



Strengthening Sustainable Rural Economy through BUMDes-Based Community Economic Empowerment

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Abstract:

This study aims to explore how Village-Owned Enterprises (Badan Usaha Milik Desa/BUMDes) drive community economic empowerment toward a sustainable rural economy in Sukodadi Village, Paiton District, Probolinggo Regency, focusing on the bamboo weaving business group Anyaman Bamboe. The study was motivated by the persistent dependence of rural households on informal income, limited access to capital, and the underuse of local resources, even as village funds continue to grow. A qualitative case study approach was used, with data collected from July to August 2026 through participant observation, in-depth interviews, and document analysis involving village officials, BUMDes managers, and craftsmen from around 20 households. The findings show that BUMDes supports the craftsmen through three forms of empowerment: mentoring on product development, capital loans of IDR 3–10 million repaid through monthly deductions from consignment sales, and market access supported by partners PJB and POMI Paiton, which provide an additional income of around IDR 500,000–1,000,000 per month. Community participation is driven by strong kinship-based social capital among craftsmen in one hamlet, while their direct links with outside partners remain limited. Sustainability is supported by the use of bamboo as a renewable local resource, although the regeneration of young craftsmen and competition with factory-made products remain key challenges. This study contributes to understanding how village-level economic institutions can integrate economic, social, and environmental dimensions, and offers practical insights for other villages seeking to strengthen BUMDes as an instrument of sustainable development.

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INTRODUCTION

Rural economic development has become one of the central agendas in achieving a sustainable national economy, particularly in countries where a large share of the poor still live in villages (Arifin et al., 2020; Ultari & Khoirunurrofik, 2024). In Indonesia, the enactment of Law No. 6 of 2014 on Villages gave village governments the authority to manage their own assets and establish economic institutions, one of which is the Village-Owned Enterprise (Badan Usaha Milik Desa/BUMDes). This mandate was strengthened by Government Regulation No. 11 of 2021, which recognizes BUMDes as a legal entity designed to manage local potential for the welfare of village communities. BUMDes is expected not only to generate village original income but also to open employment, provide access to capital, and strengthen community-based economic activities. Social reality shows, however, that many

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villages still struggle with informal livelihoods, limited market access, and low managerial capacity, even as village funds continue to increase every year (Nasfi et al., 2023; Firmansyah et al., 2025).

Previous studies have shown the importance of BUMDes in various aspects of rural development. Ultari and Khoirunurrofik (2024) found, through national panel data, that villages with BUMDes tend to have a higher Village Development Index than villages without one. Achmad and Fadlurrohim (2023) described how BUMDes empowers the community economy through capital provision, marketing, partnerships, and institutional strengthening, while Istiqaroh et al. (2024) showed measurable increases in household income and economic activity after a BUMDes was established. Other studies emphasize the role of social capital, such as trust, norms, and networks, in sustaining BUMDes and linking empowerment to economic well-being (Sarjiyanto, 2022; Akbar et al., 2023; Rahayu et al., 2024; Badaruddin et al., 2021). These studies show that BUMDes is not merely a business unit but a social enterprise that combines economic goals with community welfare (Kania et al., 2021; Steiner & Teasdale, 2019).

Despite this growing body of work, a gap remains in understanding how BUMDes integrates the economic, social, and environmental dimensions of sustainability in a single empowerment practice. Nasfi et al. (2023) noted that some BUMDes activities have even harmed the rural environment in pursuit of economic gains, and recommended research on environmentally sustainable BUMDes. Firdhausya and Suryanto (2025) likewise observed that BUMDes research tends to repeat themes of governance, accountability, and performance, while issues of adaptation, innovation, and sustainability receive less attention. Most existing studies measure the economic output of BUMDes but rarely explore how empowerment processes build community capacity that can last beyond a single program period. Therefore, further investigation is needed into how BUMDes can drive community economic empowerment that is economically viable, socially inclusive, and environmentally responsible.

The novelty of this research lies in its use of the sustainable economy lens, grounded in the triple bottom line of economic, social, and environmental value (Elkington, 1997), to examine BUMDes-based community empowerment at the village level. While previous research has largely highlighted the income and institutional aspects of BUMDes, this study explores how empowerment practices, local resource management, and community participation interact to produce long-term economic resilience. It positions BUMDes as a social enterprise whose success is measured not only by profit but also by the capacity, independence, and environmental awareness it builds within the community.

