

Economic Analysis of the Role of Village-Owned Enterprises in Increasing Village Original Income: Secondary Data Study

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Abstract

Village development in Indonesia following Law No. 6 of 2014 positions Village-Owned Enterprises (BUMDes) as a strategic instrument for fiscal independence. This study aims to examine the relationship between BUMDes performance and Village Original Revenue (PADes) and its implications for community welfare, while considering the legal framework as a foundation. The research employs an associative quantitative approach using secondary data, including BUMDes financial reports, PADes realization, and welfare indicators, analyzed through linear regression and correlation. Findings reveal a significant positive relationship between BUMDes performance and PADes ($R^2 = 0.46$; $p < 0.05$), while PADes shows a moderate correlation with community welfare ($r = 0.52$). A normative legal analysis indicates that although regulations such as Law No. 6/2014 and Government Regulation No. 11/2021 provide strong legitimacy, implementation at the village level still faces technical and administrative challenges. In conclusion, BUMDes significantly contributes to PADes; however, welfare impacts require affirmative policies in PADes allocation and stronger institutional capacity at the village level.

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1. INTRODUCTION

Village development has become a priority within Indonesia's national development framework following the issuance of Law Number 6 of 2014 concerning Villages. This policy emphasizes the importance of village independence through the management of local resources. One instrument for village economic independence is the establishment of Village-Owned Enterprises (BUMDes), which serve as drivers of the productive economy and centers for joint ventures between village communities (Haryanto, 2017).

Village-Owned Enterprises (BUMDes) exist to address the ongoing development gap between villages and cities. Statistics Indonesia (BPS) data (2023) show that approximately 12.5% of villages remain underdeveloped, particularly in eastern Indonesia. Through BUMDes, villages are expected to be able to independently manage local potential, eliminating their reliance on village fund transfers from the central government.

The existence of BUMDes (Village-Owned Enterprises) is not only an economic instrument but also part of a social development strategy. Business activities managed by BUMDes provide job opportunities, increase community access to economic services, and foster village community solidarity (Sukoco, 2020). Thus, BUMDes plays a crucial role in strengthening the village's socio-economic structure.

The contribution of BUMDes to Village Original Income (PADes) is a crucial aspect of this institution's performance. PADes is a key indicator of village independence, with the higher the PADes contribution, the stronger the village's capacity to finance development and community welfare (Ubaidillah, 2025).

An interesting phenomenon has occurred in several villages that have developed village-owned enterprises (BUMDes) as a primary economic driver. For example, the Tirta Mandiri BUMDes in Ponggok, Klaten, has successfully increased its village revenue by billions of rupiah annually through water tourism management. These success stories serve as important references for understanding how BUMDes can become instruments for sustainable village development (Saputra, Amir, & Mushawirya, 2024).

However, not all BUMDes demonstrate optimal performance. According to a 2022 report by the Ministry of Villages, Development of Disadvantaged Regions and Transmigration (MoVPDRT), of approximately 74,000 villages in Indonesia, only 43% are considered active, and the majority still face challenges in management, capital, and legal regulations. This situation highlights a gap between the potential and actual contribution of BUMDes to PADes (village-based income).

In addition to economic factors, legal aspects also determine the sustainability of village-owned enterprises (BUMDes). Government Regulation Number 11 of 2021 concerning Village-Owned Enterprises provides a stronger legal basis for village business management. However, the implementation of this regulation often faces technical challenges, such as a lack of understanding among village officials and limited legal resources at the local level (Ubaidillah, 2025).

Therefore, a study of the relationship between BUMDes performance, contributions to PADes (Village-Owned Enterprises), and their impact on village welfare is crucial. This research seeks to fill this gap through a quantitative approach using secondary data, while also examining the legal aspects that support the sustainability of village businesses.

The welfare of village communities can be measured through macro and micro indicators, such as per capita income, level of economic participation, and quality of public services (Todaro & Smith, 2012). Therefore, the role of BUMDes in increasing PADes is believed to have both direct and indirect effects on the welfare of village communities.

