



ENHANCING RURAL ECONOMIC DEVELOPMENT THROUGH COLLABORATION BETWEEN MSMEs AND VILLAGE-OWNED ENTERPRISES: EVIDENCE FROM SUNYALANGU VILLAGE, BANYUMAS, INDONESIA

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Abstract. Micro, Small, and Medium Enterprises (MSMEs) and Village-Owned Enterprises (BUMDes) play a crucial role in promoting inclusive rural economic development in Indonesia. However, empirical studies on how their cooperation supports sustainable local growth remain limited. This study aims to analyze the impacts of collaboration between MSMEs and BUMDes in Sunyalangu Village, Banyumas Regency, with a focus on economic empowerment, institutional strengthening, and community participation. Using a case study approach, data were collected through interviews, focus group discussions, and secondary sources involving BUMDes managers, MSME actors, and village officials. The findings reveal that collaboration has facilitated market access for local products, enhanced the financial capacity of MSMEs, and created new job opportunities. At the same time, BUMDes has strengthened its institutional role as a hub for village economic development. Nevertheless, challenges such as limited capital, managerial capacity, and access to broader markets remain significant barriers. This study highlights that effective collaboration between MSMEs and BUMDes contributes to achieving Sustainable Development Goals (SDGs), particularly Goal 8 (Decent Work and Economic Growth) and Goal 11 (Sustainable Cities and Communities). Policy support, capacity building, and digital innovation are recommended to enhance the sustainability of such collaborations.

Keywords: MSMEs, BUMDes, rural development, collaboration

1. Introduction

Rural economic development is one of the strategic agendas in an effort to realize inclusive and sustainable growth in Indonesia. This is because more than 43% of Indonesia's population still lives in rural areas, with a major dependence on the agricultural sector, small trade, and other micro-business activities (BPS, 2023). This is in line with the vision of national development that places villages as new growth centers through strengthening the local economy, alleviating poverty, and improving community welfare (Kementerian Desa PDTT, 2023). Therefore, efforts to encourage rural economic growth focus not only on increasing productivity, but also on strengthening institutions and collaboration between local economic actors.

The Ministry of Villages and Rural Development emphasizes rural development based on community empowerment and strengthening village economic institutions as key instruments to reduce regional inequality. Villages are not only seen as objects of development, but also as subjects that have great potential in creating economic added value through the use of local resources and community participation. Rural economic development is one of the keys to equitable distribution of welfare and poverty reduction in Indonesia. The role of Micro, Small, and Medium Enterprises (MSMEs) is very central. According to national data, in 2023 the number of MSMEs in Indonesia will reach the range of 64-66 million units and contribute



significantly to GDP, around 61% to the national Gross Domestic Product (GDP), and absorb around 97% of the workforce, making this sector the backbone of the local and national economy (GoodStats, 2023; Ministry of Cooperatives & SMEs, 2023; BPS, 2023). In rural areas, MSMEs function as the backbone of the community's economy because of their ability to provide jobs, create local innovations, and reduce dependence on the urban formal sector. However, limited access to capital, technology, product quality, and markets is often a challenge that limits the scale and sustainability of MSMEs (Tambunan, 2019; Wahyuni et al., 2022). International research also shows that MSMEs in developing countries contribute significantly to sustainable development, but their success is heavily influenced by institutional support and access to global value chains (Beck & Demircug-Kunt, 2006; World Bank, 2020).

In line with that, the presence of Village-Owned Enterprises (BUMDes) as an institutional instrument of the village economy since the enactment of Village Law Number 6 of 2014, provides new opportunities to encourage village development based on local potential. BUMDes is designed as a driving force for the village economy that functions to manage village assets, develop productive business units, and become a facilitator for local economic actors, including MSMEs. BUMDes are not only business entities, but also a means of strengthening village economic governance through community participation (Huda et al., 2022; Putra & Suryani, 2022). Study of Nugraha & Dewi (2021) found that the success of BUMDes is determined by its governance, transparency, and ability to build business networks with local economic actors. Internationally, a similar concept was found in community-based enterprises (CBEs), that emphasizes the integration of economic and social benefits on a local scale (Peredo & Chrisman, 2006). National data shows that the formation of BUMDes has expanded, but institutional challenges (legality, management, capital) still exist so that their effectiveness varies between villages. This policy context opens up great opportunities for structured cooperation between MSMEs and BUMDes to strengthen production, marketing, and access to financing capacity at the village level (Times Indonesia, 2025). The role of BUMDes is increasingly important when it is able to bridge the limitations of MSMEs through the provision of market access, capital support, and institutional capacity building.

