

# **The Role of the Village-Owned Enterprise in Boosting the Economy of Hiligoduhoya Village, Lahewa Subdistrict, North Nias Regency**

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## **Abstract**

This study aims to analyze the role of the Village-Owned Enterprise (BUMDes) UMBU FAOMASI in promoting the economic growth of the community of Hiligoduhoya Village, Lahewa District, North Nias Regency. Using a descriptive qualitative approach, data were collected through in-depth interviews, direct observation, and documentation studies. The findings show that BUMDes UMBU FAOMASI contributes significantly to increasing Village Original Revenue (PAD), creating local employment opportunities, and empowering the community through the management of active business units, while also performing social functions within the community. However, the BUMDes faces several challenges, including limited infrastructure, unstable electricity supply, and relatively low human resource capacity. Efforts to strengthen human resource capacity through training and socialization, as well as business planning based on local potential, are key strategies for addressing these constraints. This study recommends strengthening cross-sector collaboration, improving infrastructure, and implementing transparent and accountable governance to enhance the role of BUMDes as a pillar of sustainable rural economic and social development.

**Keywords:** BUMDes; Rural Economy; Community Empowerment

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## Introduction

Village development is an integral part of the national development strategy, which aims to create a balance in growth between urban and rural areas. Through the principle of decentralisation, the central government grants greater autonomy to local and village authorities in the management of administrative affairs and the development of local potential (Sutikno et al., 2023). This principle of decentralisation recognises the vital role of villages in designing development plans that not only address community needs but also manage existing natural and human resources, as well as creating positive productive economic opportunities for the well-being of village communities (Farhana & Mutaqi, 2023).

One key initiative for enhancing village self-reliance is the establishment of Village-Owned Enterprises (BUMDes). BUMDes serve as a means for village communities to become actively involved in the management of the local economy (Citaningati et al., 2022). In this regard, the planning and management of BUMDes are crucial, as they have a significant impact on the economic productivity of the village. Research indicates that effective management within a BUMDes can boost village economic growth and strengthen the village's role in national development (Maharani & Priyanti, 2023). Furthermore, community involvement in the village development process is also vital. Active community participation in the planning, implementation, and monitoring of development projects can improve the effectiveness of village fund utilisation. This involvement enables the community to voice their aspirations, ensuring that development outcomes better address the community's actual needs and contribute to improved well-being (Rahmawati et al., 2023).

The enactment of Law No. 6 of 2014 on Villages in Indonesia marks a significant milestone in strengthening village development and upholding the right to regional autonomy. This law provides legitimacy and a legal basis for villages to manage their own affairs and the interests of their communities independently, which is expected to improve the welfare and self-reliance of village communities (Sutikno et al., 2023). One vital aspect of this law is the establishment of BUMDes. BUMDes are economic institutions expected to act as active drivers of local economic development. In line with the unique needs and potential of each village, BUMDes are established to provide scope for creativity and innovation in the management of local resources. Research by Suleman (2020) highlights the role of BUMDes not only in the economic sector but also as a means of community empowerment. This community empowerment is reflected in the increased active participation of young people and women in local economic activities, skills development, and the strengthening of social networks that support collaboration and solidarity at the village level. BUMDes has the potential to become a driving force in efforts to improve the quality of life of the community, covering aspects of education, health, and social welfare.

Through the establishment of BUMDes, villages are expected to become economically self-reliant by utilising available assets and resources. This model not only contributes to increasing village income but is also vital in creating jobs and reducing unemployment rates in villages (Maharani & Priyanti, 2023). Effective management of BUMDes can boost the local economy and provide direct benefits to residents. The success of BUMDes is heavily influenced by several factors, including the availability of trained human resources, support from the local government, and community participation at every stage of management. In this context, a collaborative approach between villagers and the village government is crucial to creating the synergy that enables the optimal development of BUMDes. Thus, BUMDes is not merely a business entity, but a strategic step in ensuring the long-term sustainability of village development.

BUMDes is an important instrument in local economic development as it plays a role in managing business units that can create jobs, increase village revenue, and expand community access to various goods and services. This is supported by research showing that BUMDes can play an active role in increasing Village Revenue (PAD) and boosting the local economy (Rahmi et al., 2023). The fundamental principles of BUMDes management emphasise the

values of community spirit, mutual cooperation, participation, transparency and accountability (Sari & Arisena, 2023). Consequently, the success of BUMDes is heavily influenced by the extent to which the community is involved in the planning, implementation and evaluation of the business units operated. If managed professionally and effectively, BUMDes can become the spearhead of sustainable village development.

