



Village-Owned Enterprise Governance in the Perspective of Reinventing Local Government

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Abstract. *This study aims to describe and analyze: Governance of BUMDes based on reinventing local government. This study uses a qualitative approach with a multiple case study design. This research was conducted in three locations with BUMDes that have different levels of performance: BUMDes Tirta Mandiri (Ponggok Village, Klaten, Central Java): For example, BUMDes are successful. Sumber Rejeki BUMDes (Sumberagung Village, Jember, East Java): As an example of BUMDes with medium performance. BUMDes Tani Makmur (Sukorejo Village, Malang Regency, East Java): As an example of BUMDes that are still developing. The data obtained were analyzed qualitatively using the thematic analysis method. The stages of data analysis are as follows: (1) Data Collection (2) Transcription and Coding: (3) Thematic Analysis: (4) Data Triangulation. The results of the study show that BUMDes Governance based on local government reinventing includes Community Participation: Encouraging active community involvement in the decision-making process. Community participation in the management of BUMDes refers to four participations, namely (1) participation in planning, (2) participation in program implementation, (3) participation in assessment and evaluation, and (4) participation in the utilization of results. Transparency in governance refers to openness in providing information related to the management of BUMDes to the public. Document accessibility available, Complete and clear information, Open management processes, Regulatory framework that ensures transparency, Information written and communicated to stakeholders. Accountability in governance refers to legal accountability, process accountability, program accountability. BUMDesa innovation as a new idea aims to initiate, improve and improve community entrepreneurship. Innovation in products and services. Innovation in BUMDes includes the creation of new products, improving the quality of existing products, and developing services that are relevant to the needs of the community and the market. Service innovation includes improving ways of providing services that are faster, more convenient, or more in line with customer needs.*

Keywords: *Governance, Reinventing Local Government, Village-Owned Enterprises*

1. INTRODUCTION

Villages as the smallest government unit in Indonesia play a crucial role in local development and improving community welfare. A village is an administrative area in Indonesia that is led by a village head and is under the jurisdiction of the sub-district. A village consists of several small communities known as villages grouped together. A village is a legal entity in which there is a community and has the authority to take care of its own household, which is the lowest government under the sub-district (Sutardjo, 1993). Because villages are the vanguard of Indonesia's progress, the government continues to strive to encourage the village economy through the distribution of village funds and BUMDes development programs. This is done in order to advance Indonesia. It is recommended that the village form a business entity that helps in meeting the needs of the community. This is in accordance with Law Number 6 of 2014 concerning Villages which states this recommendation. The

establishment of Village-Owned Enterprises (BUMDes: *Badan Usaha Milik Desa*) is one of the many actions that can be taken (Ridlwan, 2014).

BUMDes is a village business entity controlled by the Village Government. It was established in accordance with the needs and potential of the village itself to manage businesses, utilize village wealth, develop village productivity, and offer services for the welfare of the village community (Putri et al., 2021). The establishment of BUMDes is the responsibility of the Village Government; However, both funding and organizational management are shared responsibilities between the Village Government and the community guided by family values and mutual cooperation (Budiono, 2015). According to Agunggunanto et al. (2016) BUMDes was established with the aim of improving the welfare of the village community, the economy and income in the village, as well as increasing the potential of the village in terms of human resources based on the needs of the people in the village and functioning as the backbone of equitable distribution of village economic growth. In addition, the goal of BUMDes is to increase the potential of the village in terms of human resources based on the needs of the community in the village (Putri et al., 2021; Syafikri et al., 2021).

Data from the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration (Kemendes PDTT) shows that until 2022, there are more than 50,000 BUMDes that have been established throughout Indonesia (Kemendes PDTT, 2022). However, only about 30% of these BUMDes are considered active and operating optimally, while the rest face various operational and managerial obstacles (Nugroho, 2020). The main challenges faced by BUMDes include lack of managerial capacity, low transparency in financial management, and lack of community participation in decision-making (Sutoro et al., 2019). For example, a case study in Village X in Central Java revealed that only 15% of people felt involved in the decision-making process of BUMDes, while 70% expressed ignorance about the allocation and use of BUMDes funds (Wahyudi, 2021). This condition indicates the need for a new approach in BUMDes governance to ensure sustainability and its contribution to village development.

