



Analysis of Village-Owned Enterprises (BUMDes) in Economic Empowerment and Extreme Poverty Alleviation in Rural Areas

Budi Gan Gan Gumilar¹ Ikeu Kania²

^{1,2}University of Garut, Jawa Barat, Indonesia, Indonesia

Correspondence Author: 24094124008@pasca.uniga.ac.id

Abstract:

This study aims to examine the role of Village-Owned Enterprises (BUMDes) in economic empowerment and extreme poverty reduction in Garut Regency, focusing on five villages that have active BUMDes. Based on data analysis, the results of the study show that BUMDes play an important role in improving the welfare of rural communities through economic empowerment and reducing extreme poverty. The institutional performance of professionally managed BUMDes, with a clear organizational structure, high accountability, and a focus on local potential-based businesses, has been proven to support economic empowerment significantly. Economic empowerment carried out by BUMDes has succeeded in reducing the extreme poverty rate through increasing income and quality of life for village communities. In addition, the active participation of the community in the planning and management of BUMDes strengthens the impact of economic empowerment. Support from the government and village assistants, through training, capital provision, and policies that support business innovation, also strengthens the performance of BUMDes. Innovation in business models and business diversification are key to the sustainability and scalability of empowerment programs. These findings support community-based development theory and social business concepts, which emphasize the importance of local institutions in economic empowerment. Based on the results of the study, it is recommended that the government and related parties increase support for the development of BUMDes through policies, training, and capital provision, as well as strengthen community participation in the management of BUMDes to increase the impact of economic empowerment in rural areas.

Keywords: BUMDes, economic empowerment, extreme poverty, community participation, business innovation.

INTRODUCTION

Extreme poverty in rural areas is a fundamental challenge faced by developing countries, including Indonesia. Although the government has launched various poverty alleviation programs, the facts on the ground show that some rural communities still experience limited access to economic resources, education, health, and basic infrastructure. The high level of hidden unemployment, low agricultural productivity, and limited business opportunities in villages further aggravate these conditions. In this context, the economic

empowerment of village communities is one of the important strategies that can be carried out sustainably. One of the institutional instruments that has great potential in strengthening the village economy is Village-Owned Enterprises (BUMDes).

BUMDes are business entities established by villages and managed collectively by village communities to manage local economic potential. Born from the mandate of Law Number 6 of 2014 concerning Villages, BUMDes is expected to be able to become a pillar of village economic independence and a forum for inclusive community empowerment. Through a social business approach oriented towards the welfare of residents, BUMDes can be an effective driving force for the village economy in reducing inequality and encouraging equitable development. The ideal BUMDes model should not only be profit-oriented, but also able to create jobs, increase the capacity of local business actors, and strengthen social solidarity and community independence.

This research aims to develop and analyze a BUMDes-based economic empowerment model in an effort to overcome extreme poverty in rural areas. The main focus of this study is to identify the characteristics of BUMDes models that are effective, sustainable, and adaptive to local needs. This study also evaluates the role of BUMDes in creating economic added value, opening market access, and encouraging active community participation in productive economic activities. Thus, the results of the research are expected to make a significant contribution to the formulation of village development policies based on the social entrepreneurship approach.

Conceptually, the empowerment approach carried out in this study refers to the theory of community-based development which emphasizes the importance of active community involvement in every development process. In addition, the local economic development approach is the basis for analysis in describing how the potential and comparative advantages of villages can be mobilized through economic institutions owned by the community itself. The BUMDes model developed is not uniform, but contextual and responsive to the challenges and opportunities that exist in each village.

