

The Institutional Role Of Village-Owned Enterprises In Enhancing Community Economic Development: A Case Study Of Kampung Bumi Ajo, Moswaren District, South Sorong Regency

Tonce Way¹

Hasanuddin University¹

ABSTRACT

Village-Owned Enterprises (BUMDes) serve as strategic instruments in realizing the economic independence of rural communities in Indonesia. This study aims to analyze the institutional capacity of BUMDes Tabam Rait Mos in promoting economic development in Kampung Bumi Ajo, Moswaren District, South Sorong Regency. Employing a qualitative descriptive method, the research adopts the institutional theory framework proposed by Scott (2001), which consists of three analytical pillars: regulatory, normative, and cognitive. Data were collected through in-depth interviews, field observations, and document analysis. The findings reveal that while the regulatory dimension is relatively established through formal village regulations, there remains a gap in the normative and cognitive dimensions. Community engagement and shared understanding regarding the function of BUMDes are still limited. The study concludes that strengthening the institutional pillars holistically is essential to improve the performance and sustainability of BUMDes as a driver of local economic transformation.

Keywords: *BUMDes, Institutional Theory, Rural Development, Village Economy, Local Governance*

INTRODUCTION

National development in Indonesia cannot be separated from the strategic role of villages as centers of economic growth. Currently, around 70% of Indonesia's population lives in rural areas, and villages play an important role in shaping a sustainable national economic foundation. Therefore, as a form of strengthening village autonomy and efforts to empower the local economy, a policy was born through Law No. 6 of 2014 on Villages, which provides a legal basis for the establishment of Village-Owned Enterprises (BUMDes). BUMDes is expected to be a strategic means of optimally managing local potential, creating jobs, increasing Village Original Income (PAD), and encouraging the economic independence of rural communities.

BUMDes present themselves as institutions established by the village and jointly managed by the community and the village government. The function of BUMDes is not only as a business entity seeking profit, but also as a social instrument that facilitates the development of micro, small, and medium enterprises (MSMEs), supports productive economic activities of the community, and strengthens the competitiveness of villages within the framework of sustainable development. The success of BUMDes is greatly influenced by the strength of its institutional capacity, both in structural and functional aspects. Several studies note that the success of the institution is determined by internal institutional capacity, such as the quality of human resources, clarity of organizational structure, supervision systems, and understanding of regulations (Wahidah & Herdiana, 2023).

However, there are still many BUMDes facing structural and institutional obstacles, such as weak management systems, minimal training for administrators, and low community participation. This results in many BUMDes operating ineffectively and experiencing stagnation, even failure in achieving their founding goals. One of the biggest challenges is the lack of understanding of good institutional governance and the absence of a normative value system that binds the behavior of administrators and the community in the operations of BUMDes (R et al., 2024; Rivai et al., 2024).

Table 1. Revenue of Each Business Unit of BUMDes Tabam Rait for the Year 2024

No	Business Unit	Revenue
1	Wooden	Rp. 22.000.000
2	Agriculture	Rp. 17.000.000
3	Decoration Rental	Rp. 12.000.000
4	Sound System Rental	Rp. 7.000.000
5	Clean Water Management	Rp. 30.000.000
Amount of Revenue		Rp. 88.000.000

Source: Report of Tabam Rait Mos Village-Owned Enterprise (2024)

This context is very relevant to the conditions in Kampung Bumi Ajo, Moswaren District, South Sorong Regency, West Papua. This village established BUMDes Tabam Rait Mos in 2023, with five active business units: a wooden kiosk, an agricultural unit, decoration rental, sound system rental, and clean water management. Although the institutional framework has been formally established and the business units show economic activity, the effectiveness of management is still hindered by weak institutional capacity, lack of internal supervision, and limited entrepreneurial experience among the administrators. This is exacerbated by the fact that most of the managers still treat their roles informally or as a side job, rather than as part of a strategic economic system.

Starting from this issue, this study aims to describe and analyze the institutional structure of the Tabam Rait Mos BUMDes, as well as to evaluate the extent of the institutional roles, both in regulatory, normative, and cognitive aspects that affect the performance and effectiveness of BUMDes in improving the welfare of the village community. Additionally, this study aims to formulate strategic recommendations to strengthen the BUMDes institutionally in a contextual manner that aligns with the social and cultural characteristics of the local Papuan community, especially the Indigenous Papuans (OAP).

