ENHANCING THE MANAGEMENT AND SUSTAINABILITY OF VILLAGE-OWNED ENTERPRISES (BUMDes): A COMPREHENSIVE ANALYSIS OF KEY STRATEGIES FOR IMPLEMENTATION

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ABSTRACT

Background: Village-owned enterprises (BUMDes) have great potential in supporting economic and social development at the village level. However, to achieve sustainability and effectiveness, proper strategy implementation is essential. This research comprehensively analyzed the main strategies for implementing BUMDes, focusing on community participation, strict financial management, and business diversification and risk management.

Research Objectives: This research aims to evaluate the extent to which community participation, financial management, business diversification, and risk management have been integrated in BUMDes as the main strategy for achieving sustainability.

Method: This research uses qualitative methods by interviewing the Head of BUMDes from each village, the Village Head, and three members and administrators of BUMDes from three different districts. The data used is primary and secondary. The data that has been collected is then processed using the triangulation method.

Results: The research results show that community participation is a central element in the success of BUMDes, enabling more inclusive decision-making and supporting sustainability. Tight financial management provides a strong financial foundation and transparency, while business diversification with risk management helps reduce vulnerability to external changes.

Conclusion: Community participation, strict financial management, business diversification, and risk management are the main keys to achieving BUMDes sustainability. Its integration into the implementation strategy is essential to sustainable village economic and social development.

Keywords: BUMDes, community participation, financial management, business diversification, implementation, sustainability.

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RESUMO

Antecedentes: As Empresas de Propriedade Aldeia (BUMDes) têm um grande potencial no apoio ao desenvolvimento econômico e social a nível da aldeia. No entanto, para alcançar a sustentabilidade e a eficácia, é essencial uma implementação adequada da estratégia. Nesta pesquisa, realizamos uma análise abrangente das principais estratégias de implementação do BUMDes, com foco na participação comunitária, gestão financeira rigorosa e diversificação de negócios e gestão de riscos.

Objetivos da pesquisa: Esta pesquisa visa avaliar até que ponto a participação comunitária, a gestão financeira, a diversificação de negócios e a gestão de riscos foram integradas no BUMDes como a principal estratégia para alcançar a sustentabilidade.

Método: Esta pesquisa utiliza métodos qualitativos entrevistando o Chefe do BUMDes de cada aldeia, o Chefe da Aldeia e três membros e administradores do BUMDes de três distritos diferentes. os dados utilizados são primários e secundários. Os dados coletados são então processados usando o método de triangulação.

Resultados: Os resultados da pesquisa mostram que a participação comunitária é um elemento central para o sucesso do BUMDes, permitindo tomadas de decisão mais inclusivas e apoiando a sustentabilidade. Uma gestão financeira rigorosa proporciona uma base financeira sólida e transparência, enquanto a diversificação de negócios com gestão de risco ajuda a reduzir a vulnerabilidade a mudanças externas.

Conclusão: A participação comunitária, a gestão financeira rigorosa, a diversificação de negócios e a gestão de riscos são as principais chaves para alcançar a sustentabilidade do BUMDes. A sua integração na estratégia de implementação é essencial para o desenvolvimento econômico e social sustentável da aldeia.

Palavras-chave: BUMDes, participação comunitária, gestão financeira, diversificação de negócios, implementação, sustentabilidade.

1 INTRODUCTION

Village-owned enterprises (BUMDes) have become an essential element in economic and social development in various villages in Indonesia. The BUMDes concept represents a fundamental transformation in the rural development approach, giving village communities greater responsibility and control in managing and using local resources. BUMDes is a vehicle that allows village communities to own, manage, and develop various economic businesses, from agriculture to tourism (Indrawati et al., 2021; Nugraha, 2020). Village-owned enterprises (BUMDes) are a concept and practice that has emerged as a key tool in efforts to empower the rural economy in Indonesia. This concept gives rural communities greater control over their local resources and allows them to manage a variety of economic enterprises, from agriculture and agribusiness to
tourism and health services (Nadia et al., 2021; Sumarmi et al., 2022). BUMDes are key in advancing rural economic development, increasing village community income, and creating jobs.

Even though the potential of BUMDes is enormous, the challenges in maintaining the sustainability and effectiveness of BUMDes operations have become a significant concern. Many BUMDes experience problems properly managing their operations and maintaining business continuity (Rahajeng & Maharani, 2018; Rembulan et al., 2022). Some of the problems generally faced by BUMDes include inefficient management, limited access to resources and capital, and lack of active community participation in decision-making (Makahingide, 2021; Sahr, 1982).

The sustainability of BUMDes is a crucial aspect that determines the success of economic development programs at the village level. While this concept promises great potential in improving the welfare and economic independence of villages, a number of challenges arise in managing BUMDes effectively and maintaining their continuity (Gunawan et al., 2023; Nurtanio & Bramantyo, 2021). Factors such as good management, access to resources and capital, and active community participation are essential elements that must be considered to improve the management and sustainability of BUMDes. The sustainability of BUMDes also has significant implications for overall rural development. Sustainable BUMDes can act as motorbikes for the village economy, create local employment opportunities, and support economic diversification at the village level. The sustainability of BUMDes can also help reduce social inequality and improve the quality of life of village communities (Danil & Fordian, 2022; Sukarja et al., n.d.).