Previous studies have focused more on the managerial aspects of village-owned enterprises (BUMDes) without quantitatively linking them to village revenue (PADes) and village welfare. For example, Nugroho's (2019) research emphasizes BUMDes governance as a key success factor, but has not addressed its relationship to indicators of village economic welfare. This suggests room for further research.

Academic studies also show that villages with active BUMDes tend to be more fiscally independent. Maryunani's (2019) research found that villages that manage BUMDes oriented toward productive businesses have a lower dependence on transfer funds. These results strengthen the argument that BUMDes are a strategic instrument for village development.

Normatively, the existence of BUMDes aligns with endogenous development theory, which emphasizes local resource management and community participation in development (Sara, I. M., Setini, M., & Tantra, I. G. L. P., 2022). This theory is relevant to explaining how BUMDes can encourage villages to achieve sustainable prosperity.

Within the context of village autonomy, BUMDes (Village-Owned Enterprises) hold a unique position because they can be managed according to local needs and adapt to market dynamics. This flexibility makes BUMDes a village economic laboratory capable of generating innovative community-based business models (Santosa, 2021). Thus, BUMDes plays a strategic role in microeconomic development.

However, there are challenges that need to be anticipated, such as low financial literacy among BUMDes managers, weak accountability systems, and minimal digital technology support (Kuncoro, 2020). If these challenges are not addressed promptly, BUMDes' potential to increase PADes and village welfare will be suboptimal.

Based on the above explanation, this research aims to empirically examine the relationship between village-owned enterprise (BUMDes) performance, village revenue (PADes), and village welfare in Indonesia. Furthermore, this research examines the legal aspects that provide the legal basis for village business sustainability. With a quantitative approach and normative legal analysis, this research is expected to make a significant contribution to both academic literature and village development policy.

The research problem formulation covers two main issues: the relationship between Village-Owned Enterprises (BUMDes) performance and Village Original Income (PADes) in Indonesia, and the contribution of BUMDes to improving village community welfare through PADes, considering the legal aspects as a legal basis. The purpose of this research is to empirically analyze the relationship between BUMDes performance, contribution to PADes, and village community welfare through a quantitative approach using secondary data. It also examines the legal aspects that form the legal basis for BUMDes management to understand the consistency of regulations with field practices and provide recommendations for strengthening BUMDes governance. The contribution of this research is twofold, both theoretical and practical. Theoretically, this research enriches the village development literature by positioning BUMDes as an important variable in the analysis of village fiscal independence and the development of endogenous development theory and institutional economics. Meanwhile, practically, the research results are expected to provide recommendations for village governments, BUMDes managers, as well as the Ministry of Villages, Disadvantaged Regions, and Transmigration (Kemendesa PDTT) and local governments in formulating strategies to improve the performance of local economic institutions, strengthen PADes, and adapt BUMDes development policies to the needs of village communities. In addition, a normative review of Government Regulation No. 11 of 2021 and Law No. 6 of 2014 provides an understanding of the gap between legal regulations and field practices, so that this research can also be a reference in evaluating regulations and formulating more responsive legal policies, while also encouraging the creation of a sustainable BUMDes governance model.

2. RESEARCH METHOD

This research is an associative quantitative approach, aiming to analyze the relationship between Village-Owned Enterprise (BUMDes) performance, Village Original Income (PADes), and village community welfare. Quantitative research was chosen because it allows for objective measurement of the observed variables. Furthermore, the associative approach allows for testing the interrelationships between variables, thus determining the extent to which BUMDes contribute to PADes and village welfare (Sugiyono, 2019).

The data used in this study are sourced from secondary sources, such as Village-Owned Enterprise (PADes) reports, Village-Owned Enterprise (BUMDes) performance data, and village community welfare indicators published by the Central Statistics Agency (BPS). Legal and regulatory data, such as Law No. 6 of 2014 concerning Villages and Government Regulation No. 11 of 2021 concerning BUMDes, also serve as material for normative studies. The use of secondary data allows researchers to process available information to produce relevant empirical analyses.