The focus of this research uses the institutional theory from Scott (2001) which emphasizes that the success of an institution is influenced by three main pillars: regulative, normative, and cognitive. The regulative pillar refers to the existence of legal rules, sanction systems, and formal monitoring mechanisms that guide organizational behavior. The normative pillar concerns the values and social norms that serve as guidelines for actions within the organization, including work ethics, moral responsibilities, and social expectations. Meanwhile, the cognitive pillar reflects the collective interpretive systems and beliefs that exist within society, which shape the social legitimacy of existing institutions.

This theoretical approach is relevant in analyzing the dynamics of BUMDes, especially in areas with complex social structures and customary bases like in Papua. In indigenous communities, the legitimacy of institutions is not only derived from formal regulations but also from social acceptance based on community values and local kinship structures. Therefore, the application of institutional

pillars allows for a comprehensive exploration of the relationship between the formal structure of BUMDes, the internalization of social values, and the collective interpretation of the community towards these institutions.

This theory also allows for an understanding of how organizations like BUMDes adapt and gain legitimacy in the eyes of local stakeholders through processes of adaptation to social and cultural environments. Based on this framework, the institution of BUMDes is not viewed as a static entity, but rather as a dynamic social system, whose existence is shaped and justified by social relations, regulations, and evolving local practices. Therefore, this research is expected to provide theoretical contributions to the development of BUMDes institutional studies, while also offering practical input for local governments, BUMDes managers, and other stakeholders to strengthen the institutional capacity of BUMDes in a participatory and contextual manner, especially in areas with distinct socio-cultural characteristics such as Papua.

METHODS

This research uses a descriptive qualitative approach with a case study method. This approach was chosen because it allows the researcher to gain a deep understanding of the social reality, structure, and institutional dynamics occurring in the management of the BUMDes Tabam Rait Mos in Bumi Ajo Village, Moswaren District, South Sorong Regency. Descriptive qualitative provides exploratory space for the complex social and cultural context, as well as allowing for the interpretation of values, norms, and institutional practices that cannot be reduced to mere statistical figures (Creswell & Creswell, 2018). The use of a single case study is considered because the Tabam Rait Mos BUMDes has distinctive contextual characteristics, namely operating within the social system of the indigenous Papuan community that upholds collective values and customary ownership. This research is directed to answer questions regarding how institutional structures are formed and implemented, as well as how the three pillars of institutions according to Scott (2001), namely regulative, normative, and cognitive, are important parts of the operations and effectiveness of BUMDes in supporting the local economy. Thus, this method is very relevant to achieve the main objective of the research, which is to analyze the institutional capacity of BUMDes in a particular socio-cultural context.

The main objective of this research is to analyze the structure and dynamics of the BUMDes Tabam Rait Mos institutional framework in enhancing the local community's economy. A qualitative approach allows for an in-depth exploration of intangible social aspects, such as social legitimacy, participatory culture, and interpretation of institutional roles. Considering the context of the indigenous region of Papua, this method is suitable because it can capture the normative and cognitive dynamics that underpin informal institutions at the village level. Case studies also allow for a sharp analytical focus on a single institutional unit comprehensively, so the research results can authentically and richly represent the complexities of local reality.

Table 2. List of Research Informants

No	Informant	Role	Amount
1	Village Head	Main policymakers and parties involved in the institutional oversight of BUMDes	1
2	BUMDes Manager	Chairperson, secretary, and treasurer who play a role in the daily management of business units	4

3	Community and Traditional Leaders	Communities with social influence and an understanding of local values that affect institutional operations	4
4	BUMDes Supervisory Team	A team formed to conduct internal supervision and performance assessment of the management	3
Number of Informans			12

