



Village-Owned Enterprises Governance and Local Economic Development in Rural Manggarai Regency

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Abstract

This study examines the governance of Village-Owned Enterprises and their contribution to local economic development in rural areas of Manggarai Regency, East Nusa Tenggara, Indonesia. The research aims to analyze how accountability, transparency, managerial capacity, institutional coordination, and community participation influence the sustainability and economic effectiveness of village enterprises. The study employed a qualitative case study approach involving interviews, observations, and document analysis with village governments, BUMDes managers, community leaders, and local business actors. The findings indicate that governance quality substantially determines institutional sustainability and rural economic outcomes. Village enterprises characterized by transparent management, participatory governance, and stronger managerial professionalism demonstrated broader economic contributions through employment generation, local market strengthening, and support for micro-enterprises and tourism activities. Conversely, weak institutional coordination and limited managerial competence constrained organizational effectiveness and business innovation. The study contributes theoretically to collaborative governance literature and practically to policy strategies aimed at strengthening BUMDes governance, institutional sustainability, and inclusive rural economic development.

INTRODUCTION

Village-Owned Enterprises (BUMDes) have become an increasingly important instrument in strengthening rural economic transformation and improving community welfare in Indonesia. The implementation of Law No. 6 of 2014 concerning Villages has accelerated the decentralization of local economic governance by encouraging villages to establish autonomous economic institutions capable of managing local resources independently and sustainably. In this context, BUMDes are positioned not only as business entities but also as strategic public

institutions that integrate social empowerment, local participation, and economic development within rural governance systems. The growing emphasis on decentralized public management has consequently increased the importance of institutional governance in determining the effectiveness of village enterprises in achieving inclusive rural development (Marzuki et al., 2026; Hafiz et al., 2026; Ardiputra et al., 2025; Efeizomor et al., 2025; Yu et al., 2024).

The relevance of BUMDes governance is particularly significant in developing regions characterized by limited infrastructure, weak market access, and low institutional capacity. Rural areas in Manggarai Regency, East Nusa Tenggara, continue to face structural development challenges such as poverty, unemployment, unequal economic opportunities, and limited productive economic diversification (Gai et al., 2025; Noer et al., 2025; Sutrisno et al., 2025; Ringa et al., 2026; Latekay & Hahury, 2026). Although Manggarai Regency possesses substantial economic potential through agriculture, tourism, livestock, and micro-enterprises, the optimization of these resources remains constrained by weak managerial capability and insufficient institutional coordination at the village level. The rapid expansion of tourism activities surrounding Labuan Bajo has created new opportunities for local economic integration; however, rural communities in surrounding villages have not fully benefited from this economic growth due to governance limitations and unequal resource accessibility.

Based on empirical conditions, many BUMDes in Manggarai Regency suffer from problems in sustaining business. A number of village enterprises are still dormant or are merely functioning administratively and are not really performing any significant economic function to the local communities. Financial accountability, managerial professionalism, transparency, stakeholders' involvement and business innovation remain a constraint on organizations' performance. The BUMDes in some villages remain very dependent on village government interventions, thus limiting their autonomy and entrepreneurial ability. However, weak monitoring systems, lack of human resource competence also hinder the operational management of the systems and limit public trust (Aziz & Wediyanto, 2024; Nyawira et al., 2022; Yusefi et al., 2022). These conditions show that good governance can be a pre-condition of institutional sustainability and local economic effectiveness.

Earlier research has highlighted the strategy of village enterprises in enhancing the economic resilience and empowerment of rural communities. According to Widiastuti, et al. (2026), accountability and transparency have a significant impact on the sustainability of the performance of Village Enterprises in Indonesia. Likewise, Kurniawan et al. (2021) claimed that the quality of institutional governance directly influences the involvement of the community and the productivity of the economy in decentralized rural economies. Results from other studies indicated that co-governance tools with village governments, local communities and private actors have a positive impact on the economic innovation and rural entrepreneurship development. The effectiveness of governance also allows village enterprises to maximise local resources, create more jobs, and improve the financial autonomy of the village (Harinurdin et al., 2025; Gumilar & Triana, 2025; Muhith & Widiyarta, 2025).

These are positive expectations, but previous studies have also identified several governance issues in the management of village-owned enterprises. Fitriani et al. (2024) and Ghofar et al. (2022) found that poor institutional accountability, elites domination, lack of managerial skills, and inadequate business planning are common factors that lower BUMDes operational efficiency. Several scholars also pointed out, that many of the village ventures still focus on administrative compliance, not business sustainability and innovation. Thus, even after receiving

wide governmental assistance in the form of village funds and regional development programs, many BUMDes are still not economically viable in the long run.

