

# Implementation of Village-Owned Enterprise Policy in Strengthening Local Economic Governance in Budo Village, North Minahasa Regency, Indonesia

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## ABSTRACT

This article analyzes the implementation of Village-Owned Enterprise (BUMDes) policy in Budo Village, Wori District, North Minahasa Regency. The study is located within public administration, village governance, and policy implementation scholarship, and examines how formal regulation is translated into institutional practice, business management, community participation, and accountability. A qualitative descriptive approach was used through interviews, observation, and documentation involving village government actors, BUMDes managers, village consultative actors, community economic actors, and local stakeholders. The findings indicate that BUMDes implementation in Budo Village has produced important institutional and economic foundations, particularly through village deliberation, tourism-based business activity, community involvement in micro-enterprises, and recognition of mangrove tourism as a strategic local asset. However, implementation remains partially effective rather than fully institutionalized. Several weaknesses were identified: local regulation has not been fully harmonized with the newer national legal framework; financial reporting and asset documentation remain incomplete; business planning is still limited; supervision is more procedural than evidence-based; and human resource capacity is not yet sufficient for professional enterprise management. The determinant factors shaping implementation include institutional fit, regulatory clarity, supervision quality, human resource capacity, community participation, and the socio-economic capacity of village business actors. The article argues that BUMDes should be understood not merely as a village business unit, but as a hybrid public-economic institution that requires good governance, entrepreneurial capability, transparent accounting, and participatory accountability. The study contributes to policy implementation literature by showing that village enterprise success depends on the alignment

between legal legitimacy, managerial capacity, local economic potential, community trust, and continuous institutional learning.

**Keywords:** Budo Village, BUMDes, Local Economic Development, North Minahasa, Policy Implementation, Village Governance, Village-Owned Enterprise.

## INTRODUCTION

Village development has become a decisive arena for public administration reform in Indonesia. Since the enactment of the Village Law, villages have been given broader authority to plan development, manage resources, and organize local economic initiatives according to their own potential and needs. This decentralization creates an important opportunity: villages are no longer understood merely as administrative objects of development, but as local government entities with the authority to design public value. One of the main instruments through which this authority is translated into economic development is the Village-Owned Enterprise, or Badan Usaha Milik Desa (BUMDes).

BUMDes occupies a unique position in public administration. It is not a private firm, yet it is expected to operate with business rationality. It is not a conventional government office, yet it is accountable to village institutions and citizens. It is created to manage assets, develop services, support local business, expand employment, and increase village original revenue (PADes). This hybrid character makes BUMDes a particularly important object of policy implementation analysis. Its success depends not only on the existence of legal rules, but also on whether those rules can become working routines, transparent financial procedures, credible supervision, and productive economic activity.

The normative foundation for BUMDes has become stronger after the issuance of Government Regulation No. 11 of 2021 concerning Village-Owned Enterprises. This regulation emphasizes that BUMDes is a legal entity established by one village or by several villages to manage businesses, utilize assets, develop investment and productivity, provide services, and organize other business activities for the welfare of the village community. The regulation also strengthens the principles of professionalism, transparency, accountability, participation, prioritization of local resources, and sustainability. These principles require BUMDes to move beyond symbolic establishment and become a professionally managed institution.

At the same time, the policy environment for BUMDes remains complex. National regulations have changed, technical guidance has evolved, and local governments are required to adjust older local regulations to newer legal standards. When local regulations remain outdated or unclear, village officials and BUMDes managers may face confusion about legal status, reporting procedures, asset management, and accountability obligations. This creates an implementation gap between the intent of national policy and the practical reality of village enterprise management.

Budo Village in Wori District, North Minahasa Regency offers a relevant case for examining this gap. The village is widely recognized for its coastal and mangrove tourism potential, scenic landscape, community-based economic activities, and opportunities in culinary business, boat services, homestay development, and creative products. These assets create a strategic basis for BUMDes development. If managed professionally, BUMDes could strengthen tourism governance, organize local economic participation, and contribute to PADes. However, the existence of

potential does not automatically produce institutional performance. Potential must be translated into planning, business calculation, documentation, marketing, cooperation, and accountability.

The empirical problem in Budo Village is therefore not the absence of local potential, but the incomplete transformation of that potential into a sustainable BUMDes governance system. The enterprise has gained social legitimacy through village deliberation and has operated around tourism-related activities, yet problems remain in financial reporting, documentation, managerial capacity, supervision, and regulatory alignment. These problems reduce the ability of BUMDes to become a strong instrument of local economic governance.

This article develops a journal-style analysis of BUMDes policy implementation in Budo Village. The central argument is that BUMDes implementation is partially institutionalized: it has formal legitimacy and local economic relevance, but still lacks the administrative and managerial maturity required for full effectiveness. The article addresses two questions. First, how is the process of BUMDes implementation carried out in Budo Village? Second, what determinant factors influence the process of implementation? The discussion is organized through the lenses of public policy implementation, village governance, good governance, community participation, and institutional capacity.

The contribution of the article is threefold. First, it shows how policy implementation at the village level is shaped by the interaction between regulation, local actors, and economic potential. Second, it demonstrates that BUMDes governance requires both public accountability and business competence. Third, it proposes an integrated strengthening model that connects regulatory harmonization, managerial capacity, financial transparency, community participation, and evidence-based supervision.

