

ENHANCING RURAL COMMUNITY WELFARE THROUGH VILLAGE-OWNED ENTERPRISES: EVIDENCE FROM BUMDES LOHDJINAWI, INDONESIA

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Abstract

Village-Owned Enterprises (BUMDes) have become a strategic instrument for promoting rural economic development and improving community welfare in Indonesia. However, previous studies have predominantly emphasized the organizational performance of BUMDes, while limited attention has been given to the collaborative governance between BUMDes and village governments in fostering sustainable rural development. This study aims to analyze the collaborative role of BUMDes Lohdjinaawi and the Village Government (APDES) in enhancing community welfare in Gesikan Village, Pakel District, Tulungagung Regency. A qualitative descriptive case study was employed using primary and secondary data collected through in-depth interviews, participatory observation, document analysis, community questionnaires, focus group discussions, and observations of local economic activities. Data were analyzed using the interactive qualitative analysis model consisting of data reduction, data display, and conclusion drawing, with triangulation applied to ensure validity. The findings reveal that the collaboration between BUMDes Lohdjinaawi and APDES has strengthened local economic development through business diversification, entrepreneurship training, support for micro- and small-scale enterprises, and effective management of village resources. This institutional synergy has generated broader socioeconomic benefits, including employment creation, increased household income, enhanced entrepreneurial capacity, improved access to education and healthcare, and strengthened community participation. The study contributes theoretically by extending the literature on collaborative village governance as a determinant of sustainable rural development. Practically, it provides insights for policymakers and village administrators to strengthen institutional partnerships, managerial capacity, market access, and digital transformation in Village-Owned Enterprises.

Keywords: Collaborative Governance, Community Welfare, Rural Development, Village Government, Village-Owned Enterprises.



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INTRODUCTION

Community welfare is a fundamental prerequisite for improving quality of life across economic, social, and political dimensions. Despite Indonesia's sustained economic development, welfare disparities remain particularly evident in rural areas, where many communities continue to experience limited economic opportunities and relatively low living standards. Consequently, improving rural welfare has become a key priority in national development, with community empowerment serving as one of the primary strategies to achieve this objective. In this context, Village-Owned Enterprises (Badan Usaha Milik Desa or BUMDes) have emerged as an important institutional mechanism for promoting local economic development by utilizing village resources and development funds. Furthermore, Article 87 of Law No. 6 of 2014 grants villages autonomous authority to regulate and manage governmental affairs and community interests based on their original rights and prevailing socio-cultural values (Muh. Nurman, 2022).

BUMDes are established to enhance the economic welfare of rural communities by optimizing institutional capacity, local economic potential, and human resources (Baharuddin, Sabua and Hanisa, 2023). As community-based economic institutions, BUMDes are expected to stimulate local economic activities, create employment opportunities, support micro-enterprises, and ultimately contribute to poverty reduction in rural areas. Through effective management of village assets and the development of community-oriented business programs, BUMDes can strengthen the sustainability of local economies while fostering inclusive rural development.

One example is BUMDes Lohdjinawi, located in Gesikan Village, Pakel District, Tulungagung Regency. This village-owned enterprise has made a significant contribution to improving community welfare through a variety of economic and social empowerment programs designed to support rural development. These initiatives include business financing, entrepreneurship support, skills development, and other activities aimed at strengthening the economic capacity of local residents. The implementation of these programs demonstrates the strategic role of BUMDes as an instrument for community empowerment and sustainable village development.

Therefore, this study aims to analyze and evaluate the role of BUMDes Lohdjinawi and the Village Government (APDES) in improving the welfare of the people of Gesikan Village, Pakel District, Tulungagung Regency. The findings are expected to contribute to a better understanding of effective strategies for promoting rural economic development through Village-Owned Enterprises and to provide practical insights for strengthening village-based economic institutions in Indonesia.

LITERATURE REVIEW

Previous studies have consistently highlighted the strategic role of Village-Owned Enterprises (Badan Usaha Milik Desa or BUMDes) in fostering rural economic development and improving community welfare. For example, (Srimuliana and Furqani,

2022) demonstrated that BUMDes can increase community income and stimulate the village economy through effective management strategies. Their findings suggest that sound institutional governance and appropriate business management enable BUMDes to become an important driver of local economic growth.

Similarly, research conducted by (Wilujeng, 2023) in Banjar Village, Banyuwangi, revealed that although BUMDes has considerable potential to support village development, its institutional capacity remains relatively limited because it is still in the early stages of development. The study emphasized the need for continuous support from the village government through community outreach, entrepreneurship training, and capacity-building programs to strengthen the operational effectiveness and long-term sustainability of BUMDes.

