

## Governance and Sustainability in the Local Context: An Interpretative Study of BUMDes in Banten

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Banten, BUMDes, Governance, Social Capital, Sustainability

### **Abstract**

*Village-Owned Enterprises (BUMDes) in Indonesia are mandated to implement good governance principles and advance sustainable development. However, understanding how governance and sustainability operate in local contexts remains limited. This qualitative interpretive study examined governance and sustainability practices across five purposively selected BUMDes in Banten Province. The research employed multiple case study design with data collected through ten semi-structured in-depth interviews with BUMDes managers, village officials, and community leaders, combined with document analysis of strategic plans, governance reports, and financial records from 2022 through 2025. Interview and documentary data were analyzed using thematic analysis methodology employing systematic coding, theme development, data triangulation, and reflexive interpretation to ensure analytical credibility and dependability. The findings reveal four critical themes. First, BUMDes governance operates through dynamic duality where formal structures provide legitimacy while informal networks grounded in kinship relations exert preponderant influence over actual decision-making. Second, sustainability is interpreted adaptively, emphasizing short-term economic survival despite embedded social and environmental commitments rooted in local values. Third, persistent tensions exist between organizational efficiency imperatives and stakeholder inclusivity, resulting in marginalization of women and youth. Fourth, social capital encompassing trust and community cohesion functions as critical institutional buffer enabling organizational resilience during crises. The research concludes that governance and sustainability in BUMDes represent ongoing navigation processes between competing institutional imperatives rather than matters of simple regulatory compliance. Governance requires contextually adaptive approaches recognizing informal mechanisms as legitimate institutional contributions deserving deliberate strengthening. Support programs should emphasize social capital cultivation alongside technical skill development and facilitate dialogue between formal and informal governance systems to enhance organizational capacity and institutional sustainability.*

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## INTRODUCTION

The acceleration of the sustainable development agenda at the global level has fundamentally transformed the landscape of rural economic development in Indonesia. Since the adoption of the Sustainable Development Goals (SDGs) by the United Nations in 2015, sustainability has emerged as a central priority in development policy and practice, shifting the international paradigm from a narrow focus on economic growth toward a more integrated

approach that balances economic progress, social welfare, and environmental protection (Xu et al., 2025). Within this context, the Indonesian government has positioned Village-Owned Enterprises (Badan Usaha Milik Desa, BUMDes) as strategic instruments for advancing local economic development while simultaneously promoting institutional sustainability and good governance in rural areas. Government Regulation No. 11 Year 2021 on Village-Owned Enterprises establishes that BUMDes must be founded on principles of community needs assessment, market viability, good governance principles, and sustainable orientation encompassing social concerns, cultural dimensions, and local wisdom. This regulatory framework creates an institutional context where sustainability and good corporate governance are mandated as operational foundations for BUMDes, aligning these local enterprises with the broader Indonesian SDG agenda.

The enactment of Law No. 6 of 2014 on Villages provided an expanded mandate for BUMDes, positioning them not merely as profit-generating entities but as catalysts for rural economic empowerment, equitable welfare distribution, and environmental stewardship (Harinudin et al., 2025). BUMDes are expected to drive village economic transformation through diversified business ventures, from agricultural processing and retail trade to tourism services and financial intermediation. Yet the actual performance of BUMDes reveals significant heterogeneity across Indonesian provinces, with Banten Province exemplifying both the potential and challenges of local enterprise development. According to data from the Provincial Office for Community and Village Empowerment (DPMD) in 2022, most BUMDes in Banten remain in an early development or inactive operational stage, particularly in Pandeglang and Lebak Regencies, with significant limitations in managerial capacity, financial transparency, and access to innovation and market opportunities (Giyanto et al., 2025).

### **Research Gaps and Governance Challenges**

Notwithstanding the regulatory emphasis on governance principles and sustainability integration, a substantial gap persists between the formal governance frameworks prescribed by law and the actual implementation practices observed in BUMDes operations. Previous empirical studies have documented critical challenges that systematically undermine BUMDes performance and legitimacy. Transparency, defined as the accessibility of critical information and organizational decision-making processes to community members, remains a persistent governance concern; essential information continues to be concentrated among village elites and selected stakeholders, thereby limiting broader community access and engagement (Titioka & Ralahallo, 2025). Capacity deficiencies in human resource management emerge as another structural constraint, as many BUMDes lack managers possessing adequate formal education and professional qualifications necessary for systematic implementation of contemporary management practices and governance mechanisms (Huang, 2023). Furthermore, incidents of corruption and financial misappropriation within both BUMDes and village government structures have eroded community trust and compromised institutional legitimacy, with documented cases of village funds diversion undermining the credibility of local institutions (Meliana, 2025).

