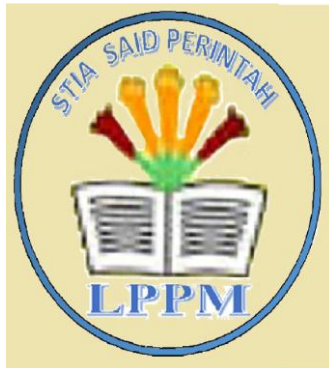


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Rural Development Lessons: Institutional Insights on Good Corporate Governance in Village Owned Enterprises

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Abstract

This study examines the institutional dimensions of BUMDes Berkaho in implementing Good Corporate Governance (GCG) through the lens of institutional theory, employing a qualitative case study approach. The findings reveal that BUMDes Berkaho integrates GCG principles through responsive and innovative leadership, fostering transparency, accountability, and responsibility. Its operations are structured around legal frameworks, a clearly defined vision and mission, and organizational bylaws. Financial resources, infrastructure, and technology are managed effectively with government support, ensuring alignment between development programs, community needs, and local economic potential. A well-structured internal governance system further enhances transparency and accountability, underscoring the relevance of institutional theory in strengthening BUMDes as a catalyst for sustainable local economic growth.

Keywords; Governance, Good Corporate Governance, BUMDes Governance

Introduction

Rural areas play a crucial role in national development by fostering regional economic growth through the utilization of local potential, thereby reducing dependence on urban centers and enhancing villages as production hubs (Sofian, 2021). The establishment of BUMDes is primarily driven by the need to address underdeveloped village economies by improving efficiency and optimizing asset management. The legal foundation for BUMDes is outlined in Law No. 32 of 2004 on Regional Government, Government Regulation No. 72 of 2005 on Villages, and Law No. 6 of 2014 on Villages, which mandates the formation of BUMDes (Aida, 2024). Despite its potential to enhance village income, BUMDes often encounters challenges related to management inefficiencies, limited human resources, and inadequate understanding of governance principles. Effective governance can enhance the professionalism, independence, and networking capacity of BUMDes, enabling it to serve as a key driver of village economic empowerment and sustainable rural development (Syam et al., 2021).

The implementation of Good Corporate Governance (GCG) in Village-Owned Enterprises (BUMDes) is crucial for enhancing business efficiency and ensuring long-term sustainability at the village level. While GCG alone may not resolve all challenges faced by BUMDes, it plays a significant role in sustaining business operations and strengthening management practices (Arifin, Wijayanto, and Purbawati, 2023). GCG is a governance framework designed to enhance organizational performance and facilitate the achievement of strategic objectives. Initially introduced by the Cadbury Committee in 1992, GCG has evolved under the influence of stewardship theory and agency theory (Arifin, et al., 2023). It is founded on five core principles: transparency, accountability, responsibility, independence, and fairness. By fostering transparent governance and mitigating irregularities in resource management, GCG enhances the operational effectiveness of BUMDes. Organizations that adopt GCG principles can strengthen stakeholder trust, improve efficiency, and achieve economic objectives more effectively.

The implementation of GCG not only enhances a company's financial performance but also fosters business growth. GCG is a critical component in corporate management, ensuring both short-term profitability and long-term sustainability (Satria & Puri maharani, 2023). A notable example is BUMDes Tirta Mandiri in Ponggok, Klaten, which received the

highest recognition from the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration in 2021 for successfully managing diverse business units. These include tourism, culinary enterprises, village stalls, stock investments, fisheries, homestays, car rentals, building rentals, event organization, and business loan/credit services (Sukmaningsih 2019).

This study explores the governance and performance of BUMDes, emphasizing the importance of effective institutional governance for program sustainability and community welfare enhancement. Milton J. Esman identifies five key components of institutional development within institutional theory: leadership, doctrine, resources, programs, and Internal Structure (Narfiah, Suryaningsih, and Djumiarti 2019). Institutional theory highlights the cultivation of distinct values, functions, and technologies, necessitating structural changes within organizations to ensure long-term effectiveness and adaptability (Zafarullah, 2020).

