

## **BUMDes as an Arena for Contesting Local Economic Policies: A Review of Village Government Politics in Enrekang Regency**

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### **Abstract**

Village-Owned Enterprises (BUMDes) are designed as strategic instruments to strengthen local economic development and increase village independence. However, in practice, village-owned enterprises function not only as economic entities but also as arenas for policy contestation involving power relations within village government. This study aims to analyze village-owned enterprises as an arena for local economic policy contestation by examining the political dynamics of village government in Enrekang Regency. This study uses a qualitative approach with a case study method. Data were collected through in-depth interviews, participant observation, and documentation studies. The results show that the process of formulating and implementing village-owned enterprise policies is influenced by the interaction of interests between the village head, village officials, the village consultative body, and local elites. This contestation has resulted in weak management professionalism, limited community participation, and the suboptimal contribution of village-owned enterprises to village economic growth. This study also found that strengthening participatory governance, institutional accountability, and digital-based transparency has the potential to reconstruct the role of village-owned enterprises as instruments for inclusive and sustainable local economic policy.

**Keywords:** *BUMDes; local economic policy; village government; policy contestation; Enrekang Regency*

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### **INTRODUCTION**

Government decentralization through regional and village autonomy policies has opened up ample space for villages to independently manage their local economic potential. In this context, village-owned enterprises (BUMDes) are positioned as strategic instruments for village economic policy aimed at improving community welfare, strengthening economic independence, and optimizing the use of local resources. BUMDes are expected to function as social business entities that are not solely profit-oriented, but also focused on equitable distribution of economic benefits and sustainable development at the village level (Karim et al., 2021).

Various studies indicate that the performance of village-owned enterprises in many regions is suboptimal. BUMDes often face issues with governance,

management professionalism, and low contributions to village revenues (Bahtiar et al., 2021). This situation indicates that the problems of village-owned enterprises are not solely technical and managerial but are also closely related to political dynamics and power relations within village governance (Becker, 2012). Village-owned enterprises can be understood not only as economic institutions but also as arenas for contestation of local economic policies (Yuliana & Alinsari, 2022).

In village governance practice, the process of formulating, implementing, and monitoring village-owned enterprise policies involves various actors, such as the village head, village officials, the village consultative body, and local elites (Karim et al., 2023). Interactions between these actors often give rise to competing interests, whether in determining business types, managing resources, or distributing economic benefits. As a result, BUMDes has the potential to become an instrument of domination by certain groups, while the principles of participation, accountability, and village economic justice have not been fully realized (Abduh et al., 2024).

Enrekang Regency is a region with village economic potential based on agriculture, plantations, and local micro-enterprises. Village governments in this region have established village-owned enterprises as part of their village economic development strategy (Ahmad, 2025). However, in practice, the existence of village-owned enterprises in Enrekang Regency exhibits diverse dynamics, both in terms of business performance and institutional governance. This situation makes Enrekang a relevant empirical context for examining village-owned enterprises from the perspective of village government politics and local economic policy (Andrew set al., 2011).

Based on this background, this study aims to analyse village-owned enterprises as an arena for contestation of local economic policy by examining the political dynamics of village government in Enrekang Regency. This research is expected to provide theoretical contributions to the development of studies on local economic governance and village governance, as well as practical contributions in the form of policy recommendations for strengthening the professional (Howlett et al., 2009), participatory, and sustainable management of village-owned enterprises (Antlöv et al., 2016). In accordance with its scope, this study emphasizes the importance of integrating management, governance, and public policy perspectives in understanding the role of village-owned enterprises as instruments of village economic development (Indartuti,, 2022).

The predominance of studies on village-owned enterprises focusing on business performance and managerial aspects has positioned them solely as business entities, whereas in the context of village governance, village-owned enterprises also serve as strategic arenas for the formulation and contestation of local economic policies (Karim et al., 2024). The limited number of studies that focus on the political dimension, particularly in non-urban areas such as Enrekang Regency, has resulted in an incomplete understanding of their implications for village governance politics (Karta et al., 2020).

