STRATEGIC ALIGNMENT OF VILLAGE-OWNED ENTERPRISES (BUMDes): AN EVALUATION OF VILLAGE POTENTIAL IN BANYUMAS, INDONESIA

Agus Haryanto*, Tundjung Linggarwati, and Elpeni Fitrah
Department of International Relations, Faculty of Social and Political Sciences, Universitas Jenderal Soedirman

*Email: agus.haryanto@unsoed.ac.id

Abstract. This research evaluates the strategic alignment between inherent village resources and the operational sectors of Village-Owned Enterprises (BUMDes) in Indonesia to address the widespread stagnation in performance in rural economies. Employing a descriptive qualitative research design, the study synthesized field data from various villages in Banyumas Regency, Central Java, with a comparative analysis of institutional business models. The results reveal a significant "strategic disconnect" in several locations, such as Kemutug Lor and Purwosari, where BUMDes operations focus on generic public services like water management while ignoring high-value local potentials in dairy production and creative handicrafts. Major findings indicate that this mismatch is driven by administrative risk aversion and a lack of entrepreneurial leadership, thereby preventing BUMDes from achieving optimal economies of scale. The study concludes that the quantitative proliferation of BUMDes has not been matched by qualitative strategic mapping, leading to capital inefficiency. To foster sustainable rural development, BUMDes must transition from mere service providers to resource-based entrepreneurs who align their business activities with specific geographical and social assets.
Keywords: BUMDes, village potential, rural economy, strategic disconnect, economic empowerment.

1. Introduction

The decentralization of governance in Indonesia, accelerated by the enactment of Law No. 6 of 2014 concerning Villages, has fundamentally shifted the paradigm of national development from a top-down approach to a "village-driven" growth model. Central to this transformation is the establishment of *Badan Usaha Milik Desa* (BUMDes), or Village-Owned Enterprises. These entities are designed to serve as the economic backbone of rural communities, tasked with managing village assets, providing public services, and stimulating local entrepreneurship. As of recent government reports, the number of registered BUMDes in Indonesia has surged to over 75,000 units, covering nearly every corner of the archipelago. However, this quantitative explosion presents a stark paradox: while the institutional presence of BUMDes is ubiquitous, the qualitative impact remains remarkably inconsistent. Only a small fraction of these enterprises—fewer than 10%—are categorized as "advanced" or truly profitable, while the vast majority remain dormant or struggle with fundamental operational failures.

Scholarly discourse surrounding BUMDes has evolved significantly, yet it remains fragmented across different disciplinary lenses. To understand the current state of rural economic empowerment, one must first address the internal structural challenges highlighted by Lubis, Rustam, and Muda (2017). Their research underscores that BUMDes are not immune to the classic "agency problem" found in larger corporations. In Indonesia, agency costs—arising from the misalignment of interests between the village government (as principals) and BUMDes managers (as agents)—are exacerbated by low transparency and inadequate monitoring. Lubis et al. (2017) argue that these costs directly undermine the financial efficiency of BUMDes, suggesting that without robust governance mechanisms, the capital injected into these enterprises is often wasted due to mismanagement or a lack of accountability.

Complementing this perspective, Ikhwansyah et al. (2020) emphasize the broader socio-legal dimensions of village empowerment. They argue that BUMDes act as a vehicle for social justice, aiming to bridge the economic gap between urban and rural sectors. Their study highlights that BUMDes are not merely profit-seeking entities but are social enterprises intended to cultivate "creative economy" initiatives at the grassroots level. However, Ikhwansyah et al. (2020) also observe that the implementation of empowerment often plateaus due to a lack of human capital and technical guidance. While the legal mandate provides a platform for empowerment, the actual realization of a "creative village" requires a synergy between local wisdom and modern management practices.

The legal foundations of these enterprises are further explored by Winarsi, Widyantoro, and Moechthar (2018), who delve into the legal principles governing BUMDes management. They posit that the hybrid nature of BUMDes—existing as both a legal entity and a community-owned asset—creates a unique set of management challenges. According to Winarsi et al. (2018), the success of BUMDes is deeply rooted in the adherence to principles of professionalism, transparency, and participation. They argue that many BUMDes fail because they are treated as extensions of the village administration rather than independent business entities. This lack of legal and operational clarity often leads to political interference by village heads, which stifles the enterprise's commercial viability.