The collaboration between MSMEs and BUMDes has the potential to produce synergies that complement each other. MSMEs need access to capital, market networks, and capacity building, while BUMDes need local business actors to optimize their business units. This synergy is able to expand the marketing network of local products, increase the competitiveness of MSMEs, and strengthen the role of BUMDes as a village economic hub. Study of Wahyuni et al. (2022) emphasized that local institutional partnerships are able to increase the competitiveness of MSMEs through supply chain integration. Empirical studies in other areas (Misbah & Firmansyah, 2021) shows that MSME-BUMDes cooperation can improve business sustainability through product diversification and joint marketing strategies. Several other studies have also shown that partnerships built in an inclusive manner at the village level can increase economic independence, create new jobs, and support the achievement of the Sustainable Development Goals (SDGs), especially goal 8 (Decent Work and Economic Growth) and goal 11 (Sustainable Cities and Communities) (Prasetyo & Yuliani, 2021; Hadi & Lestari, 2023).

Nevertheless empirical studies on how collaboration between MSMEs and BUMDes can strengthen rural economic development are still limited. Most of the research emphasizes more on the analysis of the role of BUMDes individually or the structural challenges of MSMEs, while the synergy between the two as local development strategies has not been explored in depth (Nugraha & Dewi, 2021; Wahyuni et al., 2022). In fact, effective collaboration between MSMEs and BUMDes has the potential to accelerate the achievement of the Sustainable Development Goals/SDGs, especially Goal 8 on decent work and economic growth and Goal 11 on sustainable cities and communities. Kolaborasi ini relevan dengan agenda pembangunan



global, khususnya Sustainable Development Goals (SDGs). SDG 8 menekankan promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all, sedangkan SDG 11 mendorong sustainable cities and communities. International studies (OECD, 2020) highlight that local institutional collaboration based on community participation has proven to be effective in creating economic inclusion. Thus, the collaboration between MSMEs and BUMDes can be seen as a form of localizing the SDGs, where global goals are translated into local practices based on village potential.

In accordance with the Village Law mentioned earlier, Village-Owned Enterprises (BUMDes) are designed as an institutional instrument to drive the village economy through the use of local assets, the provision of economic services, and the facilitation of MSME empowerment. Sunyalangu Village, located in Karanglegwas District, Banyumas Regency, is one example of a village on the slopes of Mount Slamet that has the potential for agriculture and processing local products that can be developed to encourage rural economic growth. Sunyalangu Village is an interesting case example because of the existence of BUMDes Elsam which is actively developing agribusiness products based on organic crystalline coconut sugar and spices (cardamom). Local reports and recent academic studies show several important indicators: BUMDes Elsam is recorded to have capital and assets that support processing activities (capital recorded at around IDR 589.5 million as of the end of 2023) and has realized revenue from the crystal sugar and cardamom business unit (recorded revenue in 2023 of around IDR 86.9 million with a net profit of around IDR 35.5 million). In addition, there are around 116 crystal coconut sugar artisans in Sunyalangu, with 60 artisans partnering directly with BUMDes Elsam — showing the potential for partnership expansion that is still not maximized (Suara Merdeka, 2023, Laporan Tahunan Bumdes Elsam, 2024)).

The potential of cardamom and crystal sugar commodities in Sunyalangu also shows a relatively large market opportunity. BUMDes have begun to connect with the export market although they are still limited due to limited production capacity. These limitations are related to the limitations of the production technology used. This has an impact on the limited ability of BUMDes to meet the demand of the export market (BPS, 2024).

However, a number of structural challenges still hinder the scalability and sustainability of the collaboration. Among them are limited working capital for MSME actors, low levels of digital literacy for digital market penetration, and some MSMEs that have not obtained product legality/labeling that supports formal market access. At the village level, financial inclusion and literacy programs have begun to be implemented (e.g. socialization of business licensing and financial literacy), but stronger synergy is needed between BUMDes, district governments, financial institutions, and academic institutions to close this gap (DPMPTSP Banyumas, 2023; Rahmawati, 2023).