The case also reflects a broader policy challenge in many Indonesian villages: policy innovation often moves faster than organizational readiness. Regulations may require villages to establish enterprises and manage assets professionally, yet the daily administrative routines of rural institutions are still shaped by limited staff, informal trust relations, and uneven access to training. This gap is not a sign that village actors reject the policy; rather, it shows that policy implementation at the local level requires gradual institutional learning. BUMDes must be built as a system, not merely as a name in village documents.

For tourism-oriented villages, the challenge becomes even more complex. Tourism requires service quality, visitor management, environmental sustainability, marketing, safety, facility maintenance, and benefit sharing. A BUMDes that manages tourism assets must therefore combine village governance, public service, environmental awareness, and business entrepreneurship. This combination is difficult when management remains dependent on personal experience and when records are not yet standardized. The Budo Village case is useful because it shows both the promise and the vulnerability of tourism-based BUMDes development.

The analysis also matters for public administration education because it connects local policy implementation with practical management capability. BUMDes is often discussed as an economic program, but in practice it is also a learning space for village administration. The enterprise teaches how a village can identify public problems, mobilize collective resources, manage public assets, develop economic services, and account for results. Therefore, the quality of BUMDes management reflects the quality of village governance itself.

## THEORETICAL FRAMEWORK

Public policy is commonly understood as a purposive course of action adopted by public authorities to address public problems. Anderson defines policy as a course of action followed by an actor or a set of actors in dealing with a problem or matter of concern (Anderson, 2014). In the context of village development, the establishment and management of BUMDes can be viewed as a public policy instrument because it is created through legal authority, financed or supported by village resources, and directed toward public welfare.

Thoaha explains that public policy is not a single isolated event, but a social practice produced by government in response to public needs (Thoaha, 2012). This idea is highly relevant for BUMDes because the enterprise is not established simply to fulfill administrative formalities. It is expected to respond to local economic needs, create services, and provide social benefit. Therefore, the implementation of BUMDes policy should be evaluated by looking at whether the institution actually solves local economic problems and strengthens village welfare.

Wahab argues that public policy consists of conscious, patterned, and purposeful actions by government in a particular field (Wahab, 2010). This view indicates that BUMDes implementation must contain continuity between regulation, planning, organization, execution, and evaluation. If a village establishes BUMDes but does not build consistent procedures for planning, reporting, supervision, and business development, the policy remains incomplete in practical terms.

The policy process perspective also provides an important foundation. Dunn explains that public policy moves through stages such as agenda setting, formulation, adoption, implementation, and evaluation (Dunn, 2018). In BUMDes governance, agenda setting occurs when village economic problems and local potentials are identified. Formulation appears in deliberation and rule-making. Adoption is reflected in the formal establishment of BUMDes. Implementation occurs through business operation and administrative management. Evaluation is visible through reporting, supervision, and assessment of contribution to PADes and community welfare.

Implementation theory emphasizes that policy success is not guaranteed by policy design alone. Van Meter and Van Horn identify policy standards, resources, inter-organizational communication, implementing agency characteristics, implementer disposition, and socio-economic environment as variables affecting implementation performance (Van Meter & Van Horn, 1975). These variables are useful for explaining BUMDes implementation because the enterprise depends on clear rules, capable managers, cooperation between village government and BUMDes, community support, and the economic environment in which businesses operate.

Grindle states that implementation is affected by the content of policy and the context of implementation (Grindle, 1980). The content of BUMDes policy includes legal status, intended benefits, targeted change, decision-making location, implementers, and committed resources. The context includes power relations, actor interests, institutional characteristics, and compliance. This framework helps explain why BUMDes may be formally established but still struggle to perform if local actors do not share a common understanding or if institutional support is weak.

Edward III identifies four critical variables of implementation: communication, resources, disposition, and bureaucratic structure (Edward III, 1980). Communication concerns how clearly BUMDes rules and objectives are understood by managers and citizens. Resources include human resources, budget, facilities, and technical assistance. Disposition concerns commitment and willingness of implementers. Bureaucratic structure refers to role division, standard operating procedures, and coordination mechanisms. These variables are directly visible in village enterprise governance.

Mazmanian and Sabatier argue that implementation success depends partly on the tractability of the problem, the ability of policy to structure implementation, and non-statutory variables such as socio-economic conditions and public support (Mazmanian & Sabatier, 1983). BUMDes management is complex because it includes legal compliance, business development, financial accountability, tourism management, and community participation. It is therefore not a simple administrative problem but a multidimensional governance problem.

Good governance theory is essential for understanding BUMDes. Governance refers to the process through which public institutions manage public affairs, resources, and accountability. Principles such as participation, transparency, accountability, responsiveness, effectiveness, and rule of law are widely associated with good governance (UNDP, 1997). In BUMDes, these principles require open deliberation, clear financial records, accountable management, responsive business planning, and community access to information.

Village governance is also closely connected to participatory development. Chambers emphasizes that community participation allows local people to become subjects of development rather than passive recipients (Chambers, 1997). For BUMDes, participation means more than attendance in village meetings. It includes involvement in identifying business opportunities, using BUMDes services, participating in tourism activities, monitoring performance, and sharing benefits fairly.

Institutional theory helps explain why formal establishment is insufficient. North argues that institutions are rules of the game that shape human interaction (North, 1990). BUMDes requires not only formal rules but also informal norms of trust, discipline, accountability, and cooperation. If the organization exists legally but daily routines are not institutionalized, implementation remains fragile. Institutionalization occurs when roles, procedures, and expectations become stable and accepted by actors.