Furthermore, (Sumantri, 2020) found that BUMDes Sinar Mulya in Mulyosari Village, Tulungagung, successfully increased community participation through various empowerment initiatives, including vocational training, public socialization, community mentoring, and job creation. These findings indicate that BUMDes can function not only as an economic institution but also as a social empowerment mechanism that encourages active community involvement in local development.

Although previous studies have provided valuable insights into the contribution of BUMDes to rural economic development, most have primarily focused on institutional performance, community participation, or income generation. Limited attention has been given to the collaborative relationship between BUMDes and the Village Government (APDES) as an integrated governance mechanism for improving community welfare. Moreover, empirical evidence examining how institutional collaboration influences economic empowerment at the village level remains relatively scarce, particularly in the context of Gesikan Village, Pakel District, Tulungagung Regency.

To address this gap, the present study investigates the collaborative role of BUMDes Lohdjinawi and the Village Government (APDES) in enhancing community welfare in Gesikan Village, Pakel District, Tulungagung Regency. BUMDes Lohdjinawi was selected as the research setting because of its strategic contribution to promoting local economic development through community-based business programs and social empowerment initiatives.

This study specifically examines how the synergy between BUMDes Lohdjinawi and APDES contributes to improving community welfare through the development of micro- and small-scale enterprises, community empowerment programs, and the sustainable management of local resources. It is hypothesized that institutional collaboration between BUMDes Lohdjinawi and APDES strengthens the effectiveness of rural economic development initiatives, thereby generating positive impacts on employment opportunities, household income, and the overall welfare of the village community.

Accordingly, this study contributes to the existing literature by extending previous research beyond the assessment of BUMDes performance alone. Instead, it emphasizes

the importance of collaborative village governance, demonstrating how institutional synergy between village-owned enterprises and local government can serve as an effective model for sustainable rural development and community welfare enhancement in Indonesia.

RESEARCH METHOD

This study employed a qualitative research approach with a descriptive research design to examine the role of the Village-Owned Enterprise (Badan Usaha Milik Desa or BUMDes) Lohdjinawi in improving community welfare in Gesikan Village, Pakel District, Tulungagung Regency, Indonesia. A qualitative approach was considered appropriate because it enables an in-depth exploration of social phenomena within their natural setting and facilitates a comprehensive understanding of the processes, interactions, and experiences associated with village-based economic empowerment.

The research was conducted in Gesikan Village, Pakel District, Tulungagung Regency, where BUMDes Lohdjinawi operates as a village-owned enterprise responsible for managing local economic resources and supporting community development. The primary research subjects included the management of BUMDes Lohdjinawi and the Village Government (APDES), both of which play central roles in planning, implementing, and evaluating village economic development programs.

Data were collected using multiple qualitative techniques to ensure the comprehensiveness and credibility of the findings. The primary data collection methods consisted of in-depth interviews, participatory observation, document analysis, economic activity observation, community questionnaires, and focus group discussions (FGDs). In-depth interviews were conducted with BUMDes managers, village government officials, and community members to obtain detailed information regarding the implementation of BUMDes programs and their perceived impacts on community welfare. Participatory observation was undertaken to examine organizational activities, community participation, and interactions among stakeholders. Document analysis was used to review administrative records, program reports, and other relevant documents related to BUMDes operations. Economic activity observation was conducted to monitor business activities and assess their contribution to local economic development. In addition, community questionnaires were administered to capture residents' perceptions and evaluations of the performance and effectiveness of BUMDes in improving their welfare. Focus group discussions were conducted to enrich the findings through collective reflections and interactive discussions among key stakeholders.

The study utilized both primary and secondary data sources. Primary data were obtained directly through interviews, observations, questionnaires, FGDs, and documentation conducted at BUMDes Lohdjinawi. Secondary data were collected from relevant literature, previous empirical studies, government publications, institutional reports, and other documentary sources that supported the research objectives.

Data analysis followed the interactive qualitative analysis model, which consisted of three interconnected stages: data reduction, data display, and conclusion drawing. Data reduction involved selecting, organizing, and simplifying the collected information to identify key themes and meaningful patterns. The reduced data were then systematically presented through narrative descriptions to facilitate interpretation and comparison across data sources. Finally, conclusions were drawn by interpreting the findings and evaluating the relationships among the identified themes to address the research objectives.