Based on this phenomenon, this study was conducted to analyze important issues related to collaboration between MSMEs and BUMDes in Sunyalangu Village, Banyumas Regency, namely (1) What is the mechanism of collaboration between MSMEs and BUMDes in Sunyalangu Village, Banyumas Regency; (2) How does the collaboration contribute to the economic empowerment of the village community? (3) What is the role of BUMDes in strengthening village economic institutions through partnerships with MSMEs?; (4) What are the challenges and obstacles faced in the implementation of MSME-BUMDes collaboration at the local level? (5) How can MSME-BUMDes collaboration support the achievement of the Sustainable Development Goals (SDGs), especially goal 8 and goal 11?

Therefore, this study aims to examine in depth how collaboration between MSMEs and BUMDes can improve rural economic development, strengthen village institutions, and sustainable market access. The focus of the research is directed at three main aspects, namely economic empowerment, institutional strengthening, and community participation. Using a case study approach, this study is expected to provide empirical evidence on how the synergy



of MSMEs and BUMDes can encourage more inclusive and sustainable rural economic development.

Although there have been many studies on the role of MSMEs or BUMDes individually, research on the collaborative practices of the two in the context of villages in Indonesia is still relatively limited. Previous research has tended to focus on analyzing the performance of BUMDes or MSME challenges, without exploring how collaboration between these two entities is able to strengthen inclusive and sustainable rural economic development. Therefore, this study focuses on Sunyalangu Village, Banyumas Regency, as one of the villages with strong local economic dynamics through the existence of MSMEs and BUMDes. This study aims to analyze the extent to which collaboration between the two actors contributes to economic empowerment, institutional strengthening, and increasing community participation in village development. The case study in Sunyalangu Village is expected to make a new empirical contribution to the literature on local institution-based economic development.

2. Methods

This study uses a qualitative approach with a case study method. This approach was chosen because it is in accordance with the goal of exploring in depth the dynamics of collaboration between MSMEs and BUMDes in the context of rural economic development in Sunyalangu Village, Banyumas Regency. Case studies allow researchers to understand phenomena holistically by considering the social, economic, and institutional aspects behind them (Creswell & Poth, 2018). The subjects of the study include: Managers of BUMDes Sunyalangu, MSME actors (processed agriculture and local trade sectors), Village officials related to economic development, Community representatives as beneficiaries of the collaboration program. Data was collected through several techniques, namely: In-depth interviews with BUMDes managers, MSME actors, and village officials to understand the patterns of cooperation, benefits, and obstacles faced; Focus Group Discussions (FGDs) to gain a collective perspective on the impact of collaboration on Society; Participatory observation, in order to see firsthand collaboration activities in the field; Documentation and secondary data, such as BUMDes reports, village data, and official publications related to MSMEs and BUMDes.

Data analysis was carried out using the interactive analysis model of Miles & Huberman (1994), which included three stages: Data reduction, namely the selection process, concentration, simplification, and transformation of raw data; Data presentation, by arranging information in the form of narratives, tables, and matrices so that it is easy to understand; Conclusion drawn/verification, through in-depth interpretation to answer research questions and test the consistency of findings. To ensure the validity of the data, this study uses a triangulation technique of sources and methods, namely by comparing data from interviews, FGDs, observations, and official documents. In addition, member checking is also carried out on key informants to ensure the accuracy of the information obtained (Lincoln & Guba, 1985).

3. Results And Discussion

3.1. Form and Mechanism of MSME-BUMDes Collaboration in Sunyalangu Village

The results of the study show that the collaboration between MSMEs and BUMDes in Sunyalangu Village is established through a partnership mechanism based on local needs and potential. BUMDes plays the role of a facilitator and aggregator institution, which connects MSME actors with the wider market. The MSME-BUMDes cooperation carried out is the development of local economic potential in the agricultural sector, especially crystal sugar, coffee, cardamom, and currently pioneering the turmeric powder business. The forms of cooperation identified include: (1) Provision of oven services to assist the process of drying crystal sugar from MSMEs in the agricultural sector that are partners of BUMDes; (2) Facilitation of organic certification; (3) Facilitation of assistance and development of farming



businesses; (4) Giving turmeric and coffee seeds; (5) Facilitating the marketing of local, national, and export products and pioneering digital platforms; (6) Provision of joint business space for MSMEs; (7) Capacity building training, especially in business management and digital literacy.

