengthening BUMDes governance is still necessary to ensure the spirit of sociopreneurship is sustainable, not merely a fleeting euphoria.

Two major theories help to understand this issue more clearly. The first, reinventing government, highlights the shift from rigid and hierarchical bureaucracy to results-oriented, decentralized, and entrepreneurial public organizations (Osborne & Gaebler, 1992). The second, digital-era governance, demands something more: reintegration of services, citizen-driven holism, and the complete digitization of administrative processes (Dunleavy et al., 2006). The combination of these two theories serves as the lens through which this research examines BUMDes policy not only from the perspective of "is it digital" but also "has its governance changed."

This is where this research's novelty lies. Most previous literature treats digitalization as a technical tool at the micro-operational level only. Aprillianto et al. (2022) limit their discussion to financial statement consolidation. Asmini et al. (2023) focus on human resource management innovations to boost village-owned enterprise (BUMDes) revenue. Gunawan et al. (2024) examine the effect of interpersonal skills on BUMDes performance through the mediation of good corporate governance. All are important, but they stop at the technical level.

At a more institutional level, studies by Andayana et al. (2024) on strengthening the governance of agriculture-based Village-Owned Enterprises (BUMDes) in Sikka Regency, Haris et al. (2024) on collaborative governance in local economic development in East Java, and Hamka (2023) on collaborative governance in digital villages in Karanganyar all focus on the inter-actor collaboration model. None have yet evaluated BUMDes development policies nationally from a governance reform perspective. Firmansyah (2025) has actually approached this direction integrating digitalization, social capital, and governance in one study but has not yet made policy evaluation the unit of analysis, and has not yet used reinventing governance and digital era governance as complementary frameworks. This study attempts to fill this gap: developing a BUMDes policy evaluation instrument that combines the principles of government entrepreneurship with the demands of service reintegration and digitalization, both at the national policy level and at the village level.

The theoretical basis of this research rests on these two broad frameworks. Osborne and Gaebler (1992) formulated ten principles of entrepreneurial governance including a catalytic government that guides rather than directs, a community-owned government that empowers rather than merely serves, and a results- and market-oriented government. These principles are not new to Indonesian bureaucratic reform; they have been adapted even down to the sub-district and village levels, as seen in a study of the implementation of reinventing government in Jekan Raya District (cited in Siren, 2017).

Meanwhile, Dunleavy, Margetts, Bastow, and Tinkler (2006) made a more provocative statement: the era of New Public Management is over, replaced by governance based on service reintegration, citizen-driven holism, and the comprehensive digitalization of administrative processes. This claim is not a timeless notion. Cho's (2023) bibliometric review of the impact of Dunleavy et al.'s ideas shows that the themes of digital governance and public value remain a growing research cluster although Cho also cautions that managerial reforms tend to be supplementary, rather than a total and linear replacement of old approaches. These two theories are used together to analyze BUMDes development policies along two axes simultaneously: the axis of village institutional entrepreneurship and the axis of digital transformation of village public services.

Building on this framework, this study aims to evaluate village-owned enterprise (BUMDes) development policies in Indonesia through a reinventing governance perspective integrated with digital-era governance principles. More specifically, this study aims to identify implementation gaps between policy design and BUMDes governance practices in the field, and then formulate recommendations to encourage BUMDes' transformation from mere administrative entities to digitally adaptive and institutionally accountable village businesses.

The benefits are two-pronged. Theoretically, this research is expected to enrich the public administration discourse with an evaluative framework that combines reinventing government and digital-era governance specifically in the context of village-owned enterprises a domain that has not been widely addressed by both theories in an integrated manner. Practically, the findings are expected to provide consideration for the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration, local governments, and BUMDes managers in redesigning development policies that not only focus on the number of business units but also strengthen the capacity for sustainable digital governance.

