

ANALYSIS OF THE APPLICATION OF PUBLIC VALUE IN VILLAGE-OWNED ENTERPRISES (BUMDES) IN THE WARU DISTRICT, SIDOARJO REGENCY

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ABSTRACT

Currently, villages within the Waru District of Sidoarjo Regency already have Village-Owned Enterprises (BUMDes). There are several running ventures, such as trading in waste incinerators and machineries, educational tourism of metalworking village in Ngingas Village, and rural digital economy in Janti Village. Public value is utilized as valuable inputs for village governments and BUMDes management in carrying out their operational activities. This research aims to analyze and to broadly understand the application of public value in the BUMDes located in Waru District, Sidoarjo Regency. The study applies public value theory as its research focus, emphasizing three essential components that must be fulfilled: legitimacy and support, operational capacity, and substantive value. This research is a descriptive qualitative study. BUMDes in Waru District, Sidoarjo Regency, Indonesia, have successfully generated good public value. The village government's initiatives have been proven to generate a positive impact on the community. This good public value indicates that BUMDes have been able to provide significant benefits to the local community in terms of the economy, social welfare, and local infrastructure development. Furthermore, indicators of legitimacy and support, as well as operational capacity comprising human resources, technology, and financial aspects, have been achieved. There is also substantive value, encompassing economic, socio-cultural, educational, and ecological values. However, the political value indicator has not yet functioned optimally. Therefore, it is recommended to conduct an evaluation of this indicator and further enhance awareness campaign regarding BUMDes to ensure broader and more equitable community involvement.

INTRODUCTION

A village is a place where residents live together and know each other in a community in pursuit of common goals. The central government has provided full support for village development by enacting Law No. 6 of 2014 concerning Villages, which stipulates that villages have the authority to manage their own affairs. The central government's mandate for the establishment of Village-Owned Enterprises (BUMDes) has resulted in a significant transition in the economic landscape of rural

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communities. The establishment of these BUMDes is expected to be utilized optimally for the benefit of the villages. BUMDes is an institution established by the village government and managed independently by the village itself. The objective is to optimize the economic potential present in the village, in accordance with the Minister of Villages Regulations Number 2 of 2015, which details the protocols and decision-making mechanisms for village forums ([Fauziah & Rifa'i, 2023](#)).

Following the enactment of the regulation concerning the formation of BUMDes, each village is legally required to have its own BUMDes. The program has mandatory nature, requiring both the community and the village government to be prepared to manage it with the expectation of boosting the village economy ([Hariyoko, 2022](#)). BUMDes is established by the village government and managed independently by the respective village. The objective is to maximize the utilization of the village's economic potential, in accordance with the Minister of Villages Regulations Number 2 of 2015, which details the protocols and decision-making mechanisms for village forums. The management of BUMDes cannot be carried out without the participation of the village head (lurah) as its commissioner and the Village Consultative Body (BPD) as its supervisory body ([Hariyoko et al., 2022](#)).

BUMDes hold a strategic position in increasing Village Own-Source Revenue (PADes) through the management of local resources based on the village's needs and strengths ([Bafa et al., 2021](#)). BUMDes can be successfully managed by operating business units relevant to the village's potential, such as agricultural product management, village tourism, or microfinance services. Therefore, BUMDes can serve as a driving force for the village economy ([Dewi & Izmuddin, 2018](#); [Diartho, 2017](#)). Profits from these managed ventures not only contribute to a higher PADes but also have the potential to generate employment, encourage community empowerment, improve the transparency of village administration, and lessen dependence ([Maulana et al., 2019](#)). Properly managed, BUMDes can transform into a primary pillar for the village's economic self-reliance.

Waru District is located within Sidoarjo Regency, Indonesia. The regency has 18 villages/urban villages. Each village has its own BUMDes. One of the villages in the area, Ngingas Village, also known as the Ngingas Metalworking Village (Kampung Logam Ngingas), has a BUMDes named Ngingas Makmur Abadi. Founded in 2017, this BUMDes operates business units that produce and sell waste incinerators, other machineries, as well as offering educational tours of the metalworking village. In 2019, the Ngingas Makmur Abadi BUMDes contributed Rp 50 million of the total Rp 90 million Ngingas Village's PADes in 2019. This achievement meets the expectation associated with the establishment of a BUMDes in a village ([Rakhmadian & Arif, 2023](#)). Janti Village, also located in Waru District, has a BUMDes called Masyarakat Madani Sejahtera that aims to develop a digital-based village economy. Even though Janti Village has a BUMDes, it has not yet directly contributed

to the PADes. However, that BUMDes has provided a platform for the village community to conduct transactions through its e-commerce business unit.

Ngingas Makmur Abadi BUMDes and Masyarakat Madani Sejahtera BUMDes, both operational for a number of years, have made contributions to the community in several aspects. It is important to examine the issues encountered by local village elites who are engaged in the management of BUMDes within Waru District. Consequently, there is an urgency to examine the challenges faced by these local elites in operating BUMDes, so as to formulate proper recommendations to improve BUMDes management and overall welfare of village residents ([Ema Sasmita et al., 2022](#)). This research aims to analyze and gain a comprehensive understanding of the role and reinforcement of public value in the BUMDes located in Waru District, Sidoarjo Regency. This public value approach relates to the role of the village governments, their working methods, and the series of public value-driven decision-making processes in Waru District.