This study aims to explore how BUMDes in Sukodadi Village, Paiton District, Probolinggo Regency, carries out community economic empowerment through the bamboo weaving business group Anyaman Bamboe to support a sustainable rural economy. Specifically, this paper analyzes (1) the forms of empowerment provided by BUMDes and the village government, including mentoring and financial support, (2) the patterns of community participation in managing the business, and (3) the sustainability practices embedded in the use of bamboo as a local resource. The results are expected to provide practical insights for village governments, BUMDes managers, and policymakers in developing BUMDes as an instrument of sustainable rural development.

RESEARCH METHOD

This study used a qualitative approach with a single case study design (Yin, 2018) to explore BUMDes-based community economic empowerment in Sukodadi Village, Paiton

District, Probolinggo Regency, East Java. A case study was chosen because it allows an in-depth understanding of empowerment practices in their real context, where economic, social, and environmental factors are closely intertwined. The village was selected for two reasons. First, its BUMDes has been active since 2015 and supports the bamboo weaving business group Anyaman Bamboe, which has been running for about ten years. Second, the village has an abundant supply of bamboo, so the case shows how a local natural resource is turned into a sustained source of community income.

The research was conducted from July to August 2026. Data were collected through three techniques: participant observation, in-depth interviews, and documentation, as summarized in Table 1. Informants were selected purposively based on their involvement in the empowerment program, including the village head, the BUMDes director and managers, the chair of Anyaman Bamboe, and craftsmen from around 20 households in Mega Hamlet, Sukodadi Village. The number of craftsmen interviewed was determined by data saturation, meaning interviews stopped when no new information emerged.

Table 1. Data Collection Techniques

Technique	Purpose	Informants / Sources	Instruments	Time
Participant observation	To observe weaving production, mentoring activities, and community involvement directly	Anyaman Bamboe craftsmen, BUMDes managers	Field notes, observation guide	Ongoing, July–August 2026
In-depth interviews	To understand perceptions, experiences, and the meaning of empowerment and sustainability practices	Village head, BUMDes director and managers, group chair, representatives of around 20 craftsman households	Semi-structured interview guide, audio recorder	Conducted in stages, July–August 2026
Documentation	To trace programs, capital records, sales reports, and village regulations	Village regulations, BUMDes reports, capital and sales records, photos	Document checklist	Early phase of data collection

Data analysis followed the interactive model of Miles, Huberman, and Saldaña (2014), consisting of data condensation, data display, and conclusion drawing and verification. Data condensation involved selecting and coding field data into themes related to empowerment programs, participation, and sustainability practices. Data display organized these themes into narrative descriptions, matrices, and figures to reveal patterns across informants. Conclusions were drawn and verified continuously by comparing emerging patterns with the raw data. Data credibility was ensured through source and technique triangulation and member checking with key informants (Lincoln & Guba, 1985).

RESULTS AND DISCUSSION

Sustainable Economy and BUMDes as a Social Enterprise

The idea of a sustainable economy rests on development that meets present needs without compromising the ability of future generations to meet theirs (World Commission on Environment and Development, 1987). Elkington (1997) translated this idea into the triple bottom line, which asks organizations to account for economic prosperity, social equity, and environmental quality at the same time. In the rural context, this means a village economy is considered sustainable when its businesses remain financially viable, its benefits are shared

fairly among residents, and its use of natural resources does not degrade the environment on which livelihoods depend.

BUMDes occupies a distinctive position within this framework because it operates as a social enterprise rather than a purely commercial firm (Kania et al., 2021). Its capital comes largely from village funds, its ownership belongs to the village community, and its profits are expected to return to the village through social programs and village original income. Steiner and Teasdale (2019) argue that rural social enterprises are effective precisely because they are embedded in local relationships and can mobilize resources that outside firms cannot reach. This embeddedness, however, also means that the success of BUMDes depends heavily on social capital, leadership, and the willingness of residents to participate (Rahayu et al., 2024; Firmansyah et al., 2025).

