



THE ROLE OF VILLAGE GOVERNMENT IN SUPPORTING VILLAGE-OWNED ENTERPRISES (BUMDES) AS A VILLAGE ECONOMIC STRENGTHENER IN BALONGBENDO DISTRICT, SIDOARJO

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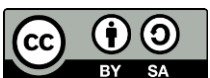
Abstract :

Village-Owned Enterprises (BUMDes) are an important tool for strengthening the village economy, the success of which is highly dependent on the role of the village government. This study aims to analyze the contribution of village governments in supporting the management and development of BUMDes, identify factors that hinder the optimization of this role, and examine the extent to which local regulations such as Regional Regulations (Perda) and Regent Regulations (Perbup) of Sidoarjo Regency can serve as a strategic foundation for strengthening the function of BUMDes as drivers of the village economy. This study adopts a qualitative approach with a case study design located in Balongbendo District, Sidoarjo Regency. Data were obtained through in-depth interviews, observations, and analysis of village planning documents, BUMDes reports, and relevant regulations. The research findings indicate that village governments have played a crucial role through planning, facilitating, fostering, and supervising BUMDes, but this role has not been maximized due to limited human resource capacity, weak synergy between institutions, and low community participation. While local regulations provide a sufficient legal basis, they have not been fully utilized strategically in BUMDes management. This study emphasizes the need to strengthen village government capacity and optimize the implementation of local regulations to promote the sustainability of BUMDes as the foundation of the village economy.

Keywords: village government; BUMDes; village economy; governance; local regulations

INTRODUCTION

Village development in Indonesia has become an important focus in the context of national development, especially after the ratification of Law Number 6 of 2014 concerning Villages which provides a mandate for autonomy and broad authority to villages in managing and regulating their own government affairs and development (Mahardhani, 2014). Villages are now not only considered as small administrative units, but also as economic actors that have the potential to become drivers of local economic development through various institutional institutions, including Village-Owned Enterprises (BUMDes) which function as village-owned business entities to manage the village's economic potential professionally in order to improve community welfare (Lasah et al., 2025). In a



dynamic rural economic climate, BUMDes is expected to be able to overcome microeconomic limitations, expand employment opportunities, and function as a source of steady income for the village (Maulana et al., 2023; Ridhowati, 2024). The challenges faced by Village-Owned Enterprises (BUMDes) include management, capital, innovation, and regulatory support and facilitation from the village government, which is at the forefront of implementing village economic empowerment programs.

Overall, Sidoarjo Regency has established a legal basis to strengthen village structures and economic management through regional regulations and regental regulations, which serve as guidelines for village governments in formulating local policies, including those related to BUMDes management. Sidoarjo Regency Regulation Number 15 of 2019 concerning the Establishment and Management of Village-Owned Enterprises serves as a normative guideline for establishing and developing BUMDes in the region. However, its implementation requires updates and adjustments to national regulations to ensure policy harmonization. In addition, other regental regulations, such as village financial management guidelines and village budget (APBDes) preparation guidelines, also influence villages' capabilities in designing budget support and managing relevant resources for BUMDes as inclusive and competitive village economic institutions. These regional regulations reflect the district government's efforts to strengthen village management as a basis for democratic and sustainable village economic development (Ihsan et al., 2025).

In the context of Balongbendo District, the phenomenon of Village-Owned Enterprises (BUMDes) demonstrates the varying roles of village governments as facilitators, regulators, and drivers of the local economy. Several villages in Balongbendo have established and operated BUMDes focused on the agricultural sector, consumer goods, and micro-public services. However, the level of BUMDes' contribution to the village economy varies due to limited management capacity, access to capital, and coordination with external parties such as sub-district and district governments. This situation is influenced by how effectively village governments carry out their administrative support functions, program planning that is sensitive to local potential, and budget synergy within the Village Budget (APBDes), which reflects the village's political commitment to strengthening BUMDes (Naini & Mursyidah, 2023). The main challenge that arises is linking community economic aspirations with appropriate and adequate BUMDes development strategies, both technically and financially. This highlights the need for a deeper understanding of the village government's support mechanisms in optimizing the role of BUMDes in Balongbendo as the foundation of the village economy.