LITERATURE REVIEW

Village-Owned Enterprises (BUMDes)

As an economic entity, BUMDes are jointly operated by village residents and village institution, aiming to develop the local economy and optimize the use of available resources. The establishment of BUMDes is closely tied to the assessment of the necessities and existing economic strengths within the village. The objective is to both enhance and bring prosperity to the community. The difference between BUMDes and other economic entities lies in their ownership. BUMDes are owned and operated jointly by village residents and village institution (government). In terms of capital contribution, 51% comes from village institution, while 49% is sourced from village residents. The Village Consultative Body (BPD), the village government, and the BUMDes management are responsible for supervising and monitoring its operation ([Setiawan et al., 2023](#)).

BUMDes engage in a diverse range of business activities, typically aligned with the local potential and needs. Academic literatures suggest that BUMDes businesses can vary from the management of natural resources, like agriculture and fisheries, to service and trade industries, including savings and loan facilities, village tourism, and the management of clean water resources. Case studies from various regions in Indonesia reveal that BUMDes focusing on the tourism sector, for example, are able to increase tourist visits and boost economic activity in the village ([Arifin et al., 2020](#)). Meanwhile, well-managed savings and loan business units contribute to improve the financial inclusion of village residents. The success of BUMDes ventures depend on innovation, regulatory support, and active community participation ([Rachmawati et al., 2021](#)). With such a diverse range of

business activities, BUMDes have significant opportunities to drive sustainable local economic development.

BUMDes are village economic institutions that function as strategic instruments to foster village self-reliance through the productive management of local potential ([Syarifudin & Astuti, 2020](#)). BUMDes serve to boost PADes, create job opportunities, and promote economic inclusion within village communities ([Hariyoko et al., 2022](#)). According to Law No. 6 of 2014 concerning Villages, BUMDes are designed to optimize the utilization of village assets and support sustainable economic development. Good governance, transparency, and collaboration with the community and external stakeholders, such as the local government and the private sector, are key factors in the success of BUMDes. As a recent institution in development, BUMDes are gaining attention for their role to establish village development model that uphold public value at the village level. BUMDes are also expected to become a pillar in the development of self-reliant and competitive villages.

Public Value

[Moore \(1995\)](#) introduced the concept of Public Value as part of his framework known as the Strategic Triangle. This framework consists of three main interconnected components: Legitimacy and Support. This refers to the formal acceptance and support of the community for the authority in place. It is examined through the regulations governing the program, the campaign awareness efforts undertaken, and the local community's support for the program's implementation; Operational Capacity. It is examined based on expertise in human resource, technology, and financial management. These three operational capabilities must complement each other to achieve a specific goal; Substantive Value. It refers to the advantages obtained by users or target groups in various aspects, including economic, political, social, cultural, educational, and ecological value. First, economic value refers to the financial or economic benefits gained by the community due to the program's presence. Second, social and cultural value encompasses contributions to social capital, social solidarity, social interaction, cultural identity, individual and group well-being, as well as the preservation and promotion of cultural diversity. Third, political value refers to the manifestation of democratic principles via the active participation of the community. Fourth, educational value refers to the contribution made in the development of public knowledge. Fifth, ecological value encompasses the promotion of sustainable development, waste reduction, and the program's impact on the environment of the local community.

RESEARCH METHOD

This research employs a qualitative approach, highlighting the processes and meanings of a phenomenon through detailed and descriptive explanation. This study was conducted in Waru

District, Sidoarjo Regency. The researcher selected this location because it includes Ngingas Village as a contributor to PADes, and Janti Village, which has not yet offered a direct contribution. This study focuses on understanding public value through the components outlined by [Moore \(1995\)](#)), which emphasizes three key elements: legitimacy and support, operational capacity, and substantive value. Data for this research were collected through observation, documentation, and interviews. Interviews were conducted with informants to gather data, including interviewing the Head of Economic Section of Waru District, BUMDes managing staffs in Waru District, BUMDes supervisors, and community members of Waru District. Secondary data were obtained from documents such as the BUMDes Articles of Association and Bylaws (AD ART), Village Medium-Term Development Plan (RPJMDes), BUMDes Strategic Plan (Renstra BUMDes), and Village Government Regulations related to the establishment of BUMDes. The data were analyzed through a three-step process: data condensation, data display, and conclusion drawing ([Miles et al., 2014](#)).

RESEARCH RESULT

Legitimacy and Support

Legitimacy concerns the legal certainty or the laws that govern BUMDes. On this point, the Village Regulation (Perdes) on the establishment of BUMDes serves as a mandatory legal foundation that must be adhered to. Perdes will be further elaborated upon in the form of Articles of Association (AD) and Bylaws (ART). The following is an excerpt from the researcher's interview with the Director of the BUMDes in Ngingas Village:

“The BUMDes already has legal foundations that we use as references. We adhere to the Article of Association, Bylaw and Village Government Regulation as the mandatory guidelines for our management and operational activities.” (Zainuddin, Director of BUMDes).

This BUMDes in Ngingas Village was the first to be established in Waru District. Perdes No. 7 of 2017 serves as the foundation for its establishment, complemented by a Village Head Decree (SK Kades) for the appointment of its management. This is supported by the following statement from the BUMDes Secretary:

“BUMDes only issues regulations or Standard Operating Procedures for its administrators, which are derived from the agreed-upon Articles of Association and Bylaws.” (Widodo, Secretary of BUMDes).

