
SHARIA-COMPLIANT TRANSFORMATION OF VILLAGE-OWNED ENTERPRISES: ACCOUNTABILITY, IMPLEMENTATION, AND REGULATORY READINESS IN WEST NUSA TENGGARA

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Abstract

This study examines the factors influencing the success of the transformation of Village-Owned Enterprises (BUMDes) into a sharia-compliant model in West Nusa Tenggara (NTB) province. Employing a Mixed Methods approach with a Sequential Exploratory design, this research integrates both qualitative and quantitative studies. The qualitative phase involved in-depth interviews with 7 key informants from BUMDes "Bareng Mele" to explore field challenges and practices. The findings indicate a strong commitment to sharia implementation but reveal obstacles such as communal accountability and a lack of a formal regulatory framework. The quantitative phase utilized a questionnaire distributed to 120 respondents to test the relationships between variables. The results of the multiple linear regression analysis show that Accountability, Implementation of Sharia Principles, and Regulatory Readiness have a significant simultaneous and partial effect on the Success of Sharia BUMDes Transformation. This study concludes that the success of the sharia BUMDes transformation requires a synergy between local commitment and structured regulatory support, as well as the formalization of accountability practices.

Keywords: Sharia-Based Village, Owned Enterprises, Institutional Transformation, Accountability, Sharia Regulatory Framework

INTRODUCTION

The transformation of Village-Owned Enterprises (BUMDes) towards a model that aligns with sharia principles has become an urgent need, as public awareness of the Islamic economic system is increasing. In West Nusa Tenggara (NTB), with its Muslim-majority population and significant village economic potential, the implementation of sharia principles in BUMDes management is expected to improve the welfare of rural communities through ethical and transparent business practices. Research by Badaruddin et al. (2020) shows that the empowerment of village communities through BUMDes based on social capital is capable of improving the welfare of local communities. However, the implementation of sharia principles in BUMDes still faces various challenges, including a limited understanding of sharia concepts and business risk management in the context of BUMDes (Rosadi, 2024).

Initial observations indicate a strong commitment from both central and regional governments to promote village economic transformation based on sharia principles. The National Committee for Sharia Economics and Finance (KNEKS), together with the Financial Services Authority (OJK), has initiated the Pra-EPIKS Program aimed at making Village-Owned Enterprises (BUMDes) agents of sharia financial inclusion. OJK Deputy Director, Rakyan, stated that this program is expected to educate the public and expand access to sharia finance to the village level (Komite Nasional Ekonomi dan Keuangan Syariah, 2024).

At the regional level, the West Nusa Tenggara (NTB) Provincial Government shows seriousness in making its region a center for the development of the halal economy and industry. As a concrete step, BUMDes "Bareng Mele" has established a collaboration to present a sharia-based digital payment system. The local village head stated the readiness of his area to be a pilot project for a sharia-based digital village that can be replicated in other villages in NTB (Alviani, 2024).

Over the last five years, research trends have shown an increased focus on the role of accountability and transparency in BUMDes operations. Fitriani et al. (2024) highlight the importance of balancing expectations and reality in BUMDes accountability. Furthermore, collaboration with sharia banks has been identified as a key factor in strengthening the assets of BUMDes in Indonesia (Harrieti et al., 2024). However, there is still a research gap related to the implementation of sharia principles in BUMDes, especially concerning accountability and operational transparency.

The main problem in the transformation of BUMDes into a sharia-compliant entity involves a limited understanding of sharia principles, a lack of clear operational regulations, and a suboptimal system of accountability and transparency. Previous research has examined various approaches to improving the accountability and transparency of sharia microfinance institutions. Rahayu et al. (2020) investigated the influence of accountability and transparency on customer trust in sharia microfinance institutions. However, that research focused more on microfinance institutions in general and did not specifically examine the context of BUMDes. In addition, research by Rosadi (2024) explored mudharabah transactions in the chicken farming business at sharia BUMDes but was limited in generalizing its findings to a broader context.

The identified research gap includes the lack of a comprehensive study that simultaneously examines the transformation of BUMDes towards a sharia model by

considering the aspects of accountability, implementation, and regulatory readiness. This study aims to fill this gap by deeply analyzing the transformation process of sharia-based BUMDes in NTB and identifying the factors that influence its success.