Improving the management and sustainability of BUMDes is important in several contexts: 1) Encouraging Village Economic Independence: BUMDes gives village communities control over local economic resources and businesses. By optimizing BUMDes management, village communities can create a sustainable source of income, reduce dependence on larger economic sectors, and increase village economic independence; 2) Village Community Empowerment: BUMDes sustainability involves the active participation of village communities in decision-making and business management. This empowers communities and increases their awareness and involvement in local development; 3) Poverty and Inequality Reduction: Sustainable BUMDes can create local jobs and generate additional income for village communities.
This can help reduce poverty and economic inequality at the village level; and 4) Contribution to Sustainable Development: BUMDes that focus on sustainable practices can protect the environment and reduce negative impacts on natural resources. This contributes to sustainable development at the local level (Maharani & Fernandes, 2021; Triyuni et al., 2021).

The Government of Indonesia enacted Republic of Indonesia Law Number 6 of 2014 concerning Villages. The primary objective of this policy was to accelerate rural economic growth by requiring villages to establish Village-Owned Enterprises (BUMDES). Forming BUMDES represents a strategic policy to empower and make villages self-reliant. Over the course of the past 8 years, the strategic objectives of this policy have not been evenly achieved (Hogwood & Gunn, 1984; Jones, 1984). The most significant progress in the development of BUMDES has been observed on the island of Java, with the highest recorded monthly income reaching 300 million (three hundred million) Indonesian Rupiah. This is particularly noticeable in villages in Central Java and its surrounding regions (Bowman, 2005; Hanna Audrey, 2023; Maryam et al., 2023). Most BUMDES are located in areas outside Java; from a national statistical perspective, 30% of rapidly developing BUMDES are situated on the island of Java. The remaining 70% yet to fully develop are scattered across provinces beyond Java (Ministry of Village, 2021). Out of the 1,839 villages spread across 15 districts and cities in North Sulawesi, only three BUMDES have achieved significant development. These are the BUMDES in Atoga Village, Motongkad Subdistrict, Bolaang Mongondow Timur Regency, inter-village BUMDES in Pasi Timur Subdistrict, Bolaang Mongondow Regency, and Utuarano Village in Tabukan Utara Subdistrict, Kepulauan Sangihe Regency (North Sulawesi Provincial Office of Village Empowerment and Community Development, 2020).

Managing Village-Owned Enterprise (BUMDes) funds is a complex challenge because it faces various difficult factors that can hinder the smooth operations and desires of BUMDes. One of the difficult factors in managing BUMDes funds is planning and funding. Villages often face significant fluctuations in income from various sources, such as village taxes, BUMDes business results, and government assistance. This uncertainty makes long-term planning and managing funds difficult, as it is difficult to estimate future income accurately (Priyanto et al., 2022; Widadi & Fajrin, 2021).
BUMDes financial management problems are often complicated by limited human resources and managerial capabilities. BUMDes employees and management members often have limited understanding of financial and managerial aspects, which can result in errors in bookkeeping and financial decision-making, BUMDes often have to deal with complex bureaucracy and reporting demands that require additional resources.

Actions to prevent misappropriation of funds are also a factor in the difficulty of managing BUMDes funds. Transparency and accountability in managing BUMDes funds is essential, but proper financial handling is often ineffective. This can create a risk of misappropriation of funds, which can be detrimental to BUMDes and village communities. Difficulty accessing additional resources and financing also influences the management of BUMDes funds (Handayani, 2022; Watts et al., 2021). Although BUMDes can generate income through the businesses they manage, there are cases where they require additional funds for growth and sustainability. However, access to additional resources, such as loans and investment, is often hampered by regulatory constraints and uncertainty about BUMDes' ability to repay.

In facing all these difficult factors, it is undoubtedly essential for BUMDes to develop strong strategies and actively involve the community in financial decision-making. Increasing managerial understanding, sound financial planning, and promoting transparency and accountability are the keys to overcoming obstacles to managing BUMDes funds so that they can achieve the expected sustainability in rural development efforts. These empirical facts serve as an academic stimulus for conducting research related to the management of BUMDES in the three villages within the three subdistricts above. This research is undertaken to elucidate the management of BUMDES in Motongkad Subdistrict in Bolaang Mongondow Timur Regency, Pasi Timur Subdistrict in Bolaang Mongondow Regency, and Tabukan Utara Subdistrict in Kepulauan Sangihe Regency.

2 THEORETICAL FRAMEWORK
2.1 UNDERSTANDING BUMDes AND PREVIOUS RESEARCH

Village-owned enterprises (BUMDes) are legal entities owned by village communities to manage village economic resources and improve the welfare of village communities through various economic endeavors, such as agriculture, small industry,
trade, tourism, and other sectors. BUMDes aims to increase village community income, create jobs, and promote sustainable rural economic development (Mulyasari et al., 2023). BUMDes also plays a role in empowering village communities to make local economic decisions.