Organizational capacity theory also matters. Capacity refers to the ability of an organization to perform functions, solve problems, and achieve objectives. Morgan explains that capacity includes skills, systems, structures, values, relationships, and resources (Morgan, 2006). In BUMDes, capacity includes managerial skill, bookkeeping, marketing, asset management, business planning, and the ability to work with external partners. Weak capacity can reduce policy performance even when resources and opportunities are available.

From a management perspective, Terry explains that organizational performance requires planning, organizing, actuating, and controlling (Terry, 2011). BUMDes planning includes identifying business units and financial projections. Organizing includes role distribution between village government, BUMDes managers, supervisors, and community business actors. Actuating includes running tourism services, coordinating UMKM, and maintaining assets. Controlling includes supervision, reporting, internal evaluation, and corrective action.

Financial accountability is another key theoretical issue. Mardiasmo states that public sector accountability requires public institutions to explain and justify the use of resources to stakeholders (Mardiasmo, 2018). Because BUMDes is linked to village assets and public interest, it must produce reliable financial information. Weak documentation, incomplete transaction evidence, and unclear profit reporting reduce trust and make it difficult to measure contribution to PADes.

Local economic development theory suggests that economic initiatives become stronger when they build on local resources and community networks. Blakely and Leigh explain that local economic development is a process through which local actors work collectively to improve economic capacity and quality of life (Blakely & Leigh, 2013). Budo Village has tourism, coastal

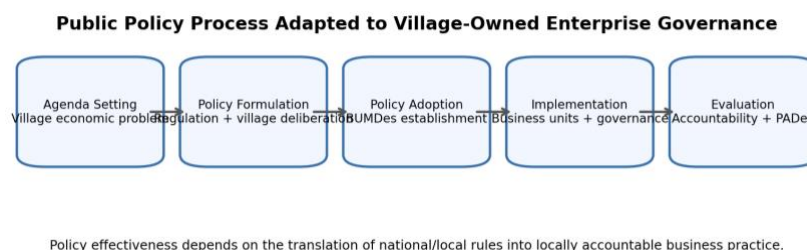
resources, and community entrepreneurship. BUMDes can become a coordinating institution if it connects these assets with professional management and fair benefit distribution.

The theoretical framework of this article therefore integrates policy implementation, good governance, institutional capacity, public accountability, and local economic development. BUMDes effectiveness is understood as the degree to which legal legitimacy, managerial capacity, community participation, business performance, and accountability are aligned in practice.

The concept of collaborative governance is also relevant. Ansell and Gash explain collaborative governance as a governing arrangement in which public agencies directly engage non-state stakeholders in a collective decision-making process that is formal, consensus-oriented, and deliberative (Ansell & Gash, 2008). BUMDes development requires collaboration between village government, BPD, managers, community business actors, tourism groups, district agencies, and private partners. Without collaboration, BUMDes can become isolated from the very community economy it is expected to strengthen.

Accountability theory further distinguishes between upward, downward, and horizontal accountability. Upward accountability refers to reporting to higher government levels; downward accountability refers to responsibility to citizens; and horizontal accountability refers to checks among institutions (Bovens, 2007). In the BUMDes context, upward accountability appears in compliance with regulations and district guidance, downward accountability appears in public reporting to villagers, and horizontal accountability appears in supervision by BPD and BUMDes supervisors. A strong BUMDes requires all three forms of accountability to work together.

Entrepreneurial public management also provides a useful lens. Osborne and Gaebler argue that public institutions should become more mission-driven, results-oriented, and capable of steering rather than merely rowing (Osborne & Gaebler, 1992). BUMDes embodies this entrepreneurial expectation at village level. It is expected to create public value through business instruments. However, entrepreneurial governance does not mean abandoning accountability. It means using business methods to achieve public welfare objectives while remaining transparent and responsible to citizens. See figure 1.



**Figure 1.** Public policy process adapted to BUMDes implementation.

## METHOD

This study used a qualitative descriptive approach. The approach was appropriate because the research sought to understand the implementation process of BUMDes policy as experienced by village actors, managers, community members, and local stakeholders. The aim was not to test statistical relationships, but to interpret how policy norms are translated into institutional practice, business operation, participation, and accountability.

The research site was Budo Village, Wori District, North Minahasa Regency. The village was selected because it has significant tourism and coastal economic potential, especially mangrove tourism, local micro-enterprises, boat services, and possible homestay development. These characteristics make Budo Village a relevant location for analyzing BUMDes as an instrument of local economic governance.

Data were collected through in-depth interviews, observation, and documentation. Informants included village government actors, BUMDes managers, members of the village consultative body, micro-enterprise actors, community members, and stakeholders who understood the process of BUMDes establishment, management, participation, and supervision. Observation focused on institutional routines, business activities, community involvement, and supporting evidence related to BUMDes management.

Documentation included village regulations, records of deliberation, organizational documents, business activity records, financial or administrative materials, and other relevant evidence. Data analysis followed the interactive logic of Miles, Huberman, and Saldana, consisting of data condensation, data display, and conclusion drawing (Miles et al., 2014). Validity was strengthened through triangulation of sources, methods, and documents, allowing the analysis to compare formal statements with observed practice and documentary evidence.

The analysis was organized around two major themes: the process of BUMDes implementation and determinant factors affecting the process. The first theme includes regulatory alignment, governance, utilization of village potential, community role, and supervision. The second includes institutional fit, supervision, and human resource capacity. These themes were then interpreted through the theoretical framework of public policy implementation, good governance, and local economic development.