The two statements above indicate that the Ngingas Makmur Abadi BUMDes always operates in accordance with its Articles of Association, Bylaws, and Perdes. These Articles of Association, Bylaws, and Perdes are in place to ensure the BUMDes operates in a regulated way and is protected from any external interference. Every stage of BUMDes activities, from the formation of management

to operations, follows the pre-existing regulations established by village institutions. Supporting this view is Ghofur, a community member actively participating in the BUMDes, who stated:

“As far as I know, the regulations were formulated and have served as guidelines for both the establishment and the management of the BUMDes. Those regulations created for BUMDes already align with the community’s needs, as they need the products offered by the BUMDes.” (Ghofur, Waru community member)

Table 1. Data on BUMDes in Each Village of Waru District and Their Respective Village Regulation

Desa	Nama BUMDes	Peraturan Desa
Waru	Permata Waru	Perdes No 10 tahun 2021
Pepelegi	Karya sejahtera Pepelegi	Perdes No 5 tahun 2019
Kureksari	Birawa Cipta Sari	Perdes No 2 tahun 2022
Ngingas	Ngingas Makmur Abadi	Perdes No 7 tahun 2017
Tropodo	Citra Makmur Sejahtera Tropodo	Perdes No 4 tahun 2022
Kepuhkiriman	Kepuhjaya	Perdes No 6 tahun 2018
Tambaksawah	Tangguh Mandiri Sejahtera	Perdes No 7 tahun 2021
Tambakrejo	Tambakrejo	Perdes No 2 tahun 2017
Tambaksumur	Delta Abadi Makmur Tambaksumur	Perdes No 5 tahun 2021
Tambakoso	Sarip jaya	Perdes No 1 tahun 2018
Wadungsari	Wadungasri Jaya Makmur	Perdes No 3 tahun 2018
Berbek	Berkah	Perdes No 3 tahun 2021
Wedoro	Mandiri Sejahtera Wedoro	Perdes No xx tahun 2023
Janti	Masyarakat Madani Sejahtera	Perdes No 4 tahun 2018
Kedungrejo	Karya Mulya Sejahtera	Perdes No 2 tahun 2022
Bungurasih	Rosa Bungur Mandiri	Perdes No 3 tahun 2022
Medaeng	Berlian	Perdes No 7 tahun 2021

Source: Processed Secondary Data, 2024

From 2017 to 2023, each village government in Waru District has worked to legally secure the existence of their BUMDes. The government, from the village level, up to the Sidoarjo Regency level, have shown positive support for the establishment and development of BUMDes. Financial and managerial support is provided through training initiatives involving the BUMDes managing staffs. This was stated by Rosyid, the head of Wedoro Village, as follows:

“We invested capital in this BUMDes in 2022. This capital provided the initial investment needed for the BUMDes to carry out its economic activities. Management responsibilities were assigned to the BUMDes managing staffs. It appears that these staffs had undergone training from the relevant agency at the regency level. The BUMDes has already yielded benefits, but it is necessary to allow space for innovation for the managers.” (Rosyid, Head of Wedoro Village)

With community involvement and support, the BUMDes has demonstrated its potential to foster a local resource-based economy in the village. The business units of the BUMDes have, to some extent, helped the community to boost their economic activities. We can also observe the roles of different stakeholders through the community's participation in accessing services provided by the BUMDes. This is supported by the statement from Ahmad, an owner of a Small and Medium-sized Enterprise (SME) from Ngingas Village, who noted:

“Yes, I regularly purchase tools or machineries from the BUMDes. Not only the prices are good, but I can also choose the equipment specifications that I need. The quality is also

excellent, and I have purchased tools from this BUMDes numerous times.” (Ahmad, SME owner in Ngingas Village)

The research findings above regarding legitimacy and public support indicate that the existence of BUMDes is strongly supported. Thus far, the legal and community support for Ngingas Makmur Abadi and other BUMDes in Waru District can be considered to be functioning well. However, input regarding potential new business units that could provide community benefits is currently insufficient.

Operational Capacity

Human Resources Aspect

Human resources play a pivotal role in BUMDes, as people are tasked with the responsibility of managing and fostering its growth. Supporting this perspective is Didik, the supervisor of the Ngingas Makmur Abadi BUMDes, who said:

“Our BUMDes' basic procedures and standards for selecting supervisors are based on the individual's experience and leadership influence. For the management team, it's important that they have managerial skills and a suitable background. This is important because BUMDes thrives with creative managers.” (Didik, BUMDes Supervisor in Ngingas Village)

With 13 members, the management structure of the Ngingas Makmur Abadi BUMDes is considered to be of a sufficient size. The size of the management team has expanded proportionally to the economic growth achieved by the BUMDes. The same also applies to all other BUMDes in Waru District. Meanwhile, there are also several stagnant BUMDes with underdeveloped business ventures. Their management size has remained constant, and this suggest a need to re-evaluate their current activities. This point is shared by Purmanto, a member of the community, who said:

“From my perspective, the current number of BUMDes administrators is sufficient to carry out the existing programs. BUMDes management consistently performs their duties according to their assigned positions. If a BUMDes is still struggling to grow, it would be beneficial to consider establishing new business units or refining existing ones.” (Purwanto, Janti Village resident).