REVIEW OF LITERATURE

Accountability and the Success of Sharia BUMDes Transformation

Accountability serves as an essential foundation for BUMDes operations, where the transparency of financial and operational management is crucial for community trust. Accountability is not only viewed as a legal obligation but also as a strategy for companies to gain social legitimacy from society and strengthen stakeholder trust (Fitriani et al., 2024). Various studies indicate that accountability and transparency in sharia microfinance institutions have a direct impact on customer trust, which ultimately affects institutional performance (Rahayu et al., 2020; Zuhri et al., 2022). Thus, effective accountability practices are believed to enhance the success of the sharia BUMDes transformation.

H1: Accountability has a positive and significant effect on the Success of Sharia BUMDes Transformation

Implementation of Sharia Principles and the Success of Sharia BUMDes Transformation

The implementation of sharia principles in BUMDes operations is the core of the transformation process. The success of implementation heavily relies on management's understanding and mechanisms that ensure compliance. Research by Rosadi (2024) explores specific transactions, such as *mudharabah*, in sharia BUMDes, showing that such practices can provide benefits, despite limitations in their application. Maimun & Tzahira (2025) assert that compliance with sharia principles and effective supervision are crucial factors closely linked to public trust and the growth of sharia institutions. Therefore, BUMDes that are consistent in implementing sharia principles, including through adequate supervision, tend to be more successful.

H2: The Implementation of Sharia Principles has a positive and significant effect on the Success of Sharia BUMDes Transformation.

Regulatory Readiness and the Success of Sharia BUMDes Transformation

Regulatory readiness is a crucial external factor that provides legal certainty and institutional support for sharia BUMDes. Government support, both through policy and assistance, has been proven to strengthen BUMDes operations. Previous research has identified collaboration with sharia banking as an important factor in strengthening the assets of BUMDes in Indonesia (Harrieti et al., 2024). Conversely, Ainiyah (2025) points out that a lack of supervision and regulatory clarity is one of the main causes of BUMDes failure. Therefore, the existence of a strong regulatory framework and clear government support will increase the likelihood of success for the sharia BUMDes transformation.

H3: Regulatory Readiness has a positive and significant effect on the Success of Sharia BUMDes Transformation.

RESEARCH METHOD

This study adopts a Mixed Methods approach with a Sequential Exploratory design (Creswell & Plano Clark, 2018). This approach systematically combines qualitative and quantitative methods to gain an in-depth understanding of the social, regulatory, and

institutional dynamics in the initial phase (qualitative), while also measuring the relationships between key variables in a structured manner in the subsequent phase (quantitative). In the qualitative phase, data was collected through in-depth interviews and Focus Group Discussions (FGD) with BUMDes managers, village officials, and community leaders in NTB Province. This data was analyzed using a thematic analysis approach. The qualitative findings then served as the basis for developing a quantitative instrument in the form of a closed-ended questionnaire with a Likert scale. In the quantitative phase, the study is descriptive-verify, and the data was analyzed using a SPSS V.21 (Sugiono, 2022), which is considered suitable for testing relationships between complex latent variables in exploratory research. The research population includes all BUMDes in NTB Province that have transformed or are in the process of transforming into a sharia model, with a quantitative sample of 120 respondents.

RESULTS AND DISCUSSION

This study integrates qualitative and quantitative findings to provide a holistic understanding of the sharia BUMDes transformation. Qualitative data was obtained from in-depth interviews with 7 key informants from BUMDes "Bareng Mele", while quantitative data was collected from 120 respondents through questionnaires distributed to BUMDes in NTB Province that met the research criteria. The qualitative findings serve to explore and gain deep insights, while the quantitative findings provide empirical validation for the proposed hypotheses.

Qualitative Findings: Contextual Understanding

The thematic analysis of in-depth interviews reveals that the transformation process of BUMDes into a sharia model is a response to local needs, but it faces significant structural challenges across three key aspects. On accountability, the BUMDes has a routine monthly reporting system, but external audits are not a standard procedure, indicating that accountability is more communally oriented. The biggest challenge faced is the issue of loan payment arrears from the community, which was confirmed by an informant: "The challenge is that sometimes there are still people who don't want to pay/have arrears (macet)".

On the implementation of sharia principles, there is a strong commitment from management to apply sharia contracts. However, the formal institutionalization is not yet optimal, with a lack of a formal Sharia Supervisory Board (DPS). An informant explained that this role is filled by an external party: "A government-appointed assisting body". Meanwhile, on regulatory readiness, there is strong support from the village government and BPD, as expressed by an informant: "The village head of the BPD is very supportive". However, there is still a strong hope for clearer regulations from the central government to provide legal certainty.

Quantitative Findings: Multiple Linear Regression Analysis

Multiple linear regression analysis was used to test the influence of Accountability (X1), Implementation of Sharia Principles (X2), and Regulatory Readiness (X3) on the Success of Sharia BUMDes Transformation (Y).