The qualitative design also allowed the analysis to preserve the contextual meaning of local statements and administrative evidence. Because BUMDes implementation is embedded in village relationships, formal documents alone could not explain the whole process. Interviews and observation helped identify how actors understood their roles, how supervision was practiced, and how business activities were connected with community participation.

The presentation of findings uses matrices and adapted figures to make the evidence more visible. These displays do not replace narrative interpretation; they organize empirical patterns so that the relationship between process, weakness, determinant factor, theory, and policy implication can be followed more clearly. See table 1.

**Table 1.** Research informants and data collection orientation.

No.	Informant category	Role in BUMDes governance	Reason for selection	Technique
1	Village Head / village government	Policy direction, facilitation, and institutional coordination	Responsible for village-level policy and BUMDes support	In-depth interview and documentation
2	BUMDes Director / manager	Operational leadership and business management	Understands daily business operation and management constraints	In-depth interview
3	Village Consultative Body (BPD)	Deliberation, representation, and oversight	Provides perspective on accountability and	Interview

No.	Informant category	Role in BUMDes governance	Reason for selection	Technique
4	BUMDes supervisor / community leader	Supervision and public legitimacy	village institutional control Explains monitoring practice and community trust	Interview
5	UMKM and tourism actors	Economic participation in BUMDes-related activities	Represents community users and beneficiaries	Interview and observation
6	Local community members	Public perception and participation	Shows how BUMDes is understood by citizens	Interview

## RESULTS AND DISCUSSION

The findings show that BUMDes implementation in Budo Village has already created a formal institutional foundation. The establishment of BUMDes was carried out through village deliberation involving the village government, the village consultative body, community leaders, and community elements. This process indicates that the institution has social legitimacy and is generally understood as a village-owned instrument for managing local economic potential. The participatory origin of BUMDes is an important strength because it gives the enterprise a public mandate rather than merely an administrative identity.

However, regulatory alignment remains a major issue. BUMDes was established within a changing regulatory environment. National rules have developed through Government Regulation No. 11 of 2021 and technical regulations, while older regional rules have not always been fully adjusted. This creates uncertainty for local actors regarding standards for legal status, reporting, asset management, and institutional responsibility. As a result, implementation is formally legitimate but not yet fully synchronized with the newest regulatory framework. See table 2.

**Table 2.** Implementation process profile of BUMDes in Budo Village

Sub-focus	Positive empirical indication	Main weakness	Interpretation	Strengthening direction
Regulatory alignment	BUMDes was established through village deliberation and has social legitimacy.	Local rules and operational standards are not fully synchronized with newer national regulations.	Formal legality exists, but regulatory clarity remains partial.	Harmonize statutes, SOPs, reporting rules, and asset governance.
Governance	Tourism-based business activity and community	Planning, bookkeeping, reporting, and	Governance is active but not yet	Introduce simple enterprise management

Sub-focus	Positive empirical indication	Main weakness	Interpretation	Strengthening direction
Village potential	involvement are already visible. Mangrove tourism, coastal scenery, UMKM, boat services, and homestay opportunities are strong assets.	evaluation are not yet standardized. Business portfolio remains dominated by one tourism activity.	professionally institutionalized. Local potential is high but under-diversified.	system and annual work plan. Develop linked tourism, UMKM, transport, and homestay packages.
Community role	Citizens participate in deliberation and economic activities.	Participation in monitoring and access to financial information remain limited.	Operational participation is stronger than accountability participation.	Create citizen-friendly reports and participatory evaluation forums.
Supervision	Supervisory actors exist through BPD, village government, and BUMDes supervisors.	Supervision is not fully evidence-based due to incomplete documents.	Oversight is procedural rather than performance-oriented.	Use monthly reports, transaction evidence, asset records, and indicators.

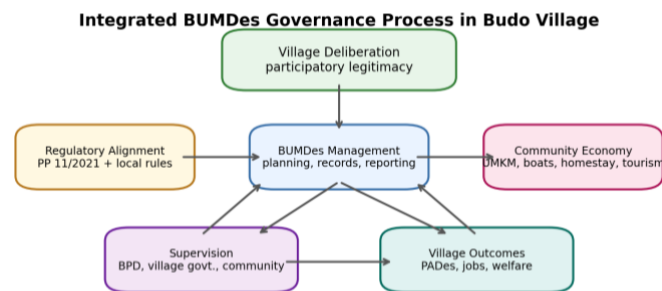
In terms of governance, BUMDes has carried out business activities, especially related to mangrove tourism, tourism assets, and the involvement of micro-enterprise actors. These activities show that BUMDes is not only a paper institution. It has entered the local economy and has become associated with tourism development. Nevertheless, governance is not yet ideal because planning, bookkeeping, reporting, supervision, and evaluation have not been standardized. The enterprise still requires stronger internal systems to transform activities into measurable performance.

The use of village potential is one of the strongest positive findings. Budo Village has coastal scenery, mangrove tourism, boat services, culinary activity, local products, and homestay opportunities. These assets provide a strong economic foundation. At present, however, BUMDes business activity remains dominated by mangrove tourism. Other potential sectors have not been integrated into a diversified business portfolio. This means that the enterprise has strategic opportunities but has not yet fully developed business innovation.

Community participation is present but uneven. Community members have been involved in village deliberation and participate as UMKM actors, boat owners, homestay actors, tourism service providers, and local workers. This indicates that BUMDes has opened space for community economic engagement. Yet participation remains stronger at the operational level than at the governance level. Citizens participate in economic activities, but public access to financial information, evaluation results, and decision-making remains limited.