Institutions serve as regulatory frameworks that enable organizations to coordinate and collaborate effectively in pursuit of shared objectives. These frameworks encompass both formal and informal regulations established through mutual agreement. However, the effectiveness of institutions also depends on the presence of competent human resources (Triana, 2020). One of the key challenges faced by BUMDes is a limited understanding of institutional principles, which hinders the optimal development of village potential. A comprehensive application of institutional principles is expected to enhance BUMDes' effectiveness. This requires a holistic approach, including strengthening leadership, formulating a clear doctrine, expanding resource capacity, designing measurable work programs, and developing an efficient internal structure. Through these measures, BUMDes can function optimally as a catalyst for village economic development.

Village governments possess full autonomy to govern their communities and manage local affairs in accordance with regulatory frameworks. The establishment of BUMDes aims to foster economic development, enhance public services, and support business growth (Hardianti et al., 2023). By leveraging local potential, BUMDes contributes to community welfare through job creation (Audina, 2023). While not all BUMDes have achieved significant development, many have successfully enhanced community well-being, particularly by increasing Village Original Revenue (PADes) (Bayu, as cited in Niar et al.,

2023) BUMDes can be analyzed from three key perspectives: economic, social, and political (Septian, 2021).

BUMDes Berkaho, located in a village within Bojonegoro Regency, was selected as the research site for this study. The enterprise operates several business units, including agriculture, rentals, a confectionery business unit (Good Clothes), and catfish feed supply. These business activities are designed to stimulate the local economy by generating employment opportunities and empowering the community through training, skills development, and the introduction of modern technology in rice field and aquaculture management. Additionally, BUMDes Berkaho aims to provide high-quality products to meet community needs while fostering creativity and innovation among local residents (Berkaho, 2020).

Previous research by Susanti, (2024) indicates that the principles of good corporate governance can help reduce the circulation of illegal cigarettes and generate positive social impacts through BUMDes. However, disparities in community education remain a challenge. Similarly, a study by Mamahit et al., (2024) found that BUMDes significantly contributes to economic development in Tulap Village, Kombi District, Minahasa Regency, largely due to effective leadership and management aligned with village potential. Additionally, research by Kurnianto & Iswanu, (2021) examined the relationship between governance and BUMDes performance, concluding that good governance positively influences organizational effectiveness. Nonetheless, further improvements in governance and performance are needed to optimize the role of BUMDes across different regions.

This research presents a novel approach by applying GCG principles to the development of BUMDes governance, specifically examining the implementation of GCG in BUMDes Berkaho, Desa Pungpungan, through the lens of institutional theory. The study focuses on the five key components of institutional theory leadership, doctrine, resources, programs, and internal structure using them as indicators to assess the successful application of GCG. The primary objective of this study is to analyze institutional perspectives on GCG and its impact on corporate governance within BUMDes, utilizing these five components as benchmarks for evaluating effective governance practices.

Theoretical Framework and Research Hypothesis

Village-Owned Enterprises (BUMDes)

BUMDes are business entities established by villages to foster economic development and enhance public services for the community in a transparent manner (Hardianti et al., 2023). BUMDes serves as a strategic tool for village governments to manage local resources and improve community welfare, primarily by creating job opportunities (Audina, 2023). Through the implementation of good governance, BUMDes can be managed in a professional and independent manner, establishing strong networks with various stakeholders. This enables BUMDes to be effectively consolidated and evolve into a powerful driver of the village economy, promoting self-sufficiency and independence (Syam, Suratno, & Djaddang, 2021).

Good Corporate Governance (GCG)

GCG refers to a set of rules or systems designed to improve organizational effectiveness and help achieve business objectives efficiently. The concept of GCG was first introduced by the Cadbury Committee in 1992 and has since evolved, influenced significantly by stewardship theory and agency (Arifin et al., 2023). The successful implementation of GCG is based on five key principles: transparency (the principle of openness), accountability (clarity regarding roles, structures, systems, and authority responsibilities), responsibility (adherence to legal and regulatory frameworks), independence (objective decision-making), and fairness (Amalia Dewi 2022). The application of GCG principles in BUMDes is crucial for promoting effective governance and ensuring long-term business sustainability. These principles transparency, accountability, responsibility, independence, and fairness serve as the foundation for establishing strong governance within business organizations (Ilham et al. 2025).

