



Development of Village-Owned Enterprises Through Community Empowerment

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Abstract

This study aims to analyse the development strategies of Village-Owned Enterprises (BUMDes) through community empowerment. BUMDes are business entities mandated by law to drive the village economy. This study uses a qualitative research method with a case study of BUMDes Bhinor Energi in Bhinor Village, Paiton District, Probolinggo Regency. The results of the study indicate that the success of BUMDes Bhinor Energi's development is closely linked to multi-sector collaboration, involving cooperation with private companies such as PT. PJB UP Paiton, community groups, and Micro, Small, and Medium Enterprises (MSMEs). Community empowerment was achieved by actively involving the community in development activities, from planning to evaluation, as well as providing training and marketing support for products. This strategy has successfully increased community income, reduced unemployment, and boosted Village Original Income.

Keywords: Village-Owned Enterprises, Community Empowerment, Micro, Small and Medium Enterprises

1. Introduction

The concept of village development has undergone a paradigm shift, from a focus on economic growth to more equitable development by leveraging the economic strength of the people, small and medium enterprises, and cooperatives. This change is driven by the understanding that physical development alone is not sufficient to have a positive impact without being accompanied by adequate human resource capacity building. This concept aligns with the enactment of the Village) on Villages, which grants villages authority and autonomy to manage their territories independently to achieve self-reliance and community well-being. This policy is supported by significant funding allocations from the State Budget (APBN), Provincial Regional Budget (APBD), and District/Municipal Regional Budget (APBD).

One of the important mandates of Law Number 6 of 2014 is the establishment and development of Village-Owned Enterprises (BUMDes). BUMDes are defined as business entities whose capital is wholly or partially owned by the village through the separation of village assets. The objective is to manage assets, services, and other businesses for the maximum welfare of the village community. BUMDes plays a strategic role as a pillar of democracy at the village level, requiring harmonious synergy between the village government as the capital owner and the community as the manager. The primary objectives of establishing BUMDes, as stipulated in the Regulation of the Minister of Village, Development, and Transmigration No. 4 of 2015 (and the Regulation of Village, Development, and Transmigration 4015 Article 3, are to enhance village economies, optimise village assets, boost community-based businesses, create employment opportunities, and ultimately improve the welfare of village communities and Village Original Income (PADes).

The concept of BUMDes is closely related to community empowerment. Community *empowerment* can be defined as efforts to develop, empower, and strengthen the bargaining position of the lower classes of society against oppressive forces in all areas and sectors of life. This empowerment emphasises that every community has potential that can be explored and developed. As stated by Mardikanto, (2011), community empowerment is the process of enhancing the capabilities and attitudes of communities towards self-reliance. The aim is to create individuals or groups of people who are independent in their thinking, actions, and control over what they do. As mentioned by Widayanti (2012), Muttaqin (2023), community empowerment is considered a relevant approach to addressing social issues, particularly poverty.

However, the implementation of community empowerment programmes requires active participation from the community as the main actors in every activity, from planning, implementation, to evaluation. This participation is important because the community is the one who knows best about their needs and the problems they face. Research conducted by Sulaiman *et al.*, (2016), Trihartono *et al.*, (2020), Purnomo *et al.*, (2023), indicates that village development is a key determinant of regional and national development success, as villages possess resources capable of meeting daily living needs such as agricultural products, fisheries, and livestock. Meanwhile, Saragi (2004) in Margayaningsih (2015) state that community empowerment can be focused on political, social, psychological, and economic aspects.

Based on this background, this study will examine in greater depth the strategy for developing BUMDes through community empowerment. The research object was selected from BUMDes that have proven to be successful, namely BUMDes Bhinor Energi in Bhinor Village, Paiton District, Probolinggo Regency. This BUMDes is an interesting empirical example to be reviewed and studied because it has successfully collaborated with various parties in driving the village economy and improving community welfare. This study is expected to provide theoretical and practical contributions to the development of public administration science, particularly regarding the implementation of BUMDes policies and community empowerment, and serve as a reference for the government and other relevant parties in addressing poverty and social inequality. This research will answer the following research question: "What are the development strategies of BUMDes Bhinor Energi in Bhinor Village, Paiton District, Probolinggo Regency?"

2. Methods

This study employs an explanatory research design with a qualitative approach. The research location is the Village-Owned Enterprise (BUMDes) Bhinor Energi in Bhinor Village, Paiton Sub-district, Probolinggo Regency, East Java Province. The selection of this location was based on the success of the BUMDes in surviving the COVID-19 pandemic, generating significant village revenue (PADes), and receiving awards from the Provincial Government and the Institute of Technology Sepuluh November (ITS) Surabaya.