Supervision has an institutional basis because it involves BUMDes supervisors, the village government, and the village consultative body. Reports are requested and discussed in village forums, and coordination with institutional actors occurs. However, supervision is not yet fully evidence-based. It still depends on general reports and informal coordination rather than complete financial statements, transaction documentation, asset records, and performance indicators. This

weakens accountability and reduces the ability of supervisors to provide corrective recommendations. See figure 2.



The model links formal legitimacy, business management, local economic participation, supervision, and village outcomes.

**Figure 2.** Integrated BUMDes governance process in Budo Village.

The findings also show that institutional fit is a determinant factor. BUMDes has a formal structure and social legitimacy, but institutional strengthening is incomplete. The organization has not yet developed strong internal procedures, clear role division, and stable administrative routines. In such conditions, the enterprise may continue to operate, but its sustainability depends heavily on a few individuals rather than on a strong organizational system.

Human resource capacity is another central determinant. The selection of BUMDes managers has been influenced by trust and community recognition, but technical competence in management, administration, accounting, marketing, risk management, and business development remains limited. Trust is important in a village context, but trust alone is insufficient for managing a public-economic institution. BUMDes requires trained human resources who can prepare business plans, document transactions, manage assets, build partnerships, and present transparent reports.

Overall, the empirical pattern shows partial implementation. BUMDes exists, operates, and has local relevance, but its institutional capacity and accountability systems are not yet mature. The strongest assets are local potential, social legitimacy, and community economic involvement. The weakest aspects are regulatory harmonization, financial documentation, managerial competence, and evidence-based supervision.

A deeper reading of the implementation process indicates that the first layer of success is legitimacy. Village deliberation provides a collective basis for BUMDes establishment and allows citizens to recognize the enterprise as a shared institution. This legitimacy is crucial because village enterprises cannot operate successfully if they are perceived as belonging only to a small group of managers. In Budo Village, the connection between BUMDes and local tourism helps create a sense that the enterprise is linked to collective village identity and local pride.

The second layer is operational activity. BUMDes has entered the tourism economy, and this shows that implementation has moved beyond formal formation. The existence of tourism-related activity gives BUMDes a practical field for learning. However, operational activity without systematic records may create a misleading picture of progress. A business can appear active because visitors come and community members participate, but without income records, expenditure records, asset inventories, and performance targets, it is difficult to know whether the business is financially healthy or institutionally sustainable.

The third layer is administrative maturity. This is the weakest layer in the findings. Administrative maturity means that planning documents, transaction evidence, financial reports,

asset records, meeting minutes, and supervisory notes are prepared consistently. It also means that information can be verified by different actors. In Budo Village, administrative practices still need strengthening so that BUMDes performance can be measured and trusted. This problem is common in village enterprises because public enthusiasm for economic activity is often stronger than discipline in documentation.

The fourth layer is market development. Mangrove tourism has become a central asset, but the market value of tourism depends on packaging, promotion, visitor experience, and supporting services. BUMDes has the opportunity to integrate entrance services, guiding, food stalls, local souvenirs, boat tours, homestays, and environmental education. At present, the findings suggest that this integration has not yet been fully built. The enterprise therefore needs a business model that connects the tourism attraction with community-based value chains.

The fifth layer is benefit distribution. BUMDes is expected to produce public benefit, not only organizational income. Benefits may include PADes contribution, jobs, UMKM income, improved tourism services, village image, and stronger community cooperation. The findings indicate that community actors are already involved, but the mechanism for measuring and communicating benefits remains limited. Without clear benefit reporting, citizens may not fully understand what BUMDes contributes to the village and why it needs continued support.

The sixth layer is sustainability. Tourism-based BUMDes must consider environmental and social sustainability. Mangrove areas are not only economic assets but ecological assets. If tourism activity is not controlled, environmental damage can reduce long-term value. Therefore, BUMDes governance should include maintenance, cleanliness, visitor rules, and community education. Sustainability also requires leadership regeneration so that the enterprise does not collapse when one manager changes.

Another important finding concerns the relationship between BUMDes and village original revenue. The enterprise is expected to contribute to PADes, but such contribution can only be assessed when revenue, cost, profit, and asset use are recorded clearly. When financial records are incomplete, the village cannot distinguish between economic activity and economic performance. This weakens strategic decision making because managers cannot identify which activities should be expanded, improved, or discontinued.

The findings also indicate that community actors see BUMDes as an opportunity for livelihood improvement. UMKM actors, boat service providers, and local tourism participants can benefit when visitor activity increases. However, these benefits need coordination so that BUMDes does not compete with citizens but organizes them into a more coherent local economic ecosystem. In this sense, BUMDes should function as a platform institution that connects community actors rather than as a closed business controlled only by managers. See table 3.

**Table 3.** Determinant factors affecting BUMDes policy implementation.

Determinant factor	Empirical condition	Effect on implementation	Theoretical linkage	Policy implication
Institutional fit	BUMDes exists formally but internal procedures are still weak.	Implementation depends on individuals rather than stable systems.	Institutional theory (North, 1990)	Strengthen rules, roles, and routines.