Previous studies have shown that the role of BUMDes in alleviating poverty and empowering village communities is increasingly real. For example, a study in Lemujut

Village shows how collaboration between BUMDes and MSMEs can increase local business capacity and encourage village economic growth. Meanwhile, in Langensari Village, local economic development through BUMDes has proven to be able to improve the welfare of the community directly. Another study in Bira Tengah Village, Sampang Regency, revealed that the existence of BUMDes has a multidimensional impact—both economically, socially, and environmentally—in efforts to alleviate poverty. (Maryanti et al., 2023) (Sidik, 2020) (Rohmah & Yulistiyono, 2023)

In addition, a study in Kediri Regency emphasizes the importance of community empowerment through BUMDes not only from an economic perspective, but also in strengthening social cohesion. From an institutional aspect, good management as researched in Srowot Village, Banyumas, is the key to increasing the village's original income and the effectiveness of the BUMDes program. Furthermore, a study in Galangpengampon Village shows that community empowerment through BUMDes also plays a role in reducing the unemployment rate, while research in Sambirejo Village strengthens the evidence that BUMDes have a significant contribution to improving community welfare. Research in Bali Province also adds the dimension of the importance of the role of managers in the success of BUMDes as an instrument for poverty alleviation. (Sari & Tukiman, 2023) (Scott, 2017) (Prince, 2024) (Marzuki et al., 2023) (Son, 2025)

By referring to these findings, this study seeks to complete the gap in the existing literature by developing a model of economic empowerment of BUMDes that is integrated with extreme poverty reduction programs, taking into account social, economic, institutional, and public policy dimensions

LITERATURE REVIEW

Extreme poverty refers to a condition in which individuals live on an income below the international poverty line, which is set by the World Bank at USD 1.90 per day. Extreme poverty is characterized by an individual's inability to meet basic needs such as food, clean water, health, education, and shelter. In Indonesia, extreme poverty in rural areas is generally caused by limited access to economic resources, lack of non-agricultural employment, and low productivity in the informal and agricultural sectors.

According to the poverty alleviation strategy, it needs to focus on building local economic capacity and creating business opportunities based on regional potential.

Therefore, community-based economic development approaches are becoming increasingly relevant in the context of sustainable extreme poverty reduction. (Stephen C. Smith, 2006)

BUMDes is a village-owned economic entity established to manage local economic potential collectively and oriented towards community welfare. In Law No. 6 of 2014 concerning Villages, BUMDes is positioned as a strategic instrument for village economic development. BUMDes can be engaged in various sectors, such as trade, microfinance services, natural resource management, and village tourism development.

According to , BUMDes is not only an economic tool, but also a vehicle for social learning and collective empowerment of village communities. With a participatory and transparent governance model, BUMDes can be the main driver in creating jobs, increasing community income, and strengthening village independence (Eko, 2016)

The concept of community-based economic empowerment emphasizes on increasing the capacity of local communities to control economic resources and make decisions collectively. Within this framework, society is not only an object, but an active subject in the process of development. Empowerment includes aspects of access to information, skills training, institutional support, and opportunities to manage and obtain direct economic benefits.

(David C. Korten, 1984) states that successful development is "people-centered development", which means development that is designed based on the needs and capacity of the community itself. A good economic empowerment model must integrate economic, social, and institutional aspects in an integrated manner.

The social business model applied in the context of BUMDes emphasizes the achievement of social benefits through business activities. Muhammad Yunus (2010), in the idea of social business, states that social enterprises are designed not to maximize personal profits, but to overcome social problems, including poverty and unemployment. In the context of BUMDes, this approach is suitable because the business orientation is not only profit, but the welfare of the village community.

According to Sunasih Mulianingsih in the journal *Registratie* Vol. 4 No. 1, BUMDes plays a very strategic role in alleviating poverty in villages. BUMDes, as a village economic institution, has the potential to empower village communities through professional and participatory management. By encouraging the community to engage in economic activities, such as marketable production businesses, BUMDes can help increase the income and economic independence of rural communities. This will reduce dependence on external aid

and significantly reduce poverty levels. The success of BUMDes in carrying out their duties is highly dependent on good management and the active participation of the village community itself. (Mulianingsih, 2022)

In a study published in *Abdima: Journal of Student Service*, Village-Owned Enterprises (BUMDes) in Mulyajaya Village, Kutawaluya District, Karawang Regency, play an important role in efforts to advance the economy of the village community. Even so, this study found that the function of BUMDes in the village is still not optimal in significantly improving the economy of residents. This is due to several factors, such as a lack of capital, a low level of public concern, and limited human resources. This study uses a descriptive qualitative approach with data collection methods through observation, interviews, and recordings, as well as data analysis using techniques from Miles and Huberman, which includes data organization, data reduction, and conclusion drawn. (Ummah, 2019)

Based on the theoretical foundation and the results of previous research, the following hypotheses can be formulated:

Main Hypothesis (H1):

The BUMDes model that is managed in a participatory and professional manner has a significant effect on the economic empowerment of rural communities.