Identifying the specific catalysts for success, Sofyani, Atmaja, and Rezki (2019) conducted an exploratory study that pinpointed several critical success factors. Their findings suggest that external support, such as government mentoring and private-sector partnerships, plays a pivotal role. However, they emphasize that the most significant driver is internal: the presence of "entrepreneurial leadership" within the village. Sofyani et al. (2019) argue that BUMDes in villages led by visionary leaders tend to perform better because these leaders can navigate the complexities of local bureaucracy and identify market opportunities. Despite these insights, they acknowledge that the "one-size-fits-all" approach to BUMDes development often fails to account for the heterogeneity of Indonesian villages.

This heterogeneity is further reflected in the systematic literature review (SLR) conducted by Aprillia, Cahyono, and Nastiti (2021). Their comprehensive analysis categorizes the determinants of BUMDes performance into success and failure factors. According to Aprillia et al. (2021), failure is frequently attributed to a lack of initial feasibility studies, insufficient capital management, and the community's lack of trust in the enterprise. Their review highlights a disturbing trend: many BUMDes are established solely to fulfill administrative requirements or to access government grants, without a viable business plan or a clear understanding of the local market.

Despite this rich body of literature on governance, legal principles, success factors, and agency costs, a significant research gap remains. Current studies have focused heavily on the internal management and governance of BUMDes, yet there is a profound lack of empirical research that evaluates the alignment between village potential and the chosen business sectors (fields of work) of BUMDes. While we know how a BUMDes should be managed, we lack a systematic understanding of what they should be doing based on their specific geographical, natural, and human resources. Many BUMDes fail because they replicate the business models of successful villages without possessing the same underlying assets. Consequently, this research seeks to bridge this gap by evaluating the strategic fit between village potential and BUMDes business fields.

2. Research Methodology

This study employs a descriptive qualitative research design to evaluate the strategic alignment between village potential and the operational sectors of Village-Owned Enterprises (BUMDes). This approach was selected to capture empirical realities and grassroots governance dynamics that are often obscured in formal statistical reporting. As emphasized by Jefferson et al. (2014), integrating qualitative field insights is essential in economic studies to provide a more nuanced understanding of complex socio-economic phenomena.

The research was conducted through three systematic stages:

2.1. Identification of Village Potential: The first stage involved mapping the strategic assets, natural resources, and local wisdom of several villages in the Banyumas Regency. This included identifying specific high-value commodities, such as the dairy sector in Kemutug Lor, the traditional knitting crafts in Purwosari, and the high-quality agriculture in Karangtengah and Kotayasa.

2.2. Observation of BUMDes Operations: Direct field observations and in-depth interviews were conducted with key village stakeholders, primarily Village Heads and BUMDes Directors. These sessions aimed to document the active business units and to understand the rationale for selecting specific fields of work.

2.3. Comparative and Interpretative Analysis: The primary data on village potential were compared against the actual business units managed by the BUMDes to identify "strategic disconnects." This analysis was guided by the theoretical framework of Ikhwansyah et al. (2020), which posits that a BUMDes should function as an independent legal entity that optimizes both natural and human resources to achieve economic independence for the village.

By utilizing this methodology, the study ensures that the findings regarding the mismatch between village assets and BUMDes activities are grounded in objective field evidence, thereby maintaining high academic integrity and research validity.

3. Result and Discussion

3.1. Empirical Analysis of Village Potential and BUMDes Business Fields

The landscape of rural economic development in Indonesia, as reflected in the surveyed villages of the Banyumas Regency, reveals a significant diversity in natural and social assets. Many villages possess a "multi-sectoral" potential, ranging from high-altitude agriculture and livestock to creative handicrafts and nature-based tourism. For instance, villages like Purwosari and Kemutug Lor are endowed with specific commodities—knitting crafts and dairy products, respectively—that offer high value-added opportunities. However, the data indicate that the establishment of BUMDes often follows a path of administrative convenience rather than strategic resource mapping. Instead of developing these unique sectors, many BUMDes default to managing basic public utilities or village markets, creating a primary disconnect between what the village "has" and what the BUMDes "does."