Key Components of Institutional Theory;

1. Leadership "Refers to a group of people who are actively engaged in formulating the doctrine and program of the institution as well as leading operations and surrounding relationships" (Narfiah, Suryaningsih, and Djumiarti 2019). In BUMDes, the blessing is how BUMDes staff carry out management. Judging by the vision & mission, goals, and implementation of decision making.

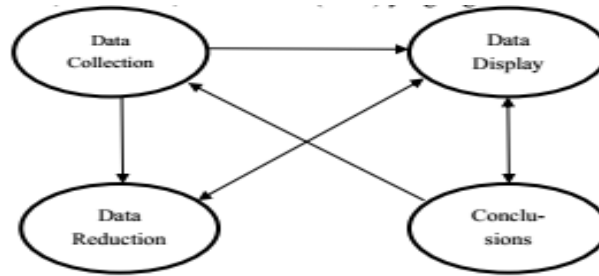
2. The doctrine of "values, goals, and operational methods underlying social action" (Narfiah, Suryaningsih, and Djumiarti 2019). The application of values and principles will always be carried out in every operational activity of BUMDes Berkaho.
3. Program "Certain actions related to the implementation of functions and services that are the output of the institution" (Narfiah, Suryaningsih, and Djumiarti 2019). So the program is an action of BUMDes Berkaho which is the implementation of functions in the form of BUMDes.
4. Resources "Financial, physical, human and technological inputs from the institution" (Narfiah, Suryaningsih, and Djumiarti 2019). BUMDes berkaho gets resources from the village government and the Pungpungan village community in the form of funds, technology, and human resources.
5. Internal Structure "Structures and processes that are held for the operation of the institution and for its maintenance" (Narfiah, Suryaningsih, and Djumiarti 2019). In BUMDes Berkaho, it will be seen how the division of roles within the organization, patterns of internal authority, and communication systems are implemented.

Method

This study uses a descriptive qualitative method with a case study approach to generate descriptive data, presented in a narrative report (Trihastuti 2020). The research will be conducted at BUMDes Berkaho in Pungpungan Village, Kalitidu District, Bojonegoro Regency, East Java. Primary data will be collected through observations and interviews with seven informants, including BUMDes administrators, village officials, and community members, while secondary data will be gathered from relevant documents. Informants will be selected using purposive sampling, focusing on village leaders and BUMDes officials who are well-versed in BUMDes Berkaho, facilitating a deeper exploration of the study's context (Aminullah and Nur Rohmad Nuzil 2022).

The data analysis model in this study uses an interactive model such as the concept proposed by Miles, Huberman, and Saldana, (2014) which is described as follows:

Concept of Miles, Huberman and Saldana



Source; Yuliana and Alinsari, (2022)

The main methods used in this study are triangulation, data observation, and documentation. Triangulation is a technique used to verify the validity and accuracy of data, involving stages such as data reduction, data presentation, and conclusion drawing (Aminullah and Nur Rohmad Nuzil 2022). The stages of triangulation include: 1) Data reduction, which involves classifying data from interviews, observations, and documentation. 2) Data presentation, where data is presented in the form of narratives, tables, or diagrams. 3) Conclusion drawing, which is performed after analyzing the data (Yuliana and Alinsari 2022). Triangulation also requires objective data by comparing supporting evidence gathered from interviews, observations, and documentation with responses provided by respondents or the subjects being observed, as seen through BUMDes Berkaho's social media and interviews with the Berkaho community.

Discussion

Good Corporate Governance in the context of BUMDes refers to the application of good governance principles to ensure BUMDes are managed effectively, transparently and accountably. By using institutional theory indicators. Based on the results of observations and interviews conducted by the author, the results of this study are:

Leadership

The quality of leadership in BUMDes plays an important role in the implementation of GCG. Good leadership in BUMDes is essential to creating an organizational culture that supports GCG principles (Rika Widianita 2023). According to the village head;

"In BUMDes Berkaho, the election of leaders is chosen through a village meeting attended by village officials, BPD, and other relevant village institutions to determine the next BUMDes management". (Interview result November 13, 2024).

This shows the openness in the selection of the BUMDes chairperson and the availability of democratic space even in the selection of the BUMDes chairperson.