Several previous studies have been carried out to analyze the role and impact of BUMDes in rural economic development. The following are several examples of relevant previous research:

a. BUMDes Case Study in [Sumba Island]: Some research may have conducted case studies in certain areas to identify factors that influence the sustainability of BUMDes. This research may have identified successful strategies used by BUMDes in improving their management and performance (Fathoni et al., 2021).

b. Analysis of Inhibiting Factors for BUMDes: Other research may have focused on identifying the obstacles faced by BUMDes in managing their funds and operations. These include challenges in management, access to resources, and legal and policy factors that impact BUMDes operations (Wahyono et al., 2022).

c. Study of the Impact of BUMDes on the Village Economy: Several studies have aimed to measure the economic impact produced by BUMDes at the village level. This includes increasing community income, creating jobs, and the contribution of BUMDes to diversifying the village economy (Mastika et al., 2023).

d. Evaluation of the Social Impact of BUMDes: Apart from the economic impact, research may also have tried to evaluate the social impact of BUMDes, such as community empowerment, participation in decision making, and improving the quality of life of village communities (Puspitaloka et al., 2021).

e. BUMDes Development Strategy Analysis: Some research may have focused on strategies and best practices that can be used to improve BUMDes performance (Muttaqin et al., 2019). This includes business diversification, good financial management, and community involvement.

These studies have varied objectives, but overall, they contribute to a better understanding of the role of BUMDes in rural economic development and efforts to improve the management and sustainability of BUMDes. A comprehensive analysis that
includes findings from these studies can provide a richer view of the topic and guide the development of policies and best practices.

2.2 THE ROLE OF BUMDes IN VILLAGE ECONOMIC DEVELOPMENT

Village-owned enterprises (BUMDes) have a key role in village economic development in Indonesia, which involves various aspects that support improving the welfare of rural communities (Bisman et al., 2019; Marzuki et al., 2023). The following are some of the main roles of BUMDes in village economic development, along with concrete examples:

a. Local Economic Empowerment: BUMDes help manage local economic resources, such as agricultural land, forests, and other natural resources. For example, BUMDes can manage agricultural land for agricultural crop production or forests for ecotourism activities, which helps create local economic opportunities.

b. Increasing Community Income: BUMDes allow village communities to obtain additional income through various economic businesses managed by BUMDes. For example, BUMDes can run a fruit plantation and sell the products, increasing local farmers’ income.

c. Economic Diversification: BUMDes help diversify the village economy by supporting various business sectors, such as agriculture, small industry, tourism, and services. For example, BUMDes can develop a local handicraft industry that produces unique products to sell to tourists.

d. Job Creation: BUMDes are often a source of local job creation. When BUMDes expand their businesses, they employ local villagers, which in turn helps reduce the unemployment rate in the village.

e. Community Empowerment: BUMDes involve the community in decision-making and economic business operations. Village communities can become members of BUMDes and participate in planning and management. This strengthens community involvement in their own economic development.

f. Increased Access to Public Services: BUMDes can generate additional income that can be used to improve public services in villages, such as education, health, and infrastructure. For example, income generated from BUMDes businesses can be used to repair village roads or finance local education programs.
g. Promotion of Environmental Sustainability: BUMDes can play an essential role in preserving the environment and reducing negative impacts on natural resources. For example, BUMDes that run ecotourism businesses can promote environmental awareness and preserve the beauty of local nature.

Village-owned enterprises (BUMDes) are central to stimulating economic growth and improving welfare in Indonesian villages. BUMDes plays a major role in empowering the local economy by enabling village communities to manage and optimize existing resources (Kharisma et al., 2023; Sunga et al., 2021). In an agricultural village, BUMDes can jointly manage agricultural land and plan efficient planting so that crop yields and farmers' income increase significantly. BUMDes also often engage in non-agricultural sectors, such as tourism, by developing local tourist attractions and offering tourism-based services such as accommodation and restaurants, creating job opportunities (Soeling & Wijaya, 2019).

Apart from increasing income and diversifying the economy, BUMDes creates jobs at the village level. By managing local economic enterprises, BUMDes often employs local villagers. This helps reduce the unemployment rate and improves the standard of living of rural communities. BUMDes also plays a vital role in community empowerment (Erwandri, 2020). They encourage the active participation of residents in decision-making and business management; BUMDes strengthen the community's sense of ownership of local economic businesses and increase their involvement in village development (Raharja et al., 2020).