The concept of reinventing local government offers a transformative perspective in local governance, including BUMDes. This concept emphasizes principles such as community participation, transparency, accountability, and innovation in public service (Osborne & Gaebler, 1992). Reinventing Government is a conscious and planned effort to change bureaucratic structures and procedures (reorganization or institutional aspects) and bureaucratic behavioral attitudes (behavioral aspects) to increase organizational effectiveness. Reinventing government is a concept where the government can be entrepreneurial so that it can meet the needs of the bureaucracy. The goal of reinventing government is to be able to

foster innovative, adaptive attitudes and behaviors of bureaucrats controlled by the bureaucracy so that they are dignified and oriented to society. In the context of BUMDes, this approach can be a solution to overcome governance problems that have been hindering its performance. For example, qualitative research in Village Y in East Java shows that the application of the principles of transparency and community participation is able to significantly increase public trust and the performance of BUMDes (Rahmawati, 2020).

This study aims to analyze the governance of BUMDes from the perspective of reinventing local government using a qualitative approach. Through this research, it is hoped that policy recommendations and best practices can be produced to strengthen the governance of BUMDes, especially in the context of the application of the principles of reinventing local government. The findings of this research are also expected to contribute to the development of literature on BUMDes governance and village development more broadly.

2. LITERATURE REVIEW

According to Firdaus (2020) Village-Owned Enterprises or can be called BUMDES, which is an institution or village economic body owned by the village government, managed economically, independently and professionally with all or most of the capital is inseparable village wealth. Village-Owned Enterprises (BUMDES) are businesses formed by villages and their management is carried out in cooperation with the village government and the community.

BUMDes was born as a new approach in an effort to improve the village economy based on the needs and potential of the village. The management of BUMDes is fully carried out by the village community, namely from the village, by the village, and for the village. The way BUMDes works is to accommodate community economic activities in a form of an institution or business entity that is managed professionally, but still relies on the original potential of the village. This can make community businesses more productive and effective. In the future, BUMDes will function as a pillar of national independence which is also an institution that accommodates community economic activities that develop according to village characteristics in order to improve the welfare of the village community (Darwita and Redana, 2018)

Bumdes is a business institution that is managed directly by the community and the village government with the aim of improving the economic life of the village and building community emotions on the basis of the needs and potential of the village. Bumdes is a community economic institution that is managed directly by the village community and the village government to obtain results and profits. Bumdes aims to manage village assets well,

improve the village economic governance system, and realize the welfare of the village community. (Firdaus, 2020).

According to Law Number 6 of 2014 concerning Villages, BUMDes was formed as a means to increase the village's original income and create jobs for the village community. However, the implementation of BUMDes still faces various challenges, such as lack of managerial capacity, lack of community participation, and low transparency in financial management (Nugroho, 2020).

A study by Wahyudi (2021) shows that the success of BUMDes is highly dependent on factors such as strong leadership, active community participation, and support from local governments. On the other hand, research by Rahmawati (2020) revealed that BUMDes that successfully implement the principles of transparency and accountability tend to be more able to attract public participation and improve business performance.

BUMDes governance is often faced with structural and operational problems. Data from the Ministry of Agriculture and Rural Development (2022) shows that only 30% of the total BUMDes in Indonesia operate optimally. Some key challenges include low managerial capacity, where BUMDes managers often lack an adequate management background, hindering strategic decision-making (Nugroho, 2020). Additionally, there is a lack of community participation, as the community is often not actively involved in the decision-making process, resulting in a low sense of ownership and support for BUMDes (Wahyudi, 2021). Another major issue is the low transparency and accountability, where many BUMDes fail to provide financial reports openly to the public, leading to distrust (Rahmawati, 2020).

