

SCALE-UP STRATEGY OF VILLAGE-OWNED ENTERPRISES IN SIGI DISTRICT: INSTITUTIONAL TRANSFORMATION TOWARDS DIGITALIZATION



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Abstract

This study examines the strategy for improving Village-Owned Enterprises in Sigi Regency. This research aims to develop strategies through institutional transformation towards digitalization. This type of research is descriptive qualitative which aims to explore information by investigating events on the object of research through observation, interviews, and focus group discussions. The results show that out of 153 Village-Owned Enterprises in Sigi Regency, only 17 are productive out of 77 that are still active, so there is a need to increase human resource capacity and develop digital infrastructure through multi-party collaboration. The Asset-Based Community Development (ABCD) approach has an impact on the development of Village-Owned Enterprises.

Keywords: Scale-up Strategy, Institutional Transformation, Digitalization

INTRODUCTION

Village-Owned Enterprises, hereinafter referred to as BUM Desa, are legal entities established by villages and/or jointly with villages to manage businesses, utilize assets, develop investment and productivity, provide services, and/or other types of businesses for the greatest welfare of the village community (1). BUM Desa in its activities is not only oriented towards financial gain, but also oriented to support the improvement of the welfare of the village community. BUM Desa is expected to develop business units in utilizing economic potential (2). BUM Desa's legal entity status opens up opportunities for wider access to capital to create new jobs, develop cooperation and networks, and accelerate the use of information technology to penetrate markets and attract investment. BUM Desa is the locomotive of local economic development at the village level and is expected to improve the economic standard of the village community through the role of the village community with participatory and innovative principles.

The Ministry of Villages, Development of Disadvantaged Regions, and Transmigration noted that the number of BUM Desa by the end of 2024 had reached 60,717 consisting of 54,833 BUM Desa and 5,884 Joint BUM Desa. BUM Desa data nationally based on its status and process has been classified as can be seen in the following figure 1.

REGISTER NAME		NAME CORRECTION		NAME VERIFIED	
Village Owned Enterprises	Joint Village Owned Enterprises	Village Owned Enterprises	Joint Village Owned Enterprises	Village Owned Enterprises	Joint Village Owned Enterprises
25	12	1.034	2.541	26.575	1.333

REGISTERING A LEGAL ENTITY		DOCUMENT CORRECTION		ALREADY A LEGAL ENTITY	
Village Owned Enterprises	Joint Village Owned Enterprises	Village Owned Enterprises	Joint Village Owned Enterprises	Village Owned Enterprises	Joint Village Owned Enterprises
480	43	6.323	304	20.396	1.651

Figure 1.

Number of BUM Desa by Status in 2024

Source: <https://sid.kemendes.go.id/bumdes>

The Ministry of Villages has formulated Sustainable Development Goals (SDGs) for villages as a priority policy direction for village development in 2020-2024. Village Ministerial Regulation No. 17/2020 has formulated 18 Village SDGs as a priority policy

direction for village development. According to Permen Desa PDTT Number 21 of 2020 concerning Village Development Guidelines, Village SDGs are integrated efforts of Village Development to accelerate the achievement of sustainable development goals. The Priority Use of Village Funds is directed to programs and/or activities to accelerate the achievement of the Village SDGs through: 1) national economic recovery according to village authority; 2) national priority programs according to village authority; and 3) adaptation of new village habits. This is regulated in the PDTT Village Regulation Number 13 of 2020. Priorities for the use of Village Funds for national economic recovery according to village authority include: a) Establishment, development, and revitalization of Village-Owned Enterprises or Joint Village-Owned Enterprises; b) Provision of village electricity; and c) Development of productive economic businesses.

Sigi Regency became one of the underdeveloped regions until it finally made it out in 2022 to become a developing region. The assessment is based on the Village Development Index (IDM) of the Ministry of Villages PDTT in 2023. There are 3 (three) indices used, namely the Social Composite Index (IKS), the Economic Composite Index (IKE), and the Environmental Composite Index (IKL). The IDM provides recommendations for the provincial, district, and village levels, with a classification of very high priority, priority, and fulfilled recommendations. The results of district-level recommendations from 176 villages in Sigi Regency reviewed based on the dimensions of economic institutions are 2 very priority villages, 133 priority villages, and 41 villages with fulfilled status.