The data in this study were obtained through in-depth interviews with key informants who were purposively selected. These informants consisted of village heads who play a strategic role in village policy and oversight, core management of BUMDes, community and cultural leaders who represent local social norms, as well as the BUMDes supervisory team responsible for monitoring the operational activities of the organization. The selection of informants was based on the relevance of their roles and capacity to provide in-depth information about the actual conditions of the organization. In addition to interviews, the researcher also conducted direct observations of BUMDes operational activities and the social interactions that occur among actors. Observations were carried out in a participatory and open manner, to observe the decision-making process, role distribution among managers, and community involvement in village deliberation forums. This approach is important to understand the dimensions of culture and the norms that are factually applicable in the social life of the village community. Documentation becomes an important complement in data triangulation, by examining formal documents such as Village Regulations (Perkam) regarding the establishment of BUMDes, organizational structures, financial reports, standard operating procedure documents of business units, and other relevant internal archives.

A Data analysis was conducted using an interactive model (Miles et al., 2014) that includes three main stages: data reduction, data presentation, and conclusion drawing as well as verification. In the data reduction stage, researchers filter and organize data based on relevant themes such as institutional structure, regulatory roles, social values, and community perceptions. The organized data is then presented in the form of descriptive and thematic narratives to illustrate the relationships between the phenomena being studied. Conclusion drawing is done inductively by identifying emerging patterns, followed by verification through reflection and re-confirmation with informants to maintain the validity of interpretation. Meanwhile, to enhance data validity, researchers apply source and method triangulation by comparing data from interviews, observations, and documentation. Cross-confirmation among these sources strengthens the accuracy of the information and avoids subjective bias.

RESULT

The success of BUMDes institutionalization in driving economic growth in rural communities is not only determined by the availability of resources or formal policies, but is greatly influenced by the strength and effectiveness of the institutional structure underlying it. In relation to this context, the three-pillar institutional framework developed by Scott (2001), namely regulative, normative, and cognitive, provides a comprehensive approach to understanding how institutions gain legitimacy, stability, and sustainability in the long term. The regulative pillar is related to the existence of formal rules, policies, and control mechanisms that ensure compliance. The normative pillar reflects the social values, ethics, and collective expectations inherent in an institution. The cognitive pillar refers to the way society understands, accepts, and gives meaning to the existence of that institution in its social life.

Formal Structure and Accountability

The formal rules, policy foundations, and control mechanisms of the BUMDes Tabam Rait Mos in Kampung Bumi Ajo are reflected in the existence of Village Regulations (Perkam), Standard Operating Procedures (SOP), and a financial reporting system that has been established internally and mutually agreed upon. Institutionally, this demonstrates the political will and organizational awareness to build a solid regulatory structure as the basis for village business governance. This is expressed by the management of BUMDes Tabam Rait Mos.

“We often implement rules regarding operational schedules, daily transaction recording, task distribution among managers, and monthly financial reporting. All of this is based on the SOP that has been established and mutually agreed upon”. (9/6/2025)

SOPs are not only of a documentary nature but also serve as guidelines in the execution of daily tasks and institutional control. SOPs in each business unit, such as clean water management and decoration rental, have been formulated based on the operational needs of each. For example, the clean water unit establishes a daily distribution schedule and a volume-based tariff scheme, while the decoration unit has ordering procedures and penalties for delays. The existence of these technical SOPs and micro rules indicates that the institutional management of BUMDes Tabam Rait Mos has shifted from informal management to standardized governance that emphasizes accountability and work efficiency. This is consistent with the findings of Handayani et al. (2023), which state that standardized SOPs and reporting systems can enhance public trust and the effectiveness of BUMDes institutions. Nevertheless, this regulatory structure still faces several challenges in its implementation. One of the main problems is the weak sanctions for violations. The system in place is gradual and persuasive, starting from verbal warnings, administrative warnings, to the possibility of legal sanctions. This was expressed by the Head of Bumi Ajo Village.

“We have a village deliberation mechanism to resolve violations internally first. If there is no resolution, it continues through mediation by the district or county government”. (10/6/2025)

This sanctions system reflects a social orientation in the enforcement of rules, where community harmony is prioritized over repressive legal actions. Such an approach is commonly found in indigenous societies like Papua, which value deliberation more than legal formalities. However, reliance on internal mechanisms such as deliberation can weaken supervisory functions if not supported by strong institutional decisiveness and accountability. Therefore, the Village Head together with the Village Deliberation Body (BPK) agreed to share roles in overseeing the Village Owned Enterprises (BUMDes).