Baskoro (2018) in his research added that another challenge faced by BUMDes is the lack of clear and consistent regulations at the local level, which often leads to policy overlap and legal uncertainty. This hinders the optimal development of BUMDes.

The concept of reinventing local government was introduced by Osborne and Gaebler (1992) as an effort to transform local governance to be more efficient, effective, and responsive to the needs of the community. This concept is built on several key principles, including community participation, which emphasizes the importance of active involvement from the community in the decision-making process. Another crucial aspect is transparency and accountability, ensuring that information disclosure and accountability in managing public resources are upheld. Additionally, innovation and entrepreneurship play a significant role by encouraging creative and entrepreneurial approaches in addressing public problems, making governance more dynamic and solution-oriented.

Moon (2002) in his article *Reinventing Local Governments and the E-Government Initiative* added that information technology can be an important tool in supporting the transformation of local governance. The implementation of e-government can increase transparency, accountability, and community participation, which is in line with the principles of reinventing local government.

The application of the principles of reinventing local government in the governance of BUMDes is considered relevant to overcome the various challenges faced. For example, community participation can increase a sense of ownership and support for BUMDes, while transparency and accountability can build public trust (Osborne & Gaebler, 1992). In addition, an entrepreneurial approach can encourage innovation in village resource management.

A case study in Village Y, East Java, shows that BUMDes that apply the principles of transparency and community participation are able to increase village income by 25% within two years (Rahmawati, 2020). These findings indicate that the reinventing local government approach can be a solution to strengthen the governance of BUMDes.

Previous research findings on BUMDes and reinventing local government show that many research results are contextual and not always universally applicable. For example, research by Prasetyo and Haryanto (2019) conducted in Central Java found that community participation and financial transparency are key factors in improving the performance of BUMDes. However, these findings may not be fully applicable in other regions with different social, economic, and cultural characteristics.

A study by Sutrisno and Wibowo (2020) also identified that the application of the principles of reinventing local government can increase the efficiency and effectiveness of BUMDes management. However, they emphasized that the successful implementation of these principles is highly dependent on the local context, such as the level of community participation, institutional capacity, and local government support.

Although the concept of reinventing local government has been widely adopted in various local government contexts, there are some criticisms of the conceptual model and measurement approach used. **First**, the main criticism is that this concept tends to focus too much on efficiency and effectiveness, thus ignoring aspects of social justice and equitable development (Moon, 2002). For example, the application of entrepreneurial principles in the management of BUMDes may only benefit a handful of village elites, while the poor remain marginalized.

Second, the approach to measuring the performance of BUMDes often only focuses on financial indicators, such as revenue and profit, without considering the broader social and environmental impacts (Baskoro, 2018). This can cause BUMDes managers to neglect social responsibility and environmental sustainability in running their business.

Third, some researchers criticize that the concept of reinventing local government relies too much on information technology as a solution to increase transparency and accountability. In fact, in many rural areas in Indonesia, access to information technology is still very limited, so the implementation of e-government is not always feasible (Sutrisno & Wibowo, 2020).

Although there have been several studies on BUMDes and reinventing local government, there are still research gaps that need to be filled. **First**, most of the research on BUMDes is still descriptive and does not touch on the governance aspect in depth. **Second**, research linking BUMDes with the concept of reinventing local government is still limited, especially in the Indonesian context. Therefore, this study aims to fill this gap by analyzing the governance of BUMDes through the perspective of reinventing local government.

3. METHODS

This study uses a qualitative approach with a multiple case study design. This approach was chosen because it allows researchers to compare and analyze the governance of BUMDes in three locations with different levels of performance: successful, medium, and developing. Multiple case studies also allow researchers to identify patterns and differences in the governance of BUMDes (Yin, 2018). This research was conducted in three locations with BUMDes that have different levels of performance: BUMDes Tirta Mandiri (Ponggok Village, Klaten, Central Java): For example, BUMDes are successful. Sumber Rejeki BUMDes (Sumberagung Village, Jember, East Java): As an example of BUMDes with medium performance. BUMDes Tani Makmur (Sukorejo Village, Malang Regency, East Java): For example, BUMDes that are still developing.