The sustainability challenges facing BUMDes extend beyond transparency and accountability concerns. Many BUMDes demonstrate excessive dependence on village development funds, limiting their financial autonomy and long-term viability (Shen & Liao, 2023). The organizational environment remains characterized by limited innovation capacity, inadequate environmental awareness among management personnel, and inconsistent integration of environmental considerations into business operations. At the operational level, strategic decision-

making processes frequently prioritize short-term financial interests and immediate profitability targets over longer-term sustainability objectives and broader stakeholder inclusivity, creating a structural tension between organizational efficiency and equitable participation in governance processes. This tension often results in the marginalization of specific groups within rural communities, particularly women and youth populations whose participation in enterprise governance remains constrained by cultural norms, limited social networks, and institutional barriers (Frontiers in Sustainability, 2025).

Existing scholarly literature on BUMDes has predominantly focused on institutional structural analysis, financial management practices, and economic contributions to village-level development outcomes, yet has offered limited empirical examination of how governance principles are enacted within daily organizational practice and sustainability dimensions are operationalized in concrete business decisions and management behaviors (Ultari et al., 2024). Furthermore, most studies assess BUMDes success primarily through economic performance indicators, consequently neglecting the social and environmental dimensions embedded within their operations and community relationships. This analytical orientation creates a significant conceptual gap between the theoretical ideals of good governance and sustainable development articulated in policy documents and the lived realities of governance and sustainability practices within local institutional contexts.

### **Research Objectives and Urgency**

This research is designed to bridge this theoretical and empirical gap by employing a qualitative interpretative approach to understand how governance and sustainability principles are practiced within BUMDes in Banten Province, examining the lived experiences of managers, village officials, and community stakeholders. The study seeks to illuminate how formal governance structures interact with informal decision-making networks, how sustainability is comprehended and enacted within resource constraints, and how social capital functions as a critical institutional resource enabling organizational resilience during periods of crisis or uncertainty. By providing contextual understanding of governance and sustainability within developing country local economic institutions, this research contributes theoretically to broader discussions on institutional adaptation and local development while offering practice-derived insights to enhance the effectiveness and legitimacy of BUMDes capacity-building initiatives and support programs.

## **METHODS**

### **Research Design and Methodological Approach**

This study employs a descriptive qualitative research approach utilizing a multiple case study design strategy to examine governance and sustainability practices within Village-Owned Enterprises (BUMDes) across Banten Province. According to Sugiyono (2022), qualitative research emphasizes an inductive analytical process grounded in the interpretive paradigm, wherein the researcher functions as the primary instrument for data collection and meaning-making within the natural settings of the phenomena under investigation. The multiple case study design, as articulated by Creswell and Poth (2024), provides an appropriate methodological framework for exploring diverse and complex phenomena within specific local contexts, enabling researchers to conduct in-depth examinations of multiple bounded cases that illuminate particular aspects of governance and sustainability implementation. This case study approach facilitates the exploration of how governance and sustainability principles interact dynamically within different BUMDes contexts, offering rich contextual understanding that quantitative approaches might

overlook (Creswell, 2022). The qualitative interpretive approach allows the research to capture the lived experiences, perceptions, and actual practices of organizational actors rather than relying solely on formal policy documentation or retrospective quantitative metrics (Emzir, 2021).

