



Management of Agricultural Facilities through Village-Owned Enterprises in North Gorontalo Regency, Indonesia

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Abstract

Village-owned enterprises represent a central institutional mechanism through which Indonesia's decentralization framework seeks to transform village fund allocations into sustainable local economic activity. Yet despite their developmental mandate, a substantial proportion of BUMDes particularly those operating in agricultural sectors in peripheral regions fail to generate meaningful economic returns for village communities, a pattern that remains insufficiently explained in the existing literature. Drawing on institutional theory and collaborative governance perspectives, this study investigates the governance factors constraining the management of agricultural facilities through BUMDes Ipilo Makmur in Ipilo Village, Gentuma Raya District, North Gorontalo Regency, Indonesia, with a focus on three interrelated dimensions: planning, cooperation, and supervision. A qualitative descriptive case study design was employed, with data generated through in-depth interviews with seven purposively selected informants, supplemented by field observations and document analysis. Thematic analysis of the data reveals that all three governance dimensions are critically deficient and operate as mutually reinforcing institutional constraints. Planning processes were formally initiated but substantively inadequate, lacking financial risk assessment mechanisms and community compliance protocols, resulting in systematic farmer loan defaults and working capital immobilization. Cooperative relationships between BUMDes management and farming beneficiaries were undermined by misaligned community perceptions of revolving fund capital, inequitable service delivery, and nepotistic practices within the management structure. Village government supervision was rendered ineffective by primordialism and supervisory capture, preventing the detection and correction of compounding operational failures. Together, these deficiencies constitute a governance deficit system in which inadequacies across all three dimensions interact to accelerate organizational decline driving BUMDes Ipilo Makmur to the verge of operational collapse within one year of establishment. The study contributes an integrated governance deficit model that conceptualizes planning, cooperation, and supervision as mutually conditioning institutional constraints, extending collaborative governance theory to the underexplored domain of agricultural BUMDes in peripheral Eastern Indonesia. The findings have direct implications for the design of governance reform interventions in village-owned agricultural enterprises across Indonesia's outer islands.

Keywords: Agricultural facility management; Collaborative governance; Governance deficit; Rural economic development; Village-owned enterprise (BUMDes)

Introduction

Rural economic development remains one of the most enduring governance challenges confronting developing countries. Despite substantial public investments aimed at reducing spatial inequality and promoting inclusive growth, many rural regions continue to experience persistent poverty, limited economic diversification, and structurally weak institutions. In Indonesia, these conditions motivated the enactment of Law No. 6 of 2014 on Villages a landmark decentralization reform that transferred significant administrative

authority and fiscal resources to village governments with the explicit mandate to reduce rural-urban disparities and strengthen local economic self-sufficiency. Through the Village Fund program, the Indonesian government has annually allocated trillions of rupiah to over 74,000 villages, seeking to stimulate local economic activity, improve public services, and reduce poverty (Rammohan & Tohari, 2023). Yet despite its scale and ambition, the Village Fund program's capacity to generate durable economic transformation remains uneven across Indonesia. While numerous studies document improvements in rural infrastructure, public services, and employment opportunities, persistent weaknesses in village governance, administrative capacity, accountability mechanisms, and local economic institutions continue to constrain the conversion of fiscal transfers into sustainable developmental outcomes (Anam et al., 2023; Antlöv et al., 2016; Arifin et al., 2020; Hilmawan et al., 2023; Lewis, 2015; Permatasari et al., 2021).

The limitations of resource-transfer approaches to rural development have redirected scholarly and policy attention toward the governance quality of local institutions. Research on local and regional development increasingly suggests that development outcomes depend not only on the availability of financial resources but also on the institutional arrangements through which those resources are governed, coordinated, and deployed. Institutional environments shape accountability structures, collective decision-making processes, and the capacity of local actors to mobilize collective action, manage resources effectively, and translate public investments into sustainable economic gains (Pike et al., 2007; Rodríguez-Pose, 2013; Valentinov & Baum, 2008). Effective local institutions enhance coordination, accountability, adaptive capacity, and collaborative problem-solving, while weak institutional arrangements often result in reactive planning, procedural accountability, and fragile stakeholder relationships that constrain developmental outcomes (Horlings et al., 2018; Vázquez-Barquero & Rodríguez-Cohard, 2016). This proposition is supported by evidence from Indonesia's village development landscape, where governance quality, rather than resource availability alone, emerges as a critical determinant of local economic development outcomes (Arifin et al., 2020).