This misalignment is not merely a matter of different labels but represents a fundamental shift in economic focus. In several instances, the "Potensi Ekonomi" (Economic Potential) identified by village stakeholders includes lucrative sectors such as export-grade agriculture or specialized manufacturing, yet the "Bidang Kerja BUMDes" (BUMDes Field of Work) remains limited to services such as waste management or water distribution. This discrepancy suggests that BUMDes are being utilized as tools for village administration rather than as competitive business entities. While providing basic services is vital to community welfare, failing to tap into primary economic potential means the village remains a passive observer in the broader market economy.

The following table summarizes the key data points from the field research, highlighting the specific areas where village potential and BUMDes operations diverge:

Table 1. The Disconnect between Core Economic Potential and BUMDes Field of Work

Village Name	Core Economic Potential	BUMDes Field of Work	Nature Disconnect
Kemutug Lor	Dairy (Milk Products), Tourism, Agriculture	Water Management (PAMSIMAS)	Potential in high-value dairy is overlooked in favor of low-margin utility services.
Purwosari	Knitting Crafts, Livestock, Agriculture	Market Management, Waste, Services	The unique creative industry (knitting) is not professionalized or scaled by BUMDes.
Kotayasa	Agriculture (Paddy, Pakis), Tourism	Services (Water, Waste, Samsat)	Tourism potential (Damar Payung) remains secondary to basic service provision.
Karangmangu	Tourism, Large Land Assets	None (Dormant/Lainnya)	Complete failure to operationalize high-value tourism assets due to risk aversion.
Karangtengah	Agriculture (Melon), Fisheries	Agriculture (Non-optimal/Vakum)	Potential exists, but is paralyzed by legal status and inactivity.

The disconnect observed in villages like Kemutug Lor is particularly illustrative of the "utility trap." While the village has the potential to become a regional hub for dairy processing—producing products such as yogurt and milk crackers—the BUMDes limits its scope to water management. This choice reflects a low-risk, low-reward strategy that fulfills basic needs but fails to act as an economic multiplier. Similarly, in Purwosari, the village's nationally recognized knitting craft represents a "creative economy" opportunity that could be branded and marketed globally. Instead, the BUMDes focuses on the physical management of the village market, an activity that does not leverage the village's unique human capital or traditional skills.

In more extreme cases, such as Karangmangu, the gap manifests as total institutional paralysis. The village identifies tourism as its primary strength, yet the BUMDes lacks operational management and a clear focus. The data show that the village leadership is hesitant to allocate capital because it lacks a clear business model for the tourism sector. This results in a situation where valuable assets remain idle, and the BUMDes exists only in name. This pervasive mismatch across the surveyed villages confirms that the quantitative growth of BUMDes in Indonesia is not matched by a qualitative strategy to align business units with the village's inherent resources.

3.2. Challenges Caused by Operational Disconnect

The problems arising from this strategic disconnect are profound and contribute to the high rate of BUMDes stagnation. When a BUMDes operates in a sector unrelated to the village's primary potential, it often faces chronic capital inefficiency. In Karangtengah, for example, the village attempted to enter the agricultural sector without a robust legal framework, leading to dormancy. This inefficiency means that the initial capital injected by the village government often fails to yield the expected "Original Village Income" (PADes).

Furthermore, the disconnect leads to misalignment in human resources. In villages like Purwosari, the community possesses traditional knitting skills, yet the BUMDes managers are tasked with overseeing waste management and market logistics. This shift prevents BUMDes from utilizing its residents' existing expertise. Instead of acting as an incubator for local talent, the BUMDes becomes a bureaucratic entity that requires a different set of skills—often skills that the village lacks—leading to suboptimal performance. Managers become "administrators" rather than "entrepreneurs," focusing on reporting and compliance rather than growth and innovation.

A third major problem is the erosion of community trust. When the BUMDes ignores primary economic sectors like dairy or agriculture to focus on "generic" services, the community views the enterprise as an extension of the tax office rather than a community-owned business. This lack of economic buy-in makes it difficult for the BUMDes to mobilize social capital or encourage community participation. Without local support, the BUMDes struggles to compete with private entities or middlemen who are more than willing to exploit the village's unmanaged potential.