In the public management approach, the quality of governance is related to institutional theory and collaborative governance frameworks. The institutional theory argues that the process of institutionalization, which refers to the formal structure, governance norms, legitimacy, and managerial adaptiveness, are the key factors in determining the effectiveness of an organization. Accountability, transparency and organizational resilience are determined by governance in rural economic institutions. The collaborative governance theory also underscores the need for a collaborative approach among the stakeholders, the importance of participative decision-making and collective resource mobilization to meet sustainable development goals. These theoretical frameworks emphasize the importance of community engagement, institutional responsibility, and entrepreneurial approaches in enhancing economic outcomes and fostering trust within BUMDes management (Vivona et al., 2024; Mempel-Śnieżyk & Wrześniowski, 2024).

International research on community-based enterprises and rural governance has also confirmed the positive role of local economic institutions in rural development when supported by good governance mechanisms (Rinne-Koski & Lähdesmäki, 2024; Olmedo & O'Shaughnessy, 2022; Sambodo et al., 2023). A study in Southeast Asia and Sub-Saharan Africa revealed that participatory governance and institutional transparency contributes to rural economic productivity and social inclusion. On the other hand, inadequate governance can lead to organization dependency, a lack of innovation capacity, and financial inefficiency (Blanco & Goel, 2023). While there are many literature sources that discuss rural enterprise governance, the literature that is discussed specifically on governance dynamics and local economic development in the periphery of eastern Indonesia is still relatively limited (Shoesmith et al., 2020; Kartikasari, 2025; Imanuella et al., 2025; Islamiati et al., 2026).

There are thus several important research questions that can be identified. First, previous research tends to concentrate on the financial aspects of performance and community involvement and less on governance aspects like accountability, institutional capacity, transparency, and collaborative governance. Secondly, the governance of BUMDes in the eastern parts of the Indonesian regions is still under-researched due to the uniqueness of socio-economic characteristics and development differences in these regions. Third, some research brings together public management theories and local economic development to address the relationship between governance and the sustainability of village enterprises and local economic results. The majority of earlier research still focuses on BUMDes as economic entities instead of as public governance institutions that are integrated into decentralized administrative systems.

This study is attempted to analyze the governance of the Village-Owned Enterprises and its impact on the economic development in rural area of Manggarai Regency. In particular, the study focuses on the effect of accountability, transparency, institutional capacity and community involvement on enhancing the efficiency of management of BUMDes and economic performance of the rural communities. The value of this research is the combining public management and local economic development approach in eastern Indonesia which has complex institutional capacity and rural development problems. This study goes beyond previous research which has concentrated on operational or financial performance and puts governance quality on the strategic agenda of sustainable rural economic development. The results will be used theoretically in the literature of decentralized rural governance, and practically in the making of policy strategies to strengthen BUMDes governance,

increase the sustainability of BUMDes, and increase the welfare of the community in developing rural areas.

METHODS

Research Design

This study employed a qualitative research design using a case study approach to explore the governance of Village-Owned Enterprises (BUMDes) and its contribution to local economic development in rural areas of Manggarai Regency, East Nusa Tenggara, Indonesia. The qualitative approach was selected because the study aimed to examine governance dynamics, institutional interactions, and community participation processes within the context of decentralized rural economic management. According to Annamalah (2024), qualitative case studies are appropriate for investigating complex social phenomena within their real-life settings, particularly when institutional processes and stakeholder experiences become the primary focus of analysis. The case study design enabled the researchers to obtain an in-depth understanding of governance practices, managerial challenges, and economic implications associated with BUMDes operations in rural communities.

Research Location and Context

The research was conducted in several rural villages within Manggarai Regency, East Nusa Tenggara, where BUMDes have been actively established as part of village economic development programs. Manggarai Regency was selected due to its distinctive socio-economic characteristics, including dependence on agriculture, tourism potential, and uneven rural economic development. The region has experienced increasing policy attention following the expansion of tourism activities surrounding Labuan Bajo, which indirectly affects village economic transformation and local entrepreneurship opportunities. Despite these opportunities, many village enterprises in the region continue to face governance and managerial constraints, making Manggarai Regency an important empirical setting for examining rural enterprise governance.