Within Indonesia's decentralization architecture, Village-Owned Enterprises represent one of the most institutionally significant mechanisms through which village governments seek to translate public investment into sustained local economic activity. Positioned at the intersection of public governance and economic enterprise, BUMDes are mandated to mobilize local resources, provide community-oriented services, generate village own-source revenue, and strengthen local economic resilience (Puri & Khoirunurrofik, 2021). Unlike conventional public enterprises, BUMDes are designed as dual-purpose governance institutions that must simultaneously achieve commercial viability and social development objectives a configuration that places exceptional demands on organizational planning, stakeholder cooperation, and supervisory oversight. The sustainability of this institutional form therefore depends not merely on the adequacy of initial capitalization but on the ongoing quality of the governance arrangements through which organizational resources and relationships are managed (Revida et al., 2023).

Empirically, BUMDes performance has been deeply uneven. National assessments indicate that a substantial proportion of registered BUMDes remain inactive, financially unsustainable, or unable to generate meaningful economic benefits for village communities (Revida et al., 2023). Systematic reviews of BUMDes governance consistently attribute these outcomes to a recurrent cluster of institutional deficiencies: inadequate strategic planning processes unresponsive to community needs, weak managerial capacity among management boards, insufficient accountability and supervision by village governments, and fractured cooperative relationships among organizational actors and beneficiaries. These weaknesses reflect broader deficits in local institutional and governance capacity,

limiting the ability of village enterprises to coordinate stakeholders, mobilize resources effectively, and adapt to changing economic conditions. Consistent with broader theories of local development, the effectiveness of community-based economic organizations depends not only on access to financial resources but also on the quality of institutional arrangements that support collective action, accountability, and strategic decision-making (Horlings et al., 2018; Rodríguez-Pose, 2013). Critically, such governance deficiencies are not randomly distributed; they tend to be most pronounced in peripheral, agricultural, and resource-dependent villages where managerial human capital is scarce and external institutional support is limited, precisely the contexts where effective BUMDes governance would be expected to generate the greatest developmental returns.

Despite the rapid expansion of BUMDes scholarship, the governance dynamics of agriculture-oriented BUMDes remain empirically underexplored. Existing literature has concentrated predominantly on tourism-based village enterprises, retail BUMDes, and village microfinance schemes, sectors that have attracted disproportionate research attention partly due to their visibility and relative organizational simplicity (Puri & Khoirunurrofik, 2021; Revida et al., 2023). Agricultural BUMDes, by contrast, operate within a substantially more complex governance environment: they simultaneously manage common-pool productive inputs, seeds, fertilizers, and equipment, administer revolving credit schemes to smallholder farmers, and coordinate service delivery across dispersed and economically vulnerable beneficiary communities (Arifin et al., 2020). This configuration generates governance challenges qualitatively distinct from those in other BUMDes sectors, including heightened principal-agent tensions between management and community beneficiaries, elevated risks of loan default when crop yields are poor, and strong dependence on trust-based cooperative relationships that are difficult to build and easily eroded. The governance failure of agricultural BUMDes therefore requires analytical frameworks and empirical evidence specific to this institutional context, frameworks that existing scholarship has not yet provided.

This study addresses this gap through an in-depth qualitative case study of BUMDes Ipilo Makmur in Ipilo Village, Gentuma Raya District, North Gorontalo Regency, North Sulawesi. Established under Village Regulation No. 1 of 2016 with initial capitalization of IDR 50,000,000 from separated village assets, the enterprise was mandated to manage agricultural production services, general trade, and land product processing for the local farming community. The case was selected on the basis of analytical purposiveness: BUMDes Ipilo Makmur represents an instance of governance failure in an agricultural BUMDes operating under conditions of peripheral geography, limited managerial capacity, and minimal external institutional support, conditions that are widely shared across Indonesia's outer island villages but rarely examined in depth. Since February 2017, the enterprise has experienced progressive organizational deterioration, including stagnating business turnover, chronic farmer loan defaults, deteriorating management-community relationships, weak strategic planning, and inadequate village government oversight. This trajectory makes it a theoretically productive case for examining how governance deficiencies compound across planning, cooperation, and supervision dimensions to produce organizational failure.