“We conduct routine supervision with the BPK, and request periodic accountability reports from the management. In addition, we are active in meetings and direct visits to the BUMDes business units”. (10/6/2025)

This collaborative supervision model allows for the establishment of a system of checks and balances that operates substantially, not just administratively. The Supreme Audit Agency (BPK) as a representative of the public also provides social legitimacy to the oversight process and emphasizes that the public is not only an object but also a subject in the management of collective assets. Although this supervisory structure works well, some challenges are also faced, such as the weak technical capacity of the managers and the suboptimal periodic training. The implementation of SOPs is sometimes still adhered to due to social agreements, rather than professional awareness. This situation aligns with the findings of Andrews et al. (2017) which state that many public

organizations in developing countries are trapped in isomorphic mimicry, meaning they adopt formal institutional forms without building internal capacity. On the other hand, the Head of the Village also expressed that the institutional relationship between the village government and the Community and Village Empowerment Office (DPMK) is also key to strengthening the regulatory framework.

“We collaborate with the Community Empowerment and Village Office at the district level to ensure that the regulations we create align with regional rules and policies, as well as to receive legal and technical assistance”. (10/6/2025)

This vertical collaboration demonstrates that the strengthening of regulations does not only come from within, but also depends on the connectivity of local institutions with the legal system and administrative support at the regional level. Suryanto et al. (2022) emphasize that the success of BUMDes is largely determined by the ability of local actors to combine social legitimacy and formal regulations into one governance system. The current success of the regulatory structure of BUMDes Tabam Rait Mos lies in the combination of legal legitimacy and social acceptance. However, to turn it into a transformative village institution, a procedural approach must be developed towards a standardized, transparent, and performance-based institutional system. This integration will serve as an important foundation in ensuring the economic sustainability of the village and the achievement of collective welfare goals.

Collective Values and Professionalism

The normative pillars of the Tabam Rait Mos BUMDes play an important role in shaping the identity of the institution, work culture, and the relationship between the management and the community. Values such as deliberation, mutual cooperation, honesty, flexibility, and social empathy serve as normative foundations that are not only inherited but are also actively practiced in daily institutional activities. This was stated by the Head of Bumi Ajo Village.

“We always prioritize values such as deliberation, mutual cooperation, and honesty in every decision-making process of the village-owned enterprises (BUMDes). Each business unit is also managed with consideration for environmental balance and the customs that apply in the village”. (10/6/2025)

The value of deliberation becomes the basis for discussion, replacing hierarchical decision-making. Village deliberation is not merely a formality, but a vibrant forum where customary norms and the collective voice of the community serve as the primary references. This model aligns with the concept of inclusive deliberation in the literature on participatory institutional governance by Cornwall (2008), where decision-making is based on consensus and recognition of the existing social structure. Meanwhile, mutual assistance is not only present in physical forms but also in symbolic and moral forms. Community members voluntarily help in managing local enterprises such as clean water management, whether through labor, supervision, or advocacy. This spirit reinforces the sense of ownership over the BUMDes and makes this institution a part of the village's social system, rather than a foreign economic entity. The success of village institutionalism is greatly influenced by the sustainability of local social norms that encourage horizontal participation and social loyalty (Wahidah & Herdiana, 2023).

However, the implementation of normative values is also faced with a number of challenges. Some citizens still show a passive attitude towards the management of village enterprises and tend to regard BUMDes assets as common property that does not require individual responsibility. This condition is emphasized by the Head of Kampung Bumi Ajo.

“There are several, such as the habit of procrastinating work or considering shared assets not important enough to be taken seriously. But we continue to take a persuasive and educational approach so that the community becomes more aware of the importance of maintaining BUMDes assets for the common good”. (10/6/2025)

This condition reflects the normative tension between traditional collective values and the need for modern work ethics. Generally, in many indigenous societies, collective ownership of resources is not always balanced by a clear operational accountability system. Boedhihartono (2017) findings reveal that in customary-based communities, the commitment to managing public resources tends to be low unless supported by new norms that emphasize professionalism and accountability. This normative tension is responded to by the management of BUMDes Tabam Rait Mos through efforts to establish internal work norms that are professional.