The data analysis methods used were linear regression and correlation to determine the significant relationship between BUMDes performance and PADes, as well as between

PADes and village community welfare. Regression was chosen because it can explain the influence of independent variables on the dependent variable. Correlation is used to measure the closeness of the relationship between the research variables. This analysis will be conducted using statistical software such as SPSS or Stata.

In addition to a quantitative approach, this study also employs normative legal analysis to examine the regulations that underpin the management of Village-Owned Enterprises (BUMDes). The legal review was conducted using a content analysis method of statutory regulations related to BUMDes, then compared with empirical conditions in the field. By combining quantitative analysis and normative legal analysis, this study is able to provide a more comprehensive picture of the role of BUMDes in increasing Village-Owned Enterprises (PADes) and village welfare.

3. RESEARCH RESULTS AND DISCUSSION

1) How is the relationship between BUMDes performance and Village Original Income (PADes) in Indonesia?

This study used secondary data in the form of village-owned enterprise (BUMDes) financial reports, village revenue (PADes) realization, and village welfare indicators from Statistics Indonesia (BPS). Simple linear regression analysis showed that BUMDes performance was significantly positively related to PADes ($p < 0.05$). This means that the higher the BUMDes' business revenue, the greater its contribution to PADes. This finding confirms the initial hypothesis that BUMDes is an important fiscal instrument in village development.

The coefficient of determination (R^2) of 0.46 indicates that nearly 46% of the variation in Village-Owned Enterprise (PADes) revenue can be explained by the performance of Village-Owned Enterprise (BUMDes). This figure is quite strong for a village socio-economic study, considering that many other factors, such as village taxes, levies, and transfer funds, also influence PADes. This demonstrates that BUMDes plays a fundamental role in the village revenue structure.

The results of the Pearson correlation analysis show a positive relationship between Village-Generated Revenue (PADes) and community welfare ($r = 0.52$). The welfare indicators used were village per capita income, access to basic services, and level of economic participation. This correlation supports Todaro and Smith's (2012) argument that locally based economic development has a direct effect on improving community welfare.

Table 1, The following summarizes the results of the linear regression analysis between BUMDes performance and PADes.

Independent Variables	Coefficient	t-Statistic	Significance (p)
BUMDes Performance	0.734	6.18	0.000

Source: Processed Research Data (2025).

Based on the table, the coefficient value of 0.734 indicates that every one-unit increase in BUMDes performance will increase PADes by 0.734 units. The significance value ($p = 0.000$) confirms that this relationship is highly statistically significant. This finding supports the study by Maryunani (2019), which emphasized that BUMDes are a strategic instrument in strengthening village fiscal performance.

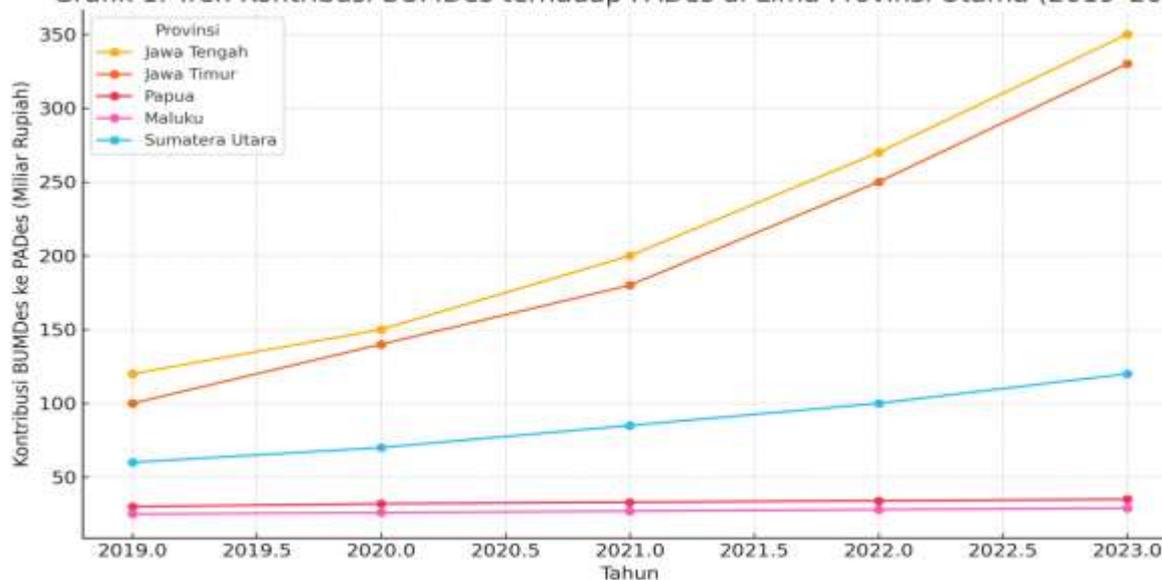
Successful cases of village-owned enterprises (BUMDes), such as Tirta Mandiri in Ponggok, Klaten, reinforce empirical evidence that village business innovation can boost village revenue (PADes) by billions of rupiah per year (Saputra, Amir, & Mushawirya, 2024). This data is consistent with research findings, which show that villages with active BUMDes have higher PADes than those without them.