Data were collected through three main techniques: In-depth Interviews, Participatory Observation and Document Studies. The research participants were selected purposively including: BUMDes Managers, Village Apparatus and Village Communities: Villagers who are involved or affected by BUMDes activities.

The data obtained were analyzed qualitatively using the thematic analysis method. The stages of data analysis are as follows: (1) Data Collection: All data from the results of interviews, observations, and documentation are collected and organized; (2) Transcription and coding: The results of the interviews are transcribed verbatim, then a coding process is carried

out to identify the main themes relevant to the research objectives, such as service effectiveness, obstacles faced by citizens, and the fulfillment of citizens' rights; (3) Thematic Analysis: The data that has been encoded is then grouped into key themes, such as service transparency, accessibility, efficiency, and fairness in public services. Each theme is analyzed to see how they reflect the implementation of citizens' rights; and (4) Data Triangulation: Data validity is maintained through triangulation, namely by comparing the results of interviews, observations, and documentation to ensure consistency of findings.

4. RESULTS AND DISCUSSION

Reinventing government is a way for bureaucracy to change systems or arrangements so that the implementation of government can run in an accountable, responsive, innovative, professional, and entrepreneurial manner. Entrepreneurs are intended so that local governments that have been given autonomy have an entrepreneurial spirit to be more innovative in providing services to the community and can answer the demands of society in the era of globalization. So that entrepreneurship of the bureaucracy does not mean that the bureaucracy does entrepreneurship to get the greatest profit, but rather empowers the institution so that productivity and work efficiency can be optimized.

Reinventing government is a concept to change the bureaucratic system so that the government can run well, including in the governance of Village-Owned Enterprises (BUMDes). The concept of Reinventing Government Entrepreneurship bureaucracy by transforming the spirit of entrepreneurship into the public sector. Empowering the apparatus. Utilize principles such as catalytic and anticipatory government. Leveraging principles such as responsive, efficient, and innovative.

Active Community Participation in the Management of BUMDes

Active community participation in the management of Village-Owned Enterprises (BUMDes) can be done through various ways, such as providing input, discussing, and participating in evaluations. Participatory, namely all components involved in BUMDes must be willing voluntarily or asked to provide support and contributions that can encourage the progress of BUMDes businesses. BUMDes are oriented to whatever BUMDes do, which comes from the community and for the community. This is evidenced by the involvement of the community in the management of BUMDes. Community involvement in the village ranging from Human Resources (HR) to involvement in investing in BUMDes. Village-Owned Enterprises are used as Joint-Owned Enterprises (Village communities) which start from the Village BUM administrators who are members of the Village community. In addition, every

profit obtained from BUMDes will be allocated for the benefit of the village community. The existence of share certificates issued by BUMDes intended for people who can invest in BUMDes is part of the concept of Community-Owned BUMDes.

Community participation in the management of BUMDes refers to the level of participation proposed by Ndraha (1990), including four indicators of participation, including: (1) participation in planning, (2) participation in program implementation, (3) participation in assessment and evaluation, and (4) participation in the utilization of results. Community participation in planning is the involvement of the community in planning the BUMDes Program and determining the activities to be carried out and the goals that must be achieved. BUMDes has involved the community, including in the formation of BUMDes management. The community who is selected to be the manager or administrator of BUMDes then conducts a discussion or deliberation with the pekon government and BUMDes supervisors regarding the type of program or business that will be run by BUMDes.