This research offers innovation by not only examining the role of the village government in BUMDes development in general but also situating the analysis within the local context of Balongbendo District, which has its own socio-economic characteristics and differences in village institutional practices. Furthermore, this research evaluates the differences between official regulations and their implementation at the village level, including the role of regional

regulations and regental regulations as policy bases or, at times, not as primary references in BUMDes operational practices. This article is designed to answer several key questions, including: (1) what is the role of the village government in supporting the management and development of BUMDes in Balongbendo; (2) what factors hinder the optimization of this role; and (3) to what extent can regional regulations such as the Sidoarjo Regional Regulation and Regent Regulation serve as a strategic basis for strengthening the role of BUMDes in the village economy. This emphasis on local innovation is expected to provide relevant, practical, and sustainable policy advice for decision-makers in both villages and districts in strengthening the foundations of the village economy through BUMDes.

RESEARCH METHOD

The research method applied in this research is a qualitative descriptive approach with a case study design (Pahleviannur et al., 2022), which aims to gain an in-depth understanding of the role of village governments in supporting BUMDes as drivers of the village economy in Balongbendo District, Sidoarjo Regency. This research was determined purposively by considering the existence and differences in BUMDes performance in several villages within the sub-district area. Research respondents included village heads, village officials who handle economics and finance, BUMDes managers, the Village Consultative Body (BPD), and community representatives directly involved in BUMDes activities. Data collection methods were carried out through in-depth interviews, field observations, and document analysis including village planning documents, BUMDes financial reports, and relevant regulations such as Regional Regulations and Regent Regulations of Sidoarjo Regency. The data obtained were analyzed using interactive analysis techniques that include data reduction, data presentation, and drawing conclusions, while ensuring data validity through triangulation of sources and methods. This method allows researchers to identify regulatory dynamics, institutional practices, and factors that support and hinder the role of village governments in strengthening BUMDes in a comprehensive and contextual manner (Huberman & Miles, 2012).

FINDINGS AND DISCUSSION

The Role of Village Government in Supporting the Governance of BUMDES Development

Research findings indicate that village governments in Balongbendo District play a crucial role in supporting the management and development of BUMDes, particularly through planning, facilitation, and oversight. During the planning stage, village governments play a key role in guiding BUMDes development by integrating BUMDes programs into the Village Medium-Term Development Plan (RPJMDes) and the Village Government Work Plan (RKPDDes). This integration is crucial because it influences program legitimacy, budget distribution, and the sustainability of BUMDes efforts. Villages that routinely integrate BUMDes development into their planning documents tend to

have more active and organized BUMDes than those that merely consider BUMDes as an additional program.

In addition to planning, the village government serves as a facilitator in providing resources, including initial capital, infrastructure, and administrative support. The village government in Balongbendo typically supports BUMDes through capital investments from the village budget (APBDes) and provides access to village assets that can be used as business units. However, the effectiveness of this facilitation is largely determined by the commitment of the village head and the ability of village officials to understand the concept of village entrepreneurship. In some situations, village government support remains focused on administration and does not fully encourage business innovation or BUMDes market development.

The role of coaching and mentoring is also an important result in the development of BUMDes (Fitriani et al., 2024). The village government in Balongbendo has attempted to develop the business through regular coordination meetings, performance assessments of BUMDes administrators, and adjustments to BUMDes programs to the needs of the village community. However, this development has not been fully structured and sustainable. The limited technical capacity of village officials, particularly in business management and marketing, has led to development focusing more on administrative aspects than on in-depth BUMDes business development (Ikram et al., 2025; Safri et al., 2025).

In terms of oversight, the village government carries out its control function through a system of accountability reports from BUMDes administrators to the village head and the Village Consultative Body (BPD). This oversight is crucial for ensuring accountability and transparency in BUMDes management. However, research shows that oversight still appears formal and lacks clear performance indicators. As a result, the village government is still unable to fully identify internal BUMDes issues early on and develop appropriate improvement strategies. This indicates that the village government's functions are operational, but still require improvements in terms of capacity and management methods.

Factors Inhibiting Optimization of the Role of Village Government

Research shows that one of the main factors hindering the optimal role of village government in developing BUMDes in Balongbendo is limited human resource capacity. Both village officials and BUMDes managers generally lack adequate backgrounds in business management, entrepreneurship, or financial management. This situation hinders the village government's role in BUMDes development from being able to drive BUMDes' transformation into sustainable and competitive business entities. This limited capacity also impacts the village's low ability to identify market opportunities and manage business risks (Ningrum et al., 2021).

Another inhibiting factor is the low synergy between village governments, BUMDes managers, and the community. In some villages, BUMDes are still viewed as village government assets, rather than as a joint venture between the

village community. This perception contributes to low community involvement, whether as users, business partners, or social monitors. Village governments have not been fully successful in fostering a sense of community ownership of BUMDes, resulting in BUMDes' social function as a tool for economic empowerment not functioning optimally (Afrizal et al., 2023).