Politically, village-owned enterprises are not neutral; the process of formation, management appointment, and capital management is subject to dynamic negotiations between village actors and influenced by local power configurations (Hasniati et al., 2023). The lack of integration of political and economic governance perspectives has the potential to overlook practices of patronage, clientelism, and resource distribution based on political proximity. Therefore, positioning village-

owned enterprises as an arena for contestation of local economic policies is crucial for enriching the analysis of village governance politics and encouraging more transparent, participatory, and accountable governance to strengthen village democracy and autonomy (Ansell & Gash, 2008).

Some of the implications of this phenomenon in the context of village governance politics in Enrekang Regency include:

Table 1. Implications of the phenomenon in the context of village government politics

| Political aspects                | Impact on village-owned enterprises   |
|----------------------------------|---|
| Legitimacy of village government | Participatory village-owned enterprises enhance the legitimacy of village government in developing the local economy; conversely, exclusive models can generate community resistance. |
| Distribution of power            | Control over village-owned enterprises often reflects local power dynamics (elite capture).   |
| Participation in power           | Changes in village-owned enterprise policies and strategies can reflect the level of inclusiveness within village governance.   |
| Village planning                 | Village-owned enterprises must be integrated into village development plans to avoid partial policies that lead to conflict.  |

Village-owned enterprises in Enrekang Regency are now a crucial instrument for local economic development, although in practice they still face complex political and managerial dynamics. As of May 2025, there were 72 village-owned enterprises and 4 joint village-owned enterprises in Enrekang Regency, with an activity rate of 70.83% (51 active BUMDes) out of 112 villages in 12 Sub-districts.

The novelty of this research lies in its effort to examine village-owned enterprises not only as village economic units (Pike et al., 2016), but also as spaces for interaction and contestation of interests among village government actors that influence the quality of governance, community participation, and local economic sustainability (Wahyuni et al., 2025). By combining the perspectives of village government politics and local economic policy, this research offers a more comprehensive understanding of the strategic role of village-owned enterprises in the village governance system. Based on this background, the research questions are formulated as follows: (1) how the political dynamics of village government shape village-owned enterprises as an arena for contestation of local economic policies in Enrekang Regency; and (2) what are the implications of this contestation for the governance and performance of village-owned enterprises (Daga et al., 2024).

In line with the problem formulation, the purpose of this study is to analyse the role of state-owned enterprises as an arena for contestation of local economic policies from the perspective of village government politics and to identify its implications for the governance and management of BUMDes (village-owned enterprises) in Enrekang Regency. To address this problem formulation, this study uses a theoretical framework that integrates the concepts of local economic policy, village governance, and power relations theory (Chahyono et al., 2024). A qualitative approach with a

case study method was chosen to explore in depth the dynamics of actors, interests, and decision-making processes in BUMDes management. This method choice allows researchers to gain a contextual understanding of village governance practices and local economic policy contestation occurring in Enrekang Regency.

## METHODOLOGY

This research uses a qualitative case-study design to deeply understand the dynamics of village economic policy through village-owned enterprises (BUMDes) in Enrekang Regency, South Sulawesi Province. BUMDes are positioned not only as business units but also as instruments of local economic policy operating within the village government structure (Sugiyono, 2007). Therefore, their policies are understood as the result of the interaction between economic interests, administrative authority, and village governance practices.

This case study was chosen because the research focuses on a specific empirical context with unique social, economic, and institutional characteristics. The units of analysis include: (1) BUMDes as a village economic organization, (2) village policy actors involved in policy formulation and implementation, and (3) the village economic policy process, including planning, decision-making, and implementation. Thus, BUMDes are examined as an arena for contestation over local economic policy.

Informants were selected through purposive sampling, with the possibility of snowball sampling to deepen the data (Burhan, 2007). Key informants included the village head, BUMDes administrators, the village deliberative body, village facilitators, and local business partners of BUMDes. Semi-structured interviews were conducted to explore the decision-making process, actor relationships, and economic and institutional interests in BUMDes management.