The selected villages represented variations in BUMDes operational performance, business diversification, and institutional capacity. This contextual diversity allowed the study to capture different governance experiences and organizational conditions across rural communities. The research was conducted between January and April 2026 through direct field observations and stakeholder interviews.

Data Collection Techniques

Data were collected through semi-structured interviews, participant observation, and document analysis to ensure comprehensive understanding and data triangulation. Semi-structured interviews were conducted to explore participants' perspectives regarding accountability, transparency, managerial capacity, stakeholder collaboration, and economic contributions of BUMDes. The interview method provided flexibility for respondents to explain governance experiences and operational challenges in greater depth.

Participant observation was conducted during village meetings, BUMDes operational activities, and community economic programs to identify governance practices and stakeholder interactions within the institutional environment. Observation enabled the researchers to examine actual managerial processes and organizational behavior beyond formal administrative reports (Chand, 2025; Olatinsu & Eke, 2025). Document analysis was additionally employed to examine village regulations, financial reports, annual activity reports, organizational structures, and policy documents related to BUMDes management. According to Sajadi et al. (2024),

document analysis strengthens case study validity by providing contextual and administrative evidence supporting interview findings. The integration of interviews, observations, and documentation enhanced the comprehensiveness and credibility of the research findings.

Informants and Sampling Technique

The study used purposive sampling to select informants considered knowledgeable and directly involved in BUMDes governance and rural economic activities. Purposive sampling is appropriate in qualitative research because it allows researchers to identify participants capable of providing rich and relevant information concerning the investigated phenomenon.

The informants consisted of village heads, BUMDes directors, village officials, local community leaders, business actors, and community members participating in BUMDes programs. In total, 25 informants were involved in the study. Village heads and BUMDes managers were selected due to their strategic roles in policy implementation and organizational management, while community representatives were included to assess institutional accountability and socio-economic impacts at the local level.

Table 1. Categories of Research Informants

Informant Category	Number of Informants
Village Heads	5
BUMDes Directors	5
Village Officials	5
Community Leaders	4
Local Business Actors	3
Community Members	3

Source: Research Data Processed, 2026

Data Analysis Technique

The collected data were analyzed using thematic analysis following the procedures proposed by Christou (2022). The analysis process involved data transcription, coding, theme identification, categorization, interpretation, and conclusion development. Initial coding focused on governance dimensions such as accountability, transparency, participation, managerial competence, and institutional collaboration. These categories were subsequently interpreted to explain their relationship with local economic development outcomes. Data analysis was conducted iteratively to identify patterns and relationships among governance practices and rural economic conditions. The use of thematic analysis enabled the researchers to systematically interpret qualitative findings while maintaining contextual depth and analytical flexibility.

Validity and Reliability

To ensure research validity and reliability, this study applied triangulation, member checking, and peer debriefing techniques. Data triangulation was conducted by comparing findings obtained from interviews, observations, and document analysis. Member checking was employed by confirming interview interpretations with selected participants to reduce misinterpretation and improve data accuracy. Peer debriefing was additionally conducted through discussions with academic colleagues specializing in public management and rural governance studies.

The study also maintained research transparency through detailed documentation of interview procedures, coding processes, and analytical interpretation. According to Ahmed (2024), credibility, transferability, dependability, and confirmability

represent essential criteria for ensuring trustworthiness in qualitative research. Therefore, the integration of triangulation and systematic analytical procedures strengthened the reliability and consistency of the research findings.

RESULTS AND DISCUSSION

This section presents the principal findings concerning the governance of Village-Owned Enterprises (BUMDes) and their contribution to local economic development in rural Manggarai Regency. Before discussing the detailed findings, it is important to emphasize that the results are organized into four major analytical themes identified during the field investigation. These themes include institutional accountability and transparency, managerial capacity and operational sustainability, community participation and collaborative governance, and the economic contribution of BUMDes toward rural development. The findings indicate that governance quality substantially influences organizational sustainability, public trust, and economic effectiveness within rural communities. Villages characterized by stronger governance systems generally demonstrated better institutional performance and broader economic impact than villages experiencing weak coordination and limited managerial competence (Sabet & Khaksar, 2024; Harsanto & Wahyuningrat, 2024).

Institutional Accountability and Transparency in BUMDes Governance

The findings reveal that accountability and transparency remain central issues in the governance of BUMDes across rural Manggarai Regency. Although almost all observed village enterprises possessed formal administrative structures, the implementation of transparent reporting systems and participatory governance practices varied significantly between villages. Several BUMDes regularly conducted accountability meetings and disclosed financial information to community members, while others limited public access to operational and financial reports.

