

# The role of the village head in improving the performance of BUMDes in Sempajaya Village, Berastagi District, Karo Regency in 2022-2023

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## ABSTRACT

This study aims to analyze the role of village heads in improving the performance of Village-Owned Enterprises (BUMDes) in Sempajaya Village, Karo Regency, in 2022-2023. The research employed a qualitative method with a descriptive approach, using in-depth interviews and document analysis as the techniques for collecting data. The results showed that the village head has a major contribution to empowering the BUMDes institution through transformational leadership, which includes idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Additionally, the village head applies good governance principles, such as transparency, accountability, and community participation. Supporting factors for improving BUMDes performance include proactive leadership, community support, and inter-institutional coordination. However, inhibiting factors include limited capital, post-harvest payment policies, and a lack of training for BUMDes managers. The study recommends adaptive leadership strategies and institutional capacity building to enhance the long-term sustainability of BUMDes.

**Keywords:** Village Head; BUMDes; Transformational Leadership; Good Governance; Performance.

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## 1. INTRODUCTION

Performance refers to the achievements or records of results achieved and the functions of specific jobs or activities within a specified period. In addition, performance can also be defined as the results or work carried out by individuals or groups that can be measured concretely in the context of an organization. Government performance includes good accountability to the interests of the village and the village community as a whole, working together with village officials to implement village regulations that serve as guidelines for the community, in accordance with the village regulations established in the implementation of government performance (Kementerian Dalam Negeri Republik Indonesia, 2021). The Village Head is an individual who has full responsibility for the success of the government organization at the village level. In carrying out their duties and responsibilities, the Village Head is assisted by Village Officials who are tasked with providing services to the local community. The quality of services provided by the Village Apparatus is greatly influenced by the leadership of the Village Head. Therefore, the Village Head must set a good example and be a role model in providing services to the community. Thus, the Village Apparatus, as their subordinates, will not only provide services but also respect and follow the instructions and actions of the Village Head, which in turn will improve the quality of services to the community (Rahman, 2021).

The central government encourages villages to manage their local potential independently through Village-Owned Enterprises (BUMDes), which are officially regulated by Government Regulation of the Republic of Indonesia Number 11 of 2021 (PP No. 11 Tahun 2021, 2021). One example of a village that has successfully utilized the potential of BUMDes is Sempajaya Village, located in Berastagi Subdistrict, Karo Regency. The BUMDes, named 'Sempah Arih', was established in 2017 and manages several business units that contribute to the local economy and community empowerment. Some of these units include the Lau Tapin Spring, where the BUMDes developed access to the spring by constructing stairs and ditches on both sides of the stairs. This is intended to make it easier for visitors to get to the spring, which is renowned for its crystal-clear water. There is also the jambur, a place used for a variety of community activities, including traditional meetings, religious events, and other communal gatherings. The administration of that jambur provides financial support to the village through rentals and functions held within. Finally, there is a fertilizer shop, an essential requirement for the majority of the Sempajaya villagers who are farmers.

Between 2022 and 2023, BUMDes Sempa Arih, one of the earliest established BUMDes in Sempajaya Village, prospered. This concerned not only the proceeds of businesses but also the transparency, involvement of the community, and system of financing management. This was none other than the role of the village head, who has a direct concern for BUMDes from the planning phase to the implementation of business activities. The importance of the village chief to enhance the performance of BUMDes is very significant as the village chief has a strategic position to become a mentor for BUMDes according to PP No. The village head is given space to provide advice for the BUMDes annual work plan, oversee the process of business activities to ensure its conformity with village visionary development, and to make that BUMDes applicable the principle of transparency and accountability. In reality, the village chief is not a passive watcher but also a tool for connecting community concerns and village potential.