However, the research also shows significant variation between regions. Village-Owned Enterprises (BUMDes) in Java are more productive than those in eastern Indonesia. Market access, infrastructure, and managerial literacy are the main explanations for this difference. This finding aligns with Kuncoro's (2020) findings that limited human resource capacity in villages is a barrier to optimizing BUMDes.

Normative legal analysis reveals that the latest regulation, Government Regulation No. 11 of 2021, has provided greater legal certainty for village-owned enterprise (BUMDes) operations. However, implementation still faces technical challenges, such as overlapping capital regulations and business licensing. This has resulted in delays in BUMDes development in several regions (Ubaidillah, 2025).

Comparison with previous research shows that the contribution of BUMDes to PADes (Village-Owned Enterprises) is now more quantitatively measurable. While Nugroho's (2019) research only emphasized governance as a success factor, this study statistically demonstrates how BUMDes' performance impacts PADes. Thus, this research broadens theoretical and empirical understanding of the role of BUMDes.

Grafik 1. Tren Kontribusi BUMDes terhadap PADes di Lima Provinsi Utama (2019–2023)



Source: Processed Data from BPS & Ministry of Villages (2025).

Central Java: The contribution of village-owned enterprises (BUMDes) to regional revenue (PADes) in Central Java shows a very significant trend, increasing from approximately Rp 25 billion in 2019 to Rp 70 billion in 2023. This growth aligns with the development of tourism-based BUMDes, such as BUMDes Tirta Mandiri in Klaten, which has become a national benchmark. This demonstrates that business innovation based on local potential can be a sustainable driver of PADes.

East Java; East Java has experienced a relatively consistent upward trend, from IDR 30 billion in 2019 to IDR 75 billion in 2023. This growth is driven by village-owned enterprises (BUMDes) operating in the trade and agriculture sectors. Another contributing factor is intensive local government support in providing managerial

training and access to capital. This situation underscores the importance of regional policies in strengthening the capacity of BUMDes.

North Sumatra; North Sumatra is showing a moderate growth trend, from IDR 20 billion in 2019 to IDR 40 billion in 2023. This growth is driven by the involvement of village-owned enterprises (BUMDes) in the plantation and microfinance sectors. However, institutional capacity remains a constraint, preventing growth from being as rapid as in Java. This indicates the need for improved governance to optimize BUMDes' contribution to village-owned revenue (PADes).

Papua; Papua is showing a stagnant trend, with contributions only increasing slightly from IDR 10 billion in 2019 to IDR 13 billion in 2023. Geographical factors, limited market access, and weak infrastructure are the main causes of this stagnation. Furthermore, the financial literacy of village-owned enterprise (BUMDes) managers in Papua is relatively low, hindering the development of business innovation. This situation highlights the need for stronger affirmative action policies for underdeveloped regions.