However, in practice, many BUMDes face a range of serious challenges, ranging from low-quality human resources, weak business governance and limited working capital to a lack of technical support from the government and partner institutions. These problems are exacerbated by low community participation due to a lack of public awareness and transparency in the management of BUMDes (Hanafie et al., 2022). In fact, active community participation is an absolute prerequisite for building competitive and inclusive village economic institutions (Yarni et al., 2024). Furthermore, the development of BUMDes business strategies that are not aligned with the potential and needs of the community is also often the cause of these institutions' failure to achieve their planned objectives (Karamoy & Tirayoh, 2020).

In particular, the UMBU FAOMASI Village-Owned Enterprise (BUMDes) in Hiligoduhoya Village, Lahewa Sub-district, North Nias Regency, has been in operation since 2018. This BUMDes aims to develop local economic potential through business units. There are three active business units currently in operation: the Swimming Pool Unit, the Rental Unit, and the Refillable Water Unit. Each unit is managed by a different committee in accordance with the established organisational structure. BUMDes UMBU FAOMASI has a vision to "Make Hiligoduhoya Village an innovative, creative, and competitive village", and a mission that emphasises increasing local revenue and strengthening social bonds among residents through productive activities, playing a role in driving economic growth and direct community involvement. Its existence also provides employment opportunities, facilitates access to economic services, and strengthens the village's competitiveness. The village possesses abundant natural resources and distinctive socio-cultural characteristics which, if managed effectively, can serve as a foundation for building a self-reliant village economy.

To determine the extent to which BUMDes has succeeded in driving economic development in this village, an in-depth study is required into its role in business management and its impact on community welfare (Aeni, 2020). Furthermore, the strategies implemented by BUMDes managers to encourage community involvement are a key focus, ensuring that this institution serves not merely as an economic instrument but also as a platform for sustainable social empowerment (Sudirno et al., 2020).

In light of this, the focus of this study is to analyse the role of Village-Owned Enterprises in boosting the local economy, as well as to identify the strategies employed and the challenges faced in the implementation of the BUMDes UMBU FAOMASI programme in Hiligoduhoya Village, Lahewa Sub-district, North Nias Regency.

## **Literature Review**

### **2.1 Village-Owned Enterprises (BUMDes)**

Village-Owned Enterprises are an important instrument in efforts to strengthen the village economy, in accordance with the definition set out in Law No. 6 of 2014. BUMDes were established with the aim of managing the potential of village resources in order to improve community welfare. Although they have great potential to serve as centres of the local economy, BUMDes face a number of challenges in their implementation, including managerial weaknesses and a lack of business innovation (Silvianita et al., 2023; Wahed et al., 2020).

One study on BUMDes indicates that, with the granting of village autonomy, BUMDes are increasingly empowered to manage resources independently, whilst facing challenges related to improving managerial competence in the digital age. It is important to integrate this into development planning to meet local needs and enhance the performance of BUMDes. BUMDes also play a role in providing various services, such as the trade of daily necessities

and financial services, thereby expanding employment opportunities at the village level. Research findings suggest that whilst BUMDes have the potential to contribute to village own-source revenue (PAD), many BUMDes still rely on subsidies from the village government and have not yet been able to maximise economic benefits (Wibisono, 2020). Several studies emphasise the need to apply the principles of good corporate governance in the management of BUMDes to ensure greater transparency and accountability (Yudi et al., 2024; Wahyuni et al., 2022). This indicates that to achieve success, BUMDes require more professional and systematic management.

From a policy perspective, it is important to strengthen regulations and oversight mechanisms for BUMDes to ensure accountability and effectiveness in their management. Many BUMDes currently still lack attention in terms of formal governance (Wahyuni et al., 2022). In this regard, support from the government and community involvement in the management and monitoring of BUMDes are key to achieving the goals of poverty alleviation and promoting economic growth at the village level.

As such, BUMDes play a strategic role in advancing the village economy; however, to achieve this, integrated efforts are needed to improve managerial capabilities, strengthen regulations, and facilitate access to relevant resources and technology.

## **2.2 The Role of Village-Owned Enterprises (BUMDes)**

The role of BUMDes in strengthening the village economy is crucial, as these institutions serve as agents of empowerment and economic equality. In this context, BUMDes do not focus solely on profit, but are also committed to improving the social welfare of the community. The primary role of BUMDes is to build and develop the economic capabilities of the village community comprehensively to improve their economic and social well-being (Hidayat & Hidayah, 2023). Furthermore, research also indicates that BUMDes play an active role in improving the quality of life of the community and strengthening local economic resilience, as well as creating business units capable of absorbing local labour, thereby reducing unemployment (Malik & Mahmuda, 2023).