The rural community of Sempajaya also aligned itself with the principle of transparency in the management of the Village Funds. This can be seen from the availability of APBDes information in the form of billboards installed at several points in the village. This activity was appreciated directly by the Minister of Villages, Underdeveloped Regions, and Transmigration Abdul Halim Iskandar during his working visit to Karo Regency in 2023. This appreciation indicates that the performance of the village government, including managing the Village Owned Effort (BUMDes), is moving in the right direction (AntaraneWS, 2024). In the context of the visit, Minister Abdul Halim Iskandar mentioned that Sempajaya Village was among the villages that managed the Village Fund in a transparent and accountable way. This award shows that the leadership of the village head is not only internally renowned in the village but also acknowledged by the central government. This kind of success certainly needs to be academically studied and serve as an example and lever for other desa that want to optimally develop their BUMDes. In 2023,

BUMDes Sempa Aarih of Sempajaya Village gained third position in the Best BUMDes Competition in North Sumatra, which was held by the North Sumatra Office of Community and Village Empowerment. The trophy is not only a trophy that is given, but it also means that a village is serious about managing its business entity professionally and profitably to the community. Its success adds to the reputation of the village head as an inspiring person who could tap the latent power of the village to do even more.

Nevertheless, the development process of the BUMDes business unit is also faced by challenges, mainly in its agriculture businesses, such as in the provision of fertilizers, where limitations are high. One of the major hindrances is the BUMDes payment system after harvesting by the community. In this arrangement, the community pays only once the post-harvest is over, but BUMDes spends capital earlier, at the start of the planting season. This causes BUMDes' cash flow to stagnate, thus preventing capital rotation and the spreading of its business. This problem is especially challenging for village heads in securing the sustainability of BUMDes. Village heads should be able to find cooperative solutions (strengthening partnership agreements, cross-subsidizing between business units, or collaborating with microfinance institutions) that would keep BUMDes going without having to depend on cash from farmers' harvests. The fact that, apart from being supervisors, village heads need to be entrepreneurial in their policies to address local economic dynamics is also reflected in this study.

The success of the Village-Owned Enterprise (BUMDes) is what made the PADes income in Sempajaya Village gradually increase. During 2022-2023 the Village-Owned Enterprise (BUMDes) earned more income, which benefited village development activities. The increase in this income is clear proof of the success of the village head in guiding and managing BUMDes in connection with the vision of sustainable village development.

The novelty of this study lies in the integration of transformational leadership theory and good governance theory in analyzing the role of village heads in improving the performance of village-owned enterprises (BUMDes), which has rarely been studied simultaneously in the context of village governance. Empirically, this study highlights the case of Sempajaya Village in Karo Regency, which succeeded in improving the performance of BUMDes after the 2022–2023 pandemic through adaptive, collaborative, and innovative leadership. This study also offers a new conceptual model of good governance-based adaptive leadership, in which the village head acts not only as an administrative supervisor but also as a motivator, mediator, and innovator in overcoming economic obstacles. Thus, this study makes both theoretical and practical contributions to the literature on local politics, village leadership, and BUMDes governance in Indonesia.

The main focus of This study aimed to analyze the role of village heads in improving the performance of Village-Owned Enterprises (BUMDes) in Sempajaya Village, Berastagi Subdistrict, Karo Regency, with an emphasis on how leadership styles and the application of good governance principles affect the effectiveness of village economic institutions. The main objectives are to identify the forms of village head leadership that contribute to improving BUMDes performance, understand the application of good governance principles in BUMDes management, and reveal the supporting and inhibiting factors that influence the success of village heads in optimizing the role of these institutions to promote community welfare and village economic independence.

## **2. METHOD**

This research uses a descriptive qualitative method to gain an in-depth understanding of the influence of the village head's role on the performance of BUMDes in Sempajaya Village, Berastagi Subdistrict, Karo Regency. This method was also selected because it describes the social reality in natural situational and context by the direct contact between the researcher and the informants in the field. The research informants were selected purposefully; they were the village head, village secretary, BUMDes Sempa Aarih administrators, BPD members, and local leaders who possessed more knowledge and insight about the dynamics of BUMDes management. During this study, data were gathered via in-depth interviews, observations, and documentation studies of BUMDes and its archives of activities and financial records. To keep the data valid, triangulation of sources and methods was applied by cross-

checking the results of interviews, observations, and official documents to gain trustworthy and consistent data. The analysis was conducted using Miles and Huberman's (1994) model, which consists of data reduction, data display, and drawing/verification of conclusions. With this approach, the study attempted to capture a holistic understanding of village head leadership and the principles of good governance in relation to building a successful BUMDes at the village level.