Derivative Hypothesis:

- H2: The economic empowerment of village communities through BUMDes has a negative effect on the level of extreme poverty in the village.
- H3: The institutional performance of BUMDes (aspects of governance, management, and transparency) has a positive effect on the success of economic empowerment programs.
- H4: The level of community participation in BUMDes has a positive effect on the success of economic empowerment.
- H5: Village and external government support (mentoring, training, business capital) strengthens the relationship between BUMDes and the reduction of extreme poverty.
- H6: Business model innovation and business diversification of BUMDes increase the sustainability of economic empowerment programs.

METHOD

1. Research Design

This study uses mixed methods, which combines quantitative and qualitative approaches to obtain a comprehensive understanding of the economic empowerment model

through BUMDes in overcoming extreme poverty in rural areas, especially in Garut Regency. The quantitative approach is used to test the influence between variables and test hypotheses, while the qualitative approach is used to delve deeply into the social, cultural, and institutional context in the field through interviews and observations. This research was conducted in the form of an explanatory study to explain the causal relationship between variables, as well as multiple case studies in several villages in Garut Regency that have actively developed BUMDes.

2. Subjects and Objects of Research

- Research Subjects: Village communities (especially poor households), BUMDes managers, village governments, village assistants, and other local stakeholders.
- Research Object: Institutional and operational model of BUMDes in economic empowerment and its impact on extreme poverty reduction.

3. Population and Sample

- Population: All villages in Garut Regency that already have active BUMDes and are registered with the Ministry of Rural Development and Development.
- Sample: Sample determination is carried out by purposive sampling with the following criteria:
 - The village is located in an area with an extreme poverty category (BPS/Kemendes data).
 - BUMDes have been operating for at least 2 years.
 - BUMDes have economic empowerment programs (farming, savings and loans, trade, tourism, etc.).
 - 5 villages from Garut Regency were selected as a case study, and 150 quantitative respondents (30 each per village).

4. Operational Definitions and Measurement Variables

- Performance of BUMDes (X1): The level of effectiveness and efficiency of village business management.

- Community Participation (X2): The level of community involvement in BUMDes activities.
- Government Support & Companion (X3): Assistance, policies, and technical assistance provided.
- Economic Empowerment (Y1): The process of increasing the economic capacity of the community.
- Extreme Poverty Rate (Y2): The percentage of the population living below the extreme poverty line.

5. Data Collection Techniques

- Primary Dates:
 - Questionnaire to measure perceptions and quantitative data from the community and BUMDes actors.
 - In-depth interviews with BUMDes managers, village heads, and village assistants.
 - Field observations on business activities, social environment, and village community dynamics.
- Secondary Data:
 - BUMDes financial statements.
 - BPS and the Ministry of Rural Development and Rural Development data on extreme poverty.
 - RPJMDes and RABDes documents related to economic empowerment.

6. Data Analysis Techniques

- Quantitative Analysis:
 - The validity and reliability test of the instrument uses the Pearson and Cronbach Alpha tests.
 - Classical assumption test (normality, multicollinearity, heteroscedasticity).
 - Multiple regression analysis to determine the simultaneous influence of variable X on Y.
 - SEM (Structural Equation Modeling) or PLS-SEM, if data and samples are supportive, to comprehensively test models of interdependencies between variables.
- Qualitative Analysis:

- Data reduction, data presentation, and conclusion drawing using thematic analysis techniques.
- Data is analyzed using NVivo (when available) to map narrative patterns, social context, and program impact.

7. Hypothesis Testing

The test was carried out based on the results of the regression/SEM test with a significance of $\alpha = 0.05$. The hypothesis will be accepted if the p-value is < 0.05 and the regression coefficient is positive or negative according to the direction of the hypothesis.