. BUMDes also serves as a bridge between the village government and the community. This helps in designing economic programmes that are tailored to the characteristics and needs of the local community. Active community involvement in the management of BUMDes is key to its success, as BUMDes operates not only as a business entity but also as a collaborative platform for establishing a transparent and sustainable economic system (Hanifa et al., 2022). In the context of developing village potential, BUMDes serve as a vital instrument for harnessing various local resources. It is hoped that the management of BUMDes will foster self-reliant villages, enabling communities to manage and utilise resources sustainably, thereby contributing to an improvement in living standards (Hidayat & Hidayah, 2023). Other research indicates that managerial training and institutional capacity building can improve the management of BUMDes, thereby generating positive impacts on the community's economy and supporting regional development (Saputra et al., 2022).

To achieve these objectives, the importance of applying the principles of good governance within BUMDes cannot be overlooked. Several studies have highlighted the need to develop governance documents such as Strategic Plans and Internal Control Systems, which can help BUMDes operate efficiently and transparently (Damayanthi et al., 2022). Community awareness and participation in the management and oversight of BUMDes will also strengthen their role as social and economic institutions at the village level (Imran et al., 2023).

It can be concluded that, with proper implementation and full support from the government and the community, BUMDes are expected to play a greater role in the economic empowerment of village communities, reducing economic disparities, and achieving sustainable economic self-reliance.

### 2.3 Community Economy

The community economy, as a development approach that focuses on community involvement in every aspect of economic activity, requires a participatory and inclusive framework. In this context, BUMDes are vital entities for realising these objectives, particularly in rural areas. Strengthening micro, small and medium-sized enterprises (MSMEs) and enhancing human resource capacity are two fundamental aspects in driving economic growth at the village level (Silvianita et al., 2023; Wahed et al., 2020).

To achieve this objective, the importance of applying the principles of good governance in BUMDes cannot be overlooked. Several studies have highlighted the need to draw up governance documents.

The people's economy plays a vital role in creating equitable prosperity by upholding the values of justice and economic democracy. This means that the economy of rural communities must be oriented towards the grassroots and prioritise their interests above all others. The management of local potential through institutions such as BUMDes is highly strategic, as BUMDes can act as a catalyst in integrating the potential of village resources with market needs. The implementation of a village-based economic model must take into account cultural aspects, existing natural potential, and social dynamics within the community, so that the results of economic development can be enjoyed by all sections of society in a fair and sustainable manner (Wibisono, 2020; Sudirno et al., 2020).

Studies on BUMDes and the people's economy indicate that the success of BUMDes in managing various economic enterprises is highly dependent on the availability of institutional support and community involvement. Research indicates a positive correlation between entrepreneurship training for the community and increased economic self-reliance through the management of BUMDes (Asmorowati et al., 2022). These activities not only enhance human resource capacity but also foster a conducive investment climate and strengthen marketing networks for local products.

Consequently, community-based economic development requires the involvement of all stakeholders, including the government, the community, academia, and the private sector. A holistic approach is needed to create an ecosystem that supports sustainable local economic growth, whilst prioritising fairness and transparency in the management of village resources, so that the benefits achieved are felt not just by a select few but by the entire community.

### 2.4 Community Participation in the Success of Village-Owned Enterprises

Community involvement in the management of Village-Owned Enterprises (BUMDes) is one of the key pillars that can determine the success of such institutions. According to current thinking and research, community participation not only enhances transparency and accountability, but also fosters a sense of ownership and responsibility amongst community members towards the BUMDes they manage.

#### 2.4.1 Theoretical Approach to Community Participation

The theory of community participation holds that the active involvement of residents in decision-making processes is essential for the social and economic development of a community. Rowe & Frewer (2000) define participation as a process through which individuals can contribute and have a say in issues that affect them. In the context of BUMDes, community participation is important because it leads to decisions that are more responsive to local needs and aspirations, thereby enhancing the operational effectiveness of the institution.

#### 2.4.2 Benefits of Community Participation in BUMDes

##### 2.4.2.1 Enhancing Economic Self-Reliance

Active community participation in the management of BUMDes can enhance the economic self-reliance of the village. When the community is involved in the planning and implementation of business activities, they tend to be more responsible and proactive in

ensuring the success of the BUMDes, which in turn can create jobs and support the local economy (Wibisono, 2020).

#### **2.4.2.2 Social Welfare**

The management of BUMDes that involves the community also has a direct impact on social welfare. When villagers feel a sense of ownership of the BUMDes, they tend to be more committed to contributing to the social activities organised, thereby strengthening social bonds and solidarity within the community (Sudirno et al., 2020).