To enhance the trustworthiness of the findings, several strategies were employed to ensure data validity. These included prolonged engagement, persistent observation, and triangulation. Prolonged engagement enabled the researchers to gain a comprehensive understanding of the research setting and to establish credibility with participants. Persistent observation was undertaken to identify characteristics and patterns that were most relevant to the research questions. Furthermore, methodological and data source triangulation were applied by comparing information obtained through interviews, observations, documentation, questionnaires, and FGDs, thereby improving the credibility, consistency, and confirmability of the research findings.

The qualitative approach was selected because it provides a holistic understanding of how BUMDes contributes to community welfare through village-based economic empowerment. By integrating multiple data collection methods and validation techniques, this study offers a comprehensive analysis of the institutional role of BUMDes Lohdjinawi and its collaboration with the Village Government in promoting sustainable rural development and improving the welfare of the local community.

RESULTS AND DISCUSSION

The Economic Performance of BUMDes Lohdjinawi and APDES in Empowering Local Economic Potential in Gesikan Village

The findings indicate that BUMDes Lohdjinawi has played a strategic role in promoting local economic development by managing various business units in the agricultural, trade, and service sectors. These business activities have generated additional employment opportunities, strengthened local entrepreneurship, and contributed to increased household income among village residents. The diversification of business units has also enhanced the capacity of the village economy to utilize local resources more effectively.

According to the Director of BUMDes Lohdjinawi, one of the institution's primary objectives is to establish sustainable business units while simultaneously providing entrepreneurship and vocational skills training for community members. These training programs are designed to improve residents' entrepreneurial competencies, enabling them to develop independent businesses and enhance their economic self-reliance. The findings suggest that capacity-building initiatives constitute an essential component of the village empowerment strategy implemented by BUMDes.

The Village Government (APDES) plays a complementary role by providing financial support, infrastructure, and policy frameworks that facilitate the operation of BUMDes. The collaboration between APDES and BUMDes in planning and implementing village economic development programs has created strong institutional synergy. Through technical assistance, business mentoring, and market facilitation for local products, APDES has expanded the effectiveness and outreach of BUMDes programs.

Interview findings further reveal that community members have experienced tangible benefits from the existence of BUMDes Lohdjinawi. Participants reported improvements in both income and technical skills acquired through entrepreneurship and agricultural training programs. For example, one village resident, Kadir, explained that the training activities significantly enhanced his farming techniques and entrepreneurial skills, enabling him to improve his household income. These findings demonstrate that BUMDes contributes not only to economic growth but also to the development of human capital within the village community.

The Impact of BUMDes and APDES on Community Welfare

The study found that BUMDes Lohdjinawi, in collaboration with APDES, has substantially strengthened community empowerment in Gesikan Village. This contribution is reflected in increased community participation, enhanced household economic capacity, and greater involvement in village-based economic activities. The high level of public participation indicates that BUMDes programs have gained considerable trust and acceptance among local residents.

Skills development programs organized by BUMDes have significantly improved the economic capacity of households by equipping community members with practical competencies to establish and expand their own businesses. Consequently, these initiatives have contributed to increased family income and improved household economic resilience. One respondent, Hartini, stated that the entrepreneurship and agricultural training provided by BUMDes had substantially improved her skills and enabled her to become more economically independent.

The Village Government has further strengthened these outcomes by providing financial assistance, institutional support, and policies that encourage community participation in village economic activities. Collectively, these collaborative initiatives have generated positive impacts on community welfare by increasing household income, expanding economic opportunities, and improving access to education and healthcare services. As a result, local residents have experienced a noticeable improvement in their overall quality of life.

The Role of BUMDes and APDES in Strengthening the Rural Economy

Beyond economic outcomes, the findings demonstrate that BUMDes Lohdjinawi and APDES have generated significant social benefits for the community of Gesikan Village. Their contributions extend to improving access to education, healthcare services, and social infrastructure, thereby supporting broader rural development objectives.

In the education sector, BUMDes and APDES have implemented scholarship programs and educational assistance initiatives aimed at increasing educational accessibility and quality. These programs have enabled students from economically disadvantaged households to continue their education at higher levels, thereby contributing to long-term human capital development.

Within the healthcare sector, BUMDes and APDES have collaborated with the local community health center (Puskesmas) to implement health promotion programs, routine medical examinations, and the provision of basic medical equipment. These initiatives have contributed to improving public health conditions, which in turn support higher productivity and better community welfare.

Furthermore, collaboration between BUMDes and APDES has contributed to the development and improvement of village infrastructure. Investments in public facilities have enhanced community access to essential services while simultaneously facilitating local economic activities. These findings indicate that the institutional collaboration between BUMDes and APDES extends beyond economic empowerment by promoting inclusive rural development through investments in social infrastructure.