BUMDes also promotes environmental sustainability by utilizing natural resources responsibly, BUMDes involved in ecotourism businesses often encourage sustainable practices, such as using renewable energy, good waste management, and maintaining the local natural environment. This creates a balance between economic development and preserving the natural environment. The role of BUMDes in village economic development varies greatly depending on the needs and potential of each village. BUMDes is important in creating economic opportunities, increasing community income, and driving sustainable rural development.
2.3 CHALLENGES AND OBSTACLES FACED BY BUMDes

Village-owned enterprises (BUMDes) face challenges and obstacles in improving management and sustainability. Some of them are as follows (Harbi et al., 2023; Hatta et al., 2023):

a. Limited Access to Resources and Capital

One of the main challenges faced by BUMDes is their limited access to resources and capital. This includes access to investment capital, land and natural resources needed to develop village economic enterprises. Many BUMDes face difficulties in obtaining loans or investments needed to develop their businesses. The inability to access capital can hinder the growth and diversification of BUMDes businesses.

b. Limited Managerial Skills

Efficient management is the key to BUMDes sustainability. BUMDes members often have a limited understanding of business management. This can result in errors in financial planning, strategic decision-making, and efficient operational management. Management training and coaching may be needed to help BUMDes members acquire the necessary skills.

c. Regulatory and Bureaucratic Obstacles

BUMDes sometimes face obstacles in the form of regulatory and bureaucratic obstacles. Complicated and convoluted administrative requirements and lengthy licensing processes can hamper the ability of BUMDes to operate efficiently. Some regulations may not be appropriate to the rural context, and changes in regulations or simpler bureaucratic processes could help overcome this problem.

d. Challenges in Financial Planning and Management

Good financial management is essential for the sustainability of BUMDes, but BUMDes often have difficulty planning and managing finances efficiently. This can result in problems such as budget deficits, uncertainty in planning, and lack of accountability. BUMDes require solid financial planning, accurate transaction recording, and careful management of their resources.

e. Low Community Involvement

Another challenge is the low level of community involvement in BUMDes decision-making and operations. Village communities that are not actively involved in BUMDes may lack a sense of ownership of these businesses, which can hinder the
development of BUMDes. Education and outreach to the community about the benefits of BUMDes and their opportunities to participate can help overcome this challenge.

f. Business Risk and Uncertainty

BUMDes like other businesses, have risks. Another challenge is uncertainty in various aspects, including price fluctuations, weather changes, and market trends. This uncertainty can affect BUMDes business performance and disrupt their development plans.

Overcoming these challenges and obstacles requires serious attention from the government, stakeholders, and BUMDes. Appropriate coaching, training, access to capital, and regulatory reform can help BUMDes overcome these obstacles and achieve sustainability in managing their village economic enterprises. Previous research on Village-Owned Enterprises (BUMDes) revealed several valuable insights in understanding the role, challenges, and potential of BUMDes in the context of village economic development. Some key interpretations include (Subagyono et al., 2023; Salem et al., 2023):

a. Important Role in Rural Economic Empowerment: Research shows that BUMDes have a central role in advancing rural economic empowerment. They empower village communities to manage local resources, such as agricultural land and natural resources, increasing community income and economic independence.

b. Management and Sustainability Challenges: Research also highlights several challenges faced by BUMDes, including limited access to capital, inefficient management, regulatory obstacles, and difficulties in financial planning. This challenge can hamper the performance and sustainability of BUMDes.

c. Economic Diversification and Employment Opportunities: Research supports the idea that BUMDes encourage village economic diversification. They are involved in various sectors, such as agriculture, small industry, tourism and services. This economic diversification creates local employment opportunities and reduces dependence on a single sector.

d. Community Participation in Decision Making: Research underlines the importance of active community participation in BUMDes. BUMDes that successfully involve the community in decision-making tend to achieve economic and social development goals more effectively.
e. The Role of BUMDes in Environmental Conservation: Several studies show that BUMDes have the potential to support environmental conservation through sustainable practices. BUMDes that focus on ecotourism often promote sustainable practices in natural resource management.

f. Government Support and Required Policies: Research emphasizes the importance of government support in the form of policies that support BUMDes. This includes easy access to capital, training, regulatory reform, and promoting the role of BUMDes in village economic development.

Previous research provides a deeper understanding of the role and challenges of BUMDes in village economic development (Idris & Niswaty, 2022; Nasfi et al., 2023). The interpretation of this research provides valuable guidance for policy makers, practitioners, and stakeholders to improve the role and performance of BUMDes in supporting sustainable village economic development.

3 METHOD

This research is a qualitative study emphasizing a descriptive qualitative approach. Its primary aim is to describe and summarize various existing conditions, situations, or social phenomena and attempt to bring reality to the surface as a characteristic, feature, quality, model, sign, or representation of certain conditions or phenomena. This format focuses on a specific unit of various phenomena. The data collected in this research consists of Primary and Secondary Data. Primary data is recorded directly in the field through in-depth interviews and obtained through observations conducted by the researcher. On the other hand, secondary data is processed data or officially published data obtained from news media, documentation, and archives of relevant institutions, among others.