Data were also obtained through non-participatory observation of village deliberations, internal BUMDes meetings, and strategic operational activities. Documentation studies included village regulations on BUMDes, the village's medium-term development plan, the village government's work plan, BUMDes performance and financial reports, and regional policies related to the village economy, to assess consistency between formal policies and implementation practices (Habibi, 2020).

Data analysis was conducted thematically and iteratively using the interactive model of Miles and Huberman (2014) through the stages of data condensation, data presentation, and drawing and verifying conclusions. The analysis focused on the BUMDes governance structure, actor relationships, policy contestation processes, and their implications for BUMDes performance and sustainability, using a local governance and political economy approach. Data validity was maintained through triangulation of sources and methods, member checking, and cross-analysis of documents and field findings.

## RESULT AND DISCUSSION

### **The context of BUMDes governance in village economic policy**

The research findings indicate that the governance of village-owned enterprises in Enrekang Regency takes place within a contested arena of local economic policy involving various village and supra-village actors. While BUMDes are formally positioned as the primary instrument of village economic policy, in practice, their management is influenced by power relations between the village government, local

elites, regional governments, and community groups (Karim et al., 2025). The research found that strategic decision-making within BUMDes, including determining business types, allocating capital, and appointing administrators, is often influenced more by political and administrative interests than by considerations of economic feasibility and community needs. This leads some BUMDes to focus on complying with regulations and demonstrating policy success, rather than on business performance and the sustainability of the village economy.

Furthermore, community participation in the governance of BUMDes remains formalistic, limited to village deliberations without substantive involvement in business supervision and control (Karim et al., 2025). This situation reinforces the dominance of certain actors over control of village economic resources and limits the equitable distribution of benefits from BUMDes. From a village economic policy perspective, research shows that the integration of village-owned enterprises into village planning and budgets is not fully based on long-term economic strategies, but rather tends to follow the logic of annual projects and programs. Consequently, the role of village-owned enterprises as a driving force of the local economy is not optimal, despite their significant potential (Battilana & Lee, 2014).

Overall, the research findings confirm that the governance of village-owned enterprises in Enrekang Regency is an arena for contestation of local economic policies. The success of village-owned enterprises is largely determined by the village's ability to manage power relations, strengthen transparency and accountability, and encourage substantive community participation in village economic policies (Steiner & Atterton, 2006). The research findings indicate that village-owned enterprises in Enrekang Regency are formally positioned as the primary instrument of village economic policy. BUMDes are established through Village regulations and are embedded in the economic development agenda outlined in the village's medium-term development plan and the village government's work plan. Their business sectors are relatively diverse, including the trade of necessities, microfinance services, agricultural potential management, and other service units tailored to village characteristics.

Village-owned enterprises do not operate as fully autonomous business organizations. The governance structure demonstrates a strong dependence on the village government, particularly the village head, for both strategic decision-making and resource management (Warner, 2010). This is reflected in the village government's dominance in determining business direction, allocating capital, and evaluating the performance of village-owned enterprises. Research on the governance of village-owned enterprises in Enrekang Regency indicates that these institutions serve as vital instruments. Village economic policies continue to face various internal and external dynamics, as described in Table 2 below.

Table 2. Local governance context and economic impacts

| Category              | Description   |
|-----------------------|---|
| Economic optimization | In Salo Dua Village, Maiwa Sub-district, research shows that the effective management of village-owned enterprises significantly impacts farmer welfare. However, this success depends heavily on the |