“We emphasize discipline, responsibility, openness, and friendly service. Every manager is required to be punctual, work according to their duties, and maintain the good name of the BUMDes”. (9/6/2025)

The statement reflects that normative pillars are formed not only by customary values but also through the application of modern management principles. Values of discipline and responsibility become part of a new work ethic that is consciously instilled, both through training and daily practices. This marks the emergence of a hybrid normative system, where local and professional values coexist. However, the implementation of these professional norms does not always proceed smoothly. The technical capacity of management varies, and many operational decisions rely on personal initiatives. This condition risks creating administrative inefficiencies and accountability gaps. Without ongoing technical training, professional values will not develop into an effective organizational culture (Said et al., 2021). Therefore, it is crucial to build internal capacity so that normative values are not merely symbolic but can be measured through work outcomes and services. In addition, another prominent normative value is flexibility and social empathy. The BUMDes management adjusts services to the habits of the community, such as the opening hours of the clean water unit.

“We adjust working hours and service systems to be flexible with the habits of the community. For example, for the clean water unit, we open in the morning and afternoon because that is when the community is most active.” (9/6/2025)

Flexibility shows that the normative pillar in the Tabam Rait Mos BUMDes is formed not only by internal rules but also by responses to social dynamics. Scott (2001) mentions that a strong normative pillar is one that can adapt and remains accepted as 'appropriate' by the community. Adaptation to the rhythm of village life becomes an indicator that work norms are not imposed from outside, but are shaped through organic social interaction. However, this adaptation can also pose risks. If it follows social habits too closely without standard service controls, it may threaten operational quality. The success of public services in the village greatly depends on the balance between social flexibility and procedural consistency (Wardani et al., 2024).

Overall, the normative pillars in the BUMDes Tabam Rait Mos reflect the distinctive characteristics of an integrative local institutional system. Customary values are used as an ethical foundation, while managerial values serve as a professional basis. However, this process is still in a transitional phase. The main challenge is how to bridge the collective heritage of the community with the

demands of institutional modernity. In this regard, public education, community involvement, and technical training become important instruments to strengthen new norms that are more participatory and accountable.

Social Perception and Legitimacy

An institution is not sufficient to be legally recognized or in accordance with norms, but it must also be cognitively recognized by the community as something relevant, necessary, and meaningful. In relation to the BUMDes Tabam Rait Mos, the cognitive pillar becomes the foundation of the institution's sustainability because it involves perceptions, collective identity, and social trust. Most of the residents of Kampung Bumi Ajo have an understanding that BUMDes is an integral part of village development. This refers to their acknowledgment of the direct benefits from the business unit, especially in the management of clean water.

“BUMDes plays a significant role. Some residents have been helped, both from clean water services, job opportunities, and from business profits that return to the village. Its potential is great, as long as it is managed well.”. (11/6/2025)

The existence of BUMDes has been interpreted not only as an administrative economic institution but also as an instrument of community-based development. This understanding reinforces cognitive legitimacy, as the community associates the institution with improvements in welfare and public services that are relevant to their local needs. However, not all residents share the same perception. There are still views that assert that BUMDes solely belongs to the village leaders or government.

“Some still feel that the BUMDes belongs only to the management. But over time, awareness has begun to grow that BUMDes is a shared asset. More frequent engagement is needed to increase community involvement”. (11/6/2025)

This difference in perception indicates that the internalization of institutional identity is not yet evenly distributed. Although a collective understanding has been formed among some residents, there are gaps in the distribution of information and social engagement that caused some community members to remain passive regarding the roles and functions of BUMDes. Therefore, community involvement in the establishment and management of BUMDes is crucial in forming social legitimacy. This was emphasized by the management of BUMDes Tabam Rait Mos.

“We do not work alone. We involve the community as customers, suppliers, and also in oversight. A sense of responsibility grows because they feel that the BUMDes belongs to everyone, not just to the village government.”. (9/6/2025)

The statement emphasizes the importance of co-ownership, where BUMDes is positioned as a collective representation of the community, not an exclusive entity controlled by a select few. According to Hamilton-Hart (2017), institutional legitimacy can only endure if the community feels they have a role in the decision-making process and experiences its benefits directly. An interesting aspect in the context of Bumi Ajo is the social flexibility in the process of strengthening perceptions. Besides formal forums like village deliberations, informal social spaces such as cultural events and community meetings are used as arenas for communication and education of the institution. These findings refer to the statement of Bumi Ajo community leaders as follows.