The informants in this research include the Chairpersons of the BUMDES from each village, the Village Heads, and three members and executives of the BUMDES from each village. Regarding this plan, the research instruments used in this study are the researchers, utilizing tools such as a tape recorder, video recorder, writing tools, and a laptop for storing research data. The interview questions and observation guidelines are developed based on various references outlined in the proposal. The data collection technique employed in this research is in-depth interviews. The in-depth interviews conducted in this research are unstructured, although interview guidelines are also
prepared. Interview sessions with the informants are conducted in various locations, as agreed upon. The researcher visits each informant separately in different places.

In the final stages of the research, data analysis takes place. Triangulation is the data analysis technique in this study, which involves grouping the data and new findings according to thematic clusters, followed by cross-checking the data. Data is analyzed by combining the researcher's interpretation while referencing relevant theories; new findings are interpreted in conjunction with other theories that can explain these findings. This article will discuss research results that highlight the importance of managing and sustaining BUMDes in the context of rural economic development in Indonesia. Thus, it is hoped that this article can provide deeper insight into how BUMDes can overcome challenges and increase their role in bringing positive change to village communities.

4 RESULT AND DISCUSSION

4.1 RESEARCH RESULT

Interviews with informants related to Village-Owned Enterprises (BUMDes) have much importance in research on Improving the Management and Sustainability of BUMDes. Several reasons for the importance of interviews in research are as follows:

a. Exploring Direct Insight and Experience: Interviews provide an opportunity to gain direct insight from stakeholders, such as the Head of BUMDes, Village Heads, and BUMDes members. They can share their experiences, views, and understanding of the role and challenges of BUMDes.

b. Understanding the Challenges Faced: Interviews help identify and understand the concrete challenges BUMDes faces in management and sustainability. This includes access to capital, financial management, community involvement, and environmental conservation.

c. Documenting Best Practices: In interviews, informants can share best practices that have proven successful in improving BUMDes management. This is a source of inspiration for other BUMDes and stakeholders who want to support village development.

d. Provides Diverse Perspectives: By interviewing a variety of informants, research can obtain diverse and in-depth perspectives. This includes views from BUMDes leaders, village government leaders, and BUMDes members who play a role in various management aspects.
e. Data Validation and Completion: Interviews can be used to validate and complement data from other sources, such as secondary data and surveys. This increases the reliability and validity of research results.

f. Basis for Policy Recommendations: The results of the interviews can be a basis for formulating more appropriate policy recommendations in supporting BUMDes. Information from interviews helps design policies that better suit local needs and conditions.

Interviews are a valuable instrument in this research because they provide the insight, context, and understanding needed to formulate recommendations and actions to improve the management and sustainability of BUMDes. The results of interviews with informants are presented in the following table:

Table 1. Results of Interviews with Informants

<table>
<thead>
<tr>
<th>Informant</th>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman of BUMDes, East Bolaang Mongondow Regency</td>
<td>What is the primary motivation for BUMDes in establishing and developing economic businesses in villages?</td>
<td>“The main motivation is to improve the welfare of our village community. We want to create jobs, increase income, and empower communities in managing local resources.”</td>
</tr>
<tr>
<td>Village Head of East Bolaang Mongondow Regency</td>
<td>What is the most successful and profitable type of business developed by BUMDes in your village?</td>
<td>“BUMDes has successfully developed agricultural businesses in our village, especially cultivating organic vegetable crops. This has provided a stable income to the village community.”</td>
</tr>
<tr>
<td>Member of BUMDes, East Bolaang Mongondow Regency</td>
<td>What are the main challenges faced by BUMDes in financial and operational management?</td>
<td>“One of the big challenges is limited access to capital. We had difficulty getting loans to expand our business.”</td>
</tr>
<tr>
<td>Chairman of BUMDes Bolaang Mongondow Regency</td>
<td>How do BUMDes involve the community in decision-making and managing economic businesses?</td>
<td>“We hold regular meetings with the community to discuss business plans and budgets. We also hold village meetings to hear community aspirations regarding business development.”</td>
</tr>
<tr>
<td>Anggota BUMDes Kabupaten Bolaang Mongondow</td>
<td>What best practices have proven successful in improving BUMDes management in your area?</td>
<td>“Strict financial management is a best practice we employ. This includes accurate transaction recording, cost control, and wise allocation of funds.”</td>
</tr>
<tr>
<td>Chairman of BUMDes Sangihe Islands Regency</td>
<td>How do BUMDes contribute to environmental preservation in managing their economic businesses?</td>
<td>“In our area, we have a sustainable forest management program. Our BUMDes focuses on the sustainable use of wood and participates in environmental conservation activities.”</td>
</tr>
<tr>
<td>Village Head of Bolaang Mongondow Regency</td>
<td>What is the role of local government in supporting the development and sustainability of BUMDes in your area?</td>
<td>“Local governments have provided support through training, easier licensing, and access to additional resources. They also hold a mentoring program for BUMDes.”</td>
</tr>
<tr>
<td>Member of BUMDes Sangihe Islands Regency</td>
<td>How do BUMDes maintain relationships with the community and explain the</td>
<td>“We regularly involve the community in meetings and open dialogue. We also publish our financial and performance reports”</td>
</tr>
</tbody>
</table>
positive impact they create in village economic development? transparently to explain the positive impacts we have made, such as job creation and additional income."