RESULTS OF RESEARCH AND DISCUSSION

This research focuses on Village-Owned Enterprises (BUMDes) in Garut Regency that have been operating for at least 2 years. The data used includes information related to the characteristics of BUMDes, community participation, government support, and their impact on economic empowerment and extreme poverty reduction. The sample used involved 5 villages with active BUMDes in Garut Regency.

The results of the validity test showed that all questionnaire items had a correlation value greater than 0.30, which indicates that the instruments used in this study had adequate validity. In addition, Cronbach's Alpha value for all variables was greater than 0.70, which indicates that this research instrument is reliable and trustworthy to be used in data collection.

Meanwhile, the results of the regression test show that the performance of BUMDes has a significant influence on economic empowerment (coefficient of $\beta = 0.478$, p-value = 0.000). Economic empowerment has also been shown to have a significant negative impact on reducing extreme poverty (coefficient $\beta = -0.526$, p-value = 0.000). In addition, community participation (coefficient $\beta = 0.398$, p-value = 0.002) and government support (p-value = 0.015) have been proven to strengthen economic empowerment. Business innovation also plays an important role in the sustainability of economic empowerment programs (coefficient $\beta = 0.351$, p-value = 0.004). Overall, the regression model showed an Adjusted R^2 of 0.69, which means that 69% of the variation in economic empowerment can be explained by the independent variables tested.

Hypothesis	Coefficient β	P-value	Conclusion
H1: Performance of BUMDes → Economic Empowerment	0.478	0.000	Accepted
H2: Economic Empowerment → Extreme Poverty Reduction	-0.526	0.000	Accepted
H3: Community Participation → Economic Empowerment	0.398	0.002	Accepted
H4: Government support as moderator	Significant (interaction)	0.015	Accepted
H5: Business Innovation → Program Sustainability	0.351	0.004	Accepted

The regression model shows **an Adjusted R^2 of 0.69**, which means that 69% of the variation in economic empowerment can be explained by independent variables.

The answers to the research questions show important findings related to the role of BUMDes in economic empowerment in villages.

1. Characteristics of Effective BUMDes in Economic Empowerment Effective BUMDes have a clear organizational structure, with a high level of accountability, and broad community involvement in their management. The main focus of BUMDes is on the development of businesses that utilize local potential, such as farming or household industries. BUMDes managed with professional management are more likely to be adaptive to change and sustainable, allowing them to continue to grow in supporting the economic empowerment of rural communities.

2. Economic empowerment through BUMDes has proven to be effective in reducing extreme poverty. The results of the analysis showed a significant negative relationship between the level of economic empowerment and the level of extreme poverty in the village. People involved in BUMDes programs experience a better increase in income and daily consumption, which shows a direct impact on improving their quality of life.
3. Community participation in the planning and management of BUMDes plays a very important role in strengthening the impact of economic empowerment. The more actively involved the community is, the greater the potential for the success of empowerment programs. Government support, both in the form of training, capital provision, and policies that support business innovation, also plays a strengthening factor. With this support, BUMDes can optimize the existing potential and strengthen the socio-economic impact at the village level.

This study reveals several key findings related to the role of BUMDes in economic empowerment in villages. The institutional performance of BUMDes, which includes good management, clear organizational structure, and high accountability, has proven to contribute greatly to the success of economic empowerment. Professionally managed BUMDes have the ability to maximize the potential of the village and improve the welfare of the community.

The active participation of the community in business planning and management is also an important factor that strengthens the impact of empowerment. The community involved in BUMDes activities is more committed and contributes to business management that is beneficial to the local economy.

Support from the government and village assistants has also proven to be an important factor in strengthening the relationship between BUMDes and economic empowerment. Training programs, capital provision, and supportive policies play a significant role in improving the performance of BUMDes.

Economic empowerment through BUMDes has proven to be effective in reducing extreme poverty rates. People involved in BUMDes programs experience a significant

increase in income and welfare, which has a direct impact on reducing poverty levels in villages.

In addition, innovation in business models and business diversification are the main keys to the sustainability and scalability of empowerment programs. BUMDes that are able to develop various types of businesses in accordance with local potential have better resilience and are able to continue to develop despite facing challenges.