“Through village meetings, community leaders and ordinary citizens can provide input. Sometimes also through informal communication at traditional events or other social activities”. (11/9/2025)

This flexibility reflects that the cognitive pillar is formed through an organic, dialogical, and participatory process. Informal communication is not just a complement but plays an important role in strengthening the shared meaning structure about BUMDes. This indicates that social legitimacy is selective and depends on perceptions of benefits. Business units that directly engage with the basic needs of the community build positive perceptions more quickly compared to those that are sectoral or incidental. This is consistent with the findings of Wambrauw et al. (2019) which emphasize that in indigenous communities, institutions will gain legitimacy if they prove to be beneficial directly to the community and do not create social exclusion. Furthermore, the collective identity that develops in BUMDes Tabam Rait Mos is shaped not only through formal structures but also through the daily experiences of the residents. Those involved in mutual cooperation, contribution payments, or being customers feel more 'ownership' of the village-owned enterprises compared to those who are not directly connected.

DISCUSSION

Based on Scott (2001) institutional pillars, the three pillars are interrelated institutional constructs that reflect the dimensions of formal rules, social values, and the collective perceptions of society that form the basis for the legitimacy and sustainability of institutions. In the BUMDes Tabam Rait Mos, research findings indicate that the presence of these three pillars has been established, but they are not yet fully integrated or optimally supporting one another.

Regulatively, the Tabam Rait Mos Village-Owned Enterprise has established a formal structure in the form of Village Regulations, Standard Operating Procedures (SOP), and a simple reporting system. This effort reflects the existence of a formal legal framework that underlies management. However, other findings also indicate that the supervision and sanction systems are not implemented strictly, relying more on internal deliberation than on data-based administrative control. This illustrates a form of institutionalization that Andrews et al. (2017) refer to as isomorphic mimicry, which is the replication of institutional forms without accompanied by substantive capacity building that supports the consistent implementation of regulations. The available regulations also lack coercive power as most procedures are not based on incentive systems, technical training, or performance-based evaluation. In line with the views of Trinanda Ultari & Khoirunurrofik (2024), strengthening the regulatory pillar in the context of villages must be accompanied by enhancing human resource capacity, internal audit systems, and structured accountability mechanisms. Interestingly, BUMDes Tabam Rait Mos shows adaptive capacity in aligning SOPs with local values, such as considering service times based on community habits. This adaptation strategy reflects a response to dual institutional pressures from the state and tradition, as described by Xu et al. (2024) in their study on community organizations in China.

In the normative dimension, the institutionalization of the Village-Owned Enterprises (BUMDes) is firmly rooted in the cultural values of the Papuan community, such as deliberation, mutual cooperation, collective responsibility, and honesty. These values have proven to be a source of participatory strength, where the community is actively involved both as service users and as partners in decision-making. This finding is in line with the study by Wahidah & Herdiana (2023), which states that the social norms of the community are the main driving force for citizen participation in BUMDes. However, these collective values have not yet been fully converted into a professional work ethic. There is a gap between moral values and managerial demands, such as

work discipline, target achievement, and systematic reporting. Boedhihartono (2017) states that in many indigenous communities, the dominance of traditional values without support from performance standards can actually hinder the professionalization of institutions. Therefore, the institutional process needs to be directed towards the hybridization of values, which means integrating local norms with modern management principles. The initial efforts to foster discipline and friendly service in the BUMDes Tabam Rait Mos reflect this transition process. As emphasized by Said et al. (2021), institutional transformation requires ongoing training and the creation of incentive structures that support collective work ethics.

