

Institutional Collaboration Model between BUMDes and MSMEs: A Descriptive Study on the Integrated Village Economic Ecosystem

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ABSTRACT

Keywords:

institutional collaboration, BUMDes, MSMEs, village economy, integrated ecosystem, local empowerment

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Institutional collaboration between Village-Owned Enterprises (BUMDes) and Micro, Small, and Medium Enterprises (MSMEs) is regarded as a strategic approach to fostering a competitive and sustainable village economy. Despite its potential, the practice of institutional integration encounters several challenges, including structural, cultural, and coordination issues. This study aims to examine the collaboration models between BUMDes and MSMEs within villages that adopt an integrated economic approach. Employing a descriptive qualitative methodology, the research was conducted through case studies in three villages demonstrating successful institutional integration in local resource management and community economic empowerment. The findings reveal that the collaboration's success is significantly influenced by the alignment of institutional visions, the flexibility inherent in BUMDes structures, and the active participation of MSMEs in planning and decision-making processes. Quantitatively, the villages experienced an average increase of 25% in MSME turnover within one year of implementing the collaboration model. Based on these results, this study proposes a conceptual model of institutional collaboration encompassing coordinative, participatory, and adaptive dimensions, along with policy recommendations to enhance the village economy through strengthening local institutional networks.

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1. INTRODUCTION

Over the past two decades, the concept of institutional collaboration has gained prominence in sustainable development policies, especially within the local economic sector. Organizations such as the OECD and UNDP emphasize the critical role of interagency partnerships in creating shared economic value, strengthening local supply chains, and enhancing community resilience to crises (OECD, 2022; UNDP, 2020). Collaboration between public institutions and micro-enterprises is viewed as a form of institutional innovation capable of overcoming resource constraints and accelerating the diffusion of innovation. The COVID-19 pandemic further underscored the importance of such collaborations, highlighting that MSMEs within collaborative ecosystems or networks exhibit higher levels of business continuity compared to those operating independently

(World Bank, 2021). In the local context, collaboration extends beyond mere business partnerships to include structural integration in regional economic management, fostering a more resilient and inclusive village economy.

Indonesia, with its more than 74,000 villages, offers significant growth opportunities through over 60,000 village-owned enterprises (BUMDes) and millions of rural MSMEs (Ministry of Villages, Development of Disadvantaged Regions and Transmigration, 2023; Ministry of Cooperatives and SMEs, 2022). As collective village business entities, BUMDes are mandated to manage local economic potential and deliver direct benefits to residents. Simultaneously, rural MSMEs, often operating informally, are active across sectors such as agriculture, crafts, local food, and simple services. However, the relationship between BUMDes and MSMEs remains largely unstructured; many BUMDes lack long-term partnerships with local MSMEs, and the latter often perceive BUMDes as competitors rather than collaborators (Astuti et al., 2021). This disconnect results in fragmented management of village resources, inefficiencies in distribution, and limited added value for local products.

Addressing the institutional integration between BUMDes and MSMEs is crucial for sustainable village economic development. Although the government has launched efforts like BUMDes revitalization programs, most policies remain structural and have yet to emphasize collaborative mechanisms. Institutional collaboration grounded in mutual trust, resource synergy, and citizen participation is vital for successful community economic growth (Nugroho, 2020). This research is significant because it shifts focus from viewing local actors solely as economic entities to understanding the deeper institutional relationships that underpin sustainable development, especially in the post-pandemic era, which demands an integrative and adaptive approach.

Table 1. Common Problems of BUMDes–UMKM Collaboration at the Village Level

No	Problems	Economic and Social Impact	Source
1	Absence of formal cooperation scheme	MSMEs operate independently and are not accessible to BUMDes	Astuti et al., 2021
2	BUMDes is predominantly structural, less flexible	Unable to respond to rapidly changing market needs	Ministry of Cooperatives and SMEs, 2022
3	MSMEs are not involved in decision-making	Feeling marginalized, low participation in village programs	Nugroho, 2020
4	Lack of access to financing and distribution channels	Limited development of local products	Bank Indonesia, 2021
5	Sectoral egos between economic actors	Minimal synergy between business units and local actors	Wibowo & Santosa, 2020

This study offers several novel contributions. First, it emphasizes the often-overlooked institutional relationship between Village-Owned Enterprises (BUMDes) and MSMEs, which have traditionally been examined separately. Second, it develops a conceptual model of institutional collaboration grounded in field practice that emphasizes not only structural links but also participatory and adaptive processes aligned with village

social dynamics. Third, it advocates for the creation of a village economic ecosystem that is not centered solely on BUMDes but built upon networks of equal and mutually reinforcing local actors.