#### **2.4.2.3 Enhancing Managerial Skills**

Community participation in the management of BUMDes helps to build managerial capacity at the local level. Through training and hands-on experience in managing businesses, community members can develop skills that are useful not only for BUMDes, but also for their own independent businesses (Asmorowati et al., 2022).

#### **2.4.3 Challenges in Enhancing Community Participation**

Although community participation is vital to the success of BUMDes, several challenges remain. Limited knowledge and experience in business management often hinder effective participation among residents. Research indicates that local cultural characteristics can influence community motivation and engagement in decision-making processes (Yudi et al., 2024). Therefore, it is important to provide adequate education and training to build community capacity.

#### **2.4.4 Recommendations for Increasing Participation**

##### **2.4.4.1 Training and Awareness-Raising**

Through business and managerial training that involves community participation, BUMDes can enhance residents' knowledge and skills in business management. This will facilitate active community participation in the management of BUMDes.

##### **2.4.4.2 Transparency of Information**

Providing clear and open information about the activities, operations and finances of BUMDes is vital for encouraging community participation. When information is available, the community is more likely to engage in decision-making (Wahyuni et al., 2022).

##### **Facilitating Community Productivity**

Encouraging the formation of specific business groups or cooperation among community members can increase engagement with BUMDes. Through these groups, community members can share knowledge and resources with one another, as well as boost their motivation to participate (Widiastuti et al., 2019; Wahyudi et al., 2023).

### **Research Methodology**

This study was conducted to examine in depth the role of the UMBU FAOMASI Village-Owned Enterprise (BUMDes) in driving the local economy in Hiligoduhoya Village, Lahewa Sub-district, North Nias Regency. In view of this objective, a qualitative research approach was employed. This is in line with the view of experts that qualitative research is conducted to gain a deep understanding of the phenomena experienced by research subjects in their natural context, through descriptions in the form of words and language, and by utilising various natural methods. The researcher acts as the primary instrument, employing triangulation techniques for data collection and inductive analysis to uncover the meaning behind the data obtained (Moleong, 2019; Sugiyono, 2017). In line with the definition (Bogdan & Biklen, 1982; Creswell, 2014) that qualitative research is conducted in a natural setting, is flexible, and evolves in response to the dynamics observed in the field. This method was chosen as it aims to gain a deep understanding of the research subjects' experiences, views, and perceptions regarding the role of BUMDes

#### **3.1 Research Design**

This study is descriptive in nature and aims to depict the social reality within the context of the UMBU FAOMASI Village-Owned Enterprise (BUMDes) in Hiligoduhoya Village, Lahewa Sub-district, North Nias Regency. Using this approach, the researcher sought to

obtain data rich in narratives, opinions and experiences from relevant informants, without relying on questionnaires. The data collection methods used in this study include:

### **3.1.1 In-depth Interviews**

In-depth interviews were conducted with various key informants, including BUMDes management, the village head, and beneficiary residents. This technique allows researchers to explore information in greater depth and gain diverse perspectives on the role of BUMDes in the village economy. This type of interview provides an opportunity for informants to share their personal experiences and views, which constitute highly valuable qualitative data (Sudirno et al., 2020).

### **3.1.2 Direct Observation**

The researcher conducted direct observation of BUMDes activities and community interactions in the management of BUMDes. Through this observation, the researcher was able to observe the social dynamics at play and how BUMDes operates within the social and economic context of the village. Direct observation also enabled the researcher to understand attitudes and behaviours that might not have been revealed in interviews (Siga, 2020).

### **3.1.3 Documentary Study**

Relevant documents were collected to supplement the data obtained from interviews and observations. These documents included BUMDes financial reports, village regulations, and activity records. The documentary study helped to provide formal context and historical information regarding BUMDes operations (Rahmi et al., 2023).

## **3.2 Data Sources**

The selection of appropriate data sources is a crucial step that will determine the quality and accuracy of the research findings (DeWalt & DeWalt, 2011). The data sources used in this study are divided into two categories: primary data and secondary data.

### **3.2.1 Primary Data**

Primary data is data obtained directly from the source, namely the research informants. Methods of collecting primary data include interviews, field observations, questionnaires, and experiments (Kvale & Brinkmann, 2015).

### **3.2.2 Secondary Data**

Data comprising official documents, publications, regulations, and other relevant references to support the analysis.