RESEARCH METHOD

This research uses a qualitative approach with a case study method. This choice is not without reason: understanding how BUMDes development policies are actually implemented in a single location, while assessing their alignment with the principles of reinventing government (Osborne & Gaebler, 1992) and digital-era governance (Dunleavy et al., 2006), requires a contextual

understanding that cannot be captured solely through national aggregate data. The interactions between village actors, regulations, and digital infrastructure require a closer look. A similar approach was used in research evaluating BUMDes digitalization in Pasirbatang Village, Tasikmalaya Regency a qualitative case study combining in-depth interviews and direct observation of digitalization implementation (Development of BUMDES Digitalization in Tasikmalaya Regency, 2023).

The research location is Ngoran Village, Nglegok District, Blitar Regency, East Java. This village was chosen for a reason: the Karya Mandiri Village-Owned Enterprise (BUMDes) there successfully entered the top fifteen of the Nugraha Karya Desa BRILiaN 2023, a village incubation program launched by Bank BRI since 2020. Its achievements are quite concrete from the "Simpeldesa" digital population administration service application, the management of WiFi internet service business units, to the AgenBRILink collaboration for residents' banking transactions (Ngoran Blitar Desa BRILiaN 2023: Digital Innovation and BUMDes Boost Community Economy, 2024). This track record makes Ngoran Village an appropriate location to test the extent to which BUMDes digitalization practices in the field truly reflect or deviate from the principles of service reintegration and needs-based holism (Dunleavy et al., 2006), as well as the principle of village government as an entrepreneurial catalyst (Osborne & Gaebler, 1992). The research itself focuses on three aspects: the design and implementation of BUMDes development policies at the village level, including village regulations that serve as the legal umbrella for BUMDes Karya Mandiri; village entrepreneurial governance practices, ranging from catalytic leadership patterns to results-oriented business units; and the level of adoption of digital-era governance principles, including service reintegration, citizen-based holism, and the degree of digitalization of BUMDes administration and business transactions.

The data for this research consists of primary and secondary data. Primary data were collected through semi-structured interviews and direct observation at the research location, while secondary data were taken from official village documents Village Regulations on the Establishment of BUMDes, BUMDes accountability reports, Village Revenue and Expenditure Budgets plus publications from the Ministry of Villages, Disadvantaged Regions, and Transmigration (Kemendesa PDTT) as well as related news and scientific publications cited in the Introduction. Primary data collection itself will proceed through three channels: semi-structured interviews with key informants, non-participatory participant observation of BUMDes operational activities and digital services, and documentation studies of village regulations and BUMDes financial/performance reports. Informants were determined using a purposive sampling technique, with the main criteria being direct involvement in the formation of BUMDes policies or operations; candidates include the Village Head/village official authorized for BUMDes establishment and supervision policies, BUMDes Karya Mandiri administrators, and community representatives who use BUMDes services such as AgenBRILink and digital administration services. The number and identity of definitive informants can

only be determined after the field confirmation and licensing process, so they have not been included as definitive data at the stage of preparing this proposal.

Data analysis used the interactive model of Miles, Huberman, and Saldaña (2014), which runs in four stages: data collection, data reduction, data presentation, and conclusion drawing/verification. Data reduction was carried out by categorizing field findings into three predetermined research focuses, while data presentation used a matrix that maps the alignment between BUMDes practices in the field with indicators of reinventing government and digital era governance. To maintain data validity, this study applied two types of triangulation: source triangulation, which compares statements from the village head, BUMDes administrators, and the community, and technical triangulation, which compares interview results with observations and official documents.

FINDINGS AND DISCUSSION

Field data for this research was obtained from five informants representing four elements: village government, BUMDes administrators, digital service managers, and community service users. The first informant (I1) from the village government element explained that BUMDes is directed as an instrument for managing local potential, public services, and increasing Village Original Income. The second informant (I2), from the BUMDes administrator element, revealed that BUMDes manages a number of business units directly related to community needs, such as internet services, financial transactions, and village facilities. Meanwhile, the third informant (I3), as the digital service manager, explained that digitalization is carried out through application-based administrative services, digital signatures, and support for village internet access.