Research shows that a democratic leadership style has a positive effect on the implementation of GCG principles (Aulia and Fakhri 2019). BUMDes Berkaho leaders can direct staff to carry out tasks in accordance with applicable rules and policies.

"The leadership of BUMDes Berkaho runs very conducive by providing democratic space for all relevant stakeholders and guided by the established bylaws. All staff are given the ease of expressing opinions and ideas either through official meeting forums or wa group forums." Head of BUMDes Berkaho (Interview result November 13, 2024).

Based on the data analysis, it can be seen that the leader of BUMDes Berkaho acts as a bridge between stakeholders, building open communication, educating the community, and developing programs according to their needs. A democratic aspiration and decision-making space is provided based on the by-laws, ensuring participation from all stakeholders and that the community benefits from the programs created. BUMDes Berkaho runs its institution based on the vision and mission agreed upon by the entire management. The programs run are structured to be in line with the vision, mission, and responsibilities.

Research indicates that effective leadership can improve the quality of financial reports and organizational accountability (Yanthi and Wirasedana 2021). This has been done at BUMDes Berkaho.

"BUMDes Berkaho has outlined its programs to the community, besides that, another form is transparency in terms of achieving its goals, what has been done and reported measurable manner, for example with published financial reports and everything has been done." Said the BUMDes Treasurer. (Interview result November 13, 2024).

In addition, BUMDes Berkaho also has a good problem management system. So that if a problem occurs, it can be resolved immediately and does not cause other operational activities to be neglected.

"If a problem occurs or decision-making is required at BUMDes Berkaho, the following steps are generally carried out as operational procedures, which can also be categorized as steps that must be applied Problem Identification, Joint Team Discussion, Solution Option Analysis, Consultation with Related Parties, Joint Decision-Making." Said the BUMDes secretary. (Interview result November 13, 2024).

With good procedures by the leader, the surrounding community feels that BUMDes Berkaho is transparent and responsive so that the community is interested in participating in the programs provided and actively providing suggestions regarding further programs for BUMDes Berkaho. The community of Pungpungan village said about the leadership at BUMDes Berkaho.

"The leadership of BUMDes Berkaho, which is open and responsive and can present problem solving related to programs and financing at the village, sub-district, district and even provincial levels, can increase community trust in BUMDes". (Interview result November 13, 2024).

Doctrine

Doctrine helps formulate the organization's vision and mission and provides clear direction for actions taken. In addition, doctrines establish the goals and values that guide the organization (Fabeliarini, Sihabudin, & Vestikowati, 2022). The foundation for the establishment of BUMDes is Government Regulation No. 11 of 2021 and Law No. 6 of 2014 on villages (Secretariat of the BPK JDIH Website 2021). This foundation is one of the values held by BUMDes Berkaho in running the organization;

"The main purpose of bumdes is indeed the first one because of the law so basically to improve the economy of citizens and social value for villagers through the management of village assets and other businesses where the sustainability of bumdes." Said the BUMDes Treasurer (Interview Results November 13, 2024),

The vision and mission of BUMDes Berkaho are used as a foundation for carrying out operational activities and creating BUMDes Berkaho programs;

"The vision of BUMDes Berkaho is to realize the welfare of the Pungpungan Village community through economic business development and social services. BUMDes Berkaho's mission is to develop economic businesses through other real sector local businesses and develop economic cooperation networks with various parties. Which is implemented in the creation of the current BUMDes Berkaho program," said the head of BUMDes Berkaho. (Interview Result November 13, 2024).

The Village Head emphasizes that financial reports must be transparent and submitted to the community through village meetings and other media. This is continuously done by BUMDes Berkaho to maintain the principle of accountability and the principle of transparency in BUMDes Berkaho. The BUMDes Secretary said that;

"Every decision taken, both in program planning and budget use, always involves the community to obtain input and ensure there are no actions that harm any party." BUMDes management is based on the Village Head Regulation (Perkades) on BUMDes" (Interview result November 13, 2024).

