

Village-Owned Enterprises in Brebes Regency: Governance Gaps, Market Competition, And Pathways to Sustainability

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Abstract

The poverty rate in Brebes is among the highest in the province, with 15.6% of its people living below the poverty line in 2024. To overcome these problems, Village-owned Enterprises (BUM Desa) were introduced through Law No. 6 of 2014 to tap local potential, boost welfare, and raise Village Original Revenue. While every village in Brebes has a BUM Desa, many are still at the beginning of their development and experience setbacks in areas such as legal formalisation, governance, managerial skills, and market competitiveness. This research uses a qualitative approach and a semi-structured interview with the Baperlitbangda and Dinpermades to analyse the institution's performance and its relationship with the emerging Koperasi Desa Merah Putih (KDMP). The findings indicate reliance on individual leadership, high levels of non-performing loans, and unclear market-share allocations, as Village-Owned Enterprises (BUMDes) are suspected of competing with KDMPs rather than collaborating with them. Strengthening the legal framework for professional management of Village-Owned Enterprises (BUM Desa) in Brebes Regency is necessary to realize a dynamic village economy.

Keywords: BUM Desa, KDMP, rural development, poverty alleviation, governance, Brebes regency

INTRODUCTION

Poverty levels in Brebes Regency, Central Java, remained the highest in the province. It is said that 282,280 individuals, or 15.6 percent of the population, lived below the poverty line in 2024, according to the Central Statistics Agency (Badan Pusat Statistik Kabupaten Brebes, 2024). Enduring poverty was concentrated in rural communities, where households relied on subsistence farming and microenterprises. Village-Owned Enterprises (BUM Desa), a new entity introduced under Law No. 6/2014 on Villages, is a village-based business entity established from a village's separated assets (Republik Indonesia, 2014). Their task is to nurture their local economic potential, provide basic services, and augment Village Original Revenue (PAD). Provincial figures from the Department of Community and Village Empowerment of Brebes reveal that 71% of Brebes' villages have established BUM Desa; however, fewer than half are truly functional.

The BUM Desa number for the Brebes regency has reached 292; however, many are either inactive or face incomplete legal status, low managerial capacity, poor governance structures, and low business viability. According to the Department of Community and Village Empowerment of Brebes, the regency has 292 established BUM Desa; however, many remain inactive or struggle with incomplete legal status, limited managerial capacity, weak governance structures, and low business sustainability. Continuous mentoring is widely regarded as more effective for improving legal compliance, governance practices, and business development.

The previous study also shows that the capacity of the institutions influenced BUM Desa performance, the competence of the managers, and the level of market access (Idriyanti & Agustina, 2023; Lutfitasari & Mulyani, 2022; Grimshaw & Miozzo, 2006). Structural barriers such as poor digital literacy, inadequate infrastructure, and weak governance oversight continue to impede expansion (Aprillia et al., 2021; Taufiq, 2024; Ollerenshaw et al., 2021). At the same time, positive examples demonstrate that robust social capital and multi-sector collaboration can accelerate progress towards the Sustainable Development Goals (SDGs), especially in inclusive growth and poverty reduction (Nugraheni et al., 2025; Yu & Huang, 2021). Improving governance, professional capacity, and long-term capacity building were thus identified as the key factors in orienting BUM Desa as a sustainable rural economic development actor (Bloomfield et al., 2018).

METHOD

This research adopted a qualitative descriptive design with semi-structured interviews to investigate the conditions, obstacles, and assistance provided by Village-Owned Enterprises (BUM Desa) in Brebes Regency. Two prominent government organizations, the Regional Development Planning Agency (Baperlitbangda) and the Department of Community and Village Empowerment (Dispermades), were purposively sampled as informants. These organizations were selected for their importance in planning, monitoring, and facilitating village-based economic growth.

Data were collected in July 2025 at a coordination forum attended by academic partners and local government officials. The interview guide provided space for open-ended questioning to the extent that the questions relate to legal and institutional arrangements, BUM Desa and Koperasi Desa Merah Putih (KDMP), management capacity, internal practices, and possible complications arising from blurred roles with other actors. We employed thematic analysis to identify emerging themes and divergent perspectives. The reliability of the data was increased by comparing information from both agencies and triangulating it with direct observation at the forum.

RESULT AND DISCUSSION

Interviews with officials from Baperlitbangda and Dispermades reveal several critical institutional and operational challenges affecting the performance of BUM Desa in Brebes Regency. Dispermades reported that approximately 40% of BUM Desa have not completed their legal formalisation, which is essential for accessing partnerships, financial services, and formal accountability mechanisms. Highlighting legal formalisation underscores its importance in enabling BUM Desa to operate effectively and sustainably.

A majority of BUM Desa remain in the early or developing stage, which limits their growth and community engagement. BUM Desa that exist administratively but carry out only minimal or low-impact activities, hindering their potential contribution to local development. A critical challenge identified is the high level of non-performing loans (NPLs) within BUM Desa operating savings-and-loans units. Dispermades estimated that NPL rates exceed 30–40% in several villages, primarily because of community perceptions that loans funded from village budgets are aid rather than repayable loans. This repayment indiscipline hampers capital liquidity and threatens the financial sustainability of BUM Desa.

The interviews further revealed significant overlap between BUM Desa and the emerging Koperasi Desa Merah Putih (KDMP). The BUM Desa and KDMP can create conflicts of interest and compete for the same market segments. These interview insights align with the existing literature, which highlights managerial competence, governance structures, and market clarity as foundational to BUM Desa's success (Puri & Khoirunurrofik, 2021; Sofyani et al., 2019; Fawcett et al., 2006). In the context of Brebes, the data suggest that prolonged mentoring, legal clarity, and defined boundaries between BUM Desa and KDMP are essential to preventing role overlap and strengthening institutional performance.

CONCLUSION

This study reveals that, despite the presence of Village-owned Enterprises (BUM Desa) in every village of Brebes Regency, most are still at the stage of new establishment or transition and have only a minimal impact on the economy. The enduring problems are identified as incomplete legal formalisation, weak governance structures, limited managerial capacity, and overwhelming reliance on village head leadership. The emphasis on small-scale savings and loan schemes, combined with relatively high levels of non-performing loans, has further hampered growth and diversification. Furthermore, there is a tendency for the BUM Desa and Koperasi Merah Putih (KDMP) to compete rather than complement each other, an issue worsened by a lack of explicit national policy guidance on sector roles.

To develop a coordinated strategy enabling BUM Desa in Brebes to achieve its full economic potential by consolidating its legal status, improving managerial professionalism, and positioning BUM Desa relative to KDMP. Through such actions, BUM Desa can become sustainable, competitive rural businesses that contribute to rural economic development and meaningful poverty alleviation in Brebes Regency.

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