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|   | quality of the human resources managing them.  |
| Contribution to the village's original income | In Kaluppini Village, the existence of village-owned enterprises has begun to contribute to the village's original income, although the community still does not fully see village-owned enterprises as the main solution for economic improvement due to operational constraints. |
| Local wisdom-based equity                     | Research at the district level suggests that village economic policies should be based on local wisdom, especially in the agricultural sector (chili and vegetables), which is the livelihood of 65% of the population.  |
| Managerial capacity                           | Analysis of the performance of village-owned enterprises in Enrekang Regency revealed that many administrators do not have the educational background or skills relevant to the business units they manage.  |
| Financial literacy                            | In Enrekang Regency, the level of financial literacy of managers (such as at the Mario Village-Owned Enterprise) is still limited, especially in conducting in-depth financial report analysis (balance sheets and cash flow).   |
| Financial barriers                            | Several village-owned businesses, such as those in Cemba Village, were found to be unable to generate financial profits independently because their business activities were still very limited and depended on village capital participation.                                     |
| Agricultural sector                           | Considering the large area of productive land, village-owned enterprises are directed to become pillars of the productive economy through agribusiness-based business units.   |
| Community empowerment                         | In Tokkonan Village, optimization is carried out through an empowerment concept that involves community leaders and youth to identify village's potential that can be commercialized professionally.   |

The governance of village-owned enterprises in Enrekang Regency is not merely a technical managerial issue, but rather part of the contested arena for local economic policy. BUMDes operate within a policy space influenced by power relations, political-economic interests, and institutional dynamics at the village and sub-district levels (Fratesi, 2023). This reinforces the view that village economic

policy is not neutral, but rather the result of negotiation and compromise between local actors.

Normatively, village policies and government regulations position village-owned enterprises as the primary instrument for promoting village economic independence, equitable distribution of welfare, and optimization of local potential. However, research findings indicate a tension between policy objectives and governance practices. Strategic decision-making within village-owned enterprises is often dominated by the village government and local elites, resulting in policy orientation emphasizing administrative aspects and regulatory compliance over innovation and business professionalism (Steiner & Atterton, 2015).

In the contested arena for local economic policy, village-owned enterprises serve a dual function: as economic institutions and as tools for legitimizing village policies. The determination of business units, the allocation of capital from the Village budget, and the appointment of administrators often become a forum for bargaining over political interests, particularly in the context of village leadership and relations with the local government (Karim et al., 2024). This condition has implications for the limited autonomy of village-owned enterprises as business entities and a weak orientation towards business sustainability.

Community participation remains procedural, not substantive. Village deliberations primarily serve as formal forums for policy approval, while social control and community oversight of the performance of village-owned enterprises are relatively weak (Chahyono et al., 2025). This reinforces the dominance of certain actors over control of village economic resources and limits the inclusive distribution of benefits from village-owned enterprises. Village economic policies in Enrekang tend to position village-owned enterprises within the logic of short-term programs and projects, rather than as long-term village economic strategies. As a result, the governance of village-owned enterprises has not fully addressed local economic challenges, such as creating added value, diversifying businesses, and strengthening the village's potential-based economy.

This discussion emphasizes that strengthening the governance of village-owned enterprises in Enrekang Regency requires a paradigm shift in village economic policy, from an administrative-political approach to an economic-institutional approach that emphasizes transparency, accountability, professionalism, and meaningful community participation (Wahyuni et al., 2022). Without improving power relations and designing more inclusive policies, village-owned enterprises will continue to be mired in the vortex of local economic policy contestation, limiting their role as a primary driver of village economic development.

These findings indicate that village-owned enterprises in Enrekang Regency are in a semi-autonomous position, where they are normatively required to be professional and independent, but structurally still tied to the bureaucratic logic of village government. This condition aligns with the literature on hybrid governance, which states that public economic organizations often experience a tug-of-war between the logic of public administration and business logic. These findings are relevant in demonstrating that the effectiveness of village economic organizations is largely determined by governance design, not solely by local economic potential.

## Key Actors and Interests in BUMDes Policy

Village-owned enterprise policies take place in a contested arena of local economic policy, involving various actors with differing interests. The village government (village head and village officials) is the dominant actor, holding formal authority in policy formulation, determining business direction, and allocating capital for village-owned enterprises through the village revenue and expenditure budget. These actors' primary interests are maintaining village government stability, ensuring regulatory compliance, and maintaining political legitimacy with the community and higher levels of government (Suriani et al., 2024).