These challenges are particularly relevant from a principal-agent perspective because BUMDes managers act as agents entrusted with village resources, while village governments and community beneficiaries function as principals whose interests may not always align with managerial actions. Under conditions of weak monitoring and limited accountability, information asymmetries may generate opportunistic behavior, ineffective resource utilization, and organizational decline.

Drawing on institutional theory and principal-agent frameworks, this study analyzes three analytically interrelated governance dimensions: planning, the capacity to formulate strategic and operational decisions responsive to community needs; cooperation, the quality of collaborative relationships among BUMDes management, village government, and farming beneficiaries; and supervision, the adequacy of accountability and monitoring mechanisms through which organizational performance is evaluated and corrected. The study conceptualizes planning, cooperation, and supervision not as isolated managerial functions but as mutually reinforcing governance mechanisms whose interaction determines the institutional performance of agricultural BUMDes. Weak planning degrades the informational basis for cooperation; degraded cooperation erodes the trust necessary for effective supervision; and ineffective supervision removes the corrective mechanisms that could compensate for planning and cooperation failures. Understanding this systemic interdependence is essential to designing governance reforms capable of reversing BUMDes failure trajectories.

This study contributes to the literature in three respects. First, it extends institutional analysis of BUMDes governance to the underexplored domain of agricultural facility management in peripheral Indonesia, addressing a gap in a literature dominated by tourism and commercial enterprise cases. Second, it develops an integrated analytical model of governance failure that conceptualizes planning, cooperation, and supervision as mutually conditioning institutional constraints rather than independent organizational variables a conceptual contribution with implications for how governance reform interventions in village-owned enterprises should be sequenced and designed. Third, it contributes empirical evidence from Eastern Indonesia, a region systematically underrepresented in national BUMDes research despite its significance for understanding governance challenges in peripheral and resource-dependent rural contexts.

Methods

This study employed a qualitative descriptive case study design to examine the governance dynamics underlying the management of agricultural facilities through a Village-Owned Enterprise (BUMDes). A qualitative approach was selected because the research objectives required an in-depth understanding of organizational processes, stakeholder interactions, and institutional practices that shape governance performance, phenomena that are not amenable to quantification or hypothesis testing but demand contextually sensitive, interpretive inquiry (Creswell & Poth, 2016). Within the qualitative paradigm, a case study design was adopted because the research sought to examine a contemporary governance phenomenon within its real-life institutional context, where the boundaries between the phenomenon and its context are not clearly evident (Yin, 2017). Case study methodology is particularly appropriate when the research question asks how or why a phenomenon occurs as in the present study's focus on how deficiencies in planning, cooperation, and supervision produce governance failure rather than simply documenting what occurred (Yin, 2017).

Research Setting and Case Selection

The research was conducted at BUMDes Ipilo Makmur in Ipilo Village, Gentuma Raya District, North Gorontalo Regency, Indonesia. The case was selected through purposive case selection on the basis of critical case logic: it represents an instance of agricultural BUMDes governance failure in a peripheral rural context that concentrates the governance challenges: inadequate planning, fractured cooperation, and weak supervision that this study seeks to examine (Patton, 2014). As notes, the selection of a revelatory or critical case is justified when the phenomenon of interest is otherwise inaccessible to

investigation or when the case possesses distinctive features that can illuminate broader institutional dynamics (Yin, 2017). BUMDes Ipilo Makmur satisfies this criterion: it offers direct observational access to a governance failure trajectory within a village agricultural enterprise operating under conditions of peripheral geography, limited human capital, and minimal external institutional support, conditions that are widely shared across Indonesia's outer island villages but rarely examined in depth through empirical field research.

Research Focus

The study was guided by three analytical dimensions derived from the literature on rural governance, institutional theory, and village enterprise management: (1) Planning refers to the processes through which organizational goals, resource allocations, and service priorities are formulated and aligned with community needs. Effective planning in village enterprises requires not only technical competence but also participatory processes that incorporate beneficiary perspectives into decision-making. (2) Cooperation refers to the quality of collaborative relationships among BUMDes management, village government officials, and farmer beneficiaries. Cooperation is theorized as both a precondition and an outcome of effective institutional governance: where trust, shared goals, and reciprocal communication are absent, cooperative arrangements tend to dissolve into individualistic or rent-seeking behavior (Ansell & Gash, 2008). (3) Supervision refers to the monitoring, accountability, and corrective mechanisms through which village governments and community stakeholders ensure that BUMDes operations remain aligned with organizational mandates and community interests. Inadequate supervision creates conditions for resource misappropriation, mission drift, and organizational stagnation.