These findings are in line with the research of Supriyanto & Haryanto (2021) which shows that BUMDes can function as an "economic hub" of villages through institutional support and market networks.

3.2. Contribution to Community Economic Empowerment

MSME-BUMDes collaboration can have a positive impact on community economic empowerment. Some of the key contributions identified are: (1) Increased market access: MSME products in the agricultural sector such as crystal sugar, coffee, cardamom, and turmeric powder, acquire new distribution channels that increase sales turnover. (2) Strengthening the capacity of MSMEs: Access to capital from BUMDes helps business actors increase the scale of production, even though it is in kind form such as seed assistance. (3) Job creation: Collaboration opens up job opportunities, especially for women's groups and village youth. These results reinforce the findings of Hadi & Lestari (2023) which affirm that local institutional synergy is able to increase economic independence and reduce dependence on external parties.

3.3. The Role of BUMDes in Strengthening Village Economic Institutions

BUMDes in Sunyalangu Village transformed into a village economic institution that is not only oriented to financial gains, but also to sustainable development. The strategic role of BUMDes is reflected in: being a provider of economic infrastructure (partner product shelter, local product marketing facilities, export market network); Developing an inclusive institutional model that involves the support of village officials, MSMEs, and the community; Encourage community participation in the planning and management of business units. Thus, BUMDes become an important actor in strengthening the economic resilience of villages (Putra & Suryani, 2022).

3.4. Challenges and Barriers to Collaboration

Although it has a positive impact, the research found a number of challenges in the implementation of collaboration, including: limited capital to scale MSME businesses; limited technology so that production volume is still limited; The managerial capacity of MSME actors and BUMDes managers is still limited; External market access is not optimal due to limited distribution networks and digital promotion. These challenges are similar to the findings of Prasetyo & Yuliani (2021) which show that collaboration at the village level is often constrained by internal institutional factors and limited human resource capacity.

3.5. Relevance to the Sustainable Development Goals (SDGs)

The results of this study confirm that MSME-BUMDes collaboration has a real contribution to the achievement of the SDGs, in particular: Goal 8 (Decent Work and Economic Growth): by creating jobs, increasing economic capacity, and strengthening financial inclusion. Goal 11 (Sustainable Cities and Communities): by strengthening village institutions as centres of resilient local economic development. This shows that local collaboration-based development can be an effective strategy to bridge national and global development agendas (UNDP, 2023).

4. Conclusion

This research highlights the strategic role of collaboration between MSMEs and BUMDes in encouraging rural economic development in Sunyalangu Village, Banyumas Regency. The results of the study show that: (1) MSME-BUMDes collaboration is realized through partnership mechanisms based on local needs, such as providing access to capital, marketing



facilitation, joint business space, and capacity training. (2) The collaboration makes a real contribution to the economic empowerment of the community. (3) BUMDes play an important role in strengthening village economic institutions as an inclusive local development hub. (4) There are major barriers such as limited capital, managerial capacity, and access to a wider market. (5) MSME-BUMDes collaboration has been proven to support the achievement of the Sustainable Development Goals (SDGs). Thus, this study emphasizes that effective collaboration between MSMEs and BUMDes is one of the important strategies in strengthening village economic independence while supporting national and global development agendas.

Based on the findings of the study, some policy recommendations that can be considered are: (1) Strengthening Government policy support: Local governments need to expand regulatory support and incentives for MSMEs-BUMDes. (2) Increasing human resource capacity. (3) Development of village economic infrastructure. (4) Utilization of digital technology. (5) Multi-Stakeholder Collaboration: in addition to internal cooperation between MSMEs and BUMDes, the involvement of external parties such as universities, financial institutions, and the private sector needs to be expanded to strengthen the network and sustainability of the program.

This should represent a concise conclusion of the research and must answer the objective of the study.

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