Community participation in the implementation of activities is community involvement in activities that are a manifestation of the implementation of the BUMDes program. The people involved are selected people who are willing to spend their time and energy to be involved in the implementation of BUMDes program activities. At this stage, it is a continuation of the previously agreed plan, both related to planning and implementation. In the implementation of the program, the participation of various elements is very necessary. Where the description is based on the extent to which the community is actually involved in concrete activities which are forms of predetermined programs. In its implementation, BUMDes must be accompanied by encouragement from the Village Government and the community. This aims to optimize the effectiveness of BUMDes performance so that it can improve the welfare of the village community. Thus, community participation is important in the implementation of BUMDes. In order for the program to be implemented, various forms of community involvement need to be carried out such as coordinating human resources and funding, planning programs, and administrative management. Thus, if the community carries out these concrete activities in order to succeed the planned BUMDes program, then participation to implement the program decided by the local Village Government can run more efficiently.

Participation in assessment and evaluation is the involvement of the community in supervision and providing an assessment of the extent of the objectives of the BUMDes program. The community has participated in the assessment and evaluation activities of the BUMDes program. Evaluation of BUMDes program activities in one year. Each specific idea of BUMDes management, the community or members involved in BUMDes activities, the

village government, and BUMDes supervisors hold a meeting to see the development of BUMDes activities carried out by BUMDes Managers. Then an evaluation meeting was held as well as the distribution of the results of BUMDes activities for one year that has been running. According to Mulyadi, (2019), participation in evaluation means that the community is involved in monitoring and evaluating implementation and output. from the BUMDes program. To obtain optimal program output, the community can provide suggestions and criticism on the implementation of the program. Evaluation is a form of effort to monitor and assess the implementation of programs that are or have been running in accordance with the targets that have been set.

Participation in the utilization of results is the involvement of the community in enjoying the results obtained in the BUMDes program and to what extent the community can enjoy and utilize the results of the BUMDes program, especially increasing income and welfare. According to Mulyadi, (2019), the community can participate in the success of the BUMDes program by providing positive and broad benefits. These parameters can be known through the enthusiasm of the community in running the program optimally, and the optimization can be assessed in terms of quality and quantity. The quality of program implementation if there is an increase in output, while the quantity of programs is achieved if the number of successful program targets is achieved. Basically, the implementation of a BUMDes program developed by a group of managers must provide benefits for all parties of society. In other cases, such as farmer groups, their abilities need to be given agricultural encouragement to this BUMDes program so that not only small business actors can benefit from BUMDes businesses

Transparency and Accountability in the Management of BUMDes

Transparency in the management of Village-Owned Enterprises (BUMDes) is openness in providing information related to the management of BUMDes to the community. This transparency is important to prevent corruption, collusion, and nepotism. BUMDes transparency indicators Availability of documents, Complete and clear information, Open management process, Regulatory framework that ensures transparency, Written information and communicated to stakeholders.

In the management of BUMDes that is directed and clear, transparency is needed in its management. Where if briefly explained, transparency is openness in carrying out the decision-making process and openness in presenting material and relevant information about the company. Bushman & Smith (Bushman & Smith, 2003) defines transparency as the unlimited availability of unlimited, relevant information that can be relied upon about the periodic

performance, financial position, investment opportunities, governance, value, and risk of a public company.

Transparency is also a principle that guarantees access or freedom for everyone to obtain information about the administration of government, which includes information about policies, the process of making and implementing them, and the results achieved. Transparency is the existence of an open policy for supervision, while what is meant by information is information about every aspect of government policies that can be reached by the public. Information disclosure is expected to result in healthy, tolerant political competition, and policies are made based on public preferences. Transparency means a real, comprehensive openness, and provides space for all levels of society to actively participate in the process of managing public resources. When associated with the budget, transparency can be defined as openness to the public which includes government functions and structures, fiscal policy objectives, the public financial sector, and its projections (Andrianto, 2007).

The transparency of BUMDEs governance is shown by the availability of documents in BUMDEs which are accompanied by clear and complete information, with the hope that the documents provided can be easily understood and do not cause misunderstandings of the information provided. BUMDEs in ensuring that the information provided to the community is clear and complete, namely by holding various activities that gather the community, such as through socialization for several programs, for example that have been implemented, such as waste bank savings, and also through social media by sending activity information and activity documentation. In addition to social media, activity information is usually also disseminated through the village government and also the regional head for each hamlet.