Village-owned enterprises (BUM Desa) have emerged as important institutions to drive local economic development in Indonesia, especially in rural areas such as Sigi Regency. BUM Desa was established to economically empower villages through the utilization of local resources and the provision of sustainable business opportunities. Despite their great potential, many BUM Desa face substantial barriers, including limited management skills, inadequate financial support, unclear legal status, and a lack of digital infrastructure. These barriers hinder their ability to fully capitalize on local economic opportunities and make a significant contribution to community welfare (Haryanto, 2021; Umar & Anggraeni, 2023).

Previous research on BUM Desa has largely focused on the economic benefits and organizational challenges but rarely addressed the strategic framework required for digital transformation. For instance, those studies have highlighted the economic and social impacts of BUM Desa but ignored the need for digital integration as a tool to improve business operations and expand business activities. This research aims to bridge the gap by introducing a new approach that incorporates the Asset-Based Community Development (ABCD) framework, which emphasizes the utilization of local strengths for strategic development. This approach not only addresses the internal capacity-building needs of BUM Desa but also aligns them with the evolving demands of the digital economy (Gökalp & Martinez, 2022; Rogers & Euchner, 2022).

The novelty of this study lies in its comprehensive digitalization strategy that integrates digital skills training, infrastructure development, and multi-stakeholder collaboration. In contrast to previous studies, this research not only assesses the economic impact but also focuses on the institutional transformation required to adopt digital solutions. It hypothesizes that a holistic approach to digital transformation, rooted in community assets and collaborative partnerships, will significantly improve the economic performance and sustainability of BUM Desa. The study aims to provide a strategic model that can be replicated in other regions, driving broader digital inclusion and economic growth (Kretzmann & McKnight, 1993; Umar & Anggraeni, 2023).

RESEARCH METHOD

This research uses a qualitative descriptive design to explore the digital transformation strategy of BUM Desa in Sigi Regency. The research focuses on assessing institutional readiness, digital infrastructure, and collaboration with stakeholders. Data collection involved primary data obtained from semi-structured interviews and focus group discussions (FGDs) with BUM Desa managers, government officials, and other stakeholders, and secondary data from documents and previous studies. A purposive sampling technique was used to select BUM Desa that met certain criteria, such as legal registration, formal management structure, and active business operations.

Data were analyzed using the Asset-Based Community Development (ABCD) approach, which includes five stages: discovery, dream, design, define, and destiny. This approach facilitates the systematic identification of local assets and the formulation of strategic interventions for digital transformation. The focus is on combining local strengths with digital initiatives to increase the economic impact and sustainability of BUM Desa (Kretzmann & McKnight, 1993; Gökalp & Martinez, 2022).

Condition of BUM Desa in Sigi Regency

BUM Desa in Sigi Regency is a crucial case to examine institutional transformation and the potential of digitalization in supporting local economic development. Based on data from the Ministry of Villages, there are 154 registered BUM Desa in Sigi, however only 12 of them have achieved legal entity status, which limits their ability to access funding and partner in formal businesses. The lack of legal recognition not only limits BUM Desa's operational scope but also reduces their credibility when seeking private investor partners or applying for government grants. Most other BUM Desa experience administrative challenges, including difficulties in meeting legal requirements, limited documentation practices, and weak governance structures that are often bureaucratic and inefficient. The status of BUM Desa in Kabupaten Sigi can be seen in the following Figure 2.

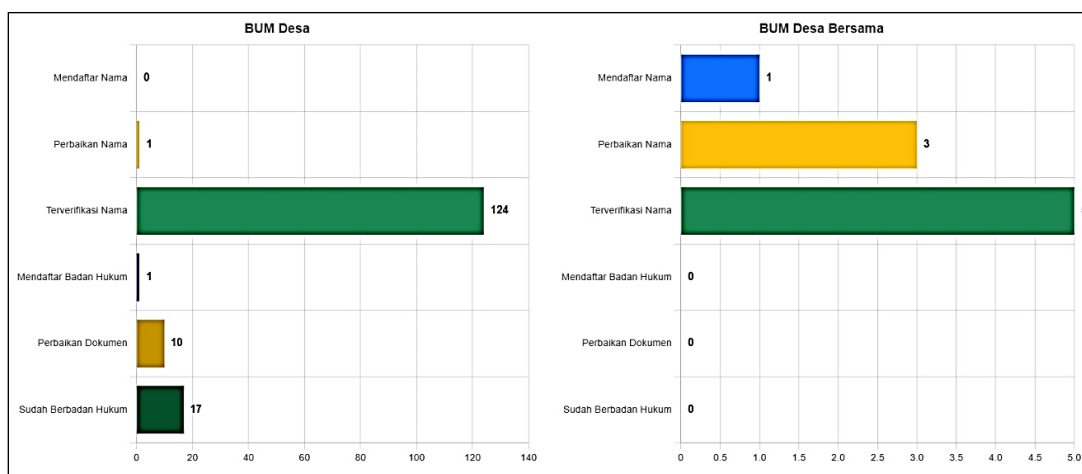


Figure 2.