To further emphasize that the recruitment process is the initial key in HR, it is crucial to ensure that this phase is not determined by incompetent managers. Managerial competence is highly important to maintain their effectiveness in managing and expanding their BUMDes. This is supported by the statement from Sapi'i, a resident, who said:

“The current BUMDes management are, in fact, quite competent to implement the existing programs. There are no special affiliations or relationships among the members of the BUMDes management. The recruitment of all personnel is conducted according to the regulations determined through village forums.” (Sapi'i, Ngingas Village resident)

Statement above suggests that the human resources within the BUMDes are not connected through family relationships. In other words, this BUMDes firmly upholds a principle of impartiality, ensuring no particular group's interests influence its hiring of personnel. However, to enhance the

quality of human resources, the BUMDes can implement structured training initiatives, either independently or in collaboration with the government.

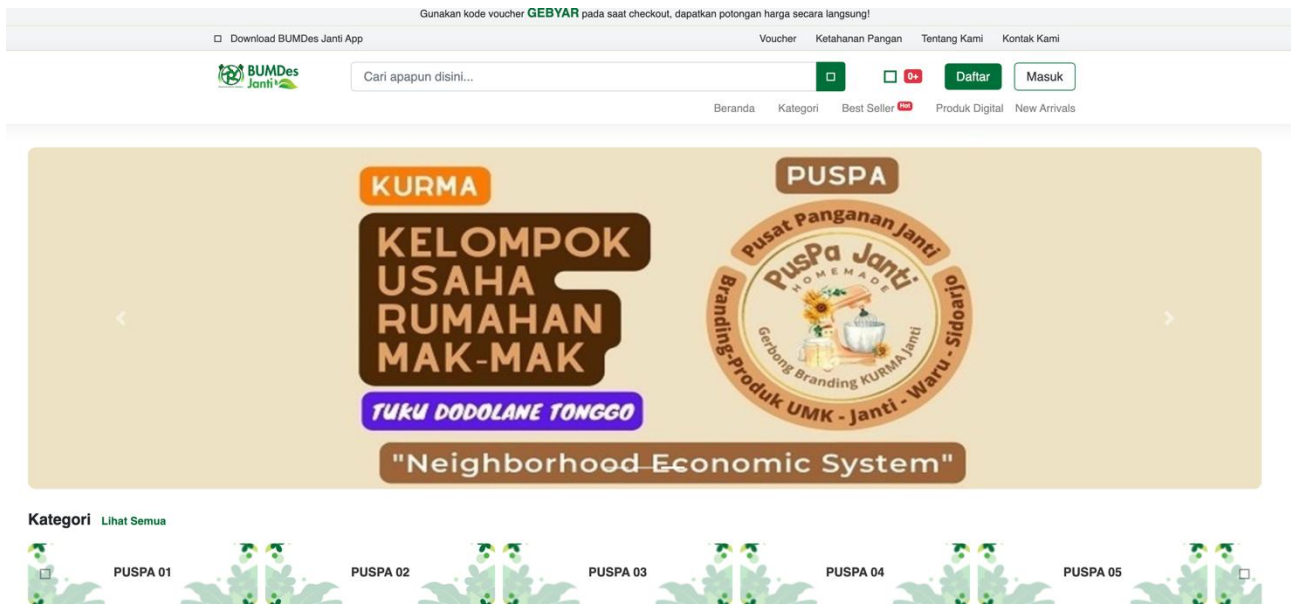
Technological Aspect

This technological aspect review aims to examine the utilization of technological advancements within the BUMDes. Technological adaptation is important to support BUMDes' performance. The internal application of technology can simplify operations, whereas its external use can enhance service delivery and create a favorable image of BUMDes management. Supporting this is a statement from Widodo, the Secretary of Ngingas Makmur Abadi BUMDes, as follows:

"Our two primary programs for the current year are village internet and tourism. It's not easy to promote Ngingas Village, even through the internet, despite the fact that the village has hundreds of SMEs that could actually be a significant point of interest. However, managing these points of interest is also not easy." (Widodo, Ngingas Village resident)

Some BUMDes products are also in the form of e-commerce, such as the one made by Masyarakat Madani Sejahtera, BUMDes from Janti village. The provided website format can be accessed at <https://www.digitalekonomijanti.co.id/>. It sells various products produced by the community of Janti Village. This BUMDes focuses on serving as a platform for the online sale of products, as depicted in Figure 1.

Figure 1. Website of Masyarakat Madani Sejahtera BUMDes



Source: www.digitalekonomijanti.co.id/, 2024

In the future, BUMDes will serve as a driving force for the community's creative economy. Participation of all stakeholders are necessary and needs to be facilitated to gain valuable inputs for better management practices. The challenges in BUMDes management are also closely tied to the adoption of technology in each business unit. Creative and innovative business models that leverage

technology are expected to remain their attractiveness. This aligns with the opinion expressed by Sapi'i, a resident of the village, who stated that:

“The BUMDes management usually provides information by holding community gatherings at the Ngingas Village Hall. Usually, invitations are sent out directly through WhatsApp. So, we are not necessarily required to have a formal letter. My hope for the future is that our BUMDes will be technologically advanced, capable of creating new tools that reduce production costs for the SMEs in Ngingas.” (Sapi'i, Ngingas Village resident)

The research results regarding the technological review of BUMDes reveal that the BUMDes in Waru District adopted technological advancements in their managerial functions as well as in their product development. It is necessary to further technological adaptation to produce better goods, and to enable the community to communicate effectively via technology. This is evidenced by the numerous activities that are already conducted online.