<b>Determinant factor</b>	<b>Empirical condition</b>	<b>Effect on implementation</b>	<b>Theoretical linkage</b>	<b>Policy implication</b>
Regulatory clarity	New national regulations are not fully translated into local operational guidance.	Confusion in reporting, legal status, and asset governance.	Policy content and context (Grindle, 1980)	Harmonize village and district guidance.
Supervision quality	Supervisory actors exist, but evidence-based monitoring is limited.	Accountability remains procedural.	Good governance (UNDP, 1997)	Use documents, indicators, and corrective follow-up.
Human resources	Managers are trusted but technical competence is uneven.	Business planning and reporting remain weak.	Organizational capacity (Morgan, 2006)	Continuous training and role distribution.
Financial documentation	Financial and asset records are incomplete.	PADes contribution and business performance are difficult to measure.	Public accountability (Mardiasmo, 2018)	Monthly bookkeeping and annual public reporting.
Community participation	UMKM and tourism actors participate economically.	Citizen oversight and information access are limited.	Participatory development (Chambers, 1997)	Expand participation from activity to accountability.

The findings can be interpreted through the framework of policy implementation. Van Meter and Van Horn emphasize that implementation performance depends on standards, resources, communication, organizational characteristics, implementer disposition, and socio-economic conditions (Van Meter & Van Horn, 1975). In Budo Village, policy standards are formally present, but the interpretation of those standards remains affected by regulatory change and limited technical guidance. Resources exist in the form of tourism potential and community participation, but managerial and administrative resources remain weak. This explains why implementation produces activity but not yet full effectiveness.

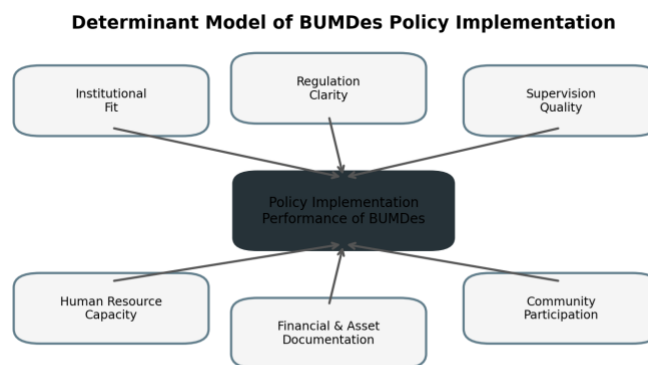
Edward III's implementation model also helps explain the problem (Edward III, 1980). Communication is not only about informing citizens that BUMDes exists; it also includes communicating rules, reporting obligations, business plans, and accountability mechanisms. Resource constraints are visible in limited administrative competence and weak documentation. Disposition is visible in the willingness of local actors to develop the enterprise, but motivation must be supported by capability. Bureaucratic structure is visible in the existence of village institutions, yet procedures and role clarity are not fully institutionalized.

Grindles distinction between policy content and implementation context is especially relevant (Grindle, 1980). The content of BUMDes policy promises economic benefit, village revenue, and welfare. The context, however, includes local power relations, community

expectations, informal trust, regulatory uncertainty, and limited business skills. The implementation gap appears when formal objectives require professional management but the local organization still operates through informal and experience-based routines.

From the perspective of good governance, the main challenge is the transformation of participation into accountability. Community participation in deliberation and business activity is an important achievement. However, participation must be complemented by access to information, transparent reporting, and opportunities for citizens to evaluate performance. UNDP's governance principles emphasize participation, transparency, accountability, and effectiveness (UNDP, 1997). BUMDes in Budo Village has participation but needs stronger transparency and accountability to become a mature governance institution.

Institutional theory indicates that formal rules do not automatically become institutionalized practice (North, 1990). BUMDes has legal and social recognition, but routine systems for financial records, asset documentation, business planning, and evaluation are still developing. Institutionalization requires repeated practice, clear roles, written procedures, and consequences for non-compliance. Without these elements, organizational memory remains weak and performance depends on personal initiative. See figure 3.



Performance improves when institutional, administrative, human, financial, and participatory factors are mutually aligned.

**Figure 3.** Determinant model of BUMDes policy implementation.

The management perspective clarifies why BUMDes needs more than enthusiasm. Terry's POAC framework shows that management requires planning, organizing, actuating, and controlling (Terry, 2011). Planning is weak when business units are not supported by feasibility analysis and revenue projections. Organizing is weak when role division between managers, supervisors, and village government is unclear. Actuating is limited when tourism activities are not connected to wider business diversification. Controlling is weak when reports and evidence are incomplete. Therefore, BUMDes strengthening should be treated as a management reform, not only as policy socialization.

Financial accountability is one of the most urgent issues. Mardiasmo states that public accountability requires institutions to explain the use of resources and performance to stakeholders (Mardiasmo, 2018). BUMDes uses village legitimacy and may manage village assets; therefore, incomplete financial reports are not a minor technical issue but a governance risk. Without reliable financial data, it is difficult to determine profit, loss, asset value, revenue contribution, or benefit distribution. This also weakens public trust.

Local economic development theory suggests that village enterprises should organize local assets into productive systems (Blakely & Leigh, 2013). Budo Village has strong potential in

mangrove tourism, coastal scenery, UMKM, boats, and homestays. However, potential becomes economic value only when it is packaged, marketed, regulated, and evaluated. BUMDes can play this role if it develops a portfolio approach: tourism entrance and services, local product marketing, boat service coordination, homestay standards, and cooperation with external partners.

The issue of human resource capacity should be addressed as institutional learning. Morgan explains that capacity is not merely individual skill but the combination of systems, values, resources, and relationships that enable performance (Morgan, 2006). Training only one manager or relying on one trusted person will not solve the problem. BUMDes needs distributed capacity: several people should understand finance, operations, marketing, reporting, and supervision. This reduces organizational vulnerability and strengthens continuity.