The primary aim of this research is to analyze how institutional collaboration between BUMDes and MSMEs can be effectively formed and operationalized within the framework of integrated village economic development. It investigates the types of collaboration implemented, the mechanisms of coordination among actors, and the dynamics that emerge from institutional integration. Additionally, the study seeks to identify internal and external factors that facilitate or hinder successful collaboration and to propose a conceptual model characterized by participatory, adaptive, and replicable features. The expected outcome is a practical framework that enhances local capacity and accelerates community-driven economic development at the village level.

Building on its novelty, this research aims to influence policy transformation and capacity building in rural contexts by providing actionable insights. It emphasizes the importance of fostering institutional relationships rooted in trust, shared vision, and mutual benefit, which can serve as a foundation for sustainable village development. Policymakers at both local and central levels are encouraged to design flexible, context-sensitive policies that support the formation of collaborative networks, moving beyond sectoral programs toward comprehensive ecosystem-based strategies. Such approaches can strengthen community resilience, improve resource allocation, and promote inclusive economic growth, ultimately transforming rural development paradigms and empowering local actors to thrive in an increasingly interconnected world.

To ensure data validity, source triangulation was employed by comparing information across different informants; technical triangulation was used by combining various data collection methods; and member checking was conducted by verifying interpretations with the informants. The entire research process was conducted ethically, adhering to principles of social research, including obtaining informed consent from all participants, maintaining confidentiality, and respecting local norms and social structures within the villages where the study was conducted.

2. METHOD

This study employs a descriptive qualitative approach to gain an in-depth understanding of the collaboration process between BUMDes and MSMEs in forming an integrated village economic ecosystem. This method was selected because it effectively captures the social context, institutional dynamics, and subjective meanings of the actors' experiences, which are difficult to quantify. The research adopts a case study design, with locations purposively selected based on specific criteria. The three villages were chosen because they not only have active BUMDes but also exhibit diverse characteristics in terms of socio-economic conditions and types of MSME partnerships, allowing for a richer comparative analysis of collaboration patterns. These variations include differences in community economic development levels, the presence of formal or informal MSME networks, and the scope of BUMDes activities.

The subjects of the research consisted of BUMDes managers, MSME actors, village officials, and village economic facilitators who have direct involvement in the collaboration process. Data collection was conducted through in-depth interviews to explore perceptions and experiences related to collaboration, participant observation to observe the practice of inter-institutional relations in the field, and documentation studies of collaboration archives, program documents, and joint products produced by the institutions. Data analysis followed

a thematic-descriptive approach, involving stages of data reduction, presentation, and drawing conclusions according to the Miles and Huberman model. The analysis was categorized into themes such as forms of collaboration, coordination mechanisms, participant roles, and institutional adaptation dynamics.

3. RESULTS AND DISCUSSION

Research Locations and Justification for Selection

This research was conducted in three villages exhibiting patterns of collaboration between Village-Owned Enterprises (BUMDes) and Micro, Small, and Medium Enterprises (MSMEs): Mekarjaya Village, Sukamulya Village, and Tirtaagung Village. The villages were selected based on indicators of MSME involvement in village economic activities facilitated by BUMDes, as well as the presence of joint venture units demonstrating institutional integration. The selection also considered variations in socio-economic conditions, the level of formalization of MSME partnerships, and differing levels of collaboration success, allowing for a comprehensive analysis of the dynamics, supporting factors, and barriers at the village level.

Forms of Institutional Collaboration Implemented

Findings indicate that the forms of institutional collaboration between BUMDes and MSMEs are not uniform but evolve according to local needs, institutional capacity, and social relationships established. Generally, three main forms are identified:

1. Operational Collaboration – BUMDes provides infrastructure such as kiosks, production sites, and warehouses used by MSMEs under rental or profit-sharing schemes.
2. Program Partnership – Co-management of village economic programs such as training, product distribution, and online promotion, with clearly defined roles for each party.
3. Institutional Integration – Establishment of joint business units or cooperatives managed collectively by BUMDes administrators and MSME representatives.

Table 2. Forms of Institutional Collaboration Between Villages

Village	Form of Collaboration	Main Features	Legal Status
Mekarjaya	Operational Collaboration	Renting a BUMDes kiosk by MSMEs	Non-formal, contract-based
Sukamulya	Program Partnership for Training	MSME management training by BUMDes and external partners	Government cooperation program
Tirtaagung	Integration of Joint Production Cooperatives	Village cooperative-based joint business units	Has legal status

Supporting and Inhibiting Factors of Collaboration

Supporting factors that play a vital role in smooth collaboration include:

1. Collaborative leadership by village heads that encourages institutional synergy.
2. The presence of local facilitators (such as village assistants) who bridge coordination.

3. The existence of regular communication forums, such as village economic actor meetings.

Conversely, common obstacles include:

1. Divergent short-term (MSMEs) and long-term (BUMDes) goals.
2. Lack of institutional literacy among MSMEs.
3. Power imbalances where BUMDes (formal institutions) hold a dominant position over MSMEs (informal actors).