These three dimensions were examined as interrelated governance mechanisms: the study proceeds from the theoretical proposition that deficiencies in planning, cooperation, and supervision do not operate independently but form a mutually conditioning system of institutional constraints whose combined effect is greater than any single dimension in isolation.

Data Sources and Participant Selection

Data were obtained from primary and secondary sources. Primary data were generated through semi-structured in-depth interviews with informants selected using purposive sampling, a strategy that prioritizes the identification and inclusion of information-rich cases capable of illuminating the governance phenomena under investigation (Patton, 2014). Informants were selected on the basis of their direct institutional roles in the management, oversight, or utilization of BUMDes Ipilo Makmur, ensuring positional diversity across strategic, administrative, and beneficiary levels of the organization. The informant composition is presented in Table 1.

Table 1. Informant Composition

Informant Category	Institutional Role	Informants
Village Head	Strategic oversight of village governance and supervision of BUMDes operations	1
BUMDes Chairperson	Organizational leadership and management of agricultural service activities	1
Farmer–Community Members (BUMDes Members)	Beneficiaries and users of agricultural facilities and services provided by	5

	BUMDes	
Total		7

This informant structure was designed to capture institutional perspectives from multiple organizational positions, governance authority, operational management, and community beneficiaries thereby enabling triangulation of accounts across actors with different positional interests and levels of organizational access (Yin, 2017). Secondary data were collected from institutional documents, including village regulations, organizational decisions, operational guidelines, and administrative records related to BUMDes management and agricultural facility operations. These documentary sources provided regulatory and administrative context for interpreting interview data and corroborating or challenging informants' accounts.

Data Collection

Data were collected using three complementary techniques semi-structured in-depth interviews, direct observation, and document analysis in accordance with the triangulation principle that convergence of evidence across multiple sources strengthens the credibility of case study findings (Yin, 2017). Semi-structured interview protocols were organized around the three analytical dimensions and adapted iteratively as fieldwork progressed, allowing emergent themes to be explored in subsequent interviews (Creswell & Poth, 2016). Direct observations were conducted at the BUMDes operational site to examine management activities, facility conditions, and interactions between organizational actors. Document analysis provided the regulatory and institutional context within which interview accounts were situated and evaluated.

Data Analysis

Data were analyzed using reflexive thematic analysis framework, which provides a systematic yet flexible approach to identifying, analyzing, and interpreting patterns of meaning across qualitative datasets (Braun & Clarke, 2006). The analytical process proceeded through six iterative phases: (1) data familiarization through repeated reading of verbatim transcripts, observation records, and documentary evidence; (2) generation of initial codes across the entire dataset; (3) construction of candidate themes by clustering related codes; (4) review and refinement of themes against both coded extracts and the full dataset; (5) definition and naming of final themes in relation to the three analytical dimensions; and (6) interpretive synthesis connecting thematic findings to the broader theoretical literature on rural governance and BUMDes management (Braun & Clarke, 2006). Throughout the process, data from interviews, observations, and documents were systematically compared to identify consistencies, discrepancies, and patterns across sources.

Trustworthiness and Rigor

Credibility was enhanced through methodological triangulation: the systematic cross-verification of findings across interview, observation, and documentary data sources as well as through member-checking, whereby key interpretive claims were shared with primary informants for verification (Creswell & Poth, 2016). Transferability was supported through the provision of thick description of the research context, case selection rationale, and institutional conditions, enabling readers to assess the applicability of findings to analogous governance settings. Dependability was maintained through systematic documentation of the data collection and analysis process, including an audit trail of interview protocols, coding records, and analytical memos. Confirmability was addressed

by grounding all interpretive claims directly in empirical data and maintaining explicit documentation of the analytical reasoning linking raw data to thematic conclusions, thereby reducing the influence of unchecked researcher subjectivity on the findings.