In addition, all BUMDes operational activities are guided by the Articles of Association and Bylaws (AD/ART). The value of accountability is also applied by making detailed evaluation reports and sharing the information openly with the community so that every activity can be accounted for through regular financial reporting to the management and community in the village deliberation forum. According to the BUMDes secretary;

"One of the challenges in implementing principles and values is maintaining consistency in applying the principles of transparency and accountability, especially in financial management and reporting to the public. Although there are clear policies, often limited resources, such as time and manpower, make the evaluation and reporting process not always run smoothly as expected." (Interview result November 13, 2024).

BUMDes Berkaho has been based on government laws, vision mission, and institutional bylaws in carrying out operational activities. Based on official website sources, BUMDes Berkaho often wins championships from various levels, one of which is "Creativity

Without Limits BUMDes Berkaho Wins Second Place in Unique and Innovative Competition". So that the application of the foundation of BUMDes Berkaho can be used as an example in the implementation of BUMDes in other villages. In addition, BUMDes Bekaho has attempted to apply the principles of transparency, accountability, and innovation in institutional implementation but still needs to be improved.

Resources

Adequate Human Resources (HR) are essential to support the implementation of GCG. Low management capabilities and a small number of personnel are obstacles for BUMDes to operate optimally (Laila Hidayati & Hwihanus, 2024). The management of BUMDes has received full support from the village government in the form of capital participation, facilities, and training. In an interview, the Village Head stated that from 2020 to 2023, the village government has provided substantial capital participation and plans additional capital participation in 2025 to support business development, including plans to build an information center in front of the BUMDes office. In addition, the village government provides a dedicated office for the BUMDes, the Village Secretary added that;

"The village government allocates an annual budget for BUMDes capacity development, including training provided to BUMDes administrators". (Interview result November 13, 2024).

According to the BUMDes head, profits from BUMDes programs are then allocated for BUMDes PAD, management honorarium, business development, and CSR activities. Financial management is conducted professionally according to accounting standards, with accurate and transparent reporting. The BUMDes secretary said;

"BUMDes Berkaho manages the budget and available funds with a structured, transparent, and accountable approach to achieve village development goals." (Interview Results November 13, 2024).

The BUMDes treasurer highlighted that the BUMDes assisted with training attended by the caretakers to improve skills, including in finance and digital marketing. Human resource management remains a significant challenge for BUMDes. However, according to the BUMDes secretary and Chairperson;

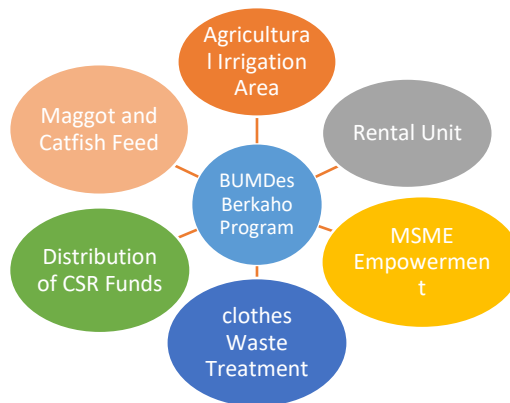
"BUMDes institutions have the policy to sort and select programs that are truly needed by the community and have a direct impact on improving village welfare. They focus more on programs that can provide long-term results and support the sustainability of village businesses". (Interview result November 13, 2024).

The main challenge in human resources is the lack of human resources in the operational implementation of BUMDes Berkaho. Additional human resources are needed who can focus and be consistent in carrying out BUMDes operational activities. The solution is to add competent human resources to help carry out BUMDes operational activities. In addition, administrative and financial training is needed for all BUMDes staff so that all BUMDes staff can be part of solving administrative and financial problems.

Program

The programs run by BUMDes must be in line with the BUMDes Berkaho value foundation. In its implementation, all BUMDes Berkaho programs are carried out by paying attention to GCG principles. This includes community empowerment programs and sustainable business development, to increase community and stakeholder trust in BUMDes (Yuliana & Alinsari, 2022). Meanwhile, BUMDes Berkaho has run several programs that are in accordance with the potential of the village to improve the community's economy.

Program at BUMDes Berkaho



Based on the picture above, it can be seen that several programs have been provided by BUMDes Berkaho for the community, namely agricultural irrigation area, rental unit, MSME Empowerment, clothes waste treatment, distribution of CSR Funds, and Manggot and catfish feed.