Financial Aspect

Financial aspect review examines the financial resource and its management for business activities. The findings here indicate that each village has invested varying amounts of capital throughout the establishment and development of their respective BUMDes. The capital invested varied depending on their specific needs, ranging from 40 million to 438 million, as shown in Table 2. This is supported by the statement of Rosyid, the head of Wedoro Village, as follows:

“The BUMDes has been provided with capital to be managed according to the plans established in the village forum (musdes). This capital serves as both the initial investment and for business development.” (Rosyid, Head of Wedoro Village)

Table 2. Data on BUMDes Capital Investment from Village Budgets (APBDes) for Each Village in Waru District

Name of BUMDes	Village Capital
Permata Waru	Rp 75.000.000
Karya sejahtera Pepelegi	Rp 115.000.000
Birawa Cipta Sari	Rp 95.000.000
Ngingas Makmur Abadi	Rp 375.000.000
Citra Makmur Sejahtera Tropodo	Rp 271.000.000
Kepuhjaya	Rp 320.000.000
Tangguh Mandiri Sejahtera	Rp 262.000.000
Tambakrejo	Rp 165.000.000
Delta Abadi Makmur Tambaksumur	Rp 165.000.000
Sarip jaya	Rp 165.000.000
Wadungasri Jaya Makmur	Rp 100.000.000
Berkah	Rp 290.000.000
Mandiri Sejahtera Wedoro	Rp 40.000.000
Masyarakat Madani Sejahtera	Rp 75.000.000
Karya Mulya Sejahtera	Rp 137.060.000
Rosa Bungur Mandiri	Rp 187.750.000
Berlian	Rp 438.403.941

Source: Processed Secondary Data, 2024

The capital is utilized according to the business plan, and its use is regularly evaluated. This evaluation takes place during meetings that are often conducted alongside village forum (musdes). The following statement were provided by Bambang, the Treasurer of the Ngingas BUMDes:

“BUMDes management provide financial reports on a yearly basis. We manage the finances of our BUMDes by formulating programs significantly in advance. So, we develop our action plan a year in advance of implementation and submit it to the local government, thus allowing greater potential in securing funds for the program's sustainability.” (Bambang, Treasurer of Ngingas BUMDes)

This indicates that the utilization of capital is in accordance with the plan. Meanwhile the financial reporting of the BUMDes, particularly Ngingas Makmur Abadi, has been conducted routinely, and the procedures used are in accordance with its articles of association and bylaw. Moreover, the financial management is also carried out on a regular basis. This practice is also followed by almost every village that has a BUMDes in the Waru district.

Substantive Value

Economical Value

The assessment of economic value aims to measure the economic benefits gained by the community due to the BUMDes' presence. It is clear that the majority of the community perceives advantages from the presence of BUMDes that have businesses aligned with the village's potential and the needs of the villagers themselves. This is because the business manages local resources and generate additional local own-source revenue (PAD). Supporting this is an interview excerpt from Zainuddin, the Director of the Ngingas BUMDes, who noted that:

“We, in our BUMDes, take complete responsibility for the prosperity of the village residents. Our BUMDes operates in a way that does not compete with the local residents. The people experience no disruption whatsoever due to the BUMDes, because we produce products that are different from those produced by our people.” (Zainuddin, Director of Ngingas BUMDes)

There is also additional statement from Widodo, the Secretary of BUMDes, who said:

“The BUMDes carries out programs to improve the community's economic value, such as the operation of a waste incinerator. That machine is our primary program. Additionally, we are involved in the trading of various machineries. This year we are also working on developing a metalworking village educational tourism initiative.” (Widodo, Secretary of Ngingas BUMDes)

The views expressed by these two individuals suggest that the BUMDes development process can directly benefit the village by contributing to PADes and supporting existing businesses within the community. Table 3 shows the contribution of BUMDes to the PADes in Waru District over the 7-year period from 2017 to 2023. While capital investments have been made, the contributions generated are quite diverse, taking into account the existing capital of each BUMDes.

Table 3. Data on BUMDes Capital Investment from Village Budgets (APBDes) for Each Village in Waru District

Name of BUMDes	Contribution to Village Own-Source Revenue (PADes)
Permata Waru	Rp 0
Karya sejahtera Pepelegi	Rp 5.000.000
Birawa Cipta Sari	Rp 55.790.000
Ngingas Makmur Abadi	Rp 105.000.000
Citra Makmur Sejahtera Tropodo	Rp 20.069.400
Kepuhjaya	Rp 0
Tangguh Mandiri Sejahtera	Rp 0
Tambakrejo	Rp 58.061.000
Delta Abadi Makmur Tambaksumur	Rp 0
Sarip jaya	Rp 0
Wadungasri Jaya Makmur	Rp 0
Berkah	Rp 3.656.515
Mandiri Sejahtera Wedoro	Rp 0
Masyarakat Madani Sejahtera	Rp 0
Karya Mulya Sejahtera	Rp 975.000
Rosa Bungur Mandiri	Rp 108.358.800
Berlian	Rp 0

Source: Processed Secondary Data, 2024

This shows that the economic benefits provided by the Ngingas Makmur Abadi BUMDes have been advantageous to the community. This is because the role of the BUMDes is to help alleviate the economic burden of the community within its own village.