Results and Discussion

The findings of this study reveal that three governance dimensions: planning, cooperation, and supervision, are each operating below the threshold required for effective management of agricultural facilities through BUMDes Ipilo Makmur. These deficiencies are not isolated organizational problems but constitute a mutually reinforcing governance deficit: inadequate planning undermines the informational basis for cooperation; fractured cooperation erodes the trust necessary for effective supervision; and the absence of functional supervision removes the corrective mechanisms that could compensate for planning and cooperation failures. The following sub-sections present and interpret findings for each dimension before offering an integrated analysis of their systemic interactions.

Planning

Findings reveal that while BUMDes Ipilo Makmur initiated its agricultural service operations with a formal planning process, the quality and responsiveness of that planning has been insufficient to sustain viable organizational performance. Initial planning established several operational parameters: the provision of agricultural inputs (seeds, fertilizers, pesticides, and farming equipment) to local farmers under both cash and installment payment schemes, with a single-payment installment structure designed to ensure predictable capital circulation. These planning arrangements were formally agreed upon between management and community members at the time of establishment.

However, field observations and interviews consistently revealed a significant gap between planned arrangements and operational reality. A substantial proportion of farmers failed to honor installment commitments, with some defaulting entirely. The resulting disruption to capital circulation progressively immobilized the enterprise's working capital, reducing its capacity to replenish agricultural input stocks and eventually threatening operational continuity. This planning-to-implementation gap reflects a structural weakness identified across Indonesian BUMDes literature: planning processes that do not incorporate adequate financial risk assessment, community compliance mechanisms, or contingency protocols are inherently vulnerable to disruption when behavioral assumptions such as consistent repayment, do not hold.

More fundamentally, the planning process at BUMDes Ipilo Makmur appears to have been insufficiently participatory and technically grounded. Effective BUMDes planning requires not only agreement on operational parameters but also community needs assessment, financial feasibility analysis, and the design of accountability mechanisms that align incentives between management and beneficiaries (Hamdani & Yudiardi, 2020). The absence of these elements produced a planning architecture that was procedurally adequate: a formal plan existed but substantively weak: it could not anticipate or absorb the operational disruptions that emerged. This finding corroborates the observation that BUMDes managing agricultural and plantation operations consistently experience stagnation when planning processes are disconnected from realistic assessments of community financial behavior and local institutional capacity (Indayani & Mayarni, 2022).

From the theoretical perspective of institutional analysis, inadequate planning in BUMDes contexts reflects a deeper governance failure: the absence of clearly defined collective-choice rules that specify how community members participate in, and are held accountable to, organizational decisions. When planning arrangements lack robust

enforcement mechanisms and community ownership, the conditions are created for the kind of behavioral non-compliance selective adherence to agreements, defaulting on commitments that was observed at BUMDes Ipilo Makmur.

Cooperation

The second major barrier concerns deficiencies in cooperative relationships between BUMDes Ipilo Makmur, the farming community, and the village government. Interviews and observations revealed persistent tensions between farmers and BUMDes management, manifesting in farmers demanding services without adhering to agreed operational terms, and in management responding with inconsistent and preferential service delivery. A particularly significant finding was the widespread perception among community members that BUMDes funds constituted government grants rather than revolving capital requiring repayment a misperception that fundamentally undermined the cooperative logic on which the enterprise's financial sustainability depended.

This cognitive misalignment between farmers' perceptions of BUMDes capital and the institutional reality of revolving fund management reflects a structural governance challenge with deep roots in Indonesia's village development architecture. The historical conflation of village-level development programs with grant-based government assistance a legacy reinforced by decades of top-down transfer programs prior to the 2014 Village Law has produced community behavioral norms in which public resources are perceived as entitlements rather than obligations (Antlöv et al., 2016; Lewis, 2015). In peripheral agricultural communities specifically, this misperception generates systematic moral hazard: community members engage in strategic default on repayment obligations when they calculate: correctly, given weak enforcement, that non-compliance carries no meaningful consequence (Arifin et al., 2020). When such behavior becomes normalized, the cooperative reciprocity necessary to sustain revolving fund systems collapses, and with it the enterprise's capacity to serve its broader community development mandate (Hilmawan et al., 2023).