From the community perspective, the fourth informant (I4), a service user, stated that they felt helped by BUMDes services, particularly in terms of administrative access, internet access, and financial transactions. The fifth informant (I5), representing both the community and local business owners, added that while digitalization does aid economic activity, there are still challenges in digital literacy and technology usage.

Reinventing Governance Perspective

There is an interesting signal from statements I1 and I2: the village government appears to be shifting from merely administrative implementation to a catalytic role exactly like the principle of catalytic government formulated by Osborne and Gaebler (1992), namely the government directing (steering) rather than running (rowing) all village economic activities itself. The Ngoran Village Government positions the Karya Mandiri Village-Owned Enterprise (BUMDes) as an instrument for managing local potential and opening up space for collaboration with external parties. Meanwhile, the operational business units internet services, AgenBRILink, village facilities are run by the BUMDes management relatively autonomously. This pattern aligns with the principle of results-oriented government: the orientation is not merely procedural compliance with the institution's formation, but direct benefits for residents

through Village-Owned Enterprises (PADes) and services.

But this is where a critical approach is needed. The available data is insufficient to claim that Ngoran Village has fully implemented the principles of community-owned government a government that empowers residents as owners and decision-makers, not simply recipients of services. Statements I4 and I5 instead portray the community as those "helped" by BUMDes services, positioned as beneficiaries, not those involved in policy formulation or oversight. Not a single informant's statement mentions village deliberation mechanisms, citizen evaluation forums, or other formal channels of participation in BUMDes management. So the picture is quite clear: implementation is partial strong in the dimensions of entrepreneurship and results-oriented, but weak in the dimensions of empowerment and citizen ownership.

This pattern is not unique to Ngoran Village. Waruwu, Revida, and Amin (2023) found similar issues in their study of community participation in village fund oversight in Gawu-Gawu Bouso Village, North Nias Regency: they identified factors that supported and hindered community participation in overseeing the use of village funds, suggesting that the gap between participatory policy design and practice is a recurring issue across villages, not simply a local failure. On the other hand, Lestari, Eklemis, and Abdullah's (2025) findings on village-owned enterprise (BUMDes) members in Wedi District, Klaten, showed a strong correlation between social capital and member participation levels (Spearman Rank coefficient 0.794; significance less than 0.01) indicating that community participation is not simply a matter of the presence or absence of formal forums, but also of the strength of the social capital (trust, networks, norms of reciprocity) that underpins those forums. In relation to the Ngoran case, the absence of informant information about formal participation mechanisms may not be simply a policy omission, but also a reflection of social capital that is not yet strong enough to encourage active citizen involvement a suspicion that needs to be further tested through additional data, rather than simply concluded from the currently available data.

The constraints identified by informants cannot be ignored: limited human resources, management capacity, limited capital, and the need to strengthen reporting systems. Osborne and Gaebler (1992) emphasized that entrepreneurial governance requires implementing agents who are mission-driven and accountable for their work. The managerial and reporting constraints cited by informants indicate that the institutional capacity of BUMDes Karya Mandiri is not yet fully prepared to support the catalytic role promoted by the village government. There is a clear gap between the designed policy direction and the capacity of implementers on the ground.

Digital Era Governance Perspective

Description I3 shows that digitalization in Ngoran Village is manifested in application-based administrative services, digital signatures, and the provision of village internet access. Read through Dunleavy et al.'s (2006) framework, this finding most clearly reflects the third element of digital-era governance, namely digitization the use of technology to transform previously

manual administrative processes. I4 and I5 further confirm this: digitalization provides residents with easier access to administrative services, the internet, and financial transactions.

The problem is that two other elements of digital-era governance reintegration and needs-based holism are not sufficiently supported by the existing data. Reintegration, as defined by Dunleavy et al. (2006), requires the reunification of previously fragmented service functions into a more unified control. However, informant data only indicates the addition of digital channels apps, AgenBRILink on top of the existing service structure, without explicit reference to the integration of village administrative processes and BUMDes economic services into a single integrated system. In other words, what is observed here is closer to the front-end digitization of services than the institutional reintegration that is at the heart of the digital-era governance concept.