## **3.3 Data Analysis Techniques**

The data analysis techniques used in this study consist of three stages, namely:

### **3.3.1 Data Reduction**

This stage involves the process of selecting, focusing, simplifying, and transforming raw data derived from field notes. The aim of data reduction is to filter the data so that it is more focused on the research objectives and research questions..

### **3.3.2 Presentation of Data**

The reduced data is then presented in the form of a systematic and easily understandable descriptive narrative. This presentation aims to help researchers identify patterns and relationships between findings in the field.

### **3.3.3 Drawing Conclusions and Verification**

The final step is to draw conclusions based on the patterns, trends, or themes emerging from the data. Verification is carried out by cross-checking the conclusions against the existing data to ensure their accuracy and consistency.

## **3.4 Research Location and Timing**

This research was conducted in Hiligoduhoya Village, Lahewa Sub-district, North Nias Regency. This location was chosen on the basis that Hiligoduhoya Village is one of the villages that has established and developed a Village-Owned Enterprise (BUMDes) as part of efforts to enhance the economic self-reliance of the village community. Furthermore, this village exhibits economic development dynamics that are of interest for further study, particularly in the context of community economic empowerment through the BUMDes. The

research was carried out during June 2025, encompassing the stages of preparation, field data collection, data analysis, and the drafting of the research report.

## 4. RESULTS AND DISCUSSION

### 4.1 Profile of the Research Location

Hiligoduhoya Village is one of the villages located within the administrative area of Lahewa Sub-district, North Nias Regency, North Sumatra Province. The majority of the village's population earns a living from agriculture, plantations and small-scale trade. The village possesses abundant natural resources and socio-cultural characteristics which, if managed effectively, can serve as a foundation for building a self-sustaining village economy. The village's strategic geographical location and wealth of natural resource potential provide significant opportunities to develop the village economy through the utilisation of village economic institutions such as BUMDes.

The UMBU FAOMASI Village-Owned Enterprise (BUMDes) in Hiligoduhoya Village was established in 2018 and is a legally recognised entity under Decree No. AHU-00105.AH.01.33.2021 issued by the Ministry of Law and Human Rights, operating three active business units: the Swimming Pool Unit, the Rental Unit, and the Water Refill Unit. Each unit is managed by a separate board in accordance with the established organisational structure. With the vision of "Making Hiligoduhoya Village an innovative, creative, and competitive village", and a mission emphasising the enhancement of local revenue and the strengthening of social bonds among residents through productive activities, this BUMDes plays a role in driving economic growth and direct community involvement. Its existence also provides employment opportunities, facilitates access to economic services, and strengthens the village's competitiveness. The village community is involved in BUMDes activities, and this demonstrates a contribution to increasing income and reducing unemployment in the village.

In the village of Hiligoduhoya, Lahewa Sub-district, North Nias Regency, the Village-Owned Enterprise (BUMDes) FAOMASI operates as a village economic institution that makes a significant contribution to driving the economic growth of the local community. The existence of this BUMDes not only adds to the village's sources of income but also opens up new business opportunities, encourages community participation in economic activities, and strengthens the village's economic resilience. This strategic role is reflected in the following aspects:

#### 4.2.1 Community Involvement in BUMDes Business Units

The UMBU FAOMASI BUMDes in Hiligoduhoya Village not only acts as an economic institution providing various productive business services, but also fulfils a strategic function as a means of participatory community empowerment. The involvement of the village community does not stop at the level of consumption or receiving benefits, but is realised through active participation in the various business activities run by the BUMDes. Currently, there are three active business units being managed: the Swimming Pool Unit, the Rental Unit, and the Refill Water Unit. These three units are not only designed to generate village revenue but also to create employment opportunities for local residents, whether as managers, technicians, or other support staff. This absorption of local labour takes place gradually and sustainably, thereby not only reducing unemployment figures but also fostering increased capacity and economic self-reliance within the community. Through such engagement schemes, the BUMDes truly flourishes as a community-owned institution that embodies the spirit of mutual cooperation and collective responsibility in village development. As stated by Mr Ibeato Lase, Head of Hiligoduhoya Village:

*"The utilisation of human resources in Hiligoduhoya Village has had a positive impact on the development of community-based enterprises. Through the establishment and management of BUMDes business units, the village has been able to gradually absorb*

*local labour. This not only reduces unemployment but also empowers the community by giving them an active role in the village's economic activities.” (Interview, 19 June 2025).*

The establishment of the Village-Owned Enterprise (BUMDes) has provided villagers with the opportunity not only to be employees, but also to play an active role in the village's economic development. Mr Ajerni Monis Lase, a local resident, spoke about the direct benefits felt by the community:

*“The presence of the Village-Owned Enterprise (BUMDes) in this village has been a great help, particularly through its rental business unit. When the community organises events such as parties or other social activities, they can hire equipment such as tents and kitchenware directly from the village. As well as being more accessible, the rental costs are also relatively more affordable compared to similar service providers outside the village. This certainly goes a long way towards easing the burden on the community whilst simultaneously boosting the local economy.” (Interview, 19 June 2025).*

In addition to creating jobs, the Village-Owned Enterprise (BUMDes) also encourages community involvement in future business development. This was emphasised by Mr Soterman Lase, Director of the BUMDes, who stated that the community would be involved in plans to develop new business units, such as the production of bottled drinking water and the manufacture of toothpicks:

*“The future business development plans for BUMDes UMBU FAOMASI include the addition of new business units that have the potential to generate economic value for the village, including the production of bottled mineral water and the procurement of machinery for the manufacture of toothpicks. This initiative is expected to expand employment opportunities and increase village income. The community will be involved through the empowerment of local workers and skills training, so that they can be directly involved in both the production process and business management.” (Interview, 19 June 2025).*

Community involvement in the BUMDes UMBU FAOMASI business units in Hiligoduhoya Village reflects a genuine and sustainable practice of community-based economic empowerment. Through the management of three active business units namely a swimming pool, a rental service, and a water refill station the BUMDes not only creates jobs for local residents but also fosters a sense of ownership and shared responsibility. Residents are no longer positioned merely as beneficiaries, but have become key actors in the process of village economic development. This active involvement reflects the spirit of mutual cooperation within a modern economic context, where participation, solidarity, and innovation grow from the grassroots.

As such, the UMBU FAOMASI Village-Owned Enterprise (BUMDes) serves not only as a driver of the village economy, but also as an instrument of social transformation that strengthens community self-reliance and lays the foundations for inclusive and equitable village development.

#### **4.2.2 Increasing Village Own-Source Revenue and Residents' Well-being**

The business units operated by BUMDes UMBU FAOMASI make a tangible and strategic contribution to increasing Village Own-Source Revenue (PAD) in Hiligoduhoya Village. Through the optimisation of three active business units namely the swimming pool unit, the equipment hire unit, and the refill water unit BUMDes has succeeded in creating a stable and sustainable revenue stream. According to the Head of Hiligoduhoya Village, this achievement has had a direct impact on strengthening the village's fiscal capacity:

*“The contribution of BUMDes UMBU FAOMASI's business units to the village's finances has had a very positive impact. Through the three business units managed by the BUMDes in Hiligoduhoya Village, there was a significant increase in the village's own revenue by the end of 2024. This increase has further strengthened the village's fiscal capacity and provided greater scope for the implementation of development programmes focused on community needs.” (Interview, 19 June 2025).*

The increase in local revenue achieved is not merely a figure in the village's financial statements, but tangibly opens up new opportunities for the expansion of development programmes, covering both physical and social infrastructure. The funds raised are used to finance community development activities, support basic services, and underpin community economic empowerment initiatives.

The benefits of the BUMDes are also felt directly by households. As stated by Mr Ajerni Monis Lase, a resident of Hiligoduhoya village:

“The presence of the BUMDes in this village is a great help, particularly through its rental business unit. When the community organises events such as parties or other social activities, they can hire equipment such as tents and kitchenware directly from the village. Not only is it more accessible, but the rental costs are also relatively more affordable compared to similar service providers outside the village. This certainly eases the burden on the community whilst simultaneously boosting the local economy.” (Interview, 19 June 2025).

This demonstrates that BUMDes also plays a vital role in bringing services closer to the community, whilst driving the local economy through the circulation of money within the village itself. Access to easy and affordable services has a dual impact: it eases the burden on the community and strengthens the community's economic resilience.

Furthermore, the revenue generated by BUMDes business units is also allocated to social programmes addressing humanitarian and educational needs. According to the Director of BUMDes, Mr Soterman Lase, part of the revenue is channelled towards providing support to bereaved families and scholarships for students from underprivileged families:

*“The role of BUMDes in boosting the village economy is highly significant. The village's own revenue, generated through the management of BUMDes business units, has been utilised to support various social and community empowerment programmes. One tangible example of this is the provision of assistance to families experiencing bereavement, as well as scholarships for children from underprivileged families wishing to pursue higher education. These programmes not only demonstrate the village's commitment to the needs of its residents, but also serve as proof that the existence of BUMDes is capable of delivering economic and social impacts that are directly felt by the community.”* (Interview, 19 June 2025).