Table 1.
Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,592	0,55	0,533	0,835

Source: Processed Data from SPSS, 2025

The R Square value of 0.550 indicates that 55% of the variance in the Y variable can be explained by this model.

Table 2.
Simultaneous Test Results (ANOVA)
ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	43.534	3	14.511	20.835	.000 ^b
	Residual	80.791	116	.696		
	Total	124.325	119			

Source: Processed Data from SPSS, 2025

The F-test results show that the variables Accountability (X1), Implementation of Sharia Principles (X2), and Regulatory Readiness (X3) have a significant simultaneous effect on the Success of Sharia BUMDes Transformation (Y) ($p < 0.05$).

Table 3.
Regression Coefficients (Partial Test)
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.919	3.112		1.617	.539
	Akuntabilitas (X1)	.352	.093	.296	3.807	.000
	Implementasi Prinsip Syariah (X2)	.459	.098	.368	4.682	.000
	Kesiapan Regulator (X3)	.344	.114	.231	3.025	.003

Source: Processed Data from SPSS, 2025

The t-test results indicate that Accountability (X1), Implementation of Sharia Principles (X2), and Regulatory Readiness (X3) each have a significant and positive partial effect on the Success of Sharia BUMDes Transformation (Y) ($p < 0.05$).

Discussion

The results of this study provide a holistic and integrated picture, where the quantitative findings validate the hypotheses and the qualitative findings provide deeper insights.

1. The Relationship of Accountability (X1) with Success (Y): The quantitative results show that accountability has a significant and positive effect on the success of the sharia BUMDes transformation. This finding is reinforced by qualitative data indicating that although BUMDes "Bareng Mele" has implemented a routine reporting system, challenges such as loan payment arrears from the community are an obstacle. This suggests that to achieve a higher level of success, the formalization and external

- validation (audit) of accountability practices are necessary, aligning with the findings of Zuhri, Nugroho, and Sholeh (2022) who emphasize the importance of accountability practices in sharia microfinance institutions.
2. The Relationship of Implementation of Sharia Principles (X2) with Success (Y): Quantitative analysis shows that the implementation of sharia principles has a significant and positive effect on success. This finding is supported by qualitative data that highlights a strong commitment to apply sharia contracts. However, interview findings also point out a structural constraint: the lack of a formal Sharia Supervisory Board (DPS). The research by Maimun and Dara Tzahira (2025) confirms that compliance with sharia principles and effective supervision are closely linked to community trust and the growth of sharia financial institutions. Therefore, while individual commitment can drive success, formal institutionalization through a DPS is crucial for ensuring sustainable sharia compliance.
 3. The Relationship of Regulatory Readiness (X3) with Success (Y): The quantitative results prove that regulatory readiness has a significant and positive effect on the success of the transformation. The qualitative data provides deeper insights by showing strong support from the village government level. However, informants also indicate a hope for clearer regulations from the central government to provide legal certainty. This finding aligns with research by Ainiyah (2025), who states that one of the failure factors for BUMDes is a lack of supervision and regulatory clarity. This reinforces the idea that while local initiatives are essential, a clear legal framework from a higher level of government will strengthen the foundation of this transformation and support its sustainability.

CONCLUSION

This study concludes that the transformation of BUMDes into a sharia-compliant entity is a complex and multifactorial process. Through a mixed methods approach, this research successfully demonstrates that accountability, implementation of sharia principles, and regulatory readiness have a significant simultaneous and partial effect on the success of sharia BUMDes transformation. Although there are already good commitment and practices at the local level, this transformation remains embryonic and is highly dependent on more formal institutionalization, particularly in terms of accountability (external audit) and the implementation of sharia principles (Sharia Supervisory Board). Regulatory support from the central government is also needed to provide legal certainty and a legal framework for sharia BUMDes practices at the village level.

Theoretically, this research makes a new contribution by presenting an integrated framework that shows how these three variables interact and collectively influence the success of the transformation. This framework fills a gap in the literature that previously tended to study these factors in a fragmented manner. Practically, these findings have important implications for policymakers and BUMDes managers. To achieve sustainable success, BUMDes must develop a more formal accountability system and initiate the establishment of a Sharia Supervisory Board. Meanwhile, the government needs to accelerate the drafting of specific regulations for sharia BUMDes as a form of institutional support.

For future research, it is recommended to explore other factors that may influence the success of the sharia BUMDes transformation, such as the role of digital literacy, innovation

in business models, or the broader socioeconomic impact of this transformation on the rural community.

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