Agricultural Irrigation Area and MSME Empowerment



Source; Personal documents, (2024)

The agricultural irrigation program was recognized by various parties, including the village head, BUMDes head, and BUMDes treasurer, as the program that contributed the most to community welfare. This program can assist farmers in reducing operational costs and ensuring the availability of water for agricultural land. The program is managed directly by BUMDes to increase crop yields. As for community opinion;

"His service is very good because he is also a farmer, if residents complain about asking for running water, it is always immediately on from the bundes to contact those who take care of it on time, one full day." (Interview result November 13, 2024).

BUMDes established an MSME leasing and empowerment program to support local businesses by providing affordable rental options. This includes renting trade carts and business spaces, such as the "Pungpungan Corner," to help entrepreneurs start or expand their businesses. The program aims to boost the village economy by offering accessible business locations while generating revenue for BUMDes.

BUMDes Berkaho runs a clothing waste processing program to empower women and boost the village economy, though production consistency needs improvement. It also supports MSMEs and community needs by providing maggot and catfish feed to reduce organic waste. CSR initiatives include mosque repairs, health counseling, uniforms for the hadrah team, and support for village sports. Actively engaging the community, BUMDes Berkaho seeks to develop programs aligned with village potential and is considering e-commerce for local products.

Figure 4: Program Income at BUMDes Berkaho

No.	Business Unit	2020 Realization	2021 Realization	2022 Realization	2023 Realization	2024 Realization
1.	Acreage Income	71.002.000	113.833.000	87.944.000	156.952.300	245.714.000
2.	Rental Income	240.000	3.740.000	5.000.000	5.500.000	5.500.000
3.	Confectionery Income	1.945.000	-	-	-	-
4.	Catfish Feed Sales	-	9.265.000	1.863.500	-	-
5.	Good Shirt Business Income	-	-	-	-	1.944.000
Total Operating Income		73.187.000	126.838.000	94.807.500	162.452.300	253.158.000
Profit		26.474.000	26.538.900	910.700	55.650.800	81.951.010

Source; Treasurer of BUMDes Berkaho, (2024)

From 2020 to 2024, BUMDes revenue and profit showed significant growth, despite a decline in 2022 that still resulted in good profits. The agricultural irrigation unit contributed the most, successfully easing farmers' payment burdens. Other business units had smaller, unstable contributions. To enhance their impact, stakeholders should provide guidance on business development and cost efficiency.

E-commerce allows businesses to reach global markets without geographical restrictions and consumers can make purchases anytime and anywhere. Then according to one of the villagers;

"The impact is very positive and very helpful for all businesses, both agriculture, fisheries, livestock, and others, as well as MSMEs which are currently being promoted". (Interview result November 13, 2024).

However, there are still challenges in maximizing the impact of the program on the community due to a lack of knowledge about the purpose and function of BUMDes. BUMDes Berkaho also has a program to maintain its institutional stability, where it routinely evaluates its programs through monthly internal meetings, semesterly meetings, and annual meetings. This evaluation is conducted to ensure the sustainability of the program and to resolve any obstacles faced. The main focus of BUMDes at the moment is to strengthen the programs that have been running before starting new programs.

Internal Structure

Organizational structure is to serve as a control tool to control the coordination of each person and work motivation to achieve organizational goals (Rosmiati and Kuraesin 2021). A clear and functional organizational structure is essential for coordination and collaboration between departments within the institution. The organizational structure of BUMDes should be designed to ensure transparency and accountability and an effective management system should be in place to ensure that all activities can be accounted for (Trihastuti, 2020).

The organizational structure of the BUMDes is designed to meet the needs of the organization. According to the BUMDes chairperson and treasurer, the BUMDes management has their respective duties and responsibilities;

"The implementation of the duties and responsibilities of the bumdes management is in accordance with their respective duties and functions, in addition, the organizational structure is in accordance with the needs and operations of the bumdes. The division of tasks and responsibilities is appropriate and running well. In the evaluation and supervision mechanism through institutional meetings every month, semester, and yearly," said the head of BUMDes. (Interview result November 13, 2024).