A more pronounced gap emerges in the element of needs-based holism, which demands that services be designed based on the needs of all community groups including those at risk of being digitally left behind. I5 explicitly mentions the obstacles to digital literacy and the habits of some residents in using technology, and even assesses that this requires increasing the community's digital literacy. This finding has serious implications: the digitalization of the Karya Mandiri Village-Owned Enterprise (BUMDes), instead of creating inclusive service holism, has the potential to create new access gaps. The implementation of digital-era governance in Ngoran Village, in other words, has stopped at the service digitization stage not yet reaching the holistic governance transformation idealized by theory.

The findings regarding the digital literacy gap in Ngoran Village are also in line with the national picture. Aidin's (2025) literature review of the implementation of the Village Information System in Indonesia noted that only around 45 percent of the 74,961 villages have implemented a village information system, with ICT infrastructure still concentrated around 65 percent on Java Island, while 12,548 villages across Indonesia do not have access to high-speed internet, and the average digital literacy score of village residents remains low, at 3.8 on a scale of 7.0. These data indicate that the digital literacy obstacles revealed by informant I5 are not local anomalies, but rather part of a broader pattern of digital inequality across regions in Indonesia. The implication is that strategies to address this gap in Ngoran Village are likely not standalone but need to be connected to the agenda of equalizing digital infrastructure at the district and national levels.

In summary, the development of the Karya Mandiri Village-Owned Enterprise (BUMDes) in Ngoran Village reflects a partial implementation of both theoretical frameworks. It is strong in aspects of village government entrepreneurship and service digitalization, but remains weak in aspects of citizen empowerment/ownership (reinventing governance) and service reintegration and holism (digital era governance). This pattern aligns with the gaps identified in the Introduction that national BUMDes development policies

are still oriented toward the formation of business units and technical digitalization, rather than toward a comprehensive restructuring of governance (Tarlani et al., 2023; Ghofar et al., 2021). Comparison with more recent literature also reinforces this picture: neither the citizen participation gap (Waruwu et al., 2023; Lestari et al., 2025) nor the digital literacy gap (Aidin, 2025) are unique issues, but rather recurring patterns across various studies of BUMDes and village digitalization throughout 2021–2025.

CONCLUSION

Referring to the research objectives in the Introduction section, the evaluation of the BUMDes Karya Mandiri development policy in Ngoran Village through the perspective of reinventing governance and digital era governance produces three main conclusions.

First, from the perspective of reinventing governance, the BUMDes development policy shows partial implementation. Village governments have acted as catalysts and directed BUMDes toward a results-oriented approach increasing Village-Owned Enterprises (PADes) and providing public services but have yet to demonstrate strong evidence of empowerment and community-owned government. The data shows that communities are positioned more as beneficiaries than as parties involved in decision-making or BUMDes oversight.

Second, from a digital governance perspective, the digitalization of the Karya Mandiri Village-Owned Enterprise (BUMDes) has only touched on the digitization elements app-based administrative services, digital signatures, and village internet access while the elements of service reintegration and needs-based holism have not yet been achieved. The digital literacy gap identified by informants even has the potential to create new forms of exclusion, rather than the inclusive services idealized in theory.

Third, the implementation gap in these two perspectives is in line with the research gap identified in the Introduction: national BUMDes development policies are still oriented towards institutional formation and technical digitalization, not yet towards comprehensive governance transformation.

Thus, the novelty claimed by this study an evaluative framework that combines reinventing governance and digital-era governance at the BUMDes policy level can more specifically explain the successes and failures of policy implementation, compared to descriptive approaches that only assess the existence of business units or digital applications. However, it should be noted that this research relies on a single case study with informant data that has not been fully triangulated (see limitations in the Results and Discussion section). Therefore, the above conclusions are contextual to Ngoran Village and cannot be generalized to describe the condition of BUMDes in Indonesia in general.

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