### **Population, Sample Selection, and Sampling Strategy**

The target population for this study encompasses all Village-Owned Enterprises (BUMDes) operating across Banten Province that have demonstrated commitment to implementing good governance and sustainable development principles. Five BUMDes in Banten Province were purposively selected based on carefully defined criteria established to ensure appropriate case representation and analytical richness. The purposive sampling approach, as elaborated by Ahmad et al. (2025), represents a deliberate and strategic selection process wherein researchers utilize explicit criteria and professional judgment to select information-rich cases capable of providing deep insights into the phenomenon of interest, thereby enhancing research credibility and trustworthiness through targeted sample composition rather than randomization. The specific selection criteria established for case inclusion were: (1) active operational status with continuous operation for a minimum of three years since 2020, ensuring sufficient organizational maturity and operational experience for meaningful analysis; (2) demonstrated documented implementation of Good Corporate Governance (GCG) principles reflected in formal organizational structures, governance documentation, and management systems; and (3) active engagement in programs aligned with the Sustainable Development Goals (SDGs) across economic, social, or environmental domains as articulated in organizational strategic plans and annual reports. These purposive selection criteria deliberately focused on relatively mature BUMDes organizations capable of providing substantive insights into the actual practice of governance and sustainability principles rather than nascent enterprises still establishing foundational systems (Campbell et al., 2020). The selected BUMDes comprised diverse business operations including processed agricultural and livestock products, saving and loan facilities, and tourism management services, ensuring heterogeneity in organizational types while maintaining consistency on the selection criteria.

### **Data Collection Instruments and Techniques**

Data collection was conducted through two complementary methods designed to generate rich, multidimensional qualitative data that captured both organizational practices and participant perspectives. The primary data collection technique involved semi-structured in-depth interviews conducted with ten key informants strategically selected to represent multiple perspectives within the BUMDes organizational and community contexts. Semi-structured interviewing, as articulated by Kallio et al. (2016), represents an adaptive and flexible data collection method that balances predetermined thematic frameworks with responsive exploratory questioning, enabling researchers to probe deeply into complex organizational phenomena while maintaining sufficient structure to ensure coherence across multiple interview contexts. The ten key informants comprised five BUMDes managers representing each selected case organization, three village officials including village heads or secretaries, and two community leaders selected for their knowledge of and involvement with BUMDes operations and community relations. Interview protocols were structured around thematic domains including governance practices such as decision-making processes, transparency mechanisms, accountability structures, and stakeholder participation mechanisms; and sustainability aspects encompassing economic orientation and profitability targets, social impact objectives, environmental awareness, and alignment with broader community development goals. Interview duration ranged from sixty to ninety minutes, with all interviews

digitally recorded and subsequently transcribed verbatim to ensure data accuracy and analytical reliability.

The secondary data collection technique involved systematic document analysis of strategic organizational documentation for the period 2022 through 2025. Analyzed documents included: BUMDes strategic plans and operational plans outlining organizational objectives and sustainability commitments; governance and annual reports documenting formal structures, decision-making processes, and reported performance metrics; and financial and activity reports providing evidence of organizational operations and resource allocation patterns. Document analysis complemented interview data by providing insights into the formal governance frameworks, officially articulated sustainability commitments, and organizational planning intentions that could be compared against interview-based descriptions of actual practices (Schlunegger et al., 2024). This multi-method data collection approach facilitated triangulation across data sources, enabling researchers to identify areas of convergence between formal documentation and participant descriptions, as well as discrepancies suggesting gaps between espoused governance principles and implementation realities.

### **Data Analysis Procedures**

Interview and documentary data were analyzed using thematic analysis methodology as developed by Braun and Clarke (2006), which represents a systematic, recursive analytical procedure for identifying, coding, and organizing patterns of meaning within qualitative datasets. The thematic analysis process involved five sequential stages: (1) data familiarization through repeated reading of complete interview transcripts and documents to develop comprehensive familiarity with the data corpus; (2) systematic data coding involving line-by-line examination of interview transcripts and documents to identify units of meaning relevant to governance and sustainability practices, generating descriptive codes that captured both explicit statements and implicit patterns; (3) code organization and preliminary theme generation through clustering related codes into broader thematic categories reflecting overarching patterns and convergences within the data; (4) theme refinement and elaboration through iterative review of identified themes, assessment of theme coherence and distinctiveness, and consideration of relationships among themes to ensure analytical integrity and internal consistency; and (5) final theme definition and narrative interpretation wherein each theme was explicitly defined, exemplified through supporting evidence from participant interviews and documents, and interpreted within the theoretical context of governance and sustainability literature (Younas, 2023). This analytical approach emphasizes the active and reflexive role of the researcher in constructing meaningful interpretations rather than assuming that themes passively emerge from data, requiring conscious attention to epistemological positioning, researcher bias, and alternative interpretive possibilities throughout the analytical process (Braun & Clarke, 2023).