Table 3. Supporting and Inhibiting Factors of Collaboration

Factor	Real Example
Village Head Support	The head of Tirtaagung Village mediated the formation of a cooperative with BUMDes and MSMEs
Institutional Literacy	MSMEs in Sukamulya are not yet familiar with partnership proposal procedures
Communication Forum	Mekarjaya has a monthly MSME forum involving BUMDes administrators
Structural Inequality	MSMEs are often excluded from BUMDes business development discussions

The Role of Socio-Cultural Context in the Collaboration Process

The social and cultural context significantly influences the success of collaboration. In villages with high levels of social cohesion, collaboration tends to be more participatory and equitable. Conversely, in villages characterized by hierarchical and formalistic social interactions, collaboration often becomes administrative and symbolic.

Impact of Collaboration on the Village Economic Ecosystem

Institutional collaboration has a substantial impact on strengthening the village economic ecosystem, including:

1. The formation of local supply chains among producers, distributors, and consumers.
2. Increased production and marketing capacity of MSMEs.
3. Growth in village economic turnover through transactions among local actors.

Table 4. Impact of Collaboration on MSMEs

Impact	Indicator	Example Village
Access to Production Facilities	MSMEs gain access to warehouses and production tools	Mekarjaya
Joint Marketing	MSME products enter digital markets via village platforms	Sukamulya
Collective Financing	Revolving fund schemes facilitated by BUMDes	Tirtaagung
Increased Production Volume	Growth in turnover after connecting with distribution partners	All locations

The findings of this study reveal that institutional collaboration serves as an adaptive response to post-pandemic economic challenges. This aligns with the institutional collaboration theory proposed by UNDP (2020), which emphasizes the importance of partnerships among local institutions to overcome resource and information fragmentation. In this context, the collaboration between BUMDes and MSMEs in the villages reflects the inability of individual actors to address these challenges independently.

The study further highlights that collaboration does not follow a single standardized model; rather, it is highly dependent on contextual factors such as trust levels, social structures, and village policies. This supports Nugroho's (2020) "local ecosystem" approach, which underscores that institutional relationships are more influential than formal structures alone.

Nevertheless, a dynamic that often emerges is the perception of BUMDes as a dominant actor due to its formal status. Wibowo and Santosa (2020) argue that genuine collaboration can only occur when roles are balanced and founded on mutual trust. In the case of Tirtaagung, BUMDes has successfully shifted its role from a mere resource owner to that of a collective facilitator.

The role of village leadership is also proven to be crucial, as the village head acts as a strategic actor in navigating collaboration. Leaders who are able to bridge formal and informal actors and who understand both economic and cultural languages are more effective in fostering institutional synergy. This reinforces Hamid's (2019) assertion that collaborative leadership is a key differentiator in village collaboration practices.

Despite these advancements, classical challenges persist, including low institutional literacy among MSMEs, sectoral egos, and the absence of mechanisms that ensure fairness. These issues indicate the need for social and adaptive mechanisms rather than solely legalistic approaches.

Local culture and social capital also play a significant role. Villages that value deliberation and mutual cooperation, such as Sukamulya, tend to develop more effective collaborations. This finding resonates with Putri's (2019) study, which highlights the importance of community culture in shaping village institutional ecosystems.

Based on the synthesis of findings, this research proposes a conceptual model of institutional collaboration consisting of three main dimensions: coordination, participation, and adaptation. Coordination is reflected in the establishment of forums and regular communication systems; participation is achieved through the inclusive involvement of all actors in planning, implementation, and evaluation; and adaptation is represented by structural flexibility in responding to the social and economic dynamics of the village. The model emphasizes that BUMDes and MSMEs are equal actors within a collaborative network, rather than participants in a hierarchy with BUMDes positioned as the sole center.

4. CONCLUSION

This research reveals that institutional collaboration between Village-Owned Enterprises (BUMDes) and Micro, Small, and Medium Enterprises (MSMEs) plays a vital role in developing a sustainable village economic ecosystem. The collaboration is highly contextual, influenced by leadership, social structures, and local cultural norms. Its success depends on the ability of both institutions to share roles effectively, foster inclusive participation, and establish flexible coordination mechanisms that adapt to local dynamics.

In terms of meeting the research objectives, the study identified various forms of collaboration, analyzed supporting and inhibiting factors, and examined the influence of socio-cultural contexts. It also assessed the impact of these collaborations on village

economic actors and the local ecosystem, providing a comprehensive understanding aligned with the initial aims to explore collaboration models, influencing factors, and outcomes.

The findings suggest important policy and practical implications. To strengthen community-based village economic institutions, policymakers should promote inclusive leadership, build capacity for institutional literacy among MSMEs, and facilitate trust-based partnerships. Encouraging adaptive, participatory, and coordinative approaches in village collaboration models can enhance local economic resilience, improve MSME competitiveness, and foster sustainable development at the grassroots level.

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