Social and Cultural Value

In the management of BUMDes, it is important to consider socio-cultural values, as these encompass contributions to social interaction, cultural identity, and the welfare of individuals and groups. Shared prosperity is the key principle of the establishment and management processes of BUMDes. The presence of BUMDes should not result in new competition for the already established businesses within the local community. This point is supported by the statement from Zainuddin, the Director of Ngingas BUMDes, who noted that:

“One of our BUMDes activity that highlighted socio-cultural aspects was participating in a creative video competition in 2019. In that event, we received the provincial technology innovation award for East Java region. The spirit we promote is growing together. The Ngingas BUMDes, acting as a partner to the community, provides the manufacturing of tools needed by local business owners.” (Zainuddin, Director of Ngingas BUMDes)

BUMDes management also provides opportunities for active participation by the community. Local residents and their businesses can access and utilize the supply chain system owned by the BUMDes, as is the case in Janti village. BUMDes plays an important role in creating new space for commerce, which has received a significant positive response from the community. Nevertheless, there are still numerous areas for improvement in the management of the Janti Village BUMDes, both in its systems and business model, to enhance its operational efficiency. Purwanto, a resident with knowledge of the BUMDes in Janti Village, also supports this view, noting that:

“When it comes to socio-cultural events, community participation remains. Especially, as far as I know, the BUMDes' market serves as a channel for marketing products from the community. The products represent the local culture and are unique to the village, including handicrafts, textiles, and many other innovations.” (Purwanto, Janti Village resident)

We can observe here that BUMDes Waru District have already made socio-cultural welfare a primary goal. However, the business methods developed by BUMDes should be carefully considered so that they serve as integrators or facilitators in village development, rather than becoming competitors to existing community businesses. This is demonstrated through various activities that have already included the local community and the facilitation efforts undertaken.

Political Value

Political value plays a significant role in BUMDes management to observe the space for active involvement and commitment of the community. This space is not only for discussion activities but also for BUMDes capacity building. The village government, as the BUMDes supervisor, also needs community input to ensure the BUMDes can continue to function properly. Zainuddin, the Director of Ngingas BUMDes, mentioned the following:

“I am the sole decision maker as the BUMDes director, but I make an effort to seek guidance from the village head when considering new initiatives. Every innovation I introduce has received the village head's approval. Moreover, I often receive input from the village head, who has received complaints or suggestions from the community about innovations I should consider. If it is still feasible, then yes, I will do it.” (Zainuddin, Director of Ngingas BUMDes)

Local residents frequently participates in BUMDes programs and contribute their opinions during village forums. Community commitment to BUMDes activities can be encouraged through BUMDes business units that facilitate access to production or business equipment. However, there are still notes for the BUMDes managers regarding their future development plans and activities. While actively participating in BUMDes activities, the people feel they still uninformed about the BUMDes' future development plans. BUMDes development requires thorough planning to ensure it becomes a promising and valuable venture. This point is echoed by Sapi'i, a resident who often takes part in BUMDes programs, who said:

“As a community member, I don't know the plans for future activities and development. So, if someone asks me, I'm also not sure what are this BUMDes' long-term activities or plans. But if there's an invitation, I will certainly attend.” (Sapi'i, Ngingas Village resident)

The research finding above indicates that the community already plays a role in BUMDes activities, but further encouragement is needed to ensure future BUMDes activities will receive community support. Active participation of the community is very important and represents a valuable potential for BUMDes development. Consequently, this can contribute to the achievement of political value in the management of BUMDes.

Educational Value

Managing BUMDes requires educational value that aim to increase community knowledge. Managers of BUMDes should understand how the community perceives the BUMDes' form of business to ensure the business units they develop can operate effectively. BUMDes, which plays a role in driving a creative community economy, must be willing to educate the people it serves. BUMDes also has a role in creating job opportunities for the community. Supporting this is the opinion of Purwanto, a village resident, who said:

“From what I understand, this BUMDes plays a positive role. Its intention is to create a platform for community members who have products to offer. Marketing is currently essential for establishing and generating economic prosperity within the community.” (Purwanto, Janti Village resident)

Another viewpoint regarding BUMDes business units connected to education emerges from the director of the Ngingas BUMDes, who manages a metalworking village educational tourism site. By managing the metalworking village, the BUMDes has helped to enhance the quality of the products. Zainuddin, the Director of the BUMDes, stated that:

“The Metalworking Village Educational Tourism that we are currently developing this year will provide educational value for students and university students from outside this region. Our village has already received numerous visits from educational institutions. For example, from SMK (vocational school) Bina Mandiri, students from Sepuluh Nopember Institute of Technology (ITS), and from Diponegoro University

Maintaining this educational value is important in BUMDes activities. Education can be provided directly within business units, as seen in the Ngingas Village Metalworking Education Tourism. Meanwhile, indirect education is exemplified by the BUMDes development in Janti village, which educates the community on the use of the marketing network they have established.