Beyond the farmer-management dimension, findings reveal equally problematic cooperative dynamics within the BUMDes management structure itself. Instances of nepotism and preferential service delivery, where familial and social relationships (primordialisme) determined who received services, on what terms, and with what enforcement of repayment obligations generated widespread perceptions of inequity among community members. Such primordialism in organizational decision-making constitutes a particularly destructive form of institutional dysfunction in village enterprises: it simultaneously corrupts service delivery impartiality, creates differential accountability standards that normalize non-compliance, and undermines the social trust on which community-based organizations depend for legitimacy and operational sustainability (Anam et al., 2023; Antlöv et al., 2016). The short operational lifespan of BUMDes Ipilo Makmur less than one year from establishment to effective inoperability indicates that these cooperative failures were not peripheral organizational problems but constitutive of the enterprise's failure trajectory.

These findings resonate with collaborative governance theory's proposition that effective cooperation requires not only formal institutional arrangements but also enabling conditions of mutual trust, shared purpose, and facilitative leadership (Ansell & Gash, 2008). The absence of these enabling conditions at BUMDes Ipilo Makmur was structural rather than incidental: trust was systematically eroded by nepotism and perceived service inequity; shared organizational purpose was undermined by misaligned community perceptions of BUMDes institutional function; and facilitative leadership capable of mediating between management and community interests and of building the institutional

literacy necessary for cooperative norms to take hold was absent (Horlings et al., 2018). The result was a cooperative environment that defaulted to individualistic, transactional, and ultimately non-cooperative behavioral patterns, a dynamic identified as the terminal condition of rural institutional arrangements that fail to establish reciprocal accountability between organizational actors and community beneficiaries (Valentinov & Baum, 2008).

Supervision

The third governance barrier concerns critical deficiencies in the supervision exercised by the village government over BUMDes Ipilo Makmur's operations. Field observations and interviews indicate that village government supervision was irregular, insufficiently rigorous, and substantially compromised by conflicts of interest. Supervisory actors including the Village Head and relevant village officials were found to be subject to social pressure from community members with personal, familial, or political relationships to BUMDes management and beneficiaries, leading to supervisory forbearance: the deliberate non-enforcement of operational standards and repayment obligations in exchange for social compliance or personal benefit.

This form of supervisory capture where oversight mechanisms are colonized by the social relationships they are supposed to govern objectively, represents a well-documented pathology in decentralized village governance systems. Indonesia's decentralization architecture, while transferring substantial fiscal authority to village governments through the Village Fund program, has not always been accompanied by commensurate investments in supervisory capacity, institutional independence, or accountability infrastructure (Lewis, 2015; Permatasari et al., 2021). In this structural context, primordialism, patron-client relationships, and elite capture emerge not as exceptional governance failures but as predictable outcomes of institutional arrangements in which supervisory actors lack the independence, competencies, and incentive structures necessary to exercise oversight impartially (Antlöv et al., 2016). When supervisors are embedded within the same social networks they are mandated to govern, supervision degenerates from an accountability mechanism into a formality that provides the appearance of oversight without its institutional substance a condition that (Rodríguez-Pose, 2013), identifies as characteristic of governance environments where informal institutional norms systematically override formal regulatory mandates.

The institutional conditions necessary for effective BUMDes supervision are well established in the governance literature: objective, evidence-based assessment processes; clearly defined and codified supervisory mandates; structural independence between supervisory and management roles; adequate supervisory competencies; and coordination mechanisms capable of resisting capture by interest groups (Indayani & Mayarni, 2022; Revida et al., 2023). None of these conditions were adequately established at BUMDes Ipilo Makmur. Supervisory mandates were formally present in the village regulation establishing the enterprise but were neither operationalized into concrete monitoring procedures nor supported by the institutional independence required for their enforcement. The practical consequence was that planning failures and cooperative breakdowns documented in the preceding sections were allowed to compound uncorrected over time a dynamic in which the absence of functional supervision transformed reversible organizational difficulties into structural organizational failure.