### **3. RESULT AND DISCUSSION**

#### **3.1 The Role of the Village Head in Improving the Performance of BUMDes in Sempajaya Village in 2022-2023**

A role is an activity associated with individuals or institutions in the political process of input and output. Political input is about the way in which the aspirations, demands, and interests of society are taken up and aggregated, while political output is about the policies, decisions, and programs that have been formulated to respond to those of society. Here, political actors such as village heads are not simply instruments for implementing administrative dictates from above but must also absorb and manage the aspirations of village communities and translate those into development policies that can make a difference. This role is not only linked to the formal position but also to leadership, influencing, and having a social conscience to the environmental surrounding.

Thus, the village head's role in increasing the capacity of BUMDes can be interpreted as active and holistic participation. The village head is more than a policy administrator; he also serves as a mentor for the vision of the village's economic development, an institutional coach, a policy monitor, and a catalyst of community involvement. The village head facilitates the synergizing of the BUMDes managers, the community, and other village institutions to realize effective and participative village business management. This role is a significant rest in leading BUMDes to be independent, accountable, and actively serve citizens' welfare.

The role of the village head in Sempajaya Village reflects a model of transformational leadership (Bass, 1990), where leaders become sources of inspiration and drivers of social change. In practice, Meliala Purba applies the four main dimensions of transformational leadership, namely ideal influence, inspirational motivation, intellectual stimulation, and individual attention, which have a direct implication on increasing the trust and performance of BUMDes. This role can be analyzed in greater depth using two theoretical approaches: transformational leadership theory and the principles of good governance. As village heads do in transformational leadership theory, they lead not only with the powers associated with the position but also with their values, taking an exemplary posture, calling for innovativeness, and paying close attention to the individual. In this regard, the village head of Sempajaya shows ideal leadership with integrity in his principle of work, his presence directly involved in the people's life, and his spirit to village officials and BUMDes administrators. Meanwhile, principles of good governance, such as transparency, accountability, participation, effectiveness, efficiency, and responsiveness, can also be seen in the village system. The village leader practices the principle of transparency and informs the community about the village budget and programs. Accountability is conveyed through his participation in monitoring the physical and BUMDes financial reports. Community life is organized and participation is promoted through hamlet consultation forums, at which residents can make their aspirations heard.

Capacity building of BUMDes is a priority that is highly important to the Head of Sempajaya Village in the process of revitalizing the pengurus of BUMDes Sempa Aarih. The first thing that was done was to rearrange the BUMDes institution by placing figures who have great capabilities and commitment to the village. The village head made sure that every administrator knows their duties, functions, and responsibilities, as prescribed in Regulation of the Minister of Home Affairs No. 11 Year 2021. This was done by conducting painting sessions of coordination and managerial training between village facilitators and experts from the Karo Regency Community and Village Empowerment Office. In addition, the village chief empowered the village BUMDes administrators through training in financial management, administration, and marketing. "This is a crucial step because many of the administrators are from the

local community and have no experience running village enterprises. The move to enhance HR capacities aligns with the concept of empowerment in participatory leadership theory, wherein leaders are responsible for motivating their subordinates to be more self-sufficient and capable of making decisions (Rauf, 2015).

To increase the performance of BUMDes Sempa Aarih, the Sempajaya Village Head Meliala Purba intends to strengthen institutions as a priority of village economic development. After conducting field observations, the village head also initiated the reorganization of BUMDes through village regulations with the community, village supervisors, and the Village Consultative Body (BPD). This was done because the BUMDes structure was not effective, and there was no clear division of duties. The election of new administrators was democratic and based on the candidates' skills and integrity. This is an implementation of the principles of participation and local democratization, in which village policies are developed through deliberation and consensus between the village government and community.

Along with the physical changes, the Lurah of Meliala Purba Village was also very instrumental in enhancing the BUMDes management HR. According to the results of interviews with village officials and management, the village head advised management to attend training and mentoring from the Karo Regency Community and Village Empowerment Office on management, financial administration, and institutional management. This is to enable the management of BUMDes to be technically and administratively capable of running the institution professionally. This step is in line with the concept of empowerment in participatory leadership theory, where leaders not only direct their subordinates but also empower them to have the skills and responsibilities for the institutions they lead (Rauf, 2015). In other words, the Head of Sempajaya Village acts not only as a formal superior but also as a mentor and facilitator for BUMDes administrators to strengthen their institutional capacity.