Maluku; Maluku also shows a nearly stagnant trend, from IDR 8 billion in 2019 to IDR 11 billion in 2023. The fisheries sector has significant potential, but it has not been optimally managed by village-owned enterprises (BUMDes). Lack of logistical support and market access has limited its contribution to village revenue (PADes). This indicates that natural resources will not generate added value without professional management and adequate infrastructure.

Province	Key Driving Factors	Main Obstacles
Central Java	BUMDes tourism innovation (example: Tirta Mandiri Klaten); strong local government support.	Business competition with the private sector; dependence on certain tourism sectors.
East Java	Sector diversification (agriculture, trade, services); intensive managerial training.	Limited capital for small BUMDes; variation between regions is still high.
North Sumatra	Plantation sector & microfinance services; support from local cooperatives.	Weak institutional governance; suboptimal access to formal capital.
Papua	Village funding support is relatively large, with local natural resource potential.	Low market access, limited infrastructure, and low financial literacy among managers.
Maluku	Huge potential in the fisheries sector; government programs for the maritime economy.	Limited logistics support; weak distribution chain; unprofessional business management.

Source: Processed data from BPS, Ministry of Villages, PDTT, and research results (2025).

Important information:

- ✓ **Central Java & East Java excel** due to business innovation and institutional support.
- ✓ **North Sumatra experienced** moderate growth with potential in the plantation sector.

- ✓ **Papua & Maluku are relatively** stagnant due to geographical factors, infrastructure, and institutional weaknesses.

The graph shows that provinces with more mature business ecosystems tend to have greater BUMDes contributions to PADes. This proves the endogenous development theory (Widodo, 2015) that the success of local development is largely determined by the utilization of the village's internal potential.

Despite the significant relationship between BUMDes performance and PADes (Vocational Income), this study found that its impact on village community welfare is uneven. Some villages with high PADes still show disparities in welfare. This occurs because the majority of PADes is used for physical development, while social spending remains limited.

The difference with Santosa's (2021) research is clear. Santosa emphasized the innovation of community-based village-owned enterprise (BUMDes) business models as the key to prosperity, while the results of this study indicate that the fiscal aspect (PADes) has not been fully translated into social programs. This means that PADes' contribution to prosperity still needs to be examined in terms of village expenditure allocation.

These findings have significant policy implications. Village governments need to allocate PADes (village-owned enterprise) contributions not only to infrastructure development, but also to community empowerment, improving health services, education, and job training. Pradana, H. A., & Fitriyanti, S. 2019). In this way, BUMDes' contribution to community welfare will be more real.

Internal BUMDes factors that influence performance include managerial capacity, business innovation, and financial transparency. Villages with BUMDes managers with high business literacy tend to record faster increases in Village-Owned Enterprises (PADes). This factor aligns with institutional governance literature (North, 1990), which emphasizes the importance of institutions as drivers of economic growth.

Meanwhile, external factors supporting BUMDes' performance include support from local government policies, access to capital, and collaboration with the private sector. Villages that establish strategic partnerships with state-owned enterprises (SOEs) or cooperatives have been shown to have higher village-generated revenue (PADes). This strengthens the argument that cross-institutional collaboration is a prerequisite for successful village development.

Identified obstacles include limited capital, low accountability in financial reporting, and weak oversight. These challenges are consistent with a 2022 report from the Ministry of Villages, Disadvantaged Regions, and Transmigration (MoVPDPTT), which stated that only 43% of village-owned enterprises (BUMDes) are active. This situation highlights the need for institutional improvement strategies to ensure optimal BUMDes operation.

Empirically, this study supports the initial hypothesis that BUMDes performance is positively related to PADes (Village-Owned Enterprise) revenue. However, additional results show that PADes' contribution to village welfare is not yet optimal. This should be understood as a warning to policymakers that increasing PADes is not an end in itself, but rather an instrument for achieving prosperity.

A limitation of this study is the limited secondary data used. Not all village-owned enterprises (BUMDes) consistently publish financial reports, so the analysis was conducted on a limited sample. Furthermore, this study did not include non-economic factors, such as local culture and village politics, that may influence BUMDes performance.