This finding directly corroborates the theoretical proposition that the sustainability of collective resource management institutions depends critically on the functionality of monitoring mechanisms and the legitimacy of graduated sanctions for non-compliance. At BUMDes Ipilo Makmur, neither condition was met: monitoring was captured by social relationships, and sanctions for non-compliance by farmers, by management, and by

supervisory actors themselves, were neither applied consistently nor perceived as legitimate by the community. The result was an institutional environment in which moral hazard behaviors were rationally optimal for all actors, and in which the absence of credible enforcement progressively eroded the organizational foundations of the enterprise. These findings are further consistent with argument that local development institutions are sustainable only when formal governance arrangements are supported by institutional arrangements that align the incentives of all organizational actors a condition that requires not only formal supervisory structures but the social and organizational conditions that make those structures function as intended (Vázquez-Barquero & Rodríguez-Cohard, 2016).

Governance Deficit Framework for Agricultural BUMDes

Taken together, the findings from all three governance dimensions reveal a pattern that exceeds the sum of individual organizational problems. The governance failure of BUMDes Ipilo Makmur is best understood as the product of a governance deficit system a condition in which inadequacies across planning, cooperation, and supervision interact and amplify one another in ways that make recovery without external intervention structurally unlikely.

The causal logic of this system operates as follows: inadequate strategic planning produced operational arrangements that were institutionally fragile and financially vulnerable; the absence of robust compliance mechanisms within the planning architecture created conditions in which cooperative non-compliance farmer defaults, selective adherence became individually rational even when collectively destructive; and the failure of supervision to detect and correct these compliance failures allowed initial disruptions to accumulate into structural working capital collapse. Primordialism and nepotism functioned as cross-cutting institutional pathologies that simultaneously degraded all three dimensions: compromising planning impartiality, corrupting cooperative norms, and capturing supervisory independence.

This integrated interpretation extends the institutional analysis of BUMDes governance by demonstrating that governance failure in agricultural village enterprises is not simply a function of any single deficiency but emerges from the compounding interaction of planning inadequacy, cooperative breakdown, and supervisory dysfunction across organizational levels. Governance reform interventions targeting only one dimension are likely to produce limited and temporary improvements unless the structural interdependencies between all three dimensions are simultaneously addressed.

Theoretical Contributions

This study makes three contributions to the scholarly literature on BUMDes governance and rural institutional development. First, it extends institutional analysis of village enterprise governance to the domain of agricultural facility management a BUMDes sector that has received comparatively limited empirical attention despite its direct implications for smallholder farmer welfare and rural economic resilience. By examining governance dynamics in an agricultural BUMDes operating under conditions of peripheral geography and constrained institutional capacity, the study broadens the empirical base of BUMDes scholarship beyond the tourism, retail, and microfinance sectors that dominate existing research.

Second, the study contributes a governance deficit model that conceptualizes planning, cooperation, and supervision as mutually conditioning institutional constraints rather than independent governance variables. This conceptualization has theoretical implications beyond the BUMDes context: it offers an analytical framework applicable to

any community-based enterprise operating within governance environments characterized by limited human capital, weak accountability structures, and primordial social dynamics. The model suggests that governance reform in such environments must be designed as an integrated institutional intervention rather than a sectoral or functional fix.

Third, the study contributes empirical evidence from Eastern Indonesia specifically from North Gorontalo Regency a region that is systematically underrepresented in national BUMDes research despite facing governance challenges that are structurally comparable to those in other peripheral regions of Indonesia's outer islands. The findings from this context provide a necessary empirical counterpoint to scholarship that has been disproportionately shaped by cases from Java and Bali, where institutional capacity, social capital, and access to external support are generally stronger.

Practical Implications

The findings carry specific actionable implications for BUMDes governance reform at the village and district levels. With respect to planning, village governments establishing or rehabilitating agricultural BUMDes should prioritize the development of participatory planning processes that incorporate community needs assessment, financial feasibility analysis, and the explicit design of credit compliance mechanisms including graduated sanctions, social accountability forums, and community education on the distinction between revolving fund capital and government grants. Planning frameworks that do not address the behavioral economics of community compliance are institutionally fragile regardless of their technical adequacy.

With respect to cooperation, interventions should focus on building the institutional conditions necessary for productive cooperative relationships: transparent, impartial service delivery protocols that eliminate preferential treatment; community orientation programs that establish accurate shared understandings of BUMDes institutional function; and participatory governance structures including community representative bodies that give beneficiaries genuine voice in organizational decision-making. These structural interventions address the root conditions of cooperative failure rather than its surface manifestations.