Table 2. Governance Conditions of BUMDes in Manggarai Regency

Governance Indicator	Good	Moderate	Low
Financial Transparency	3	4	3
Community Participation	4	3	3
Administrative Accountability	5	3	2
Business Innovation	2	5	3
Institutional Coordination	4	4	2

Source: Research Data Processed, 2026

The data presented in Table 2 demonstrate that administrative accountability was relatively more established than financial transparency and business innovation. Most BUMDes complied with administrative reporting obligations because village governments required formal accountability regarding village fund utilization. Nevertheless, public transparency toward local communities remained inconsistent, particularly concerning operational expenditures and profit distribution.

During the interview process, one village head explained that accountability mechanisms were often implemented only for administrative compliance rather than participatory governance purposes:

“We regularly prepare financial reports because the district government and village administration require them. However, not all information is fully explained to residents because many villagers are not interested in detailed administrative matters. Usually, we only present the general outcomes during village meetings, while technical operational discussions remain internal among the management team.”

The statement indicates that accountability practices still prioritize procedural obligations instead of strengthening community trust and institutional legitimacy. The limited dissemination of financial information reduced public understanding concerning organizational performance and weakened participatory supervision.

Another BUMDes director described how limited managerial competence affected transparency implementation:

“Most managers learned administrative practices independently without formal training. Sometimes we experience difficulties preparing detailed financial reports because the administrative system is still manual and our human resources are limited. We understand that transparency is important, but technical limitations often make reporting inconsistent.”

This interview demonstrates that governance quality is strongly influenced by institutional capacity and managerial capability. Villages with better-trained administrators generally exhibited more organized reporting systems and stronger communication with local communities.

A community leader further emphasized that public trust depended largely on organizational openness:

“When the management openly explains business operations and financial conditions, the community becomes more willing to support village programs. Problems usually appear when residents feel excluded from information and decision-making processes.”

The findings confirm that accountability and transparency represent essential foundations for strengthening institutional legitimacy and community participation. BUMDes with stronger governance communication generally maintained higher levels of public trust and operational sustainability.

Managerial Capacity and Operational Sustainability

The study found that managerial capacity significantly influenced the sustainability and operational effectiveness of BUMDes. Village enterprises with structured management systems and diversified business activities demonstrated relatively stable organizational performance. Conversely, BUMDes lacking managerial professionalism often experienced operational stagnation and financial instability.

The observed enterprises operated in several sectors, including agricultural trading, village retail services, livestock management, tourism support services, and savings and loan activities. However, many organizations remained dependent on limited business units and demonstrated low innovation capability.

Table 3. Dominant Business Sectors of BUMDes

Business Sector	Number of Villages
Agricultural Trading	4
Village Retail Shops	3
Tourism Services	2
Clean Water Services	1
Livestock Services	2
Savings and Loans	3

Source: Research Data Processed, 2026

The findings indicate that agriculture-related enterprises remained dominant because most rural communities depended heavily on farming activities. Nevertheless, tourism-based business activities demonstrated increasing potential following the rapid development of tourism surrounding Labuan Bajo.

One BUMDes manager explained that limited managerial competence constrained business development:

“We actually have many economic opportunities because tourism activities continue to grow around this region. Local products such as coffee, woven fabrics, and agricultural commodities have good market potential. However, many managers still lack marketing knowledge, financial planning skills, and digital promotion capability. As a result, business expansion often progresses slowly.”

The statement indicates that operational sustainability depends not only on local resource availability but also on managerial adaptability and innovation capacity. Villages with managers capable of utilizing digital marketing and external business networks generally demonstrated stronger economic performance.

Another village official emphasized the importance of institutional coordination in maintaining operational effectiveness:

“Some village enterprises perform relatively well because village governments provide policy support and continuous supervision. In villages where coordination is weak, operational problems are often unresolved because communication between the management and village administration is inconsistent.”

This finding demonstrates that collaborative institutional relationships contribute positively to operational stability. Governance coordination enabled organizations to respond more effectively to administrative and financial challenges.

A community member additionally highlighted the role of leadership quality in sustaining village enterprises:

“The success of the enterprise often depends on the commitment of the managers. If the administrators are active, innovative, and willing to communicate with residents, the business usually develops well. However, when leadership changes frequently or lacks commitment, the organization becomes inactive.”