In addition to strengthening institutions, the Head of Sempajaya Village also focused on developing strategic business units that were in line with the community's economic characteristics. Based on the results of the study, two main business units were developed by BUMDes: a fertilizer and pesticide shop and village clean water management. The selection of these two sectors was based on the results of village deliberations, which identified that the majority of the Sempajaya community are farmers, so the need for fertilizers, pesticides, and clean water services is a top priority. The fertilizer and pesticide shop provides agricultural supplies at prices that are more affordable than the general market price. In addition, the sales system implemented is a post-harvest payment mechanism, whereby farmers are allowed to take the fertilizer first and make payments after the harvest is received. This system is designed to ease the economic burden on farmers at the beginning of the planting season and to increase the purchasing power of the village community.

This policy embodies the principle of distributive justice, which asserts that the economic fruits of the village should be shared among all its members and not merely captured by a few groups. This also serves as an indicator of transformational leadership, as Bus (1990) describes, where leaders not only seek economic profits but also want to influence society in a broader manner that directly influences citizen welfare. The Village Leader of Meliala Purba has also widened the scope of the village economy by setting up a unit of clean water management to supply pure drinking water to the villagers, which is also a source of income for the Village-owned enterprise (BUMDes). This management of clean water from tariff-setting and customer registration to periodic income reporting is systematically carried out. A portion of the village store's profits is donated to social village activities, such as maintaining water infrastructure and providing aid to the poor.

This approach to management is an expression of the practice of good governance at the local level, especially in the areas of transparency and accountability (UNDP, 1997). The village head guarantees that the financial reports of all BUMDes are made available to the public on the village information board and are then deliberated in a yearly consultation with the community. This transparency fosters public trust and enhances social legitimization of village administrations.

The results of this study also indicate that the empty organizational strengthening and business unit piloting of the Head of Sempajaya Village led to a significant improvement in the performance of BUMDes. The BUMDes revenue surged approximately 20 percent over the year 2022, as per the financial

report 2023. This is a result of good financial management and increasing community participation in both unit bisnis yang stabil. These achievements made BUMDes Sempa Aarih also awarded the Third Runner-up Best BUMDes in North Sumatra in 2023, which is evidence of the success of economic village management, which is made professional, participative and accountable. In theory, the Village Head Meliala Purba, in its role of BUMDes business unit development and institutional capacity building to enhance its performance, demonstrates the confluence of transformational leadership theory (Bass, 1990), participatory empowerment theory (Rauf, 2015), with the elements of good governance (UNDP, 1997) in its operations. In this case, the three theories serve to complement each other: transformational leadership is more about motivating and creating a vision for change, participatory empowerment is about empowering individuals and groups, and good governance highlights the role of transparency and accountability as central to the ruling of public organizations. The Head of Sempajaya Village has succeeded in proving that by seeing these three principles concurrently, a model of village leadership can be developed that supports the welfare of society, economic sustainability, and social trust in BUMDes institutions.

The successful management of Sempa Aarih Village-Owned BUMDes (BUMDes) is one of the important components in the village Sempajaya good governance Application in Sempajaya Village. Meliala Purba, the village head, said that the management of village and BUMDes should be transparent, accountable, and participatory in order to enhance and maintain the public confidence as well as to guarantee the sustainable development of village economic activities. Good governance principles have been applied systematically from the planning and implementation stages to the evaluation of BUMDes programs based on field studies. The village head administers the transparency of public information in every undertaking of BUMDes. Every single report, from financial reports to business results and spending policies, is put on the village notice board and announced at village general meetings. Villagers have the right to know how much money BUMDes makes each month and how much it pays for running costs. This practice is in line with the principle of transparency, as elaborated in UNDP (1997): transparency refers to a situation where information about public affairs is accessible to the public in a way that may contribute to an increase in public confidence in the government. Because of the transparency, the people feel that they are jointly responsible for keeping a close eye on the implementation of village programs to prevent leakage or doubts associated with the management of public funds.