Community economic empowerment, in this sense, is a process of strengthening the capacity of residents so they can identify their own potential, access productive resources, and make decisions about their economic future. Empowerment carried out through BUMDes typically includes access to capital, skills training, market linkage, and institutional strengthening (Achmad & Fadlurrohman, 2023). When these activities are designed with attention to social inclusion and environmental care, BUMDes becomes a practical vehicle for realizing the sustainable economy at the village level. Figure 1 presents the conceptual framework used to read the findings of this study.



Figure 1. Conceptual Framework of BUMDes-Based Empowerment for a Sustainable Economy

Forms of Community Economic Empowerment by BUMDes in Sukodadi Village

Sukodadi Village has long been known for its abundant bamboo, which grows widely around residents' homes and fields and has been woven by villagers for generations. The Anyaman Bamboe business group was formed about ten years ago to organize this tradition into a productive enterprise, and it currently involves around 20 craftsman households in Mega Hamlet. Its products include tempeh (traditional winnowing trays), ashtrays, chicken cages, and wall clocks made of bamboo, showing a shift from conventional household items to products with decorative and higher market value. BUMDes, which has been active since 2015, treats this group as one of its main empowerment programs because it relies entirely on local resources and household labor.

Field data show that empowerment by BUMDes and the village government takes three main forms. The first is mentoring, which covers product quality, design development, and the organization of production and sales. The village and BUMDes also connect the craftsmen with corporate partners operating around the Paiton power plant area, namely PJB and POMI Paiton, which support the group in developing and marketing its products.

According to the BUMDes manager, this mentoring is intended to help craftsmen produce goods that meet buyers' expectations, so that bamboo weaving becomes a reliable source of income rather than a side activity.

The second form is financial support. BUMDes provides capital loans ranging from IDR 3 million to IDR 10 million per craftsman, depending on the scale of each household's production. Repayment follows a monthly installment scheme that is deducted directly when the village or BUMDes completes the sale of the craftsmen's products, since the products are consigned through the village. This scheme eases the burden on craftsmen because they do not have to set aside cash for repayment before their goods are sold. Craftsmen interviewed explained that the loan allowed them to buy bamboo and tools in larger quantities and to take on bigger orders, while reducing their reliance on middlemen and informal lenders.

The third form is market access. Products are consigned through the village and BUMDes, which then sell them through their networks and partners, including PJB and POMI Paiton. Through this channel, craftsmen earn an average additional income of around IDR 500,000 to IDR 1,000,000 per month. Although modest, this income is regular and adds to household earnings, which for many families otherwise depend on seasonal agricultural work.

These findings are in line with Achmad and Fadlurrohman (2023), who identified capital provision, marketing, partnerships, and institutional strengthening as the main channels through which BUMDes empowers communities. They also support Istiqaroh et al. (2024), whose study recorded increases in income and economic activity after a BUMDes was established. What distinguishes the case of Sukodadi is the integration of financing and marketing: because loan installments are deducted from consignment sales, the capital scheme and the market channel reinforce each other. In addition, empowerment is built around a single local commodity, so the craftsmen's economic gains are directly tied to how well the village manages its bamboo.

Community Participation and Social Capital in Managing BUMDes

Participation in Anyaman Bamboe grows out of kinship and neighbourly ties, since most craftsmen live in Mega Hamlet and learned weaving from older family members. Production is largely carried out at home, which allows household members, including women, to weave alongside their daily duties. The craftsmen coordinate orders, prices, and product deposits with the group and BUMDes, and the group's needs are channelled to the village through the village deliberation forum (*musyawarah desa*). The village head described the group as an example of how residents can turn a common village resource into a shared source of income.

Trust between craftsmen and BUMDes managers is an important asset in this process. The consignment and installment-deduction scheme can only work because craftsmen are willing to entrust their products to the village and accept deductions from their sales. This trust is built on the fact that managers are fellow villagers who are accountable to the community. Links with outside actors, such as PJB and POMI Paiton, have opened wider market opportunities, although these relationships are still largely mediated by the village and BUMDes rather than by the craftsmen themselves.