Data triangulation was systematically conducted throughout the analytical process by comparing findings across multiple data sources including interviews with different informant categories, strategic documents, and activity reports. Within-method triangulation involved comparing data collected through different interview interactions with the same informants to assess consistency and identify evolution in participant perspectives. Between-method triangulation compared patterns identified in interview data against patterns evident in documentary analysis, enabling identification of congruence between formal organizational commitments and reported practices as well as documenting intentional or unintentional discrepancies suggesting governance or implementation gaps (Medcrave Online, 2023). Cross-case

comparison involved systematic examination of governance and sustainability patterns across the five case organizations to identify case-specific characteristics, common patterns suggesting possible underlying mechanisms, and variations suggesting contextual or organizational factors influencing practice implementation.

### **Research Validity and Trustworthiness**

Multiple strategies were implemented to enhance credibility, dependability, and confirmability consistent with Lincoln and Guba's (1985) framework for qualitative research rigor as elaborated by contemporary qualitative methodologists. Credibility was maintained through: (1) data source triangulation comparing perspectives from managers, village officials, and community members to capture multiple organizational viewpoints; (2) member checking procedures wherein preliminary interpretations and identified themes were reviewed and verified with selected key informants, particularly BUMDes managers, to confirm that researcher interpretations accurately reflected participant meanings and experiences (Schafer et al., 2025); and (3) thick description involving detailed documentation of organizational contexts, participant perspectives, and behavioral practices enabling readers to assess the transferability of findings to other comparable settings (Younas, 2023). Dependability was ensured through transparent documentation of the complete research process including explicit articulation of research design decisions, purposive sampling rationale, interview protocols, data analysis procedures, and theme development logic, creating an audit trail enabling external evaluation of research methodology and analytical decisions. Confirmability was enhanced through reflexive practice wherein the researchers maintained systematic attention to potential biases, documented assumptions and theoretical perspectives influencing data interpretation, and consciously examined alternative explanations for observed patterns and participant statements (Schafer et al., 2025). The reflexive process involved ongoing self-examination of how researchers' backgrounds, theoretical commitments, and positioning might influence data collection, analysis, and interpretation throughout the research process.

## **RESULTS AND DISCUSSION**

### **Organizational Characteristics and Governance Implementation Status**

The study examined five Village-Owned Enterprises (BUMDes) located in Banten Province, each demonstrating distinct characteristics while sharing fundamental commitments to implementing good governance and sustainable development principles. The case organizations comprised BUMDes engaged in diverse business activities: processing of agricultural products including coconut oil and cassava derivatives, provision of microfinance services through saving and loan facilities, and tourism management encompassing accommodation and guided tour services. The five selected BUMDes demonstrated operational capital ranging from IDR 30 million to IDR 200 million, sourced through combinations of village development funds and community equity contributions. All case organizations had maintained continuous operational status for more than three years since 2020, satisfying the study's purposive selection criteria that required demonstrable maturity in organizational development and implementation experience.

Despite the formal commitment to good governance and sustainable development reflected in their selection criteria, the detailed investigation revealed substantial complexity and tension in translating these aspirational principles into quotidian organizational practice. Documentary analysis confirmed that all five BUMDes possessed formal governance infrastructure including comprehensive Articles of Association and Bylaws (AD/ART), clearly

delineated organizational structures with designated roles for executive management and supervisory bodies, and formally articulated decision-making mechanisms designed to promote participatory governance and stakeholder consultation. Strategic planning documents consistently articulated explicit commitments to transparency, accountability, equitable stakeholder participation, and integration of sustainability principles into operational objectives aligned with Sustainable Development Goals. However, systematic examination of operational practices revealed pronounced discontinuities between the formally documented governance frameworks and the actual decision-making procedures, information-sharing mechanisms, and stakeholder participation processes observed through interviews and documentary evidence.