The Contribution of BUMDes and APDES to Economic Development and Income Generation

The findings also reveal that close collaboration among BUMDes Lohdjinawi, APDES, the village government, financial institutions, and business partners has become an important driver of economic growth in Gesikan Village. Cooperation with the village government provides administrative support and policy legitimacy for BUMDes programs, while partnerships with financial institutions facilitate access to capital needed for business expansion.

Through various community empowerment programs, BUMDes has successfully created employment opportunities, encouraged the development of micro- and small-scale enterprises, and increased household income. Meanwhile, APDES ensures that village economic development programs are implemented effectively and remain aligned with community needs. This institutional partnership has strengthened the sustainability of village economic development and enhanced the long-term impact of community empowerment initiatives.

Challenges Facing BUMDes Lohdjinawi and APDES and Their Future Implications

Despite these achievements, the study identified several challenges affecting the sustainability of BUMDes operations. The primary constraints include limited financial resources, shortages of qualified human resources, inadequate infrastructure, and restricted access to broader markets. These limitations reduce the capacity of BUMDes to expand its business operations and optimize the marketing and distribution of local products.

To address these challenges, strengthening managerial capacity, expanding financial capital, improving infrastructure, and establishing wider marketing networks are considered essential. In addition, greater support from regional governments and other

relevant institutions is expected to enhance the institutional capacity of BUMDes. The adoption of digital technologies also presents considerable opportunities for improving operational efficiency, expanding market access, and strengthening the competitiveness of village-based enterprises.

Overall, the findings demonstrate that the collaboration between BUMDes Lohdjinawi and APDES has generated substantial economic and social benefits for the people of Gesikan Village. Improvements in education, healthcare, infrastructure, employment opportunities, entrepreneurial capacity, and household income collectively indicate that BUMDes functions as an effective instrument for rural economic empowerment. The institutional synergy between BUMDes, the Village Government, financial institutions, and business partners provides a practical model for sustainable rural development that can be replicated in other villages seeking to strengthen their local economies and improve community welfare.

Discussion

This study aimed to analyze and evaluate the role of BUMDes Lohdjinawi and the Village Government (APDES) in improving community welfare in Gesikan Village, Pakel District, Tulungagung Regency. The findings demonstrate that community welfare is enhanced not merely through the existence of BUMDes as a village-owned enterprise, but through the institutional collaboration between BUMDes and APDES in implementing integrated village economic development programs. This finding answers the primary research question by showing that collaborative governance serves as the principal mechanism through which rural economic empowerment can be effectively achieved.

The results indicate that BUMDes Lohdjinawi functions as a strategic institution for mobilizing local economic resources through the establishment of business units in agriculture, trade, and services. These activities have generated employment opportunities, strengthened entrepreneurial capacity, and increased household income. More importantly, the entrepreneurship and vocational training programs have enhanced the human capital of village residents, enabling them to participate more actively in local economic activities. This finding suggests that the contribution of BUMDes extends beyond income generation to encompass community capacity building, thereby supporting sustainable rural development.

These findings are consistent with the study of (Srimuliana and Furqani, 2022), which reported that effective BUMDes management contributes to higher community income and village economic growth. However, the present study extends previous evidence by demonstrating that institutional effectiveness depends not only on managerial capability but also on continuous collaboration with the Village Government. In this context, APDES provides financial support, policy direction, technical assistance, and market facilitation that strengthen the implementation and sustainability of BUMDes programs. Therefore, the findings suggest that collaborative governance constitutes a critical determinant of successful village-owned enterprises.

The study also reveals that community welfare has improved through increased participation in economic activities and strengthened household economic resilience. Community members reported higher incomes and improved entrepreneurial skills after participating in BUMDes programs, indicating that empowerment initiatives have produced tangible socioeconomic benefits. These findings reinforce the argument that community participation represents a key factor in achieving successful rural development. When local residents actively engage in planning and implementing village economic programs, they develop stronger ownership of development initiatives, leading to more sustainable outcomes.

This result supports the findings of (Sumantri, 2020), who emphasized that BUMDes contributes to increasing community participation through training and employment creation. Nevertheless, this study broadens the existing literature by demonstrating that participation is strengthened when BUMDes programs are supported by institutional coordination with APDES. Such coordination creates an enabling environment in which economic empowerment initiatives are reinforced by supportive public policies and village governance mechanisms.