The role of social capital in these findings is consistent with Sarjiyanto (2022), who showed that social capital mediates the effect of empowerment on community economic well-being. Akbar et al. (2023) similarly found that trust, networks, norms, and reciprocity are all present in BUMDes management, with networks being the most dominant. In Sukodadi, social capital is strong at the bonding level and has begun to develop at the linking level

through corporate partnerships, which supports the argument of Rahayu et al. (2024) that BUMDes need wider outside partnerships to grow.

Sustainability Practices in Managing Local Resources

From an environmental perspective, bamboo is a fast-growing and renewable resource that regrows from its clumps after harvesting, which makes it well suited to a sustainable village economy. Because raw materials come from within the village, production requires little transport and keeps economic value circulating locally. Bamboo products such as tempeh, chicken cages, and wall clocks also offer a natural alternative to plastic and factory-made goods.

Institutionally, the installment-deduction scheme requires BUMDes to record each loan, monthly deduction, and consignment sale, which strengthens financial accountability. Loan repayments return to BUMDes and can be lent again to other craftsmen, so the capital revolves within the community rather than being used up in a single program period. The BUMDes manager explained that this recording also helps the village monitor which craftsmen are active and how much each household earns from the program.

Several challenges, however, threaten the continuity of the business. Few young people are interested in becoming bamboo craftsmen, so the transfer of skills to the next generation is not yet guaranteed. Bamboo products also compete with cheaper plastic and factory-made goods, and the available loan capital is still limited compared with the needs of all craftsmen. In addition, the craftsmen’s income depends heavily on the marketing capacity of the village and its partners, so any disruption in these channels directly affects household earnings.

These findings can be read against Nasfi et al. (2023), who warned that some BUMDes pursue economic gains at the expense of the rural environment, and Firdhausya and Suryanto (2025), who called for more attention to adaptation and sustainability in BUMDes research. Ultari and Khoirunurrofik (2024) noted that BUMDes engaged in both economic and environmental sectors contribute significantly to village development scores. In Sukodadi, the economic and environmental dimensions of the triple bottom line are relatively well met through the use of renewable local bamboo, while the social dimension still requires attention to regeneration and the craftsmen’s own access to wider networks. Table 2 summarizes the key concepts and findings of this study.

Table 2. Key Dimensions of BUMDes-Based Empowerment for a Sustainable Economy			
Dimension	Concept	Field Findings	Contribution to Sustainable Economy
Economic empowerment	Access to capital, skills, and markets for residents	Mentoring, loans of IDR 3–10 million, consignment sales; income of IDR 500,000–1,000,000 per month	Regular additional household income from a local commodity
Community participation	Involvement of residents in planning, implementation, and oversight	Around 20 households in Mega Hamlet; home-based weaving; village deliberation	Benefits are shared widely and decisions are made collectively
Social capital	Trust, norms, and networks that sustain collective action	Strong kinship-based trust; partnerships with PJB and POMI Paiton	Makes the installment-deduction scheme work; opens wider markets
Environmental care	Use of local resources without degrading the environment	Bamboo is renewable and sourced in the village	Natural alternative to plastic; low transport needs

Dimension	Concept	Field Findings	Contribution to Sustainable Economy
Institutional sustainability	Transparent finances, management regeneration, profit reinvestment	Loans and deductions are recorded; capital revolves; few young craftsmen	Accountability is growing, but regeneration is a key risk

CONCLUSION

This study concludes that BUMDes in Sukodadi Village supports a sustainable rural economy by empowering the Anyaman Bamboe craftsmen of Mega Hamlet through mentoring, capital loans of IDR 3 million to IDR 10 million repaid through monthly deductions from consignment sales, and market access supported by partners PJB and POMI Paiton. This empowerment provides an average additional income of around IDR 500,000 to IDR 1,000,000 per month for craftsman households. Community participation is rooted in strong kinship and neighbourly trust among around 20 households, while sustainability is supported by the use of bamboo as a renewable local resource. The main challenges are the regeneration of young craftsmen, competition with factory-made products, and limited loan capital.

The practical implication of this study is that the village government and BUMDes need to expand partnerships so that craftsmen gain more direct access to buyers, increase the revolving capital available to members, and introduce bamboo weaving to young people through training or school programs. This study is limited to a single BUMDes and one craft group with qualitative data, so future research could compare several BUMDes across regions or combine qualitative findings with quantitative measures of household income and environmental impact.

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