The determinant model proposed in this article shows that implementation performance is shaped by six interacting factors: institutional fit, regulatory clarity, supervision quality, human resource capacity, financial and asset documentation, and community participation. If one factor is weak, the others are affected. For example, weak documentation reduces supervision quality. Weak regulatory clarity reduces institutional confidence. Weak capacity reduces financial transparency. Limited participation reduces legitimacy and market support.

The discussion also shows that BUMDes should not be evaluated only by whether it exists or whether it operates one business unit. Effectiveness should be understood more broadly: legal compliance, administrative order, business sustainability, community benefit, contribution to PADes, and public trust. This broader definition is important because a village enterprise may appear active while still being institutionally fragile.

Therefore, the main implication is that BUMDes policy implementation requires integrated strengthening. Regulatory harmonization must be connected with managerial training. Financial reporting must be connected with supervision. Tourism development must be connected with community economic participation. Village deliberation must be connected with transparent accountability. Only through this integrated approach can BUMDes become a professional, participatory, and sustainable institution.

The Budo Village case confirms that BUMDes policy implementation must be evaluated as a chain of governance. The chain begins with regulation, moves to institutional establishment, continues into business operation, and ends in accountability and public benefit. A weakness at any point reduces the strength of the whole chain. For example, if business activity is strong but reporting is weak, accountability is compromised. If participation is strong but planning is weak, business direction becomes unclear. If supervision exists but documentation is weak, evaluation becomes superficial.

This chain perspective also helps explain why the policy should not be reduced to the question of whether BUMDes exists. Existence is only the first stage. The more important question is whether BUMDes is capable of managing local assets in a way that is lawful, productive, transparent, and beneficial. This requires a shift from establishment logic to performance logic. Establishment logic asks whether the institution has been formed. Performance logic asks whether the institution creates measurable value and can account for that value.

The findings also reveal a tension between trust-based governance and system-based governance. In many villages, trusted individuals are selected to manage organizations because social trust is highly valued. This is understandable and should not be dismissed. However, a public-economic institution cannot rely only on personal trust. It needs system-based trust created by

transparent procedures, written reports, financial evidence, and predictable supervision. The best model is not to replace social trust, but to strengthen it through administrative systems.

Tourism-based BUMDes also requires a stronger service orientation. Parasuraman, Zeithaml, and Berry argue that service quality includes tangibles, reliability, responsiveness, assurance, and empathy (Parasuraman et al., 1988). In the tourism context, tangibles include facilities and cleanliness, reliability includes consistent service, responsiveness includes quick handling of visitor needs, assurance includes safety and professionalism, and empathy includes hospitality. BUMDes managers should therefore see tourism not only as an asset to be rented or visited, but as a service experience that must be managed.

The policy implication is that district government assistance should be practical and contextual. General socialization about regulations is useful, but not sufficient. BUMDes managers need assistance in preparing cash books, designing business plans, calculating operational costs, setting prices, preparing simple profit-loss statements, creating asset inventories, and reporting to the village forum. Assistance should use actual BUMDes data so that learning is immediately relevant.

The discussion further indicates that BUMDes development should be linked with digital documentation. Digital tools do not have to be complex. Simple spreadsheets, cloud backups, photo documentation of assets, and digital marketing pages can already improve transparency and business visibility. However, digitalization should follow administrative discipline. Technology will not solve weak governance if the basic habit of recording transactions is absent.

Another important implication concerns environmental governance. Mangrove tourism depends on ecological quality. BUMDes must work with village government and community groups to ensure that tourism revenue supports maintenance, conservation, waste management, and visitor education. In this way, economic development and environmental protection become mutually reinforcing. If conservation is ignored, the economic basis of tourism will decline.

Finally, BUMDes strengthening should be seen as a long-term organizational learning agenda. It is unrealistic to expect a village enterprise to become fully professional immediately after establishment. What matters is whether there is a clear pathway for improvement: clearer rules, better records, more trained managers, stronger supervision, broader business networks, and more transparent public communication. The article therefore proposes incremental but systematic reform rather than one-time intervention.

The public value perspective strengthens this interpretation. Moore argues that public managers create value when they use authority and resources to produce outcomes that are valued by citizens (Moore, 1995). BUMDes creates public value when it increases village income, strengthens local livelihoods, protects assets, and builds trust. If it only produces internal organizational activity without transparent benefit, public value remains limited. Therefore, public value should become one criterion for evaluating BUMDes performance.

In practical terms, performance indicators should be simple enough for village use but strong enough to support accountability. Possible indicators include annual revenue, operating cost, net surplus, PADes contribution, number of UMKM involved, number of visitors, number of local workers engaged, condition of managed assets, number of supervisory meetings, and availability of public reports. These indicators can help convert qualitative commitment into measurable governance performance. See table 4.

**Table 4.** Discussion matrix linking findings, theory, and policy implications.

<b>Finding</b>	<b>Interpretive theory</b>	<b>Meaning for Budo Village</b>	<b>Recommended response</b>
Formal establishment is achieved but practice is incomplete.	Policy implementation variables (Van Meter & Van Horn, 1975)	Standards exist, but capacity and coordination constrain performance.	Integrate regulation, resources, coordination, and monitoring.
BUMDes uses local tourism potential but remains under-diversified.	Local economic development (Blakely & Leigh, 2013)	Tourism assets need packaging into a wider economic ecosystem.	Link mangrove tourism with UMKM, boats, homestays, and digital promotion.
Financial reporting and documentation are weak.	Public accountability (Mardiasmo, 2018)	Trust and PADes measurement are weakened.	Create routine bookkeeping, asset inventory, and public summary reports.
Supervision exists but is not evidence-based.	Good governance (UNDP, 1997)	Oversight cannot produce strong corrective action without data.	Use indicators, documents, and written follow-up.
Human resource capacity is uneven.	Organizational capacity (Morgan, 2006)	Performance depends on trusted individuals.	Train multiple actors and distribute technical knowledge.