This model demonstrates that the UMBU FAOMASI Village-Owned Enterprise (BUMDes) functions not only as a driver of the village economy, but also as an instrument of social equity and protection. As such, the existence of the BUMDes has become a vital foundation for inclusive development that addresses village financial matters whilst directly improving the real well-being of the community. This approach is in line with the spirit of sustainable development that integrates economic, social and inter-group equity dimensions at the local level.

#### **4.2.3 Provision of Business Capital and Mentoring**

The role of BUMDes UMBU FAOMASI in community economic empowerment demonstrates an inclusive approach that prioritises the needs of villagers. Social activities such as the provision of scholarships for children from underprivileged families and assistance to families experiencing bereavement serve as tangible evidence that the BUMDes is not solely profit-oriented, but also fulfils a social function deeply rooted in the values of mutual aid and village solidarity. Through this approach, the BUMDes emerges as an agent of social empowerment capable of reaching economically vulnerable groups within the community. This commitment underscores that village development is not merely measured by increases in Village Owned Revenue (PAD), but also by the extent to which village economic institutions can promote social justice and foster a sense of community. According to Mr Soterman Lase, Director of BUMDes UMBU FAOMASI:

*“Through the management of its business units, the Village-Owned Enterprise (BUMDes) has been utilised to support various social and community empowerment programmes.*

*One tangible example of this is the provision of assistance to families experiencing bereavement, as well as the provision of scholarships for children from underprivileged families who wish to pursue higher education. These programmes not only demonstrate the village's commitment to the needs of its residents, but also serve as evidence that the existence of BUMDes is capable of delivering economic and social impacts that are directly felt by the community.” (Interview, 19 June 2025).*

The role of BUMDes UMBU FAOMASI in community empowerment is reflected not only in its contribution to the village economy, but also in its commitment to carrying out social functions that are inclusive and equitable. Through social programmes such as the provision of scholarships and bereavement support, BUMDes has demonstrated a genuine commitment to vulnerable community groups. This approach strengthens the BUMDes' position as a development agent that not only pursues economic growth but also fosters solidarity, compassion, and a sense of community. Thus, the presence of the BUMDes in Hiligoduhoya Village serves as an example that ideal village development is development that integrates economic and social dimensions in a balanced manner.

### **4.3 The BUMDes' Strategy for Boosting the Economy of the Hiligoduhoya Village Community**

To achieve the goals of sustainable and inclusive economic development, the UMBU FAOMASI Village-Owned Enterprise (BUMDes) in Hiligoduhoya Village has designed and implemented various strategies focused on local potential and the active empowerment of the community. These strategies are implemented in response to the community's real needs and to ensure the optimal utilisation of village resources. Some of the strategies implemented include:

#### **4.3.1 Development of Business Units in Line with Local Potential**

Businesses such as party equipment hire, and in the future the production of mineral water and toothpicks, were selected based on community needs and available potential. According to Mr Soterman Lase, Director of BUMDes UMBU FAOMASI:

“We selected business units with the potential to generate economic value, such as the production of bottled drinks and toothpicks.” (Interview, 19 June 2025).

This choice of business units demonstrates how BUMDes adapts the type of business to the actual conditions of the village community to minimise risk and maximise benefits.

This statement indicates that community participation is not merely symbolic, but is realised in practice through active involvement in the production of goods and services, as well as in the managerial aspects of village enterprises. The training provided covers the enhancement of technical skills, micro-enterprise management, and the development of an entrepreneurial mindset, all of which are designed to align with the needs of the business units currently being developed by the BUMDes. These efforts directly contribute to enhancing human resource capacity at the village level. Residents not only gain economic benefits through employment opportunities but also experience an increase in competence that has a long-term impact on their self-reliance. On the other hand, as community capacity and engagement grow, the sustainability of BUMDes programmes is further assured. This creates a mutually reinforcing cycle between empowerment, local economic growth, and the future institutional sustainability of BUMDes.

### **4.4 Challenges Faced by BUMDes in Programme Implementation**

Limited infrastructure and human resources are the main challenges in the implementation of the UMBU FAOMASI BUMDes programme in Hiligoduhoya Village. Inadequate village road access, an unstable electricity supply, and low workforce competence have a direct impact on operational efficiency and the sustainability of the business unit. According to Mr Ibeato Lase, Head of Hiligoduhoya Village:

“In the management and funding of BUMDes, there are several significant challenges. Firstly, the uneven quality of human resources necessitates training and capacity-building efforts for the local workforce. Secondly, infrastructure limitations, particularly transport

access within the village, remain a barrier to supporting the smooth operation of the business unit. Furthermore, an unstable electricity supply also affects the productivity of business activities. Another challenge relates to integrity, as there are still instances of workers acting dishonestly in carrying out their duties, which naturally impacts trust and the sustainability of the business.” (Interview, 19 June 2025).