### **Theme One: Duality Between Formal Governance Structures and Informal Practices**

The investigation identified a fundamental duality characterizing BUMDes governance, wherein formal organizational structures functioned primarily as mechanisms conferring legitimacy and institutional credibility while actual strategic decision-making occurred predominantly through informal channels and networks grounded in kinship relations, social proximity, and personal networks. As Titioka and Ralahallo (2025) documented in comparative analysis of Indonesian BUMDes, decision-making processes consistently fall short of established Good Corporate Governance principles, with strategic decisions often dominated by informal structures rather than formal governance mechanisms. The empirical evidence revealed consistent patterns wherein significant organizational decisions underwent preliminary discussion and negotiation among an informal circle comprising village officials, BUMDes managers, and influential community members prior to formal presentation at official governance meetings. As one BUMDes manager articulated: "We have monthly meetings, but major decisions are usually discussed behind the scenes first. Once everyone agrees, we bring it to the meeting for joint approval. If we bring it up directly without preparation, it could cause disputes and stall progress" (Manager Interview, 2024).

This pattern exemplifies what March and Olsen (1995) characterize as institutionalized pragmatism, wherein organizational actors balance adherence to formal structures necessary for legitimacy and legal compliance with selective utilization of informal mechanisms perceived as more effective in maintaining social harmony, expediting decision processes, and minimizing conflict within small-scale community settings. While such pragmatic accommodation represents a rational adaptive response to the social dynamics characterizing village contexts, the systematic privilege accorded to informal channels generated significant implications for the scope and quality of stakeholder participation. Organizational members outside the informal elite circle including ordinary community members, marginal economic actors, and demographically disadvantaged groups such as women and youth frequently experienced restricted access to information about forthcoming decisions and limited meaningful opportunity to provide substantive input into organizational decision-making before formal meetings. As one community leader noted: "We know the BUMDes exists and sometimes hear announcements, but it's hard to give input or know the details. Unless you're close to the management or village staff, you don't know much" (Community Leader Interview, 2024).

Peters and Torfing (2025) argue that formal and informal institutional arenas both shape organizational decision-making, yet emphasize that informal institutional contexts frequently exert greater influence over actual outcomes in settings characterized by strong relational networks and restricted organizational scope. In rural contexts, kinship relations and social capital constitute dominant factors determining access to information and influence capacity, directly undermining

good governance principles including transparency and equitable participation that constitute foundational elements of contemporary governance frameworks (Titioaka & Ralahallo, 2025). The empirical findings therefore suggest that effective governance in village-scale enterprises requires explicit recognition that formal structures and informal mechanisms function as interconnected systems rather than alternative approaches, necessitating governance designs that accommodate and systematically strengthen accountability within both formal and informal institutional arenas.

### **Theme Two: Adaptive Interpretation of Sustainability Concept**

The analysis of how BUMDes managers conceptualized and practiced sustainability revealed significant divergence from academic and regulatory framings emphasizing the triple bottom line encompassing balanced integration of economic prosperity, social equity, and environmental stewardship. Manager interviews consistently produced descriptions of sustainability emphasizing short-term financial viability and organizational survival rather than comprehensive integration of economic, social, and environmental considerations. As one BUMDes manager characterized the concept: "For us, sustainability means keeping the business running. We focus on staying profitable so we can pay staff, cover operational costs, and contribute to the village. Without profit, it's hard to run activities or help the community" (Manager Interview, 2024). This pragmatic orientation reflects BUMDes managers' understandable response to immediate operational pressures including limited capital availability, competitive market conditions, institutional resource constraints, and community expectations regarding financial contributions supporting village development activities and welfare provisions.

Wattiheluw and Loupatty (2025) document similar adaptive reinterpretation of sustainability concepts in local economic institutions across Indonesia, highlighting how managers operating under resource scarcity and performance pressures necessarily prioritize immediate economic survival over long-term sustainability objectives. While practically reasonable given operational realities, this short-term economic orientation potentially compromises the social and environmental dimensions intrinsic to sustainability frameworks. However, the research revealed a particularly notable finding: despite the absence of explicit articulation of sustainability through formal SDG frameworks or triple bottom line conceptualizations, BUMDes practices consistently reflected consideration of social and environmental concerns rooted deeply in indigenous local values and pragmatic community reasoning. For example, BUMDes engaged in tourism management systematically maintained environmental cleanliness and natural resource preservation to sustain visitor attraction and long-term market access, while other case organizations invested in irrigation infrastructure and clean water systems serving resident farmers and households. These practices demonstrate that sustainability in local contexts operates through culturally embedded values and practical community interests rather than through adoption of internationally promulgated sustainability frameworks.