Additionally, the mismatch causes missed opportunities for market integration. Villages like Sunyalangu succeed because they bridge the gap between their agricultural potential and the export market. However, in villages with a disconnect, such as Kotayasa, the potential for tourism remains under-marketed because the BUMDes is preoccupied with managing utilities. By failing to professionalize the tourism sector, the village misses out on higher-spending visitors and the associated economic spillover effects for local SMEs.

The fear of failure and risk aversion also stems directly from this disconnect. In Karangmangu, the village head's reluctance to issue capital for a BUMDes that doesn't know "where to focus" is a rational response to a lack of strategic alignment. Without a clear link between village assets and business feasibility, any investment feels like a gamble. This "paralysis by analysis" ensures that the BUMDes remains inactive, while the village's natural assets are either left undeveloped or are eventually taken over by third-party investors.

Moreover, the legal and administrative burdens are exacerbated when the business model is not naturally aligned with village life. In Karangtengah, the struggle to obtain legal certification became a primary cause for dormancy. If the BUMDes were operating in a sector with high local demand and clear potential, the drive to formalize would likely be stronger. Instead, the administrative requirement is seen as a barrier because the underlying business logic is weak.

Finally, the stagnation of the local "creative economy" is perhaps the most damaging long-term effect. When BUMDes default to utility services, they fail to provide the "innovation spark" needed to modernize rural Indonesia. The dairy farmers in Kemutug Lor and the knitters in Purwosari continue to operate as individual, vulnerable households because their BUMDes is busy managing water pipes and waste bins. This systemic failure to align potential with action keeps the rural economy in a state of perpetual dependency on government transfers.

3.3. Critical Analysis and Academic Synthesis

Critically analyzing these findings through the lens of Lubis, Rustam, and Muda (2017), the disconnect can be seen as a manifestation of the agency problem. High agency costs arise because the principals prioritize political safety and administrative compliance over the entrepreneurial risk needed to tap into unique village assets. This ensures that BUMDes remains a "safe but stagnant" entity. This situation also highlights a failure to adhere to the legal and professional principles outlined by Winarsi, Widyantoro, and Moechthar (2018). Professionalism requires that a business be built on its strengths; by ignoring the village's potential, these enterprises violate the principle of optimizing village assets.

Furthermore, Sofyani, Atmaja, and Rezki (2019) identify entrepreneurial leadership as a critical success factor. Our data suggests that without this leadership, village managers fall back on generic models (like water management), which leads to the "me-too" stagnation identified in our table. The systematic review by Aprillia, Cahyono, and Nastiti (2021) concludes that a lack of feasibility studies is a primary cause of BUMDes failure. The strategic disconnect identified in this research is the ultimate proof of this finding—business fields are selected as a formality rather than based on market-asset fit.

Moreover, Ikhwansyah et al. (2020) argue that BUMDes should be a vehicle for empowerment. However, true empowerment requires enhancing the villagers' existing livelihoods. If a BUMDes manages water in a dairy village, it does not empower the people's primary economic activity. Finally, as Febrina et al. (2024) posit, a development strategy must be rooted in the rural environment. The disconnect in villages like Kemutug Lor and Purwosari proves that while the environment offers rich potential, the current strategy remains tragically detached.

4. Conclusion

The findings of this research underscore a critical paradox in the development of BUMDes in Indonesia. While the quantitative proliferation of these institutions has been successful, their qualitative impact is hampered by a strategic disconnect. Data from various villages demonstrate that even when unique, high-value assets are present, BUMDes often default to low-margin service sectors. This misalignment results in institutional stagnation, capital inefficiency, and a failure to generate significant income for villages. Consequently, BUMDes serves more as an administrative extension than as an engine for rural economic transformation.

Moving forward, there is an urgent need for further research to establish a robust framework for aligning BUMDes work fields with specific village resources. Future studies should focus on developing a "resource-based strategic model" to guide village leaders in conducting rigorous feasibility studies. Investigating the role of specialized technical mentoring and the impact of entrepreneurial leadership on closing the potential-action gap will be crucial. Such scholarly efforts are essential to ensure that BUMDes evolve from mere administrative entities into competitive, sustainable enterprises that truly empower rural communities.

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