Chairman of BUMDes Sangihe Islands Regency

What steps are taken by BUMDes to overcome uncertainty and business risks, especially in dealing with market fluctuations? “We diversify our business to reduce risk. In addition, we continuously monitor market trends and carry out adaptive planning to deal with economic fluctuations.

Village Head of Sangihe Islands Regency

Are there any training or assistance programs implemented by the government or other institutions to help BUMDes in your area? “Yes, there are training programs from the government and several non-government organizations that have helped BUMDes members improve their managerial and financial skills.”

Member of BUMDes, East Bolaang Mongondow Regency

How do BUMDes strive to integrate sustainability principles into their businesses? “We develop sustainable practices, such as using renewable energy and waste reduction. We also focus on environmental education for the community.”

Chairman of BUMDes, East Bolaang Mongondow Regency

What are BUMDes’ long-term plans for improving the management and sustainability of their businesses? “We have plans to expand our business into other potential sectors, such as tourism and local industry. We also plan to increase collaboration with financial institutions for better access to capital.”

Village Head of East Bolaang Mongondow Regency

How do BUMDes maintain accountability and transparency in their financial management? “We carry out regular internal and external audits. Our financial and performance reports are always available to the public and village communities.”

Member of BUMDes, Motongad District, Bolaang Mongondow Regency

What are your hopes for the role of BUMDes in village economic development? “We hope BUMDes will become the main pillar in driving village economic growth, creating jobs, and improving community welfare.”

Chairman of BUMDes North Tabukan, Sangihe Islands Regency

What message or suggestion would you like to convey to the government and stakeholders regarding the development of BUMDes? “We hope the government can continue to provide support in training, straightforward licensing, and access to capital. This will help us achieve the goal of better rural economic development.”

Source: Processed Primary Data

The results of research from interviews with informants including the BUMDes Chair, Village Head, and three BUMDes members as well as BUMDes administrators in three different areas in East Bolaang Mongondow Regency, Bolaang Mongondow Regency, and Sangihe Islands Regency, provide an in-depth understanding of the role of BUMDes in development rural economies, the challenges they face, and best practices that have proven successful. Here are some key points:

a. Economic Empowerment Motivation: The informants emphasized that the main motivation of BUMDes is to improve the welfare of village communities. They want to create economic opportunities and jobs and empower communities to manage local resources. This reflects their commitment to inclusive rural development.
b. Agricultural Business Success: The success of agricultural businesses, especially the cultivation of organic vegetable crops, is an example of best practice that has brought real benefits to village communities. This shows the potential of sustainable agriculture as a stable source of income.

c. Capital Access Challenges: Challenges in accessing capital were a consistent theme highlighted by informants. This includes difficulties in obtaining loans for business development; support from governments and financial institutions can help overcome these obstacles.

d. Community Involvement: The informants explained BUMDes' efforts to involve the community in decision-making and economic business operations. This is important to ensure active community participation in the development of their village.

e. Rigorous Financial Management: Rigorous financial management and sound financial planning were other best practices acknowledged by the informants. This practice helps BUMDes manage resources efficiently and provides a strong foundation for sustainability.

f. Environmental Conservation: Sustainable environmental management is the focus of BUMDes in the area. They take steps to ensure that their activities contribute to preserving the local natural environment.

g. Government Support: The government's role in providing training, simpler licensing, and access to additional resources was recognized by informants as key to the success of BUMDes.

h. Transparency and Accountability: The informants emphasized the importance of transparency in managing finances and performance reports. This helps build community trust and explains the positive impact achieved.

i. Risk Management: The informants overcame uncertainty and business risks through diversification and careful market monitoring.

j. Future Hopes: The biggest hope is that BUMDes will become the main pillar in village economic growth and be able to create jobs and improve community welfare.

k. Message to the Government and Stakeholders: The message from the informants is the need for continued support from the government and relevant

stakeholders, including training, access to capital, and regulatory reform that supports BUMDes in achieving better village economic development goals.

The interview provides a comprehensive overview of the role, challenges, and best practices of BUMDes in efforts to improve the management and sustainability of economic businesses in villages. This interpretation can be a valuable guide for developing BUMDes in this region and similar regions to achieve better results.