Rahayu (2025) emphasizes that local wisdom principles represent enduring cultural values emphasizing community solidarity, reciprocal obligation, and stewardship of shared resources that undergird decision-making in village communities despite limited formal articulation within governance documentation or strategic planning language. The findings therefore suggest the necessity for reconceptualizing sustainability discourse to incorporate contextual adaptation recognizing that communities implement sustainability principles through culturally authentic mechanisms and pragmatic reasoning rather than exclusive reliance upon externally imported frameworks. This finding enriches broader sustainability discourse by emphasizing the importance



of contextual adaptation and recognition of multiple legitimate expressions of sustainability principles rather than universal application of standardized triple bottom line models.

### **Theme Three: Tension Between Organizational Efficiency and Stakeholder Inclusivity**

The investigation identified a persistent structural tension characterizing BUMDes governance between organizational imperatives for decision-making efficiency and the normative commitments to inclusive stakeholder participation reflected in formal governance documentation and regulatory frameworks. This tension manifested through systematic trade-offs wherein BUMDes managers prioritized swift decision implementation and organizational responsiveness to perceived management imperatives over comprehensive community consultation and broad-based stakeholder inclusion processes. Such prioritization of efficiency over inclusivity reflected multiple reinforcing factors including time constraints limiting extended deliberation, informational asymmetries advantaging managers with specialized business knowledge, perceived community preferences for decisive management action, and organizational capacity limitations restricting the scope of participatory processes feasible given available administrative resources.

Kujala et al. (2022) and Trittin-Ulbrich et al. (2025) characterize this efficiency-inclusion tension as fundamental to stakeholder engagement processes in organizations of all types, yet document that this tension operates with particular intensity in small-scale and resource-constrained organizational contexts where managers must balance multiple competing demands with limited administrative capacity. Henry et al. (2022) specifically document that stakeholder inclusion efforts frequently create tensions with organizational efficiency objectives, generating what they characterize as the "engagement control paradox" wherein participatory processes inadvertently serve as mechanisms for exercising management control while creating illusions of meaningful stakeholder involvement. The empirical investigation revealed that this efficiency-inclusion tension frequently resulted in systematic marginalization of particular demographic and economic groups within BUMDes communities, most notably women and youth who possessed limited access to informal elite networks and restricted participation in preliminary decision discussions. Interviews with community members consistently identified structural barriers preventing meaningful participation including temporal demands upon women's household responsibilities and childcare obligations, cultural norms restricting women's public voice particularly in economic decision-making forums, and organizational practices informally excluding youth lacking economic resources or established community social networks.

These findings align with international documentation emphasizing gender disparities and youth marginalization in rural governance processes (Council of Europe, 2025; Frontiers in Sustainability, 2025). The research thereby suggests that governance designs emphasizing efficiency at the expense of inclusivity inadvertently reproduce structural inequalities limiting access for marginalized populations to participatory mechanisms, thereby contradicting ostensible governance objectives of equitable stakeholder engagement. However, the research also identified that in specific contexts enhanced organizational efficiency enabled faster adaptive responses to market pressures, potential crises, and changing community circumstances, suggesting that efficiency and inclusion represent not dichotomous alternatives but dimensions requiring deliberate balancing reflective of organizational context and community preferences.

### **Theme Four: Social Capital as Critical Buffer for Institutional Sustainability**

The most distinctive finding emerging from the investigation concerned the pivotal role of social capital encompassing trust relationships, reciprocal norms, mutual aid networks, and social cohesion in determining institutional resilience and sustainability of BUMDes operations,

particularly during periods of financial crisis or organizational stress. All five case organizations experienced periods of financial difficulty or internal organizational challenges during the research period and preceding years. However, analytical comparison revealed that BUMDes characterized by high trust between managers and community members, robust social networks facilitating collective problem-solving, and strong social cohesion among organizational stakeholders demonstrated substantially greater resilience in confronting adversity and recovered more rapidly from crises compared to organizations with weaker social capital dimensions.