BUM Desa Data of Sigi Regency in 2024

Source: <https://sid.kemendesa.go.id/bumdes>

The main objective of BUM Desa is to manage and utilize village resources to support economic development, yet many of them struggle to achieve the expected impact. Factors

contributing to these limitations include inadequate capital investment, limited access to financial services, and a lack of human resources with expertise in business management and digital skills. The types of businesses run by BUM Desa, which often focus on traditional economic activities such as agriculture, crafts, and small-scale retail, are not always aligned with evolving market demands or the needs of local communities. The absence of innovation and technology integration further hampers their capacity to compete with other businesses, limiting their economic contribution to the village.

Table 1.
Data on BUM Desa with Legal Entity in Sigi Regency in 2024

No.	BUM Desa Name	Village	District	BUM Desa Status
1	Mutianggaluku Mandiri	Kalukubula	Sigi Biromaru	Legal Entity
2	Nonovatu	Makmur	Palolo	Legal Entity
3	Cahaya Makmur	Bakubakulu	Palolo	Legal Entity
4	Mekar Jaya Mandiri	Rahmat	Palolo	Legal Entity
5	Bangun Bersama	Kamarora A	Nokilalaki	Legal Entity
6	Sejahtera	Kamarora B	Nokilalaki	Legal Entity
7	Katuvua	Kadidia	Nokilalaki	Legal Entity
8	Parakai	Sopu	Nokilalaki	Legal Entity
9	Hintuvu Todea	Boladangko	Kulawi	Legal Entity
10	Mahingkau	Bolapapu	Kulawi	Legal Entity
11	Sehati	Bangga	Dolo Selatan	Legal Entity
12	Maju Singgani	Sibowi	Tanambulava	Legal Entity
13	Maroso	Watubula	Dolo	Legal Entity
14	Muara Berkah	Kotapulu	Dolo	Legal Entity
15	Harapan Mpasanggani	Panturabate	Dolo	Legal Entity
16	Belo Singgani	Baliase	Marawola	Legal Entity
17	Oruna	Tinggede Selatan	Marawola	Legal Entity

Source: Dinas Pemberdayaan Masyarakat dan Desa Kabupaten Sigi (Processed and Validated)

Infrastructure issues also play a significant role in limiting the performance of BUM Desa in Sigi. Many rural areas face unstable electricity supply and limited internet connectivity, which are critical for the adoption of digital tools and processes. These infrastructure limitations exacerbate the gap in technology adoption, making it difficult for BUM Desa to implement e-commerce, digital marketing, or digital financial management. The hierarchical and bureaucratic organizational structure common to BUM Desa adds

another level of difficulty, as it is incompatible with the flexibility and rapid change required in a modern economy.

Given these challenges, a comprehensive strategy is needed that not only addresses legal and infrastructure barriers, but also considers historical and sociological factors that influence BUM Desa operations. Transforming BUM Desa into legally recognized entities with robust governance systems and integrating digital solutions can enhance their resilience and capacity for sustainable growth. The adoption of digital transformation strategies tailored to local conditions and community needs is essential to enable BUM Desa to fulfill their role as drivers of rural economic development (Umar & Anggraeni, 2023; Gökalp & Martinez, 2022).

RESULTS AND DISCUSSION

The results of this study reveal some important insights into the current state of Village-Owned Enterprises (BUM Desa) in Sigi Regency, particularly in relation to digital transformation. The processed data shows that of the 77 active BUM Desa, only 11% have obtained legal status, which limits their ability to access formal financial institutions and the broader market. Table 1 presents a summary of BUM Desa's legal status and digital readiness, illustrating the gap in their level of readiness for digital adoption. Interviews and focus group discussions (FGDs) highlighted that lack of digital skills and adequate technology infrastructure are key barriers to adopting digital practices, limiting BUM Desa's economic impact on rural communities.

Further analysis shows that BUM Desa that have adopted digital initiatives, such as BUM Desa Cahaya Makmur, demonstrate better business outcomes. For example, the enterprise has utilized digital tools to market candlenut processed products, which has increased community income and welfare. However, most BUM Desa lack the necessary resources and expertise to replicate this success. These results point to the need for a structured capacity building program that focuses on digital literacy and infrastructure development.