The research identified several key actors involved in village-owned enterprise policies: the village head, village officials, village-owned enterprise managers, the village consultative body, village facilitators, and informal actors such as community leaders and local business owners. Each actor has a distinct role and interest in managing village-owned enterprises. The village head holds the most dominant position because he holds formal authority and control over village resources. Village-owned enterprise managers act as operational implementers, but their authority is often limited. The village consultative body carries out a supervisory function, although its role tends to be formal and not always effective. Informal actors play a role through social relationships and personal closeness with village elites.

This research confirms that village-owned enterprise policies do not exist within a neutral technocratic space, but rather operate within a contested arena of local economic policy, fraught with power relations and interests. Village-owned enterprises serve as a strategic space where various local actors interact, negotiate, and influence each other in determining the direction of village economic policy. The dominance of village governments as the primary actors indicates that formal authority remains a determining factor in village-owned enterprise policy decision-making. Village heads and village officials hold strategic positions in controlling the policy agenda, particularly through budgetary authority and regulatory legitimacy. In this context, the importance of maintaining political and administrative stability often outweighs the emphasis on strengthening the economic performance of village-owned enterprises (Ruslan et al., 2025). This explains why many village-owned enterprise policies emphasize procedural compliance over business innovation and economic sustainability.

Administratively, the management of village-owned enterprises in Enrekang Regency is supported by regional regulations to support the economic growth of the community, the majority of whom (around 65%) are engaged in the agricultural sector.

Table 3. Status and distribution of village-owned enterprises in Enrekang Regency

| Parameters         |  | Data              |
|--------------------|--|-------------------|
| Total enterprises  | village-owned  | 72 units          |
| Total enterprises  | village-owned  | 4 units           |
| Active enterprises | village-owned  | 51 units (70.83%) |
| Dominant sectors   | Agriculture (65% of population)                      |                   |
| 2025 budget        | At least 20% of village funds are allocated for food |                   |

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 security capital investment
 

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The political dynamics of village governance in Enrekang Regency, within the scope of village-owned enterprises, are seen as an arena for policy contestation because they involve various actors with differing interests. This dynamic is evident in several aspects, as shown in Table 4.

Table 4. Dynamics of village government politics

| Category                            | Description   |
|-------------------------------------|---|
| The strategic role of village heads | The Village Head has significant influence as an advisor, provider of advice, and determinant of future development plans for village-owned enterprises.  |
| Regional policy intervention        | The Enrekang Regency government plays a role in drafting regulations through regional regulations to optimize the role of village-owned enterprises based on local wisdom.  |
| Supervisory function                | From a local political perspective, supervision is the most dominant factor influencing the effectiveness of village-owned enterprises. In Salo Dua Village, Maiwa Sub-district, supervision has a significant influence (66%) on management success. |

Despite aiming to increase the village's original income, village-owned enterprises in Enrekang Regency face challenges that often become a source of policy debate, as illustrated in Table 5 below.

Table 5. Challenges and local contestation arenas

| Category                      | Description   |
|-------------------------------|---|
| Positional ambiguity          | Conflicts often arise between the functions of village-owned enterprises as social institutions (public services) and commercial institutions (profit-seeking).   |
| Management issues             | The lack of professional capacity and understanding of business governance among village officials often hampers the institutions' productivity.  |
| Suboptimal business potential | In several areas, such as Cemba and Tokkonan Villages, village potential mapping is ongoing to ensure that village-owned enterprise units (such as savings and loans or village markets) can be more productive in contributing to the village's original income. |

The relatively subordinate role of village-owned enterprise managers reflects the weak institutional autonomy of village-owned enterprises. Although managers are normatively expected to perform professional and business-oriented functions, in practice, they are under the shadow of village political interests (Kouskoura et al.,

2024). Dependence on capital support and village government legitimacy makes it difficult for village-owned enterprise managers to make strategic decisions based solely on economic considerations.