A village head described how their BUMDes maintained viability during COVID-19 pandemic financial crisis: "During the pandemic, the BUMDes business went bankrupt because there were no buyers. But people trusted the management to act honestly and responsibly for the village's benefit. So when asked to be patient and supportive, they agreed" (Village Head Interview, 2024). This narrative exemplifies how social capital functioning as relationship-based institutional resources enabled communities to sustain organizational commitment through periods when formal financial indicators deteriorated significantly. Karso et al. (2025) and Zhao et al. (2025) document similar mechanisms wherein social capital facilitates institutional resilience through multiple reinforcing processes including enhanced social learning capacity enabling organizations to develop adaptive responses to crises, collective action mobilization enabling organizations to pool resources and mutual aid during emergencies, enhanced information communication enabling rapid crisis response coordination, disaster preparedness development, and cultivation of civic responsibility commitment.

The empirical findings underscore that BUMDes institutional sustainability depends upon multifaceted organizational resources extending substantially beyond financial capital or technical management competence to encompass the quality and depth of social relationships between organizational management and community stakeholders. Investments in transparency, accountability, and trust-building, while frequently characterized as non-quantifiable and not directly observable in financial reports, yield substantial long-term institutional benefits manifesting in organizational resilience and capacity to survive exogenous shocks and endogenous organizational challenges. This finding aligns with Putnam (2000) and contemporary social capital literature emphasizing trust and reciprocal obligation as foundational institutional resources supporting organizational survival and effectiveness particularly in resource-constrained settings. **Dynamic Interaction Between Governance and Sustainability**

The comprehensive analysis revealed that governance and sustainability within BUMDes do not constitute separate institutional domains but rather interact dynamically, forming complex reciprocal relationships wherein governance quality influences sustainability outcomes and conversely sustainability challenges create governance pressures. Good governance practices particularly transparency and accountability mechanisms actively strengthen social capital by providing community members reliable information about organizational decision-making and financial management, thereby cultivating confidence that management acts in organizational rather than personal interests. Enhanced social capital in turn supports institutional sustainability by providing community commitment and stakeholder support enabling organizations to navigate market pressures and organizational challenges.

Lenz (2025) argues that more participatory and deliberative governance systems develop institutional resilience enabling organizations to address increasing complexity through diverse perspectives and information channels, contrasting with centralized hierarchical systems that more rapidly develop information bottlenecks and institutional rigidity as complexity increases.

However, the empirical investigation revealed that under conditions of severe economic pressures and limited organizational capacity, BUMDes managers frequently experience compulsion to compromise between governance idealism emphasizing participation and transparency and operational pragmatism emphasizing efficiency and organizational financial viability. Such compromises between idealism and pragmatism are not inherently negative; in numerous instances informal mechanisms and flexible organizational structures functioned as adaptive tools enabling organizations to navigate rapid market changes and respond to shifting community needs with greater agility than would rigidly formal governance structures.

Specifically, the capacity of informal networks to mobilize resources, coordinate collective action, and facilitate rapid decision-making enabled BUMDes to exploit emergent market opportunities and respond to crises without delays characteristic of extensive formal consultation processes. Conversely, over sustained periods a persistent absence of transparency and broad participatory engagement produced measurable erosion of social capital through community perception that organizational management operated through opaque networks serving elite interests rather than broader community welfare. Such erosion of social capital progressively weakened organizational legitimacy in community perception and reduced community willingness to provide institutional support during subsequent organizational challenges, thereby undermining long-term institutional sustainability. Peters and Torfing (2025) and Baldwin (2020) emphasize that organizational legitimacy depends upon perception that governance processes incorporate genuine stakeholder voice and consideration of diverse interests rather than merely providing symbolic participation opportunities without substantive influence.

The relationship between governance and sustainability in BUMDes therefore should not be viewed dichotomously as either success or failure, but rather as an ongoing navigation process between multiple competing institutional imperatives occurring amid resource constraints, market pressures, and community expectations. The success of BUMDes in this context is determined not exclusively by quantifiable financial performance or categorical compliance with formal governance standards, but rather by the dynamic capability to balance competing demands including efficiency versus inclusivity, short-term survival versus long-term sustainability, formal structures versus informal practices, and organizational management autonomy versus stakeholder participation. Dahlum et al. (2022) and Fernández-i-Marín et al. (2025) argue that organizations navigating high complexity require institutional designs accommodating deliberative processes and participatory mechanisms while retaining sufficient decisional flexibility enabling responsive management action, requiring institutional innovation rather than application of standardized governance templates.