All forms of activities carried out by BUMDEs are informed to the village government and the community is generally reported at the end of the year at the general deliberations. At the general deliberation, it was conveyed all the processes that have been undertaken by BUMDEs including the programs that have been running, the budget used, the profits/losses of each unit in the form of financial statements and others. In addition to being reported at the end of the year, BUMDEs activities are also routinely shared through social media owned by BUMDEs.

Public accountability is an obligation and responsibility of the government to be able to provide reports and present information in a transparent and detailed manner to the public which gives them the authority to act. Haryanto et al., (2007) stated that the government and public apparatus play a role in presenting and disclosing information about performance, explaining the process of making decisions and how to lead in accordance with the principles

of good governance described in the previous chapter, namely paying attention to the interests of stakeholders. Public apparatus realize that accountability is a condition as well as an obligation that is bound to account for every action taken (Fariyansyah et al., 2018).

Honesty in managing public finances (probity) is one way to carry out the principle of accountability with the main point applied is to select staff and parties who are able to be trusted and highly accredited for public financial management, so as to minimize the occurrence of irregularities or fraud (Haryanto et al., 2007). Regarding the management of BUMDes funds, honesty accountability has an important point, namely related to funds and/or capital along with the sources, participation, and distribution carried out by BUMDes parties. Legal accountability is accountability that is carried out based on and in accordance with applicable laws and regulations. In the analysis of accountability, honesty and law in the management of BUMDes, it has included three things, namely compliance with regulated regulations, capital ownership and capital participation of Village BUM. The capital participation has reflected the compliance of the Village Government and BUMDes that the capital of the Village BUM comes from the Village government and also the community capital in accordance with the Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration Number 4 of 2015 concerning the Establishment, Management and Management, and Dissolution of Village-Owned Enterprises Article 17 Paragraph 2.

Process accountability includes matters related to information systems during activities, the financial and financial administration process of an institution or body and the results are reflected through the provision of good and responsive public services to the community. In accountability, the process reflects the application of good governance principles, including the enforcement of the rule of law in the form of regulations and laws that have been formed to form the order and basic foundation of BUMDes.

Public accountability refers to the obligation of the trustee (agent) to provide accountability, present, report, and disclose all activities of the activities for which it is responsible to the principal who has the right and authority to hold the accountability (Mardiasmo, 2002). Public accountability consists of two types, namely vertical accountability and horizontal accountability. In program accountability, it describes whether the program implemented has been achieved and in accordance with the parties intended or has not been carried out optimally, so that in this accountability considers the goals of the implementation of the BUMDes program and the impact on the community. Horizontal accountability of BUMDes to the community is also carried out periodically once a year to coincide with the Annual Budget Meeting (RAT) led by the Village Head and Director of BUMDes together

with village officials and other community leaders. This has an impact on the community's perspective on village government services and BUMDes that are getting better and believe in the performance of the village government. Transparency in financial management will ultimately create horizontal accountability between the village government and the community, especially for the creation of openness, accountability and responsiveness to the aspirations of the community in it.

Innovation and Entrepreneurship in the Management of BUMDes

Innovation refers to the process of realizing various new ideas, new products, institutions, new practices that are not widely known, used or implemented by some community members of a particular affected community. Innovation is closely related to new ideas, new products and services, and is a commitment to continuous improvement.

Innovation is a new idea that is applied to start or improve a product, process, or service. Therefore, BUMDesa innovation as a new idea aims to initiate, improve and improve community entrepreneurship. Because entrepreneurship is a weakness of the national economy. Thus, BUMDesa innovation aims to increase the economic entrepreneurship of the community, in this case coastal communities. When innovating, BUMDEs must pay attention to at least four phases of the innovation process: 1) Opportunity identification, 2) Idea generation, 3) Idea validation, and Implementation. Likewise, the innovations carried out can be related to product innovation, process innovation, and strategic innovation.