The findings therefore indicate that managerial professionalism and leadership consistency represent critical factors influencing organizational sustainability. Strong leadership improved not only operational management but also institutional credibility among local communities.

Community Participation and Collaborative Governance

Community participation emerged as one of the most influential factors affecting the effectiveness of BUMDes governance. Villages characterized by stronger public involvement generally demonstrated higher levels of institutional trust and more sustainable business operations. Participation occurred through village deliberation meetings, economic planning discussions, labor involvement, and collective support for local business programs.

The findings reveal that participatory governance strengthened community ownership toward village enterprises. In villages where residents were actively involved in decision-making processes, business activities tended to correspond more closely with local economic needs and social priorities.

One community leader described the importance of collaborative governance in sustaining village enterprises:

“When residents are involved from the beginning, people feel that the enterprise belongs collectively to the village community, not only to the administrators.”

Residents become more willing to contribute ideas, support business activities, and supervise financial management.”

The statement reflects the importance of participatory governance in strengthening institutional legitimacy and social accountability. Community involvement increased transparency and reduced the potential for elite domination within village organizations.

Another village official explained that participatory discussions improved business relevance and sustainability:

“Before establishing business programs, we usually conduct village meetings to identify what economic activities are most needed by residents. Through these discussions, the management understands community priorities more clearly and avoids creating businesses that do not match local conditions.”

This finding demonstrates that participatory governance contributes to adaptive and context-based economic planning. Villages with stronger deliberative mechanisms generally displayed more stable organizational outcomes because business activities reflected local economic realities.

A local resident additionally emphasized that participation strengthened public trust toward BUMDes management:

“In villages where the management frequently communicates with residents, people become more confident about participating in programs. Some residents even contribute labor and local products because they believe the enterprise benefits the village economy.”

These findings confirm that collaborative governance contributes significantly to institutional sustainability by strengthening trust, participation, and collective responsibility within rural economic organizations.

Economic Contribution of BUMDes to Rural Development

The study found that the economic contribution of BUMDes varied depending on governance quality, institutional capacity, and managerial sustainability. Villages with stronger governance systems generally experienced broader economic benefits through employment generation, local income circulation, and support for micro-enterprises.

Several BUMDes successfully facilitated agricultural marketing, provided savings and loan services, and supported tourism-related activities. These enterprises contributed positively to household economic resilience by reducing dependence on external market intermediaries and increasing access to local economic opportunities.

One local entrepreneur described the economic benefits generated through BUMDes activities:

“Before the village enterprise operated, many agricultural products were sold through middlemen at low prices. Now, the BUMDes helps connect farmers with buyers and provides transportation support. Although the system is still developing, local farmers feel more economically supported.”

The statement illustrates that village enterprises function not only as business institutions but also as facilitators strengthening local market access and rural economic resilience.

A tourism business actor further explained that BUMDes supported local entrepreneurship:

“The growth of tourism around Labuan Bajo creates opportunities for villages to develop local products and services. Some BUMDes help promote handicrafts, homestays, and culinary products. This creates additional income for residents, especially women and youth groups.”

This finding indicates that tourism-linked village enterprises possess substantial potential to support inclusive rural development when supported by effective governance and innovation.

Another village official nevertheless emphasized that institutional limitations continued to constrain economic performance:

“Several village enterprises still operate on a small scale because capital, management capability, and market access remain limited. Without stronger institutional support and managerial training, it is difficult for BUMDes to compete sustainably.”

The findings therefore demonstrate that the economic contribution of BUMDes depends heavily on governance quality, managerial competence, and institutional sustainability. Villages characterized by stronger accountability, participatory governance, and managerial professionalism generally achieved more sustainable economic outcomes than villages experiencing weak institutional structures and limited organizational coordination.

Thematic Validation and Triangulation Findings

To strengthen analytical validity, the study conducted triangulation between interview findings, field observations, and administrative documents obtained from village governments and BUMDes management. The triangulation process identified several recurring themes consistently appearing across different villages and informant categories.

Table 6. Thematic Coding and Validation Results

Main Theme	Supporting Evidence	Dominant Informants
Weak Financial Transparency	Limited public reporting and manual administration	Village Officials, Community Members
Strong Community Participation	Village deliberation and collective support	Community Leaders, Residents
Limited Managerial Capacity	Lack of business training and digital skills	BUMDes Directors
Institutional Coordination	Government support influences sustainability	Village Heads
Economic Empowerment	Increased local business circulation	Business Actors

Source: Research Data Processed, 2026

The thematic analysis demonstrates that governance quality remains closely associated with institutional sustainability and local economic outcomes. Triangulation findings additionally confirmed that villages characterized by stronger participatory governance and administrative accountability generally experienced more stable operational performance and broader socio-economic benefits.