Meanwhile, the cognitive pillars that include social perception and collective meaning of the existence of BUMDes play an important role in supporting the social legitimacy of BUMDes. Most of the community acknowledges the existence of BUMDes as a legitimate and beneficial development entity, particularly through business units that provide direct impacts such as clean water services. However, this legitimacy is sectoral as positive perceptions are not yet comprehensive towards all business units. This confirms the findings of Bunduchi et al. (2023) which state that social organization legitimacy needs to be built through three logics, namely pragmatic, moral, and cognitive. Furthermore, in the process of forming social legitimacy, informal forums such as village deliberations, cultural events, and social activities prove to be more effective compared to formal media. Seixas et al. (2010) noted that the success of community-based organizations is determined by the presence of strong institutional partnerships and social networks, both horizontal and vertical. The BUMDes Tabam Rait Mos has the potential to expand its legitimacy through collaboration with external parties such as NGOs, universities, or local business networks, which can provide added value in the form of knowledge, technology, or market access. Meanwhile, in the local culture that upholds the values of family and social harmony, trust in the management becomes a central component of the cognitive pillar. As stated by Terjesen et al (2021), in societies with high levels of uncertainty, informal institutions and interpersonal social capital are more effective in shaping institutional trust than formal regulations.

Overall, the effectiveness of the institutional framework of BUMDes Tabam Rait Mos is not the result of the dominance of a single institutional pillar, but rather depends on the degree of synchronization among the pillars. The regulatory pillar requires support from social norms for the rules to be voluntarily complied with. The normative pillar needs a regulatory structure for values to be standardized and controlled. The cognitive pillar requires the other two pillars so that public perception is not merely symbolic, but based on tangible benefits and a trustworthy operational system. Imbalance among the pillars can lead to distortions of legitimacy or operational weaknesses of the institution. Zulfan Hakim et al. (2020) emphasized that the success of village economic institutions is heavily determined by the synergy between legal legitimacy, community social values, and positive public perception. When one pillar is too dominant, the institutional functions become vulnerable to role conflicts, low participation, or the loss of public trust. In BUMDes Tabam Rait Mos, the challenges ahead are not only in technical aspects such as business management but also in strengthening the institutional foundation that is oriented towards the integration of three pillars: (1) developing relevant and firm regulations, (2) instilling professional values that remain rooted in customs, and (3) building community perception through inclusive two-way communication. Thus, BUMDes can become a village economic institution that is not only legally recognized but also socially meaningful and effective institutionally.

CONCLUSION

The functionality of institutions is not solely determined by the strength of a one-dimensional institutional framework but by the level of integration among the three pillars. Based on the local context of Papua, a formal structure has been established through the formulation of Village Regulations and operational SOPs, but its implementation still depends on informal supervision, personal integrity, and social deliberation. The normative pillar of BUMDes has been formed from social values such as mutual cooperation, deliberation, and collective responsibility. These values strengthen community participation and a sense of ownership, but have not yet been fully converted into professional work ethics that can ensure efficiency and accountability. Meanwhile, the cognitive pillar has begun to take shape, particularly in business units that provide direct benefits. However, this perception is still not comprehensive and remains sectoral.

Furthermore, this research emphasizes the importance of synchronization among institutional pillars to realize effective, inclusive, and sustainable village institutions. The regulatory pillar requires capacity building and systemic control; the normative pillar needs to be strengthened with professional values; and the cognitive pillar must continuously be developed through participatory and dialogic communication. These findings support arguments in various literatures that highlight the importance of a hybrid approach in managing social organizations, particularly at the community level that faces pressures from customary values and state bureaucracy.

Meanwhile, theoretically, this study contributes to expanding the use of institutional approaches into the context of customary village institutions in Eastern Indonesia. Empirically, the findings provide evidence that institutional success cannot be reduced to mere legal structures, but must be seen as a product of the interaction between social values, public legitimacy, and institutional technical capabilities. The strategic implications of this research demand the presence of policy interventions that do not only focus on aspects of legality, but also on holistic institutional capacity building. Local governments need to facilitate regular training, technical assistance, and data-driven evaluation systems. Additionally, cross-actor partnerships involving universities, NGOs, and local market players need to be established to expand institutional networks, strengthen social legitimacy, and ensure the sustainability of BUMDes as a driving force for village economies.

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International Journal of Environmental Sciences
ISSN: 2229-7359
Vol. 11 No. 7, 2025
<https://www.theaspd.com/ijes.php>

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