Institutional aspects also pose significant obstacles. The organizational structure of Village-Owned Enterprises (BUMDes) in several villages in Balongbendo is not functioning well due to an undefined division of duties between advisors, supervisors, and operational implementers. The village government, as the institutional supervisor, is often inconsistent in enforcing internal BUMDes regulations, particularly when conflicts of interest arise or management performance is suboptimal. This situation indicates that the village government's regulatory role remains ineffective in implementing BUMDes management.

Furthermore, limited external support is also a hindering factor. Engagement between village governments and sub-district governments, regional government agencies, and private sector partners remains sporadic and has not yet been established within a strategic partnership framework (Mahardhani, 2023). As a result, BUMDes struggle to obtain advanced training, professional support, and broader marketing networks. In this context, the village government's role as a liaison between BUMDes and external parties remains suboptimal.

These inhibiting factors show that the difficulties encountered by village governments in promoting BUMDes development are not just technical but also structural and relational. The combination of restricted human resource capacity, poor institutional governance, minimal community involvement, and weak external partnerships forms a cycle that hinders BUMDes from becoming robust local economic institutions. If there are no intentional actions to enhance capacity building, define institutional roles, and promote collaboration among various actors, the village government's function may risk being procedural instead of strategic. Thus, overcoming these limitations necessitates a comprehensive strategy that sees village government not just as an administrative body, but also as a driver of institutional learning, social unity, and enduring local economic advancement via BUMDes

The Role of Regional Regulations to Strengthen the Function of BUMDES

Local regulations are essential in converting national village development policies into actionable frameworks at the community level. Perda and Perbup act as intermediary policy tools that connect national regulations on village governance with the actual conditions of economic management at the village level. In this scenario, the success of BUMDes development is tightly connected to how local authorities perceive and implement these regulations within village governance frameworks. When local regulations are embraced as strategic directions instead of simply legal compliance mandates, they can help synchronize village planning, budgeting, and institutional frameworks towards

the enduring enhancement of BUMDes as sustainable economic entities in the village

Local regulations, such as Regional Regulations and Regent Regulations in Sidoarjo Regency, essentially provide a normative basis for strengthening BUMDes as a village economic tool. Research indicates that these regulations provide the legal basis for village governments to establish, manage, and develop BUMDes, including aspects of village capital participation and the utilization of village assets. Through local regulations, BUMDes obtain crucial legal guarantees to carry out business activities legally and sustainably.

However, the extent to which these regulations serve as a strategic basis depends largely on the village government's understanding and commitment to implementing them. In Balongbendo District, some village officials still view Perda and Perbup as administrative documents, rather than strategic tools for strengthening BUMDes management. As a result, regulations have not been fully implemented in village operational policies, such as establishing standard operating procedures (SOPs), BUMDes performance indicators, and incentive schemes for BUMDes managers.

Regional regulations also do not fully encourage innovation and collaboration between village-owned enterprises (BUMDes) and external parties. Although regulations provide opportunities for business collaboration and business unit development, village governments still tend to be cautious and administrative in utilizing these opportunities. This indicates a gap between regulatory design and implementation at the village level, ultimately hampering BUMDes' strategic role in strengthening the village economy (Kunha et al., 2024).

Nevertheless, research findings indicate that the Sidoarjo Regional Regulation and Regent Regulation still have significant potential as a strategic foundation for strengthening BUMDes if accompanied by increased capacity of village officials and ongoing mentoring. Regional regulations can serve not only as a legal basis but also as a policy tool that encourages professionalism, responsibility, and sustainability of BUMDes (Kasmawati et al., 2025; Selvi et al., 2024). As a result, optimizing the function of village government in utilizing local regulations is a crucial aspect in making BUMDes a driver of the village economy in Balongbendo District.

CONCLUSION

The results of this study indicate that the village government in Balongbendo District, Sidoarjo Regency, plays a crucial and strategic role in supporting the management and development of BUMDes as a driver of the village economy, particularly through planning, facilitation, guidance, and supervision. However, this function has not been fully maximized due to limited human resource capacity, lack of synergy between institutions, low community participation, and the suboptimal utilization of external partnership networks. Regional regulations such as the Sidoarjo Regional Regulation and Regent Regulation have indeed provided a sufficient legal basis for BUMDes development, but their implementation at the village level still tends to be

administrative in nature and has not been utilized as a strategic tool to encourage professionalism and innovation in BUMDes businesses. Therefore, increasing the capacity of village officials, supporting sustainable institutionalization, and optimal utilization of local regulations are important factors in strengthening the role of BUMDes as a means of sustainable village economic development in Balongbendo District.

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