The data sources for this study include primary and secondary data. Primary data was obtained through direct interviews with informants, namely individuals who were asked to provide information related to the research problem, as well as through observation Moleong (2017). Secondary data was obtained from archives or documents required for the completion of this study (Saldana *et al.*, 2014). The selection of informants was conducted using a purposive technique, based on subjects who were knowledgeable about the issues, possessed relevant data, and were willing to provide data that was truly relevant and competent. To verify the validity of the data, triangulation, extended participation in the research setting, and persistent observation were used. Data analysis was conducted using an interactive analysis model, which includes data reduction, data presentation, and conclusion drawing.

3. Results and Discussion

Based on the research conducted, BUMDes Bhinor Energi has successfully developed through multi-sector collaboration. The Village Head of Bhinor, Hostifawati, initiated the establishment of this BUMDes with an initial capital investment of Rp75 million in 2018 to build supporting facilities for a tourist village. This BUMDes operates several business units, including snorkelling tours at Bohay Beach and a café. The success of this BUMDes has been recognised with awards, including Second Place in the BUMDes Competition at the East Java Provincial Level and First Place in the Community Development and Engagement category at the 2020 BUMDes Award organised by the Institute of Technology Sepuluh November (ITS) Surabaya (Rohim *et al.*, 2022).

3.1 Support from the Village Government

The village government plays a key role in the development of BUMDes Bhinor Energi. The village head acted as the initiator of improvements in the management of tourist attractions by identifying the various potential of Bhinor Village's beaches. Initially, the low awareness of the village community regarding environmental cleanliness around the beach was a serious issue. The village government then took concrete steps, such as providing trash bins and allocating a budget to build toilets. Through socialisation and supervision, this collaboration successfully changed the

community's mindset, even resulting in an Open Defecation Free (ODF) certificate from the Probolinggo Regency Government in 2017.

Additionally, the village government improved infrastructure by planting pine trees to prevent erosion and upgrading road access with colourfully paved surfaces, earning the beach the nickname "pantai kelir." The increase in tourist visits following these improvements was accommodated by the village government through the establishment of a weekly market named Pasar Dewi Harmoni. Support also came from the Family Welfare Empowerment Movement Team (TPPKK), which serves as a communication platform for women to optimise the village's potential, ultimately leading to the establishment of BUMDes Bhinor Energi.

In 2018, the BUMDes was established with an initial capital of Rp75 million from village funds. This capital was used to build pavements, gazebos, and stalls for villagers to sell local products. Over time, in 2019, BUMDes Bhinor Energi expanded by establishing a new business unit on the eastern coast known as Pantai Bohay. This new unit operates in the culinary, tourism, and sales of local community products.

The management of BUMDes Bhinor Energi represents the village head's role as a leader who recognised the village's potential for independent management to increase village income. The village head's strong commitment, coupled with activities involving other parties to develop BUMDes, produced an effective formula that enabled BUMDes to achieve its objectives. This cross-sector collaboration is crucial in the process of building, managing, and developing BUMDes to achieve success. The findings of this study are consistent with those of (Giyanto et al., 2025) (Sirajuddin, 2020)

3.2 Collaboration with PT. PJB UP Paiton (CSR)

The development of BUMDes Bhinor Energi is closely tied to collaboration with external parties, particularly the private sector. One such collaboration is with PT. PJB UP Paiton through their Corporate Social Responsibility (CSR) programme. This collaboration takes the form of capital injection for BUMDes management, as well as support in human resource development (HRD) and infrastructure improvement. HRD is carried out through training and benchmarking. BUMDes Bhinor Energi is improving by conducting management training aimed at enhancing the soft skills of its managers.

The training involves local government agencies (OPD) of Probolinggo Regency, such as the Department of Community Empowerment and Village Development, the Regional Revenue Agency, the Department of Marine Affairs and Fisheries, and the Department of Youth and Tourism. In addition to training, PT. PJB UP Paiton also facilitates benchmarking visits to successful BUMDes, such as BUMDes Tirta Mandiri and BUMDes Sumber Sejahtera, as well as to the Tourism Department of Buleleng Regency. These benchmarking visits aim to adapt and apply the lessons learned in the effective management of BUMDes, such as implementing a voucher system for beach visitors that provides free drinks and organises live music every weekend to attract visitors.