These findings support community-based development theory and social business concepts. BUMDes managed as socio-economic entities have proven to be able to create a wide economic and social impact, not only by increasing people's income, but also by strengthening social solidarity and creating local business opportunities. Local institutional-based economic empowerment models such as BUMDes have great potential to address the challenges of extreme poverty in rural areas. The success of this model relies heavily on internal factors, such as management and community participation, as well as external factors, including policy support, mentoring, and market access.

CONCLUSION

This study aims to examine the role of Village-Owned Enterprises (BUMDes) in economic empowerment and extreme poverty reduction in Garut Regency, using data from five villages that have active BUMDes. Based on the results of the analysis, it can be concluded that BUMDes play a very important role in improving the welfare of rural communities through economic empowerment and reducing extreme poverty.

1. The institutional performance of professionally managed BUMDes with a clear organizational structure, high accountability, and a focus on business management that utilizes local potential has proven to contribute greatly to economic empowerment. BUMDes that have good management tend to be more adaptive to change and sustainable.
2. Economic empowerment carried out through BUMDes has proven to be effective in reducing the extreme poverty rate. Programs that involve the community in the management of BUMDes have a direct impact on increasing their income and quality of life, which in turn reduces poverty levels in the village.
3. The active participation of the community in the planning and management of BUMDes is an important factor that strengthens the impact of economic empowerment. The greater the community involvement, the more successful the empowerment program will be.
4. Support from the government and village assistants plays an important role as a strengthening factor in the relationship between BUMDes and economic empowerment. Training programs, capital provision, and policies that support village business innovation are very helpful in improving the performance of BUMDes.
5. Innovation in business models and business diversification carried out by BUMDes are very important in the sustainability and scalability of empowerment programs. BUMDes that are able to innovate and develop businesses that are in accordance with local potential have better resilience and can continue to develop despite facing challenges.

Overall, the research supports community-based development theory and social business concepts, which emphasize the importance of the role of local institutions in economic empowerment. BUMDes have proven to be effective in creating broad economic and social impacts, not only increasing people's income, but also strengthening social solidarity and creating local business opportunities. The success of BUMDes is highly dependent on internal (management and community participation) and external factors (policy support, mentoring, and market access). The BUMDes-based empowerment model has great potential to overcome extreme poverty in rural areas.

Based on the above findings, it is recommended that the government and related parties better support the development of BUMDes through training, capital provision, and policies that support business innovation. In addition, increasing community participation in the planning and management of BUMDes is very important to strengthen the impact of economic empowerment in villages in Garut Regency.

IMPLICATION

This research has several important implications that can be adopted by various parties involved in the management and development of Village-Owned Enterprises (BUMDes), both at the village, district, and central government levels. The findings show that BUMDes have great potential to encourage economic empowerment and reduce extreme poverty in villages, with various factors that play an important role in achieving this success.

1. These findings confirm the importance of professional management of BUMDes, with a clear organizational structure and high accountability. Therefore, BUMDes managers need to improve their managerial capacity and operational quality to ensure business sustainability and the achievement of economic empowerment goals. The success of BUMDes is greatly influenced by the quality of management that can adapt to changes and is able to optimize local potential. BUMDes that have a good organizational structure and focus on businesses that are in accordance with the potential of the village are more likely to be successful in managing resources and having a positive impact on the community.
2. The active participation of the community in the planning and management of BUMDes is very important to strengthen the impact of economic empowerment. These findings imply that BUMDes that actively involve the

community in every stage of management tend to be more successful in carrying out empowerment programs. Therefore, it is important for BUMDes managers to prioritize community participation through training, regular meetings, and discussion forums that strengthen community participation in the management of BUMDes.

3. The support of the government and village assistants has proven to be very influential in the success of economic empowerment through BUMDes. This shows that government policies that support the development of BUMDes, including the provision of capital, training, and policies that encourage business innovation, must continue to be strengthened. Local and central governments can facilitate BUMDes with adequate resources and supportive policies to increase the operational capacity of BUMDes and strengthen the socio-economic impact in villages.
4. Innovation in business models and business diversification are the keys to the sustainability of economic empowerment programs. This finding implies that BUMDes need to innovate in creating new business models that are in accordance with local potential. Therefore, sustainable business development through innovation and diversification of products or services will strengthen the competitiveness of BUMDes, as well as provide opportunities to expand market reach and increase profits. The government can support this by providing incentives for businesses that implement sustainable innovation.
5. Reducing the extreme poverty rate through economic empowerment facilitated by BUMDes has important implications for village development policies. These findings show that with proper management and community participation, BUMDes can be an effective tool in reducing poverty. Therefore, the role of BUMDes must be maximized as a means of sustainable economic empowerment, which not only increases people's income but also improves their overall quality of life.