Meanwhile, the village deliberative body, which should function as a mechanism for oversight and representation of community interests, has not optimally fulfilled its oversight role. These weak checks and balances function reinforce the dominance of village executives in the local economic policy arena and narrows the scope for governance accountability. The presence of local elites adds to the complexity of contestation over village-owned enterprise policies. Village economic and social elites exploit their proximity to the centre of village power to influence policy direction in accordance with their interests, both to maintain existing economic positions and to access new resources. This situation has the potential to create policy bias and hinder the equitable distribution of benefits from village-owned enterprises.

In this context, village communities are in the weakest position in policy contestation. Formalistic participation indicates that the principle of inclusivity in village economic policy has not been fully realized. This imbalance in power relations often marginalizes the collective economic interests of communities in favour of the interests of dominant actors. Overall, this discussion confirms that the governance of village-owned enterprises in the arena of local economic policy contestation is determined by the power configuration between actors (Tremblay, 2015). Strengthening village-owned enterprise policies requires an institutional design that balances power relations, strengthens the role of village administrators and deliberative bodies, and creates space for more substantive community participation so that village-owned enterprises truly function as instruments of inclusive and sustainable village economic policy.

These results demonstrate that village-owned enterprise policies are the product of actor interaction, not the result of rational managerial decisions separate from political interests. A policy network perspective helps explain that actor power is determined not only by formal positions but also by access to information, social legitimacy, and power networks. These findings enrich the discourse on stakeholder management in public policy-based organizations.

### **The Tension between Public Logic and Business Logic in BUMDes**

Enrekang Regency's economic base is horticulture, livestock, and local trade, supported by strong social networks and village leadership. In this context, village-owned enterprises serve as a strategic instrument to strengthen the village economy while fulfilling the mandate of Law Number 6 of 2014 concerning Villages. However, BUMDes in Enrekang Regency straddles two orientations: public and business. Publicly, BUMDes are positioned as a tool for equity, empowerment, and distribution of village funds, with business units such as savings and loans, agricultural trade, fertilizer, and village tourism oriented toward helping the community. As a result, social considerations often outweigh economic feasibility, for example, low loan interest rates, which lead to high non-performing loans due to weak risk analysis.

On the other hand, village-owned enterprises are also required to operate with a business logic. They must be financially independent, professional in management, and able to compete with private businesses. Dilemmas arise when the prices of

village-owned enterprises' products are less competitive, managers are selected based on social proximity, and business decisions must undergo a lengthy deliberation process. Market efficiency and rationality often clash with the values of social justice and community harmony.

This tension is evident in local political interventions, where village-owned enterprises become arenas for legitimizing village power. Determining business managers or investments is not always based on competence, but rather on socio-political compromise. On the other hand, pressure to involve all residents as business partners often hinders business selectivity. Strong social capital is indeed a strength, but when not balanced with adequate accountability and financial record-keeping systems, business sustainability becomes vulnerable.

Village economic growth shows variation: some BUMDes are socially dominant but weak in terms of profit, others are professional but face social resistance, and others are able to balance the two adaptively. The latter model has the greatest potential to drive sustainable local economic growth. The tension between public and business logic is not simply a managerial issue, but a structural consequence of the village institutional design that blends the state, the market, and the community. The challenge is not to choose one over the other, but to synergize the two through appropriate governance so that BUMDes can become the driving force of an inclusive and professional village economy.