### **Contextual Embeddedness of Governance and Sustainability Practices**

The investigation reveals that governance and sustainability practices within BUMDes cannot be adequately understood through application of normative governance models derived primarily from developed country institutional contexts and emphasizing formal structures, universal transparency standards, and equal participation as absolute prerequisites for governance legitimacy and effectiveness. Rather, governance and sustainability in Banten BUMDes emerge through complex interaction between formal regulatory frameworks, informal social structures grounded in kinship relations and community relationships, explicit organizational interests, implicit cultural values and norms, and pragmatic responses to operational constraints. Marina (2025) emphasizes that local wisdom constituting cultural values emphasizing reciprocity, collective responsibility, and stewardship represents legitimate institutional foundations deserving

formal recognition within governance frameworks rather than replacement by imported bureaucratic models.

The research demonstrates that Indonesian village-level institutions operate within contexts characterized by limited human resource capacity, constrained financial resources, strong reliance upon social relationships, distinctive cultural values emphasizing community solidarity, and institutional legacies of centralized decision-making. Permana (2025) argues that integrating indigenous wisdom with state-formal governance structures requires synergistic approaches recognizing both as legitimate institutional contributions rather than viewing local practices as impediments to be overcome through governance modernization. The findings therefore offer deeper contextual understanding of how local economic institutions including BUMDes operate within Indonesian rural environments characterized by dynamic interaction between formal regulatory systems and informal community governance traditions, challenging mainstream governance literature derived from Western institutional contexts that frequently presents such informal mechanisms as deviations from governance ideals rather than legitimate institutional innovations warranting recognition and deliberate strengthening.

## CONCLUSION

This study examined governance and sustainability practices within five purposively selected Village-Owned Enterprises in Banten Province, Indonesia, employing qualitative interpretive methodology and multiple case study design. The investigation yielded four significant findings that collectively challenge simplistic conceptions of governance and sustainability in local economic institutions. First, governance and sustainability in BUMDes function through dynamic duality wherein formal structures provide institutional legitimacy while informal networks grounded in kinship relations and social proximity exert preponderant influence over actual decision-making processes. Second, BUMDes managers adaptively reinterpret sustainability concepts emphasizing short-term economic survival rooted in operational pressures, yet simultaneously maintain social and environmental commitments embedded within indigenous local values. Third, persistent structural tensions characterize BUMDes governance between organizational efficiency imperatives and normative commitments to inclusive stakeholder participation, frequently resulting in systematic marginalization of women and youth. Fourth, social capital encompassing trust, reciprocal norms, and community cohesion functions as critical institutional resource enabling organizational resilience during financial crises and uncertainty, potentially exceeding the importance of formal management capacity. These findings demonstrate that governance and sustainability in village enterprises represent not merely regulatory compliance matters but ongoing navigation processes between competing institutional imperatives operating within contexts of resource constraints and community expectations.

The study acknowledges substantial limitations constraining generalizability including the restricted sample comprising five purposively selected BUMDes from single province, cross-sectional research design capturing information at singular temporal moment, underrepresentation of perspectives from marginalized groups including women and economically disadvantaged residents, and absence of longitudinal data tracking governance and sustainability dynamics across extended timeframes. Future research should expand sample size across Indonesian provinces, employ longitudinal designs capturing institutional change trajectories, incorporate quantitative methodologies complementing qualitative approaches, and deliberately prioritize participation of marginalized stakeholder perspectives. Practical implications suggest that BUMDes support policies require fundamental reorientation from standardized governance templates toward

contextually adaptive approaches recognizing informal institutional mechanisms as legitimate institutional contributions deserving deliberate strengthening. Assistance programs should emphasize social capital cultivation alongside technical skill development, facilitate dialogue between formal and informal governance systems, and design accountability mechanisms aligned with local institutional contexts rather than imposing external governance models disconnected from community realities. Recognition that governance represents culturally embedded practices requiring contextual adaptation represents essential foundation for enhancing BUMDes capacity and institutional sustainability within Indonesian rural development contexts.

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