4.2 KEY STRATEGIES FOR SUSTAINABLE AND EFFECTIVE BUMDes MANAGEMENT

Strategies for sustainable management of Village-Owned Enterprises (BUMDes) include various approaches that can help BUMDes to achieve their long-term goals, including economic, social, and environmental sustainability. These key strategies can be seen in the following picture:

![Figure 1. Key Strategies](source: Processed Primary Data)

The key strategy for effective management of Village-Owned Enterprises (BUMDes) is a series of approaches, steps, or actions identified as essential elements in achieving the goals and sustainability of BUMDes. These strategies are the basis or foundation for the successful and sustainable management of BUMDes. They are key in directing efforts, managing resources, and achieving desired results. Some key strategies for effective BUMDes management include business diversification, tight financial management, community participation, risk management, and member education.
Each strategy addresses essential management aspects, such as financial management, understanding community needs, reducing risks, and business development. By integrating these strategies, BUMDes can achieve sustainable goals and increase its role in the village's economic and social development. Following are several strategies that can support sustainable BUMDes management:

a. **Society Participation**

Community participation is a key foundation for sustainable and effective Village-Owned Enterprises (BUMDes) management. This essential strategy enables BUMDes to bridge the gap between their economic and social goals and the needs and aspirations of local communities. Implementing community participation requires a solid commitment to involve village residents in strategic and operational decision-making for BUMDes. Through regular meetings, village meetings, and community committees, the community can discuss BUMDes business developments, share ideas, and ensure that BUMDes goals align with village interests. Openly disclosing information, such as financial and performance reports, allows the public to see and understand the positive impacts achieved. By listening to the community's aspirations, providing education, and inviting them to be involved in planning and evaluation, BUMDes can integrate local perspectives and create better solutions. Effective community participation is the foundation for creating strong partnerships between BUMDes and local communities, ultimately contributing to the long-term sustainability and success of BUMDes.

Community participation is not just an additional element in BUMDes management but is a key foundation underlying the sustainability and effectiveness of village businesses. By involving the community in the decision-making and operations of BUMDes, we create a close link between economic initiatives and the daily lives of village residents. Implementing community participation requires us to listen and give space to the community in the planning, decision-making, and evaluation processes. Through regular meetings, village meetings, and community committees that play a monitoring role, communities have a platform to talk about the development of BUMDes businesses and share their ideas. This ensures that BUMDes business plans more accurately reflect village aspirations and needs.

Transparency is a key component in engaging the community. By openly publishing financial and performance reports, BUMDes enables the public to understand the extent to which BUMDes achieves its goals and how resources are used. An educated
and informed public is more likely to support BUMDes initiatives and is better prepared to contribute positively. Community education on financial management, sustainability practices, and business-related skills is essential in developing local communities' capacity. By understanding aspects of business management, the community can participate more effectively in BUMDes operations and make valuable contributions.

Effective community participation leads to closer collaboration between BUMDes and local communities. By listening to community aspirations, creating space for new ideas, and ensuring transparency in action, BUMDes becomes more than just a local economic venture. BUMDes is a tool that drives sustainable social and economic development, where the community is the leading partner in this journey. Community participation is the main key in achieving sustainable and effective BUMDes management that empowers villages for a brighter future.

b. **Strict Financial Management**

Strict Financial Management is one of the main pillars in the strategy to achieve sustainable and effective management of Village-Owned Enterprises (BUMDes). Careful financial management practices are the foundation for the economic success of BUMDes and ensure that financial resources are utilized efficiently. Implementing strict financial management involves several essential steps.

First, BUMDes must ensure that all financial transactions are recorded accurately and structured. This includes recording all income and expenses, as well as reporting regularly. In addition, cost control is essential to avoid waste and optimize the use of funds. By managing costs carefully, BUMDes can increase the profitability of their business. Wise allocation of funds is also an integral part of strict financial management. This involves determining priorities for the use of funds in accordance with the BUMDes business plan and immediate needs. Good cash management and realistic budget planning help BUMDes to avoid detrimental budget deficits.

Financial education for BUMDes members is an equally important step. BUMDes members need to understand the basic concepts of financial management, including how to read financial reports and analyze financial performance. With a strong understanding of financial management, BUMDes members can contribute more effectively to decision-making related to funds and finances. The key to this is that implementing strict financial management requires strong commitment, accurate recording, and ongoing education. With these practices, BUMDes can ensure that their financial resources are used
efficiently and that they can achieve sustainable financial goals in the long term. Strict financial management is a strong foundation for the sustainability of BUMDes and achieving village prosperity.

c. Business Diversification and Risk Management

Business diversification and risk management are two key interrelated strategies in achieving sustainable and effective management of Village-Owned Enterprises (BUMDes). Business diversification involves developing a diverse business portfolio so that BUMDes do not depend on just one business sector. Business diversification requires careful market analysis to identify opportunities in various local economic sectors. BUMDes can then develop businesses in these sectors, creating diverse sources of income that can reduce risks when one sector experiences fluctuations.

Risk management is an essential next step in this strategy. BUMDes must continue monitoring market conditions, conducting risk analysis, and identifying risks affecting their business. Once risks are identified, risk management measures must be implemented, such as contingency planning and business diversification. BUMDes can consider insurance or other risk protection to protect their businesses from large financial losses. Implementing risk management also requires long-term planning and adaptability in responding to changes in the market or external situations. The implementation of business diversification and risk management in the BUMDes context can be simplified as follows:

a. Identify Opportunities: Conduct local market analysis to identify economic sectors with potential growth and demand.

b. Community Consultation: Discuss diversification plans with BUMDes members and local communities to understand their needs and interests.

c. Business Plan: Create a business plan that includes developing a new venture. Determine required resources and project expected results.

d. Source of Funds: Identify sources of funds, including internal BUMDes funds, loans, grants, or potential partners to support new business development.

e. Execution: Execute the new venture according to plan and ensure proper resource allocation.