CSR support is also used for the construction of facilities and infrastructure, such as stalls and gazebos along the beach, as well as the development of a professionally managed café with skilled staff like chefs and baristas to maintain quality and image. Additionally, BUMDes has established a partnership with PT. YTL, which provides support for the development of business units on the western side of Bohay Beach by constructing stalls and gazebos for the community to sell seafood products. CSR can also contribute to economic growth, as demonstrated by research conducted by the.

3.3 Collaboration with community groups

Community empowerment programmes must involve greater participation from the community, as they are the ones who know their needs and what needs to be done. Community empowerment is a series of activities aimed at strengthening the capacity of vulnerable and disadvantaged groups in society, enabling them to meet their physical, economic, and social needs. Collaboration between BUMDes Bhinor Energi and community groups, such as POKMASWAS, POKDARWIS, Religious Leaders, and Community Leaders, is key to success.

At the beginning of the establishment of BUMDes, there was opposition from the community who believed that a tourist village could damage the village culture and environment. However, through collaboration with influential community leaders, the community's understanding changed, and they eventually participated in the development of beach tourism. Community participation in the management of BUMDes has had a positive impact because they receive economic benefits, such as additional income outside of their fishing profession. Synergy between the community and

BUMDes managers is the key to the success of the development programme, which ultimately drives the local economy and contributes to the village in the form of Village Original Income. This study builds on previous research conducted by the Ministry of Village, Development, and *et al.*, 2020) , (Wahid et al., 2020).

Initial community opposition was triggered by limited understanding of tourism management and a lack of visionary environmental awareness. Various examples of opposition during the early stages of BUMDes establishment include the enforcement of proper waste disposal, defecation on the beach, the planting of pine trees, the construction of stalls and gazebos, and weekly live music events. However, through collaboration, a shift in community mindset occurred, and they worked together to support BUMDes Bhinor Energi to continue operating and progressing until today.

Ultimately, BUMDes was able to drive the economy and contribute to the village in the form of Village Original Income. The community benefited economically by having income other than fishing, and selling marine products became an alternative source of profit. One of the ultimate goals of BUMDes is to improve the welfare of the local community.

3.4 Collaboration with SMEs

The development of BUMDes is also carried out by collaborating with Micro, Small, and Medium Enterprises (UMKM). UMKM have great potential in absorbing labour and contributing to the gross domestic product (GDP). In Bhinor Village, the majority of the community works as fishermen, and women have businesses making processed products such as mustard sticks, celery, corn, and spinach. BUMDes Bhinor Energi collaborates with UMKM Citra Lestari to empower the community by providing training in product manufacturing and assisting in marketing these products both online and at BUMDes outlets.

Additionally, the BUMDes assists fishermen by purchasing their catch, eliminating the need for them to sell their products outside the region. The culinary business unit managed by BUMDes has become an attraction for tourists, and its strategic location on a provincial road provides a great opportunity for tourists passing by to stop by. As a result, BUMDes is able to drive the local economy, increase the turnover of SMEs, and ultimately improve the welfare of the community.

Research indicates that BUMDes culinary business units are the most profitable compared to tourism-related business units. This suggests that tourist attractions have a significant impact on surrounding businesses. Ultimately, the local economy grows and helps meet family needs. BUMDes collaborates with local SMEs and provides facilities, fostering strong institutional synergy to boost village economies, including community welfare. This study aligns with previous research findings and theories conducted by (Bookman, 2004), (Green and Haines, 2015), (Rohim et al., 2021) .

One of the SMEs collaborating with BUMDes Bhinor Energi is Citra Lestari SME, which specialises in culinary products made from fish catches. Through this successful collaboration, the SME's turnover has increased significantly. BUMDes Bhinor Energi has effectively leveraged its strategic geographical location as a promotional tool for the culinary business, attracting tourists travelling to Banyuwangi or Bali to stop by

4. Conclusion

The development of BUMDes Bhinor Energi was successful due to strong multi-sector collaboration. Total support from the village government and Regional Apparatus Organisations (OPD) of Probolinggo Regency, optimisation of CSR funds from PT. PJB UP Paiton and PT. YTL, as well as cooperation with community groups and MSMEs were the keys to success. The community empowerment programme implemented has successfully increased income, reduced unemployment, and boosted Village Original Income (PADes). For sustainability, it is recommended that BUMDes develop new business units beyond tourism and cafes. The local government should also establish a Village-Owned Enterprise Development Agency for BUMDes in collaboration with other villages to accelerate the success of other BUMDes, similar to BUMDes Bhinor Energi.

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