The discussion relates these findings to the Asset-Based Community Development (ABCD) framework, which emphasizes the use of existing community assets to promote

economic growth and resilience. This finding is in line with Kretzmann and McKnight's (1993) argument that community development efforts should focus on leveraging local strengths rather than simply addressing deficiencies. In the context of BUM Desa, this means leveraging local resources such as agricultural products, cultural heritage and skilled labor to support digital initiatives. The data shows that digital transformation, combined with community engagement, can significantly increase the economic contribution of BUM Desa.

When compared to previous research, these results are consistent with the findings of Gökalp and Martinez (2022), who highlighted the importance of digital capabilities for organizational growth. However, this study extends their research by applying the ABCD approach to rural enterprises, showing that digital strategies must be tailored to the local context to be effective. For example, while previous research emphasized a generic digital transformation framework, this study shows that the integration of community-specific assets into digital strategies is critical for success in rural environments. This represents a unique contribution to the literature on rural economic development.

The implications of these results include both theoretical and practical aspects. Theoretically, this study supports the application of the ABCD model as a viable approach to digital transformation in rural enterprises, providing a new dimension to the framework by incorporating a digital component. Practically, the results suggest that policymakers prioritize digital skills training programs, invest in technology infrastructure, and encourage partnerships with technology providers to increase digital inclusion in rural areas. This approach can significantly increase the economic impact of BUM Desa by making it more competitive and sustainable in the long run.

In addition, the benefits of this research also impact broader policymaking by suggesting strategies that can be implemented at scale in other regions facing similar challenges. The findings emphasize the need for a multi-stakeholder approach where local government, private sector, and communities work together to create an enabling environment for digital transformation. By incorporating digital tools and strategies into traditional rural business models, BUM Desa can catalyze broader rural economic development.

Challenges in the Digitization Process

The digitization process of Village-Owned Enterprises (BUM Desa) in Sigi Regency faces complex and diverse challenges that hinder its implementation and scalability. One of the main barriers is the lack of digital infrastructure, such as poor internet connectivity and unstable electricity availability in some rural areas. These limitations significantly restrict BUM Desa's ability to effectively utilize digital tools in business operations. In addition, access to digital technology, including software and hardware, is severely limited due to high procurement and maintenance costs that many BUM Desa cannot afford. These economic barriers are exacerbated by the lack of financial support or subsidies from local authorities, which makes it difficult for small businesses to invest in digital transformation.

Another important challenge is the limited digital skills and literacy among the workforce. Many BUM Desa managers and workers lack the technical knowledge required to operate digital platforms or use technology for financial management and marketing. Training programs and educational initiatives for digital skills are still rare, and where they exist, participation remains low due to cultural resistance as well as traditional mindsets that favor conventional business practices over modern digital methods. The lack of a digital mindset, coupled with concerns about the security and privacy of digital transactions, further reduces the willingness to adopt new technologies. In addition, the legal and regulatory framework governing BUM Desa operations is often outdated and lacks provisions that encourage or facilitate digital adoption.

These challenges highlight the complexity of digital transformation in the rural enterprise sector, where socio-economic and infrastructure barriers need to be addressed simultaneously. Addressing these issues will require a comprehensive approach, including policy reform, capacity building, and infrastructure development, for BUM Desa to keep up with the ever-changing digital economy.

Institutional Transformation Strategy

To address the challenges of digitalization, strategic institutional transformation is essential for BUM Desa. One of the key strategies is to strengthen the organizational structure and improve governance to support digital adoption. This could include updating policies and procedures to integrate digital tools in business operations, establishing a dedicated team

for digital initiatives, and creating clear guidelines for technology use. Training programs should be implemented to improve employees' digital literacy, covering areas such as e-commerce, digital marketing, and financial management. Partnerships with technology providers can be formed to ensure that BUM Desa has access to affordable digital tools and platforms. These partnerships can also help in negotiating better terms for software and hardware procurement, which can lower costs and improve access to technology.

Implementing an Asset-Based Community Development (ABCD) approach is essential to identify and leverage local strengths to support digital transformation. This approach involves mapping existing assets in the community, such as skilled labor, local businesses, and natural resources, which can be used to support digital initiatives. For example, local agricultural products can be marketed online using e-commerce platforms, while local artisans can benefit from digital marketing training to expand their market reach. Institutional transformation strategies should also include gradual digital integration, starting with basic digital tools such as email and social media marketing before moving on to more advanced technologies such as e-commerce platforms and digital payment systems. This phased approach can help BUM Desa slowly adapt to new technologies without overwhelming current capacity.