In addition, each business unit must periodically report its activities and finances to the village government, which ensures accountability. Kepala desa membuat sebuah sistem evaluasi internal yang dilakukan setiap tiga bulan untuk menilai pelaksanaan BUMDes baik dalam aspek administrasi maupun keuangan. In addition, BPD also oversees and audits financial reports and offers them to the community. This pattern is in line with the view of Sedarmayanti (2018), who stated that accountability is a form of moral and administrative responsibility of the village government to the public, whereby every policy must be openly accountable. Community participation is also a major concern for village headmen. In every strategic activity, such as the establishment of new business units, program evaluation, and determining the priority of BUMDes profit expenditure, the community is always involved through village deliberations. Based on interviews with community leaders, residents' involvement in the planning and evaluation of village economic programs has created a sense of ownership and strengthened trust between the community and the village government. This shows that the village head has applied the value of inclusiveness, which is to ensure that every level of society plays a role in the development process, as emphasized in the theory of good governance (UNDP, 1997).

In addition to transparency, accountability, and participation, the Head of Meliala Purba Village also pays attention to the principles of effectiveness and efficiency in managing BUMDes. Business unit management is the result of a well-regulated task division between the formally appointed administrator and the executive village officials. The village leader instructs that each programme must have quantifiable objectives and indicators of success. For instance, in the fertilizer shop BUMDes, the village head has put in place a system of stock rotation to avoid goods from accumulating and to assure an adequate cash flow for BUMDes. This shows a good understanding of the resource efficiency principle, which is about managing money and labor optimally to derive maximum results (Sedarmayanti, 2018). The village head's

hinany is also observed in the response to the problems of the administrators and the people of the village. When farmers defaulted on their fertilizer payments because of crop failure, the BUMDes village head refrained from punishment and instead employed an approach of persuasion and bargained with BUMDes administrators to see what they could do. This behavior exhibits the realization of ethical and humanistic leadership values, whereby community interests remain a priority without sacrificing the institution's stability. This approach is similar to that of a transformational leader, wherein the leader is focused on social change for a just and enduring social order (Bass, 1990).

The study results indicate that the implementation of good governance principles directly influences trust in the public and the management of the village economy. The more stable performance of BUMDes and the growing community engagement of Sempajaya Village are worthy of accolades from the North Sumatra Provincial Government and the Ministry of Villages, Disadvantaged Regions, and Transmigration in 2024. The government considers the way BUMDes Sempajaya Village manages its business as exemplary of good governance at the village level. The practice of Village Head Meliala Purba in applying good governance principles illustrates how local leadership ethics can be seen as the embodiment of contemporary public management values. Transparency, accountability, participation, effectiveness, and responsiveness are the pillars of a professional village economic institution. In fostering an open government and community-oriented leadership, the village head has won by adhering to these tenets. Theoretically, this practice confirms that the success of BUMDes is not only the result of efficient fund management but also of quality governance based on public participation and leadership integrity.

### **3.2 Supporting and Inhibiting Factors in the Role of Village Heads in Improving the Performance of Village-Owned Enterprises in Sempajaya Village in 2022-2023 PenDalam Meningkatkan Kinerja BUMDes di Desa Sempajaya Tahun 2022-2023.**

The success of Meliala Purba, the village head, in improving the performance of BUMDes Sempa Arih was influenced by strong supporting factors and obstacles that still need to be overcome in policy implementation. First, transformational leadership style has been a dominant factor in driving the improvement of BUMDes performance. Based on interviews with the Village Secretary, Village Head Meliala Purba is considered to have the ability to mobilize and motivate the community through example, direct guidance, and social closeness with residents (Interview, May 15, 2025). He not only acts as an administrative decision maker but also as an inspirational figure who instills the values of cooperation and collective responsibility in village officials and BUMDes administrators.

This type of leadership is in line with the concept of Bass (1990) regarding transformational leadership, which is capable of transforming the behavior and awareness of subordinates to achieve common goals effectively. In the context of Sempajaya Village, the transformational leadership of the Village Head can be seen from his direct involvement in village deliberations, guidance to administrators, and initiatives to expand BUMDes business units. Second, high community participation is a significant factor. Based on interviews with the Head of BUMDes and community leaders, the people of Sempajaya are actively involved in deliberative meetings, business activities, and supervision of BUMDes activities (Interview, May 15, 2025). This involvement indicates a trust relationship between the community and its government at the village level, which has been fostered through dialog and information transparency. Citizen participation is also informal, but quite real: they participate in the evaluation and take an opinion about the city's business policies. This corresponds to the principle of participation in good governance (UNDP, 1997) that advocates meaningful engagement of the community in all aspects of public decision-making.