Community entrepreneurship means entrepreneurship and entrepreneurship in the community to become entrepreneurs, producers, or entrepreneurs with an entrepreneurial spirit. By making new discoveries and using old patterns in new ways, a conscious society can change new patterns of production. The source of raw materials, new distribution methods, or new restructuring of industries. This will enable community entrepreneurs to take advantage of new patterns in production, implement new ways of working that produce higher yields, and develop new markets and new market share.

Innovation in products and services of Village-Owned Enterprises (BUMDes) is one of the strategic approaches to support the improvement of the welfare of village communities. Based on Village Regulation No. 4 of 2015 concerning the Establishment, Management, Management, and Dissolution of BUMDes, BUMDes are expected to be able to carry out productive economic businesses based on village potential and the needs of the local community (Ministry of Villages, 2015).

Innovation in BUMDes includes the creation of new products, improving the quality of existing products, and developing services that are relevant to the needs of the community and the market. This approach aims to increase the added value of local products, such as processing agricultural products into products of high economic value or developing tourism services based on local culture. Product and service innovation is the process of creating, developing, or improving goods and services to meet market needs more effectively and efficiently. In the context of business, this innovation includes not only new inventions but also the transformation of added value from existing products or services, so as to be able to create a competitive advantage. Product innovation involves the development of new goods or significant improvements to existing goods, both in terms of design, function, and quality. It aims to provide additional benefits to consumers and increase competitiveness in the market.

Service innovation includes improving ways of providing services that are faster, more convenient, or more in line with customer needs. This often involves the use of technology, better management of human resources, or the integration of more efficient service processes. By implementing product and service innovation, organizations or business entities can respond to environmental changes more adaptively, create relevant solutions, and ensure business sustainability in the midst of competition.

Product and service innovation refers to efforts to create or increase the added value of a product or service to meet the needs of an ever-evolving market. This innovation includes various aspects, such as design, function, quality, and delivery to consumers. In the context of BUMDes, product and service innovation not only aims to increase business income, but also create a positive social impact for the community.

Innovation requires collaboration between BUMDes administrators, the community, and external parties such as universities, governments, or the private sector. Technology is also an important tool in the innovation process, for example through digital marketing, modern packaging, and applications for customer service. Collaboration with external parties, such as universities, governments, and the private sector, can accelerate the innovation process. Assistance programs in terms of management, production technical, and marketing training are needed to increase the capacity of BUMDes administrators. Sustainability Sustainability-oriented innovation ensures responsible management of village resources. This not only increases income but also maintains the ecosystem and strengthens the social capital of the community.

Innovation in BUMDes products and services includes the development of local products with added value and diversification of services that can support village economic resilience in a sustainable manner. Product innovation is essentially the creation of a new product or the improvement of an existing product by adding value, quality, or efficiency of the production process (Tidd, Bessant, & Pavitt, 2005). In the context of BUMDes, product innovation processes local agricultural products into products with added value, such as making banana chips, fruit juice, or other processed products that have higher market appeal, developing unique locally-based handicraft products, which can be sold as souvenirs or typical village products. The development of local products helps create new economic value from previously underutilized resources, and also creates new jobs for rural communities (Prahalad & Hamel, 2005).

5. CONCLUSION

BUMDes Governance based on reinventing local government includes Community Participation: Encouraging active community involvement in the decision-making process. Community participation in the management of BUMDes refers to four participations, namely (1) participation in planning, (2) participation in program implementation, (3) participation in assessment and evaluation, and (4) participation in the utilization of results. Transparency in governance refers to openness in providing information related to the management of BUMDes to the public. Document accessibility available, Complete and clear information, Open management processes, Regulatory framework that ensures transparency, Information written and communicated to stakeholders. Accountability in governance refers to legal accountability, process accountability, program accountability. BUMDesa innovation as a new idea aims to initiate, improve and improve community entrepreneurship. Innovation in products and services. Innovation in BUMDes includes the creation of new products, improving the quality of existing products, and developing services that are relevant to the needs of the community and the market. Service innovation includes improving ways of providing services that are faster, more convenient, or more in line with customer needs.

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