Having risk management is also essential after implementation. The risk management steps are as follows:
a. Risk Analysis: Identify potential risks affecting BUMDes businesses, such as price fluctuations, regulatory changes, or natural disasters.

b. Risk Evaluation: Assess the impact and probability of each risk. Prioritize risks based on their level of impact and probability.

c. Strategy Development: Develop risk management strategies for each risk. This could include contingency planning, contractual agreements, or business diversification.

d. Implementation: Apply the risk management strategies that have been developed and regularly monitor market conditions and changes in circumstances that may affect risks.

b. Evaluation and Correction: Evaluate the effectiveness of risk management strategies periodically and adjust strategies if necessary.

With business diversification and effective risk management, BUMDes can certainly achieve sustainable and effective management. This helps protect businesses from market fluctuations and reduces the risk of large losses. This strategy creates a strong foundation for BUMDes to achieve their financial and social goals in the long term, while ensuring the sustainability of village businesses in the face of economic uncertainty.

5 DISCUSSION

Stoner (1982) in (Akbar et al., 2023) states that management is the process of planning, organizing, directing, and controlling the efforts of members and utilizing other organizational resources to achieve predetermined organizational goals. Stoner emphasizes that management places a strong focus on processes and systems. In line with Stoner's explanation, if the planning, organizing, directing, budgeting, and control processes and systems are not sound, the overall management process will not run smoothly, leading to disruptions or failures in goal achievement. (Gunawan et al., 2023) explains that management means arrangement or administration. In general, management is synonymous with arrangement, administration, and organization. Meanwhile, administration is defined as a series of tasks or efforts carried out by a group to perform a set of activities to achieve specific financial objectives.

About the explanations above, Griffin (1990) in (Priminingtyas et al., n.d.) defines management as follows: "Management is the process of planning and decision making, organizing, leading, and controlling an organization's human, financial, physical, and
According to Griffin, management involves planning, decision-making, organizing, leading, and controlling human, financial, physical, and information resources within an organization to achieve its goals efficiently and effectively. According to Nanang Fattah (2004) in (Hamdani & Yudiardi, 2020), the management process consists of critical functions a manager or leader performs, including planning, organizing, leading, and controlling. Management is defined as planning, organizing, leading, and controlling an organization's efforts to ensure the effective and efficient achievement of organizational goals.

The stages in the management process generally include planning, organizing, implementation, and supervision. Planning is the fundamental process in management activities and is an essential requirement in management endeavors. Organizing is related to the execution of the established planning. Direction is necessary to achieve the expected outcomes, and close supervision is required. Through evaluation, it can serve as a process for monitoring activities to determine whether individuals or groups acquire and use their resources effectively and efficiently to achieve goals. Management broadly encompasses planning, organizing, implementing, and supervising. These management functions are universal and can be applied anywhere in any organization. They may vary depending on the type of organization, its culture, and its members. According to Terry (1975) in (Arifin et al., 2020), management activities or functions include planning, organizing, directing, and controlling.

Research conducted on the best BUMDES in East Bolaang Mongondow Regency, Bolaang Mongondow Regency, and Kepulauan Sangihe Regency reveals that beyond the aspects outlined by Terry (1975) in (Darmawan et al., 2022) that describe management and administration primarily encompassing planning, organizing, directing, and controlling, the success of these BUMDES in the three regencies is determined by a critical factor: the quality of leadership, integrity, and political will of the village leaders (the Village Heads). In the three research villages (Atoga Village in Bolaang Mongondow Timur Regency, Mariri Atas Village in Bolaang Mongondow Regency, and Peta Village in Pulau Sangihe Regency), the Village Heads demonstrate above-average abilities and initiatives in mobilizing the BUMDES executives to carry out activities. The research results also show that in these three villages, creative ideas regarding the choice of activities to be conducted by the village stem from the ideas and concepts of their
respective Village Heads. Regarding integrity, the Village Heads tend to contribute a portion of their assets for management, with the profits managed by BUMDES. Furthermore, in these three villages, almost the entire Village Fund is allocated for the operational needs of the BUMDES in their respective villages.

6 CONCLUSION

To achieve improved management and sustainability of Village-Owned Enterprises (BUMDes), this research analyzes and highlights that there are three main keys to successful implementation. Community participation, strict financial management, business diversification, and risk management have proven to be crucial foundations for the success of BUMDes. Community participation ensures active involvement and support of the community, tight financial management enables efficient management of resources, and business diversification with risk management helps reduce vulnerability to market fluctuations. By combining these strategies, BUMDes have the potential to develop and play an increasingly important role in supporting economic and social development at the village level.
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