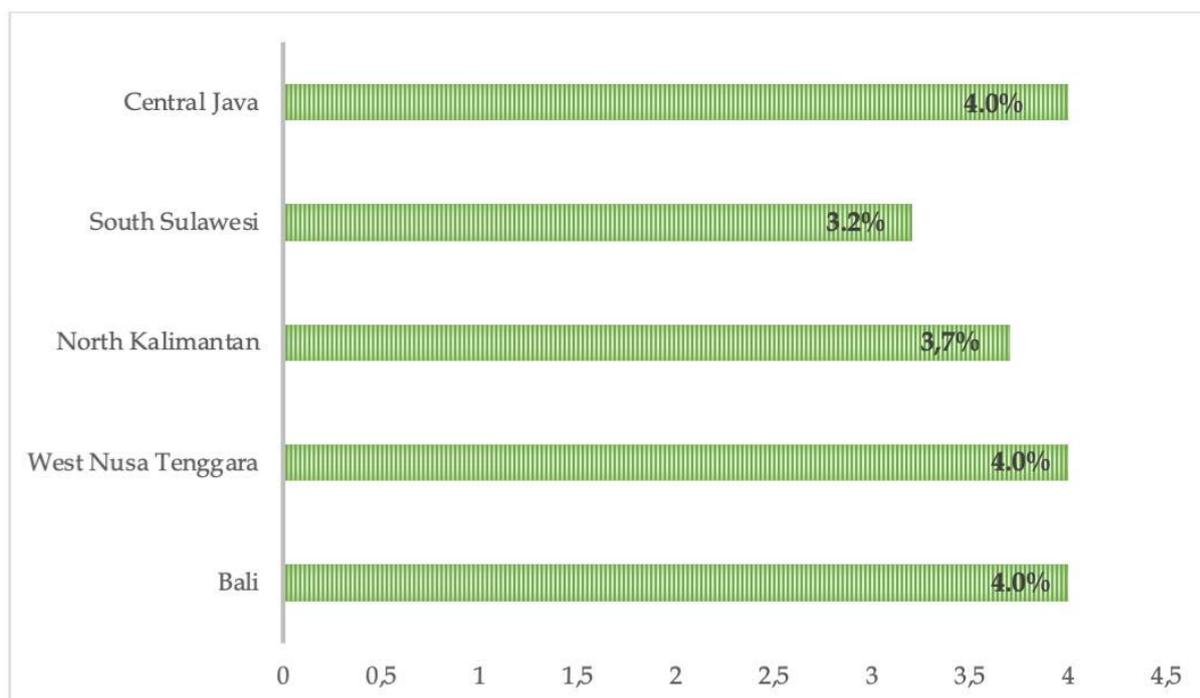


Figure 1. 5 Provinces with the highest economic growth in Indonesia in 2025.

Throughout 2025, Indonesia's economy grew by 5.11% according to the Central Statistics Agency (BPS), with several provinces, particularly outside Java and the eastern region, recording growth higher than the national average. This situation presents a strategic opportunity for village-owned enterprises (BUMDes) to strengthen the local economy.

However, the management of BUMDes (village-owned enterprises) is in tension between public and business logic. Publicly, BUMDes are positioned as instruments

for equity, social services, and village political legitimacy, so they are often burdened with programs that pay little attention to business feasibility. Conversely, the business logic demands professionalism, efficiency, and financial sustainability, but is often hampered by intervention by village governments and local elites that limit managerial autonomy.

The unclear boundaries between public and business functions exacerbate contestation between local actors, create ambiguity in goals, and undermine the performance and sustainability of BUMDes. Therefore, policy and governance designs are needed that balance these two logics proportionally, clarify roles, and strengthen managerial autonomy to ensure BUMDes effectiveness as hybrid organizations and instruments for sustainable village economic development.

## CONCLUSION

This research demonstrates that village-owned enterprises in Enrekang Regency are not merely economic entities but rather arenas for the interaction of local economic policies shaped by the dynamics of governance and power relations among village actors. Decision-making is determined more by governance structures and actor interactions than by considerations of business feasibility, resulting in BUMDes being characterized as hybrid organizations with tensions between public and business logics. When this tension is not managed institutionally, business direction becomes unstable, and performance weakens. Conversely, BUMDes with a clear separation between the regulatory functions of village government and operational management demonstrate more stable performance. This means that the quality of governance and policy design are key factors for success, not simply economic potential or capital size.

Theoretically, this research expands the study of village-owned enterprises by positioning BUMDes as instruments of local economic policy, strengthening the actor-centred governance approach, and emphasizing the relevance of the hybrid organization concept at the village level. Practically, a clear separation of regulatory and operational functions, professionalization of performance-based management, and a governance design that minimizes political interference and strengthens accountability are needed. The limitations of a single case study open up opportunities for comparative or mixed methods research to examine the relationship between BUMDes governance and performance more broadly.

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