A constraint is the capacity of HR to support more optimal management of the business units. Routine evaluations are conducted through regular meetings with administrators, supervisors, and village officials, and annual evaluations are conducted with accountability reports (LPJ) regarding financial and operational reports.

BUMDes is an independent institution that has the right to operate independently and still coordinate with the village government. BUMDes Berkaho is responsible for managing the environment without outside interference, with support from PKN STAN who provided training on administrative and financial governance. According to the BUMDes head, the main challenge of the BUMDes is the time availability of the administrators who are mostly private workers;

"Financial reports and work reports involve the supervisor and village government every half year and the end of the year so that they can provide input if the business unit is not running" BUMDes Treasurer. (Interview Result November 13, 2024).

The implementation of regular evaluations with the agenda of discussing the accountability report and evaluating the programs that have been running to sort out the BUMDes program. With good communication and increased human resource capacity, BUMDes Berkaho Pungpungan has the potential to improve the welfare of the village community.

Institutional Governance

BUMDes Berkaho has been registered as a legal entity with No. AHU-01067: AHU-01067.AH 01.33. TAHUN 2021 which was determined on December 15, 2021 by the Ministry of Law and Human Rights of the Republic of Indonesia. According to interviews with the general public;

"I don't know what kind of transparency is provided by BUMDes, but for the openness value I assessed 70%" (Interview result November 13, 2024).

Continue other communities;

"Transparency regarding the budget for the community is still unclear and for my assessment, it is around 75% and above"

Based on this, it can be seen that the community does not know much about the transparency carried out by BUMDes. The BUMDes head and BUMDes secretary added;

"To maintain transparency, BUMDes also makes accountability reports that are published to the village community, including the use of funds and program results. This report is then posted in strategic places in the village, such as the village hall or other public places, for easy access by the community. With these steps, BUMDes Berkaho ensures that every program it runs can be monitored directly by the community, thus creating trust and active participation from the village community." (Interview result November 13, 2024).

In addition, BUMDes Berkaho provides a means to accommodate community aspirations through activities at Berkaho Cafe, which is expected to be a space for interaction between BUMDes administrators, village officials, and residents. Constraints were also found in the administrative field. Efforts to improve institutional governance by BUMDes Berkaho include;

1. Improvement of legal and administrative basis, including adjustment of by-laws and NIB to the needs of BUMDes.
2. Improved communication through regular meetings involving all stakeholders, such as the village government, BPD, and community.
3. Training to enhance the capabilities of the board of directors, so that they can face operational challenges more effectively.

Good institutional governance does not only focus on internal efficiency but also community involvement in the decision-making process. Principles such as community participation, transparency, accountability, and effectiveness are the cornerstones of creating good governance, which will improve the overall welfare of society.

Conclusions

The results indicate that the implementation of GCG in BUMDes significantly contributes both theoretically and practically. Theoretically, the study reinforces institutional theory by demonstrating how its indicators support GCG principles. Leadership influences transparency, accountability, and responsibility. Doctrine incorporates Government Law, vision, mission, and by-laws, fostering transparency and accountability. Resources include village government-provided finance, facilities, and technology, though human resources are limited. Programs such as irrigation, rentals, MSME empowerment, and waste processing support the village economy. The internal structure demonstrates effective role division, operational alignment, and responsiveness to community needs. This supports the relevance of institutional theory in village business management and extends the understanding of GCG in non-profit entities.

Suggestions

On the practical side, this research offers solutions to enhance the human resource capacity of BUMDes members through administrative and management training. It also highlights the importance of socialization programs to increase community participation and support, which is crucial for the success of BUMDes programs. The study advocates for collaboration with relevant stakeholders and outlines strategic steps to improve operational efficiency by developing new programs via digital platforms. Thus, the research not only

provides theoretical insights but also practical steps for improving BUMDes governance through the application of GCG principles.

Limitation dan Future Research

This study is limited in scope, focusing only on selected BUMDes members and stakeholders, making generalization challenging. Additionally, it does not deeply analyze external factors, such as macroeconomic conditions or government policies, that may influence GCG implementation.

Future studies should expand the sample across different regions to provide a more comprehensive understanding of GCG in BUMDes. Further research could also explore external influences on governance and assess the long-term impact of GCG implementation on village economic and social development.

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