Ecological Value

This value concerns the program's effect on the surrounding environment. This value can be interpreted as the value of sustainability. The government and community are expected to play a role in maintaining and overseeing the activities of the business units within the BUMDes. Supporting this is the view expressed by Zainuddin, the Director of the BUMDes, who noted that:

“The surrounding environment, as well as the community, certainly benefit positively from the existence of the BUMDes. For example, we produce waste incinerators. Moreover, the government also supports the marketing of this innovative product as one of main products to reduce household waste.” (Zainuddin, Director of Ngingas Village BUMDes)

To further confirm that the ecological values implemented by the BUMDes have had a positive impact on the community, we can refer to the opinion of Sapi'i, a community member who frequently participates in BUMDes programs, who stated that:

“The community has already felt the positive impact of the BUMDes so far. Profits generated by the BUMDes will also benefit the community through PADes. If the BUMDes grows or

receives many machine orders, the village community, especially industrial SMEs that produce machineries will get more jobs.” (Sapi’i, Ngingas Village resident)

The ecological values integrated into the BUMDes, through the programs and activities of Ngingas Makmur Abadi BUMDes, has positively impacted the surrounding environment. This is demonstrated by the development of an eco-friendly waste incinerator. There are also several facilities and work opportunities related to the business that have been voluntarily provided by Ngingas Makmur Abadi BUMDes for the village community.

DISCUSSION

Legitimacy and Support

[Alford & O’Flynn \(2020\)](#) explain that the key to understanding the concept of Public Value lies within a framework known as the Strategic Triangle. According to this concept, legitimacy and support, regardless of their form, are essential in generating public value. It is expected that all stakeholders, including the government, private sector, and community, will benefit from the existence of the BUMDes. The government's burden in generating prosperity within its territory will be lessened to some extent through collaboration with other stakeholders ([Bachtiar et al., 2022](#)). Private sector can collaborate with the BUMDes to expand their business ventures. Community members can gain advantages by accessing required services provided by the BUMDes. Therefore, all stakeholders should benefit and not harmed by the existence of the BUMDes (Maulana et al., 2019).

The legitimacy of the BUMDes significantly influences the welfare of the community it serves. BUMDes should has legal regulations. Those regulations are in place to prevent any signs of political manipulation from the government itself. Consequently, all activities and the reports provided are also characterized by transparency ([Arindhawati & Utami, 2020](#)). This supports [Alford & O’Flynn \(2020\)](#) point that legitimacy is provided by the existence of a village regulation (Perdes) that enables its formation. This can be observed in all BUMDes activities, from the formation of the management structure to the BUMDes' operations. All are conducted based on regulations established by the village government and always adhere to their articles of association and bylaws. Nevertheless, it is necessary to also enforce clear sanctions if any member of the management violate the established legal regulations. The lack of enforced sanctions could lead to a risk that the administrators might disregard the existing regulations ([Hayati & Bariroh, 2021](#)).

Awareness campaign is conducted to reach all members of the village community so that they can actively participate in the development of the BUMDes. This awareness campaign can lead to the economic improvement of the village community ([Setiawan et al., 2023](#)). Therefore, according to the

theory ([Alford & O'Flynn, 2020](#)) BUMDes in Ngingas and other BUMDes in the Waru district have already conducted awareness campaigns to introduce their existence to both the village community and a broader audience. Community business and economic development is a result of active support from its residents ([Fauziah & Rifa'i, 2023](#)). Community participation, for example by SMEs, occurs in programs or businesses run by BUMDes in Ngingas or other BUMDes in other villages. Therefore, in this regard, awareness campaigns have been relevant and have effectively targeted the community, especially those involved in SMEs. Nevertheless, the BUMDes should strive to secure sustainable support from the community. The combination of positive activities and continuous awareness campaigns will certainly lead to greater community support for the BUMDes.

Operational Capacity

[Alford & O'Flynn \(2020\)](#) explain that maintaining public value requires operational capacity consisting of human resources, technology, and financial resources. Operational capacity will enable the BUMDes to maintain and build trust among various stakeholders to take benefit from the institution and services it provides. The existence of the BUMDes, from this perspective, implies that operational capacity is highly important for BUMDes administrators to uphold and further develop.

High-quality human resources will drive progress within a BUMDes. Human resources significantly influence the functioning of the BUMDes ([Romi Amin Setiawan et al., 2023](#)). Meanwhile, considering the human resources indicator according to [Alford & O'Flynn \(2020\)](#) theory, BUMDes in Ngingas is already well-equipped. Regarding its management structure, it can be described as neutral, not serving the interests of a single group within the community. However, it is important that human resources are also be selected based on criteria of experience and good quality so that the benefit can be directly felt in the future. Good quality human resources will also contribute to the advancement of the BUMDes itself.

Technology also significantly influences the advancement of a BUMDes. The use of appropriate technology can enhance BUMDes' strategies for realizing prosperity within its village community ([Sulaksana & Nuryanti, 2019](#)). According to the technology indicator in [Alford & O'Flynn \(2020\)](#) theory, BUMDes in Ngingas is already making progress to anticipate a fully digital environment. Furthermore, the BUMDes has also implemented digital technology in its machine trading business through the government's E-catalog application. Nevertheless, in this regard, technological advancement should be continuously enhanced, as the world is becoming increasingly digital. BUMDes in Ngingas should also have ways to convey information to community members who are not yet technologically literate. This could be done, for example, by frequently holding public gatherings at the Village Hall in part of the BUMDes' ongoing activities.