With respect to supervision, village governments must establish supervisory arrangements that are structurally independent from the social relationships that generate conflicts of interest. This requires formal institutional separation between supervisory and management roles, clear supervisory mandates codified in village regulations, and external technical assistance from district government for supervisory capacity building. Supervision that lacks institutional independence will consistently be captured by the same primordial social dynamics that generated the governance failures documented in this study.

Limitations and Directions for Future Research

Several limitations should be acknowledged. The study was conducted within a single BUMDes in one village in North Gorontalo Regency, which constrains the generalizability of findings to other institutional and geographic contexts. Although the case was selected on the basis of analytical purposiveness its concentration of governance failure dynamics makes it theoretically productive readers should exercise caution in extrapolating specific findings to agricultural BUMDes operating in different social, economic, or institutional environments.

The purposive sampling design, while appropriate for the exploratory and interpretive objectives of the study, produces a relatively small informant pool of seven participants. While positional diversity was maintained across strategic, administrative,

and beneficiary levels, the sample cannot fully represent the range of perspectives including those of external stakeholders such as district government officials and private agricultural suppliers that shape BUMDes governance outcomes. Future studies should incorporate broader stakeholder perspectives to capture the full relational ecology of agricultural BUMDes governance.

Additionally, the cross-sectional design of this study captures governance conditions at a specific point in the enterprise's failure trajectory and does not permit examination of how governance arrangements evolved over time or how they might respond to reform interventions. Longitudinal research designs would enable scholars to track whether and how governance reforms particularly those targeting the structural interdependencies between planning, cooperation, and supervision succeed in reversing failure trajectories in agricultural BUMDes.

Future research should extend this inquiry comparatively across multiple agricultural BUMDes in different regions of Eastern Indonesia to assess whether the governance deficit model identified here represents a generalizable institutional pattern or a context-specific configuration. Quantitative approaches including survey-based measurement of planning quality, cooperation intensity, and supervisory effectiveness across large samples of agricultural BUMDes would enable hypothesis testing of the structural relationships proposed in the integrated governance deficit framework. Additionally, future research could examine the role of external institutional actors including district government agencies, cooperatives, and agricultural extension services as potential facilitators or inhibitors of governance improvement in failing agricultural BUMDes.

Conclusion

This study demonstrates that the governance failure of BUMDes Ipilo Makmur was driven not by resource inadequacy but by three structurally interconnected institutional deficiencies (inadequate planning, fractured cooperation, and ineffective supervision) that formed a mutually reinforcing governance deficit system. Weak planning eroded the compliance foundations necessary for cooperation; fractured cooperation undermined the trust on which effective supervision depends; and supervisory capture removed the corrective mechanisms that could have interrupted the failure cascade. The compounding interaction of these three dimensions accelerated organizational collapse before intervention became possible.

The study's principal theoretical contribution is the governance deficit model, which reconceptualizes BUMDes failure as the emergent product of institutional interdependence rather than isolated organizational weaknesses. This model extends collaborative governance theory by demonstrating that in community-based enterprises operating under limited institutional capacity, governance failure is systemic and path-conditioned: interventions targeting any single dimension in isolation are unlikely to produce durable improvements, as untreated dimensions will continue to undermine whatever progress is achieved elsewhere.

More broadly, the findings challenge the assumption embedded in Indonesia's decentralization policy that fiscal devolution automatically generates local institutional capacity. Where governance capacities for planning, cooperation, and accountability are underdeveloped, fiscal transfers risk financing governance failures rather than correcting them. Sustainable BUMDes performance therefore requires policy attention to shift from resource allocation toward the deliberate, sequenced cultivation of institutional capacity, participatory planning, collaborative governance, and structurally independent supervision as the foundational prerequisites for organizational viability.

This study carries several limitations. The single-case design limits generalizability, while the focus on internal governance mechanisms gives insufficient attention to external influences such as district-level political dynamics and market conditions. The cross-sectional design cannot capture how governance arrangements evolve over time. Future research should test the governance deficit model comparatively across multiple agricultural BUMDes in different regional and institutional contexts. Longitudinal and mixed-methods approaches would be especially valuable for examining whether governance deficits follow predictable failure sequences and how integrated reform interventions can interrupt them before organizational collapse becomes irreversible.

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