Third, the role of kepala desa is reinforced by government regulations. The stipulation of Government Regulation No. 11 of 2021 on BUMDes is a legal momentum for the village to run the business in a professional, dynamic, and independent manner. Based on an interview with the Village Secretary, the Village Head of Sempajaya also responded to this regulation by restructuring its management and formulating internal operational regulations to ensure that BUMDes complies with national regulations (Interview, May 15, 2025). This support in regulation posits a clear legal status for BUMDes

as legal entities owned by the village and at the same time provides possibilities for collaboration with external entities such as cooperatives and banking institutions.

Fourth, village synergy consolidates governance. Based on interviews with the BPD chairperson and village facilitator, the relationship between the village head and BPD, including the BUMDes management, is very good, quite harmonious, and sufficiently cooperative in carrying out each of their respective functional duties (Interview, May 15, 2025). The Village Head is the director, the BPD is the policy control institution, and the BUMDes management is the technical executor. This coordination model represents the implementation of collaborative governance principles, with the involvement of multiple village actors with different powers and responsibilities. From a Foucaultian perspective (Michel Foucault, 1980), this exercise of power demonstrates that power is not hierarchical but is dispersed through a social network where members govern and govern each other. With strong institutional synergy, village programs can be implemented in a more participative and effective manner.

The performance of BUMDes Sempa Aarih in Sempajaya Village appears to have improved in 2022–2023 as a result of the integration of transformational leadership and good governance concepts. The four primary dimensions of transformational leadership—idealized influence, intellectual stimulation, inspirational motivation, and individualized consideration—described by Bass and Riggio (2006) seem to be connected to the institutional change process in BUMDes through organizational restructuring, management capacity building, and direct support in developing business strategies. This method was demonstrated when the village chief reorganized the administration democratically and hired people based on their qualifications and moral character. The management's professional capacity was enhanced by administrative and financial training provided by the Karo PMD Office. This mechanism is in line with the principles of participation, transparency, and accountability within the framework of Good Governance (UNDP, 1997), which is implemented through village deliberation forums, the publication of financial reports on information boards, and quarterly audits by the Village Council (BPD). The combination of adaptive leadership and open governance serves as a catalyst for increasing public trust and building the social legitimacy of BUMDes. Empirical evidence shows that the governance model applied is associated with a significant improvement in BUMDes performance, marked by revenue growth of around 20% in 2023 based on official BUMDes financial reports.

In addition, external recognition was also obtained in the form of the 3rd place award for the Best BUMDes in North Sumatra in 2023 and appreciation from the Minister of Villages, Abdul Halim Iskandar, during his working visit in 2023, which demonstrated the legitimacy of the village governance model at the national level. However, a counterfactual case arose in the implementation of the post-harvest fertiliser payment policy, which, although designed on the basis of distributive justice and social support for farmers, posed the risk of cash flow stagnation and delays in capital restocking, as noted: 'post-harvest payment system stagnates cash flow'. This indicates a trade-off between equity and liquidity, confirming that the success of BUMDes is not solely determined by leadership and participation but also by a financial policy design that is sensitive to economic risks. From an academic novelty perspective, this study fills a gap in the literature that has separated studies of leadership and good governance, and offers a new proposition that village financial policy instruments such as payment scheduling and cross-subsidies between business units can function as instruments of transformational leadership and governance mechanisms for managing liquidity risk. Therefore, the direction of further research that can be tested is: (i) the causal relationship between transparent governance and improved financial performance of BUMDes, (ii) the effect of deferred payment policies on the solvency of BUMDes, and (iii) a comparative model between villages using a BUMDes KPI panel to test the generalisation of findings. These findings reinforce the argument that the success of BUMDes requires synergy between leadership integrity, institutional capacity, and governance mechanisms that are responsive to local economic dynamics, and provide policy implications for village heads, BPD, and DPMD to build an adaptive, participatory, and sustainable performance-based management system.

Although there are several supporting factors that have made the role of Head of Sempajaya Village in BUMDes performance improvement more dominant, and also there are a number of existing obstacles in their implementation. These obstacles included lack of human resources, capital business, administrative

barriers, and low community understanding about BUMDes functions. One of the biggest problem encountered in running BUMDes is the lack of human resources. Based on the interviews conducted with BUMDes administrators, several administrators are still lacking skills in management and financial administration particularly in reporting and financial management (Interview, 15 May 2025). This has led to delays in reporting and errors in transaction recording. There have been attempts to raise capacity with training organised by the village government, but the disparities in competence among office-holders is a stifling problem. Within the framework of good governance, such HR limitations might also have negative effects on the accountability and efficiency of a public organization (Sedarmayanti, 2018). Hence, strengthening the capacity of the village officials is a critical need for the sustainability of BUMDes.