Financial aspect takes top priority in the development of a BUMDes. Moreover, it also functions as a means of assessing the performance that the BUMDes has already achieved. Financial reporting processes should also include the participation of the village community to ensure public trust in the BUMDes ([Palupi, 2021](#)). Therefore, based on the financial indicator in the theory of [Alford & O'Flynn \(2020\)](#), the preparation of BUMDes accountability reports here is in accordance with the legal entity status. Moreover, BUMDes Ngingas' management demonstrates a good approach to maximizing their financial resources. This is apparent in the way the BUMDes plans future programs well in advance to seek funding from the local government. Nevertheless, in this regard, the compensation for the management should not necessarily be proportional to the revenue generated to PADes.

Substantive Value

[Alford & O'Flynn \(2020\)](#) explain that the substantive value component in public value consists of five values: economic value, social and cultural value, political value, educational value, and ecological value. An important role needs to be fulfilled to create and uphold these substantive values as drivers for BUMDes activities. It is also necessary to develop the existing values so that the functions performed by the BUMDes can benefit various stakeholders.

Economic value is important in managing BUMDes because of the positive impact it provides to the economic activities in the village ([Hardiani et al., 2023](#)). The BUMDes is intended to benefit the community, as its ventures are not detrimental but rather significantly contribute to the community's economy. Therefore, in this regard, the economic value is properly addressed and practiced by contributing to providing job opportunities for village residents. However, the quality of economic value needs to be continuously improved to ensure greater economic prosperity for the village community. Moreover, those in the community who have benefited from the BUMDes can set up their own businesses, thereby improving their economic situation ([Merrell et al., 2022](#)).

Socio-cultural value is used to maintain and strengthen the identity of the village community within the BUMDes ([Herdiana et al., 2022](#)). The presence of the BUMDes has created a social connection between the village government and the village community. Meanwhile, cultural values need to be promoted to enhance the role of economic institutions that can provide communal benefits. For example, as seen in Ngingas Village, which received an award from the East Java Provincial Government. The role of the BUMDes can be strengthened to be a community-based business development incubator and become a new economic platform. BUMDes can operate more flexibly in creating new markets to cultivate village potential, which can then be commercialized, as seen in Janti Village, to boost village revenue ([de Clercq et al., 2023](#)).

Political value significantly influences the management of a BUMDes. Upholding the regulations established by the village government related to the village regulation (Perdes) on the establishment of the BUMDes ([Bafa et al., 2021](#)). Decision-making within the BUMDes is the sole responsibility of the BUMDes Director, independent of village government control. Efforts to increase community commitment and active involvement in forums related to the BUMDes' work plans or future programs are deemed to be considerably inadequate ([Kallert et al., 2021](#)). Many BUMDes still lack well-developed future work plans, whereas this planning process is important for strengthening the bargaining capacity in business development with the local community and the village government. Efforts should be made to increase awareness campaigns so that the community recognizes the importance of attending and actively participating in the BUMDes' annual activity plans reporting forum.

Educational value is also a foundation in community life. Educational value can assist in addressing challenges, as without extensive knowledge, an institution will lack the ability to effectively resolve issues ([Astuti et al., 2022](#)). The educational tourism offered by several BUMDes is certainly quite beneficial in enhancing insights and providing practical experience for students about industrial craftsmanship, while also broadening opportunities. It is important to guide BUMDes to consistently embrace educational value to enable its contributions to the community or other stakeholders ([Mustaqim, 2018](#)). Even so, BUMDes should aim to elevate the quality of educational value by offering not only knowledge but also direct experience and fostering new habits for community development.

The scope of ecological value covers the environmental impact and the relationship dynamics between the community and the village government. The majority of the village community has positively received the impact of the BUMDes. The BUMDes in Ngingas Village produces waste incinerators, thus having an environmentally friendly impact ([Ashari et al., 2020](#)). Another positive ecological value of the BUMDes is its role as a third party in village development, alongside the government and the community. Nevertheless, BUMDes should also continuously provide innovation, motivation, and other engaging programs, so that it can create self-reliance at the village level.

CONCLUSION

Public value, encompassing three strategic elements: legitimacy and support, operational capacity, and substantive value, has been successfully achieved. (1) The component regarding the BUMDes' legitimacy is functioning well because it adheres to the law and is translated into the Village Regulation (Perdes), Articles of Association, and Bylaws (AD ART). All these regulations

are used as the basis for BUMDes governance and management. Meanwhile, decision-making through village forums has also been implemented. The community is enthusiastic about the BUMDes and willing to participate. (2) Operational capacity has also been adequately implemented. For example, for human resources indicator, the BUMDes appoint competent people in management roles. Moreover, the BUMDes' and production activities have adopted technological advancements. Financial support has been provided by each village government, and its accountability has been well-managed in compliance with the respective legal entity regulations. (3) The substantive value component is functioning well due to the successful attainment of the economic value indicator, which benefits the community by alleviating the economic burden of the village residents. Social and cultural values are achieved through community participation in socio-cultural activities, which then establishes connections between the village government and the community. The BUMDes generates cultural value by cultivating local culture and the village's unique characteristics. The presence of educational value is seen in the established metalworking village educational tourism, which is currently running and hosts visits from numerous schools and universities (Islamy & Andriani, 2022). Furthermore, ecological value has been achieved due to the many positive impacts that the community has felt so far. While four values have been successfully achieved, political value remains less realized due to the limited willingness of community members to actively commit and engage in forums held by the village government, BUMDes management, and the community.

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