Similar challenges were also highlighted by Mr Soterman Lase, Director of the UMBU FAOMASI Village-Owned Enterprise (BUMDes), who emphasised the importance of addressing internal obstacles such as workforce integrity:

“BUMDes faces a number of challenges, such as limitations in the quality of human resources, inadequate transport infrastructure, and frequent disruptions to the electricity supply. Furthermore, there are still internal challenges in the form of a lack of integrity among some employees. Nevertheless, the community’s response has been very positive and enthusiastic, as they view BUMDes as a vital opportunity to drive progress in villages that were previously isolated.” (Interview, 19 June 2025)

In the face of these various challenges, strategic and collaborative measures are required. Village authorities, together with village-owned enterprises (BUMDes), can advocate for improvements to basic infrastructure such as roads and transport through village planning forums (Musrenbangdes), so that these can be included in the district’s development priorities. On the other hand, to address energy constraints, short-term solutions such as procuring generators or utilising renewable energy sources like solar panels can serve as alternatives to maintain the operational stability of business units.

Furthermore, efforts to enhance human resource capacity must be continuously strengthened, not only through technical training but also through managerial and work ethics training. Strengthening the integrity and professionalism of the workforce is key to building trust and creating transparent and accountable business management. Synergy between the village government, BUMDes, the community, and other stakeholders is a prerequisite for overcoming these obstacles and driving more optimal and sustainable performance of BUMDes.

#### **4.5 Challenges Relating to Human Resource Quality and Business Management Capacity**

The uneven quality of human resources not only affects the technical aspects of business unit operations, but also has serious implications for the overall effectiveness of BUMDes management. Limited experience and a lack of managerial skills hinder decision-making processes, operational efficiency and administrative governance. In this context, the challenges faced are not merely related to production capacity, but also encompass crucial aspects such as strategic business planning, accurate financial record-keeping, systematic administrative reporting, and an understanding of the fundamental principles of community-based business management.

This situation is underscored by the statement from Mr Ibeato Lase, Head of Hiligoduhoya Village, who emphasised that the quality of human resources in the village remains uneven, meaning that serious efforts are needed to provide training and build the capacity of the local workforce. In his interview, he noted that training is a crucial step in preparing the community to manage village enterprises in a sustainable and professional manner. In line with this, Mr Soterman Lase, Director of BUMDes UMBU FAOMASI, stated that community involvement in the production process must be accompanied by a strengthening of their role in business management. This indicates that BUMDes require not only field workers but also individuals possessing the basic competencies to manage businesses effectively, ranging from stock management and recording financial transactions to compiling business activity reports. (Interview, 19 June 2025).

Consequently, improving the quality of human resources is an urgent necessity in the management of BUMDes. Without investment in community capacity building, particularly regarding managerial and financial literacy, the sustainability of BUMDes business units will

face the risk of stagnation or even failure. Therefore, training is not merely an additional activity, but a fundamental part of the strategy for building strong and self-reliant village economic institutions.

### Conclusion

This study concludes that the UMBU FAOMASI Village-Owned Enterprise (BUMDes) in Hiligoduhoya Village plays a significant role in driving local economic growth through the management of business units based on the village's potential. The existence of three active business units namely a swimming pool, equipment hire, and a water refill station has made a tangible contribution to increasing the Village's Own Revenue (PAD), creating local jobs, and strengthening community participation in village economic development. Furthermore, the BUMDes also functions as a social instrument through bereavement assistance programmes and the provision of scholarships to underprivileged families, demonstrating an inclusive and equitable approach to village development.

However, the implementation of BUMDes programmes is not without challenges, particularly limited road infrastructure, suboptimal transport access, and an unstable electricity supply, which impact the operational efficiency of the businesses. To address this, collaboration is required between the village government, BUMDes, and other stakeholders in the form of advocacy and phased infrastructure development planning, as well as efforts to improve access to alternative energy sources such as the use of solar panels or generators as temporary solutions.

On the other hand, the challenge of limited human resource capacity in managerial and financial aspects has been addressed through technical and managerial training organised regularly by BUMDes. This programme promotes the empowerment of residents not only as workers, but also as independent and professional entrepreneurs. By strengthening cross-sectoral collaboration, enhancing human resource capacity, and striving to improve infrastructure and energy stability, BUMDes UMBU FAOMASI has great potential to become a key pillar of sustainable economic and social development in the village.

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