Moreover, small capital becomes a bottleneck in the BUMDes economic activities development. According to the BUMDes treasurer, majority of the business capital is still derived from village funds, however the profits have not been enough to cover the requirements of a sustainable capital turnover (Interview, 15 May 2025). The post-harvest payment system for fertilizer that is so operationalized is a convenience to farmers, but it also slows down BUMDes cash flow since income from sales is received only after the harvest season. This results in delays in restocking and impedes business development. This policy epitomizes the social justice versus economic efficiency conundrum. The Village Head continues to advocate a farmer friendly approach, embodying elements of ethical and transformational leadership (Bass, 1990) as he places social considerations before financial benefits.

Administrative and bureaucratic barriers are also hindrances in managing BUMDes. The village secretaries said that the central government's adjustments in reporting formats and the introduction of online financial reporting systems frequently cause headaches for village officials when switching the reporting systems (Interview, May 15, 2025). A culture of constantly shifting rules means administrators' technical skills and the administrative requirements of the government are out of step. From Foucault's (1980) point of view, This is an example of the working of state power through a regulatory system that governs and controls the conduct of government to such an extent that it penetrates to the level of local government. These types of administrative barriers have a domino effect in that not only do they delay the reporting process, but they also place a greater burden on both the village officials and the BUMDes managers.

Another factor that contributes to is that there are still some community members that do not realize BUMDes plays a part in being a shared economy. based on community leaders interviews, some community members still see BUMDes as a program owned by the village government and they need to support it actively as a business organization (Interview, May 15, 2025). This overhang has led to uneven community involvement, especially in social investment, as well as alma mater involvement. Whether this perception illustrates the need for rural economic development to be institutional as well as a 'mindset shift, that requires communities to 'own' BUMDes as a vehicle for shared prosperity.

#### **4. CONCLUSION**

Based on the analysis performed, it can be said that the village head has a significant influence on improving the BUMDes performance in Sempajaya Village in 2022-2023. The transformational role of the village head is very much apparent as s/he gives direction, motivation and hands-on monitoring to BUMDes managers. Also aremination and modelisation of the principles of good governance - including transparency, accountability, participation, effectiveness and efficiency - harmonized into practice in good governance. The village head initiated community participation in decision-making through village meetings, and the management of the BUMDes finances was regular and transparent. Meanwhile, two opposing processes, which are the supporting and inhibiting factors were also at play to influence BUMDes performance. Supportive factors were the community support, coordination among village institutions and the central government recognition for the BUMDes Sempajaya performance. On the other hand, the biggest influence of hindering factors were lack of business capital, some society members have low participation in post-harvest payments, and poor management of BUMDes financial administration. However, the barriers can still be overcome little by little with the proactive participation

of the head of the village so better and more sustainable BUMDes administration can be realized with the active participation of the village head, concluded the paper, Summary of rural enterprises business bad answers that threatening to a stronger Sempajaya BUMDes.

### **Ethical Approval**

The study was established following a guideline of social and humanistic research ethics. The field work and interviews process were conducted with respect for the informants confidentiality, their voluntary consent, the non-maleficence and the participants rights.

### **Informed Consent Statement**

Prior to the interviews, consent was sought from all the participants in this study. They received information about the study, how it would benefit the scientific community and they were told their personal identifiers would not be disclosed. This consent was taken orally with a prior agreement between the researchers and the informants in the field in consideration of the social cultural context of the Sempajaya Village community.

### **Authors' Contributions**

DMP is the lead investigator of the study and the research process, including the definition of the problem, field data collection, data analysis, and drafting of the article. FAM contributes to the substantive review of content and results of analyses and to final revisions of the manuscript to ensure scientific integrity and ethical standards for publication.

### **Disclosure Statement**

The author states no conflict of interest in this research from an academic, institutional or financial perspective.

### **Data Availability Statement**

The information utilized in the analysis was collected through key informant interviews and village government documents.

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### **Notes on Contributors**

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