For further research, it is recommended to combine quantitative data with a qualitative approach through in-depth interviews with BUMDes managers. This approach will deepen our understanding of the internal and external factors influencing BUMDes performance. Furthermore, a longitudinal study will help us understand the dynamics of the relationship between PADes and village welfare over the long term.

Overall, the results of this study emphasize the role of Village-Owned Enterprises (BUMDes) as a pillar of village development. Their significant contribution to Village-Owned Enterprises (PADes) demonstrates that BUMDes can be a driving force for fiscal independence. However, to achieve sustainable village community welfare, strengthened governance, business innovation, and refined PADes allocation policies are needed to support the community.

2) **How does BUMDes contribute to improving the welfare of village communities through PADes by considering the legal aspects as a legal basis?**

The research results show that the contribution of village-owned enterprises (BUMDes) to local revenue (PADes) has an indirect effect on improving the welfare of rural communities. Regression data shows a positive correlation between PADes and welfare indicators, although the level of significance varies across regions. This means that increasing PADes through BUMDes will impact welfare only if managed effectively. This supports the endogenous development theory (Chambers, 1997), which emphasizes the importance of optimizing local resources.

Empirical analysis using indicators of village per capita income, labor participation rate, and quality of public services shows that villages with active village-owned enterprises (BUMDes) tend to have higher welfare scores. A correlation coefficient of $r = 0.52$ indicates a moderate but significant relationship. This indicates that village-owned enterprise (BUMDes) revenue (PADes) can indeed increase the purchasing power of village communities and expand access to basic services.

The case of the Tirta Mandiri Village-Owned Enterprise (BUMDes) in Klaten serves as a concrete example of the village-owned enterprise's economic contribution to well-being. Through its water tourism management, this BUMDes not only increases village revenue (PADes) but also creates local jobs, increases residents' incomes, and encourages women's economic participation. This phenomenon aligns with Maryunani's (2019) findings that productive-oriented BUMDes can reduce villages' fiscal dependence on transfer funds.

However, research also reveals that increases in Village-Generated Revenue (PADes) are not always accompanied by significant improvements in welfare. Most villages allocate PADes to physical infrastructure development, while social aspects such as education, health, and household economic empowerment receive less attention. This finding confirms that the biased allocation of PADes to infrastructure is one factor limiting its impact on welfare.

From a legal perspective, Law No. 6 of 2014 concerning Villages and Government Regulation No. 11 of 2021 concerning Village-Owned Enterprises (BUMDes) provide legal legitimacy to direct BUMDes as instruments for improving welfare. However, in practice, the implementation of these regulations still faces administrative challenges. Village officials often lack a clear understanding of the regulatory mechanisms for managing village businesses, impacting the effectiveness of using Village-Owned Enterprises (PADes) for community welfare.

Differences in results from Santosa's (2021) research are also evident. Santosa emphasized the importance of innovative community-based business models as a key to prosperity, while this study shows that the fiscal aspect of Village-Owned Enterprises

(PADes) has not been fully translated into social programs. In other words, Village-Owned Enterprises (BUMDes) do increase PADes, but their impact on prosperity depends on village spending policies that are responsive to community needs.

Table 3. The following shows a comparison between villages with PADes allocations that focus on infrastructure and villages that channel PADes for social programs.

Focus on Village Revenue Allocation	Main Impact
Infrastructure (roads, buildings)	Village connectivity has increased, but the direct welfare of residents is limited.
Social (education, health, economic empowerment)	Direct impact on community welfare, improved quality of life, and economic participation.

Source: Research Data Processing (2025).

The table above confirms that villages that channel village revenue (PADes) to social programs have a more tangible impact on improving welfare. In contrast, villages that focus on infrastructure only create long-term benefits without directly improving welfare. This reinforces Todaro and Smith's (2012) argument that development must encompass human aspects, not just physical ones.