Field observations also revealed that BUMDes functioning effectively usually possessed clearer organizational structures, more regular financial meetings, and stronger communication between managers and local residents. In contrast, less active enterprises often experienced leadership inconsistency, limited operational planning, and weak market networking.

One field observation conducted during a village deliberation meeting illustrated the importance of participatory governance in strengthening institutional legitimacy. During the meeting, residents actively discussed tourism development opportunities, marketing strategies for agricultural products, and the allocation of village enterprise profits. The interaction demonstrated that collaborative communication enabled communities to perceive BUMDes not merely as administrative institutions but as collective economic organizations supporting village development.

A BUMDes director additionally explained the significance of collaboration and training support:

“Village enterprises cannot develop independently without continuous support from the government and the community. We need managerial training, digital marketing assistance, and better cooperation networks so that local products can compete outside the village market.”

The statement confirms that institutional sustainability requires not only internal governance improvement but also external collaboration and capacity-building support.

Another community representative emphasized that transparency directly influenced community confidence:

“When residents clearly understand how profits are managed and distributed, they become more willing to participate in business programs. Transparency creates trust, and trust encourages community participation.”

This finding reinforces the argument that accountability and participation function as interconnected governance dimensions affecting organizational legitimacy and economic sustainability.

The results demonstrate that BUMDes governance in Manggarai Regency reflects both institutional opportunities and managerial challenges. While several enterprises have contributed positively to local economic development through employment generation, local market strengthening, and tourism support, governance limitations continue to constrain organizational effectiveness. The findings therefore indicate that improving accountability, managerial professionalism, institutional coordination, and participatory governance is essential for strengthening the sustainability and economic contribution of BUMDes within rural communities.

Governance Quality and Sustainable Rural Economic Development

The results show that Village-Owned Enterprises in rural Manggarai Regency are affected by governance quality in term of sustainability and economic contribution. The findings are in line with the literature highlighting that accountability, transparency and community involvement are some key factors of institutional effectiveness in decentralized rural governance systems. The study by Suhardi et al. (2023) and Zaitul et al. (2023) also revealed that transparent governance and participatory management have a positive effect on the organizational legitimacy and the productivity of rural economic activities. This current research also found that managerial professionalism and institutional coordination are key to sustainability of operations especially in peripheral rural areas with weak administrative capacities.

The findings also shed light on disparities with several earlier studies which largely took a financial or management view on the performance of BUMDes. This study shows that governance quality is more than just about adherence to procedures it is a process by which institutions are built in a cooperative way involving community participation, managerial flexibility and local economic empowerment. Theoretically, this perspective can contribute to the field of public management literature because

it brings collaborative governance theory to the rural economic institutions in the East of Indonesia.

From an operational perspective, the results suggest that strengthening the sustainability of BUMDes will be realized through constant training of managers, improving reporting systems and strengthening the interaction between the village governments, communities and local business actors. The study also illustrates how economic opportunities around Labuan Bajo's tourism can be an important driver of inclusive rural development with the right approach to adaptive governance. Although these contributions have been made, the study has been limited by its qualitative nature and the villages of the study were selected in Manggarai Regency. Comparative regional studies, mixed-method or longitudinal studies are thus suggested for future studies on the long-term effects of governance quality on the economic transformation of the rural areas in broader Indonesian context.

CONCLUSION

This study concludes that the governance quality of Village-Owned Enterprises (BUMDes) is a key determinant of sustainable local economic development in rural Manggarai Regency. Accountability, transparency, managerial capacity, institutional coordination, and community participation collectively influence the effectiveness and sustainability of BUMDes. Villages with stronger governance systems demonstrated greater institutional performance, higher public trust, and broader economic contributions through employment generation, support for local businesses, and improved community welfare. These findings reinforce the importance of integrating public management and collaborative governance perspectives in strengthening decentralized rural development.

The findings suggest that policymakers and village governments should prioritize managerial capacity building, transparent financial management, and stronger collaboration among stakeholders to improve the sustainability and competitiveness of BUMDes. This study is limited to a qualitative case study conducted in selected villages of Manggarai Regency. Future research is recommended to apply comparative, quantitative, or mixed-method approaches across different regions to provide a broader understanding of the relationship between governance quality and rural economic development.

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