In addition, reform efforts also need to focus on the legal and regulatory aspects of digital transformation. It is important to create a legal framework that supports digitalization by providing incentives to BUM Desa that adopt digital practices, such as tax breaks or grants for technology investments. Ensuring that BUM Desa has the necessary legal status to access external funding and partnerships can further support digital growth. These strategies are intended not only to address challenges but also to make BUM Desa more competitive and resilient in the evolving digital economy.

Asset-Based Community Development (ABCD) Approach

The Asset-Based Community Development (ABCD) approach serves as a strategic framework to guide the digital transformation and institutional restructuring of Village-Owned Enterprises (BUM Desa) in Sigi Regency. This approach emphasizes the importance of harnessing local resources, strengths, and potentials rather than focusing solely on addressing deficiencies. By identifying and optimizing existing assets in the community,

such as skilled labor, social networks, natural resources, and existing businesses, the ABCD approach enables a sustainable and community-driven development path. This method suits the unique characteristics of rural areas, where local capacities are often underutilized, yet present great opportunities for growth.

The ABCD approach consists of five main stages: Discovery, Dream, Design, Define, and Destiny. The “Discovery” stage starts with mapping out community assets that can support digital initiatives. This involves identifying what the community already has, such as expertise in traditional crafts, agricultural products, or cultural tourism, which can be integrated into a digital platform for marketing and sales. This stage helps build a solid foundation of development by recognizing that the community has valuable resources that can be mobilized for economic advancement. The asset mapping process itself fosters a sense of ownership and empowerment among community members, thus encouraging active participation in subsequent stages.

At the “Dream” stage, community members collectively envision a desired future by identifying ways in which digital tools can improve their economic, social and cultural well-being. This participatory approach ensures that the digital transformation vision reflects the aspirations of the community, making the process more inclusive and relevant. The “Design” stage involves planning concrete actions based on the assets that have been identified. For example, BUM Desa may decide to create an e-commerce platform to sell local products, offer digital marketing training for artisans, or build an online booking system for ecotourism services. These plans are tailored to the unique strengths of the community, ensuring that digital initiatives build on what already exists, rather than introducing new systems that may not be sustainable.

The “Define” stage focuses on making key decisions regarding the implementation of this digital strategy. It includes setting clear objectives, allocating resources, and establishing timelines to achieve certain milestones. This stage ensures that the community stays aligned with their goals while adapting to challenges that arise during the transformation process. Finally, the “Destiny” stage is about plan execution and continuous evaluation. This stage emphasizes the importance of continuous feedback and adaptation, allowing adjustments to be made as needed to ensure the long-term sustainability of the

digital initiative. By engaging the community at every step of the process, the ABCD approach builds resilience and increases the likelihood of success in digital transformation.

By applying the ABCD approach to BUM Desa's digital transformation, several key benefits can be realized. First, it addresses resource limitations by maximizing the use of existing community assets, thereby reducing the need for large external investments. Second, it enhances local ownership and participation, ensuring that digitalization is accepted as a joint effort rather than an externally imposed initiative. Third, the ABCD framework supports gradual digital integration, allowing communities to start with basic digital practices before progressing to more complex technologies. This phased approach aligns with the community's adaptive capacity, ensuring that digital tools are adopted effectively and sustainably. As such, the ABCD approach provides a structured pathway for integrating digital transformation into the social and economic fabric of rural communities, making it a valuable model for other regions facing similar challenges (Kretzmann & McKnight, 1993; Gökalp & Martinez, 2022).

CONCLUSION

This study concludes that Village-Owned Enterprises (BUM Desa) in Sigi Regency face major challenges in adopting digital transformation, where only a small percentage have achieved legal status and digital integration. The results show that a lack of digital skills, inadequate infrastructure, and limited institutional support are the main obstacles preventing BUM Desa from fully maximizing its economic potential. This research supports the hypothesis that a holistic digital transformation strategy, incorporating local community assets and collaborative partnerships, can significantly improve the sustainability and economic impact of BUM Desa. The use of the Asset-Based Community Development (ABCD) approach is proven to be effective in identifying and leveraging community strengths for digital initiatives.

The implications of this research suggest that policymakers should prioritize digital literacy training efforts and infrastructure investments to enable an environment that supports digital transformation. Additionally, encouraging multi-stakeholder collaboration is critical to facilitating knowledge sharing and replicating successful digital practices in other regions.

These efforts will help rural businesses not only transition to the digital economy but also increase their competitiveness and long-term desirability. Future policies should focus on building a comprehensive support system for Village BUMs, ensuring that the benefits of digital transformation are accessible and have a significant impact on society.

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