Overall, this study provides a clear picture of how local institution-based empowerment models, such as BUMDes, can be an effective solution in addressing the challenge of extreme poverty in rural areas. The achievement of success in economic empowerment is highly dependent on internal factors, such as good management and community

participation, as well as external factors, such as policy support and assistance from the government. Therefore, it is important to continue to strengthen the capacity of BUMDes and integrate support from various parties, both government and community, to ensure the sustainability and success of economic empowerment programs in villages.

BIBLIOGRAPHY

- David C. Korten. (1984). *People-Centered Development: Contributions Toward Theory and Planning Frameworks*.
- Eko, S. (2016). *Building independent, sturdy and sustainable BUMDes*.
- Maryanti, E., Biduri, S., & Sari, H. M. K. (2023). Improving the Community Economy through Assistance for Village-Owned Enterprises. *KARINOV Journal*, 6(3), 175. <https://doi.org/10.17977/um045v6i3p175-178>
- Marzuki, S., Ariska, A., Study, P., Public, A., & Puangrimaggatung, U. (2023). The Influence of Village-Owned Enterprises on Community Welfare. ... *Student Scientific Journal...*, 2(2), 209–218. <https://journal.uin-alauddin.ac.id/index.php/siyasatuna/article/view/12328%0Ahttps://journal.uin-alauddin.ac.id/index.php/siyasatuna/article/download/12328/13616>
- Mulianingsih, S. (2022). THE ROLE OF VILLAGE-OWNED ENTERPRISES (BUMDes) IN SUPPORTING VILLAGE POVERTY ALLEVIATION. *Journal of Registration*, 4(1), 10–21. <https://doi.org/10.33701/jurnalregistratie.v4i1.2405>
- Putra, I. K. E. (2025). *POVERTY IN RURAL AREAS IN THE PROVINCE OF BALI*. 9(1), 17–38.
- Putri, N. E. (2024). : *BUMDes, Community empowerment, Unemployment*. 3(1), 56–65.
- Rohmah, B. Q., & Yulistiyono, H. (2023). The Impact of Village-Owned Enterprises (Bumdes) as an Effort to Alleviate Poverty in Bira Tengah Village, Sakobanah District, Sampang Regency. *Bulletin of Development Economics*, 3(1), 80–94. <https://doi.org/10.21107/bep.v3i1.18505>
- Sari, A. P., & Tukiman, T. (2023). Community Empowerment Through Village-Owned Enterprises (BUMDes) in Kediri Regency. *JAKPP (Journal of Policy Analysis & Public Service)*, 1–21. <https://doi.org/10.31947/jakpp.v9i1.25770>
- Sidik, H. (2020). Increasing the role of village-owned enterprises (BUMDes) as a driver of the rural economy in Langensari village. *Journal of Community Service*, 4(1), 21–30.
- Stephen C. Smith. (2006). *Economic Development*.
- Ummah, M. S. (2019). No 主観的健康感を中心とした在宅高齢者における健康関連指標に関する共分散構造分析Title. *Sustainability (Switzerland)*, 11(1), 1–14. http://scioteca.caf.com/bitstream/handle/123456789/1091/RED2017-Eng-8ene.pdf?sequence=12&isAllowed=y%0Ahttp://dx.doi.org/10.1016/j.regsciurbeco.2008.06.005%0Ahttps://www.researchgate.net/publication/305320484_SISTEM_PEMBETUNGAN_TERPUSAT_STRATEGI_MELESTARI
- Widiyarta, A. (2017). Governance dynamics. *State Administration Sciences*, 7(April), 64–81. <http://ejournal.upnjatim.ac.id/index.php/jdg/article/view/1198>