#### Proposed Strengthening Strategy

Based on the findings and discussion, an integrated strengthening strategy is proposed. The first pillar is regulatory harmonization. The village government and district-level agencies should ensure that BUMDes statutes, internal rules, reporting procedures, and asset management standards are aligned with Government Regulation No. 11 of 2021 and newer technical guidance. This will reduce confusion and provide a clearer legal basis for management.

The second pillar is managerial capacity building. Training should be practical and continuous, covering business planning, bookkeeping, financial reporting, marketing, asset management, risk management, and partnership development. Training should involve not only the director or one manager, but also supervisors, village officials, and selected community economic actors so that knowledge is distributed.

The third pillar is financial and asset documentation. BUMDes should develop simple but consistent accounting records, transaction evidence, monthly cash reports, asset inventory, business unit revenue records, and annual accountability reports. Documentation should not be prepared only at the end of the year. It should become a monthly discipline.

The fourth pillar is business diversification based on local potential. Mangrove tourism should remain the core attraction, but it should be linked with UMKM stalls, local food products, boat services, homestay standards, cultural activities, and digital promotion. This approach can increase community benefit and reduce dependence on one business activity.

The fifth pillar is evidence-based supervision. Supervisors, the village consultative body, and village government should evaluate BUMDes using documents, indicators, and agreed targets. Supervision should include financial accuracy, asset condition, service quality, visitor trends, community benefit, and PADes contribution. Corrective recommendations should be written and followed up.

The sixth pillar is citizen-friendly transparency. BUMDes reports should be translated into simple public information, such as annual income, expenditure, profit, contribution to village revenue, number of community actors involved, and planned improvements. This can be displayed in village meetings, information boards, or digital channels. Transparency will strengthen trust and participation.

The seventh pillar is environmental and tourism service management. BUMDes should develop basic service standards for visitor reception, cleanliness, safety, signage, parking or boat service coordination, waste management, and mangrove conservation. These standards will help the tourism unit become more reliable and protect the ecological asset on which the business depends.

The eighth pillar is partnership development. BUMDes should explore cooperation with district tourism agencies, universities, private travel actors, banks, and community-based tourism networks. Partnerships can provide training, promotion, infrastructure support, and access to wider markets. However, every partnership should be based on written agreements and transparent benefit sharing. See table 5.

**Table 5.** Integrated strengthening strategy for BUMDes governance.

<b>Pillar</b>	<b>Main action</b>	<b>Responsible actors</b>	<b>Expected output</b>	<b>Expected outcome</b>
Regulatory harmonization	Review and adjust BUMDes rules, statutes, and SOPs.	Village government, BPD, district PMD.	Clear legal and operational guidance.	Reduced confusion and stronger compliance.
Capacity building	Provide practical training in management, accounting, marketing, and reporting.	District agencies, facilitators, BUMDes managers.	More capable enterprise team.	Improved business and accountability performance.
Documentation system	Create monthly cash records, asset inventory, and transaction evidence archive.	BUMDes managers and supervisors.	Reliable financial and asset data.	Transparent performance measurement.
Business diversification	Integrate tourism with UMKM, boat services, homestays, and local products.	BUMDes and community actors.	Broader business portfolio.	Higher community benefit and PADes potential.
Evidence-based supervision	Use indicators and written corrective recommendations.	BPD, supervisors, village government.	Structured oversight reports.	Stronger accountability and learning.
Public transparency	Publish simplified reports for citizens.	BUMDes and village government.	Citizen-friendly information.	Higher trust and participation.

## CONCLUSION

This article concludes that BUMDes policy implementation in Budo Village has developed important institutional and economic foundations but has not yet reached full effectiveness. The enterprise has social legitimacy because it was established through village deliberation, and it has local relevance because it operates in a village with strong tourism and coastal economic potential. Community participation is visible in UMKM activity, boat services, tourism engagement, and local economic involvement. Nevertheless, implementation remains partially institutionalized. The main weaknesses are regulatory misalignment, incomplete financial reporting, limited asset documentation, weak business planning, procedural supervision, and uneven human resource capacity. These weaknesses reduce transparency, accountability, and the capacity of BUMDes to contribute optimally to PADes and community welfare. The determinant factors affecting implementation include institutional fit, regulatory clarity, supervision quality, human resource capacity, documentation systems, and community participation. The findings indicate that these factors are interconnected. Strengthening only one aspect will not be sufficient. BUMDes requires integrated institutional strengthening that connects legal compliance, managerial capability, financial accountability, local economic innovation, and participatory oversight. The broader implication is that BUMDes should be treated as a hybrid public-economic institution. It must combine the legitimacy of village governance with the discipline of enterprise management. When managed transparently, professionally, and participatively, BUMDes can become a strategic instrument for local economic development, village revenue improvement, and community welfare in tourism-based rural areas. Future strengthening should therefore prioritize routines that are realistic for village institutions. A simple monthly report is better than an ambitious system that is never completed. A clear asset list is better than informal memory. A modest business plan with revenue targets is better than activity without calculation. Gradual improvement in these basic routines will create the foundation for more advanced BUMDes development in the future.

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