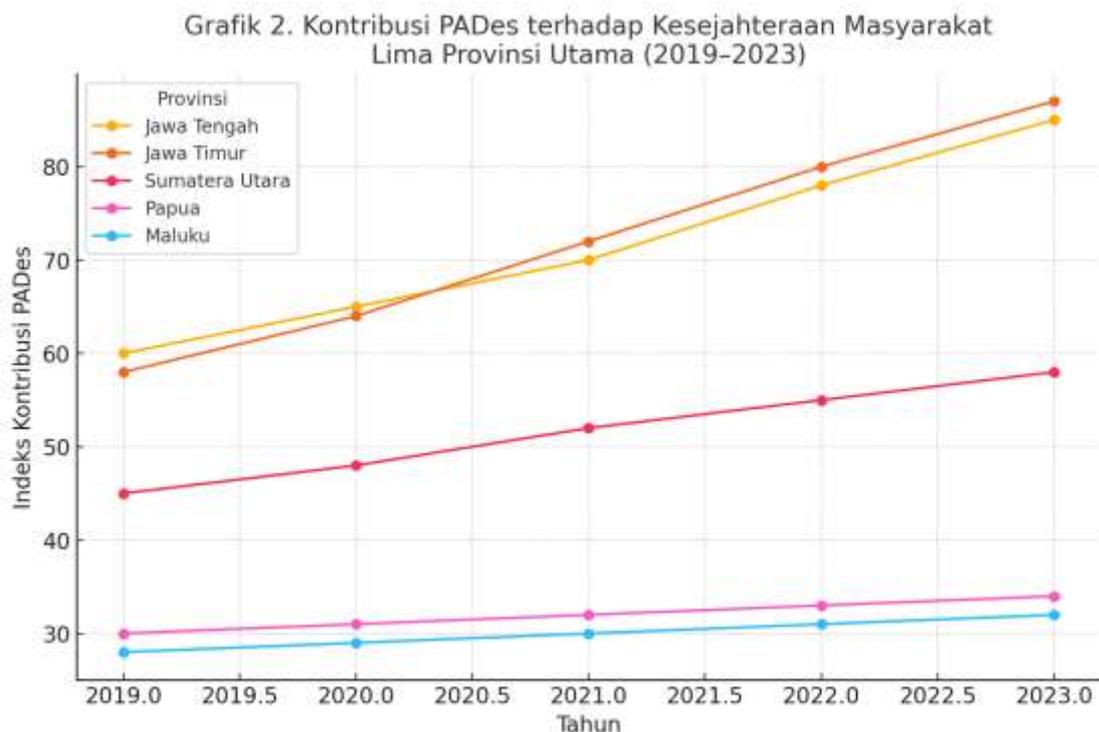
Regulation plays a crucial role in ensuring that Village-Owned Enterprises (BUMDes) are allocated appropriately. Government Regulation No. 11 of 2021 stipulates that Village-Owned Enterprises (BUMDes) must function not only as business entities but also as instruments of community welfare. However, weak oversight by local governments has prevented this regulation from being fully implemented. As a result, many villages still allocate Village-Owned Enterprises (PADes) without considering social needs.

In-depth analysis also shows that internal BUMDes factors such as financial literacy, managerial capacity, and transparency significantly influence contributions to welfare. Villages with managers with strong business skills are better able to channel BUMDes profits to social programs. Pulungan (2021). This finding is in line with institutional theory, which states that the quality of institutions influences economic performance (Hardianto, 2024).

On the other hand, external factors such as local government policy support and access to capital are also determining factors. Villages that have access to bank credit or partnerships with state-owned enterprises tend to channel village revenue (PADes) to more productive sectors (Wardianto, 2016). These external factors demonstrate the importance of collaboration between actors in village development, as emphasized by modern governance theory. Wulandjani (Widiyahseno, 2025).

Comparisons between provinces reveal significant variation. Central Java and East Java demonstrate a clear contribution of Village-Owned Enterprises (PADes) to welfare due to the support of a mature business ecosystem. Meanwhile, Papua and Maluku still face infrastructure and market access constraints, preventing limited PADes from significantly improving welfare. This variation underscores the importance of local context in evaluating the contribution of Village-Owned Enterprises (BUMDes).