Furthermore, the findings indicate that the contribution of BUMDes and APDES extends beyond economic development. Their collaboration has improved access to education, healthcare services, and village infrastructure, thereby generating multidimensional improvements in community welfare. Scholarship programs, healthcare initiatives, and infrastructure development collectively enhance human capital and improve the quality of life of rural households. These findings suggest that community welfare should be understood as a multidimensional concept that includes social development alongside economic improvement.

Another important finding concerns the institutional partnership among BUMDes, APDES, financial institutions, and business partners. Such collaboration expands access to financial resources, strengthens administrative legitimacy, and facilitates business development, enabling BUMDes to broaden its economic activities and generate greater benefits for the community. This finding provides empirical evidence that inter-institutional collaboration is essential for ensuring the sustainability of village economic development programs. Consequently, the study contributes to the growing literature on collaborative rural governance by illustrating how partnerships among local institutions can improve the effectiveness of community empowerment initiatives.

Despite these positive outcomes, the study also identifies several challenges that may affect the long-term sustainability of BUMDes. Limited financial resources, inadequate managerial capacity, insufficient infrastructure, and restricted market access remain significant constraints. These findings imply that strengthening institutional capacity should become a strategic priority for both village governments and regional policymakers. Investments in managerial training, digital transformation, infrastructure development, and broader marketing networks are expected to improve the competitiveness and sustainability of village-owned enterprises.

Overall, this study contributes to the literature by addressing an important research gap regarding the relationship between BUMDes and APDES in promoting community welfare. While previous studies have primarily examined the independent performance of BUMDes, the present findings demonstrate that institutional synergy between village-owned enterprises and village governments is a decisive factor in achieving sustainable rural development. The evidence from Gesikan Village suggests that collaborative governance not only strengthens local economic performance but also enhances social welfare, making this model potentially applicable to other rural communities seeking inclusive and sustainable economic development.

CONCLUSION

This study examined the collaborative role of BUMDes Lohdjinawi and the Village Government (APDES) in enhancing community welfare in Gesikan Village, Pakel District, Tulungagung Regency. The findings demonstrate that BUMDes functions as more than a village-owned business entity; it serves as a strategic institution for rural economic empowerment through the development of business units, entrepreneurship training, community capacity building, and support for micro- and small-scale enterprises. These initiatives have contributed to employment creation, increased household income, improved entrepreneurial skills, and greater community participation in local economic activities.

The study further reveals that the effectiveness of BUMDes is significantly strengthened through its institutional collaboration with APDES. The Village Government provides financial support, policy direction, technical assistance, and institutional facilitation that enhance the implementation and sustainability of village economic development programs. This collaborative governance model has generated broader socioeconomic benefits, including improved access to education, healthcare services, and village infrastructure, thereby contributing to multidimensional improvements in community welfare.

From a theoretical perspective, this study extends the existing literature on Village-Owned Enterprises by demonstrating that institutional synergy between BUMDes and the Village Government is a critical determinant of sustainable rural development. Rather than focusing solely on the organizational performance of BUMDes, the findings emphasize the importance of collaborative village governance as an integrated mechanism for achieving inclusive economic empowerment and long-term community welfare.

Practically, the findings provide valuable insights for village governments, policymakers, and BUMDes managers seeking to strengthen rural economic institutions. Enhancing managerial capacity, expanding strategic partnerships with financial institutions and business sectors, improving market access, and adopting digital technologies are essential strategies for ensuring the long-term sustainability and competitiveness of Village-Owned Enterprises.

Nevertheless, this study has several limitations. The findings are derived from a qualitative case study conducted in a single village, which limits the generalizability of the results to other regional contexts. In addition, the study primarily relies on qualitative evidence and does not quantitatively measure the magnitude of BUMDes' contribution to household welfare or regional economic performance.

Suggestions for Future Research

Future studies are encouraged to adopt comparative research designs involving multiple Village-Owned Enterprises across different regions to examine whether institutional collaboration produces similar outcomes under diverse socioeconomic conditions. Comparative analyses would provide broader empirical evidence regarding the effectiveness of collaborative village governance models.

Further research may also employ mixed-methods or quantitative approaches to measure the causal relationships between BUMDes performance, institutional collaboration, community participation, and rural welfare indicators. Such approaches would strengthen the empirical evidence regarding the socioeconomic impacts of Village-Owned Enterprises.

Finally, future studies should explore emerging issues that were beyond the scope of this research, including digital transformation in BUMDes management, institutional governance quality, financial sustainability, social entrepreneurship, environmental sustainability, and innovation in village-based enterprises. Investigating these dimensions would contribute to a more comprehensive understanding of how Village-Owned Enterprises can enhance their resilience and competitiveness while supporting sustainable rural development in Indonesia.

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