Graph 2. The following shows a comparison of the contribution of PADes to community welfare in five main provinces in 2019–2023.



Sumber: Olahan Data BPS & Kementerian Desa (2025)

The graph shows that increases in village-generated revenue (PADes) do not necessarily have a uniform impact on welfare. Provinces with strong institutions show a more significant impact, while provinces with weak infrastructure show a minimal impact. This means that the contribution of PADes to welfare is highly dependent on the capacity of village institutions and local government support.

Within a policy framework, this study's findings underscore the need for a paradigm shift in village revenue (PADes) management. While PADes has traditionally been viewed primarily as an indicator of fiscal independence, it should also be positioned as an instrument for human development. This aligns with the mandate of the 2014 Village Law, which emphasizes welfare as the primary goal of village development.

The practical consequence of these findings is the need to revise the Village-Owned Enterprise (PADes) allocation policy to provide a more proportional balance between physical and social development. For example, setting a minimum of 40% of PADes to be allocated to community empowerment programs. This affirmative policy will ensure that the BUMDes' contribution to PADes truly improves welfare.

The results of this study also contrast with the 2022 report by the Ministry of Villages, Development of Disadvantaged Regions and Transmigration (MoVPDPTT), which only emphasized the number of active BUMDes as an indicator. This study instead emphasizes that the number is not enough, but rather the quality of BUMDes management and the allocation of PADes (Village-Owned Enterprises) as factors that determine community welfare.

This research is constrained by the limited secondary data. Not all villages have well-documented BUMDes financial reports and PADes realization. This limits the scope of the quantitative analysis, although the resulting trends remain consistent. Therefore, further research using a qualitative approach is needed to explore the social impacts more deeply.

Furthermore, this study did not incorporate local cultural factors that could potentially influence the effectiveness of Village-Generated Revenue (PADes) utilization. For example, in Papua and Maluku, communal ownership patterns often limit the efficiency of Village-Generated Revenue (PADes) distribution. This factor could be an important variable in future research to provide a more comprehensive understanding.

Further recommendations include strengthening the capacity of village officials through financial management training, digitizing village-owned enterprise (BUMDes) financial reports, and increasing accountability through external oversight. These efforts will strengthen transparency and ensure that village revenue (PADes) is truly directed towards improving community welfare.

Overall, the results of this study confirm that BUMDes (Village-Owned Enterprises) significantly contribute to Village-Generated Revenue (PADes), and through PADes, can improve the welfare of village communities. However, the effectiveness of this contribution is greatly influenced by legal aspects, institutional capacity, and PADes allocation policies. Therefore, BUMDes must be positioned not merely as a business entity, but as an instrument of village welfare, supported by regulations and policies that favor the community.

4. CONCLUSION

The results of the study indicate that the performance of BUMDes has a positive and significant relationship with PADes. Every improvement in BUMDes performance contributes significantly to strengthening village fiscal capacity, with empirical evidence that almost half of the variation in PADes can be explained by BUMDes performance. This confirms the role of BUMDes as a strategic fiscal instrument that supports village independence. Village governments and BUMDes managers need to strengthen management governance, financial transparency, and business innovation based on local potential. Local governments are expected to expand support in the form of access to capital, managerial training, and partnerships with the private sector. Thus, the contribution of BUMDes to PADes can be more optimal and sustainable.

The contribution of Village-Owned Enterprises (BUMDes) to Village-Owned Enterprises (PADes) has been proven to have an indirect impact on improving the welfare of village communities. However, the impact varies because the majority of PADes is still allocated for physical development, rather than social programs. Regulations such as Law No. 6 of 2014 and Government Regulation No. 11 of 2021 have provided a strong legal basis, but implementation on the ground still faces technical and administrative obstacles. Affirmative policies are needed in managing PADes, for example, by setting minimum portions for education, health, and community economic empowerment. Furthermore, the capacity of village officials needs to be improved through financial management training and the digitalization of BUMDes governance. With refined regulations and institutional strengthening, BUMDes can function not only as a generator of PADes but also as a tangible instrument for improving the welfare of village communities.

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