Governance Deficits and Social Engineering Strategies in Community-Owned Enterprises: Evidence from Pulosari Village, Indonesia

ᵃ Didin Wardhana; ᵇ Deden Hadi Kushendar; ᶜ Heni Anggraeni; ᵈ Tri Sumardanu

ᵃ ᵇ ᶜ ᵈ Universitas Nurtanio Bandung, Bandung, West Java, Indonesia

ABSTRAK

Penelitian ini mengeksplorasi defisit tata kelola dalam Badan Usaha Milik Warga (BUMW) serta mengusulkan strategi rekayasa sosial untuk meningkatkan keberlanjutannya. Studi kasus kualitatif ini menggunakan metode wawancara, observasi, dan analisis dokumen yang melibatkan para pemangku kepentingan utama pada BUMW Desa Pulosari. Penelitian berfokus pada lima pilar utama tata kelola, yaitu otonomi kelembagaan, partisipasi warga, transparansi dan akuntabilitas, inovasi lokal, serta integrasi digital. Strategi rekayasa sosial dalam penelitian ini dimaknai sebagai intervensi tata kelola yang bersifat partisipatif dan institusional yang dirancang untuk memperkuat keberlanjutan organisasi. Temuan penelitian menunjukkan adanya tantangan yang persisten, antara lain keterbatasan pengakuan hukum, partisipasi yang lebih bersifat seremonial daripada substantif, lemahnya transparansi keuangan, serta minimnya adopsi inovasi dan teknologi digital. Kekurangan-kekurangan tersebut berimplikasi pada menurunnya kepercayaan publik, berkurangnya rasa memiliki masyarakat, dan terancamnya keberlanjutan jangka panjang lembaga. Untuk mengatasi permasalahan tersebut, penelitian ini mengusulkan sejumlah strategi rekayasa sosial, seperti penguatan status hukum, pembentukan forum pengambilan keputusan yang lebih inklusif, penguatan mekanisme pengawasan keuangan partisipatif, pembentukan inkubator inovasi lokal, serta pengembangan digitalisasi berbasis komunitas. Selain memberikan kontribusi terhadap pengembangan keilmuan administrasi publik dengan menempatkan BUMW dalam kerangka tata kelola, penelitian ini juga menawarkan rekomendasi praktis bagi pembuat kebijakan dan aktor komunitas untuk meningkatkan akuntabilitas, inklusivitas, dan keberlanjutan kelembagaan.

ABSTRACT

This study explores governance deficits within Community-Owned Enterprises (BUMW) and proposes social engineering strategies to enhance their sustainability. This qualitative case study employed interviews, observations, and document analysis involving key stakeholders of Pulosari Village-owned enterprise. The research focuses on five key governance pillars: institutional autonomy, citizen participation, transparency and accountability, local innovation, and digital integration. Social engineering strategies in this study refer to participatory and institutional governance interventions designed to strengthen organizational sustainability. The findings reveal persistent challenges, including limited legal recognition, participation that is more ceremonial than substantive, weak financial transparency, and minimal adoption of innovation and digital tools. These shortcomings undermine public trust, reduce community ownership, and threaten long-term viability. To address these issues, the study suggests several social engineering strategies, such as strengthening legal status, creating more inclusive decision-making forums, promoting participatory financial oversight, establishing local innovation incubators, and advancing community-based digitalization. Beyond contributing to public administration scholarship by situating BUMW within a governance framework, the study also offers practical recommendations for policymakers and community actors to improve accountability, inclusiveness, and sustainability.

Correspondence Didin Wardhana ✉ Email : dien.wardhana@unnur.ac.id

INTRODUCTION

Community-based economic organizations have long played a crucial role in driving grassroots development and strengthening local governance. In many parts of the Global South—where state resources are limited and market mechanisms often exclude marginalized groups—community-owned enterprises have emerged as an alternative form of collective action. In Indonesia, this type of institution is commonly known as Badan Usaha Milik Warga (BUMW), or Community-Owned Enterprises, which embody a mix of economic cooperation, social solidarity, and participatory governance.

The establishment of BUMW is deeply rooted in Indonesia's cultural traditions, especially gotong royong (mutual aid) and communal ownership of resources. These enterprises are expected to manage local economic assets, provide essential services, and improve community welfare. By doing so, they aim to reduce inequality and reinforce social cohesion. Positioned between the state and the private sector, BUMW often fill institutional gaps and become key platforms for local empowerment.

Despite their potential, many BUMW face persistent governance challenges that limit their effectiveness and sustainability. Common issues include weak institutional autonomy, symbolic rather than substantive participation, lack of transparency and accountability, limited capacity for innovation, and inadequate digital adoption. When left unaddressed, such deficits increase the risk of elite capture, misuse of resources, and organizational fragility, which in turn undermine community trust and weaken collective ownership.

This study, conducted in Pulosari Village, Pangalengan, West Java, examines these challenges through the lens of governance. It highlights five interrelated governance pillars—(1) institutional autonomy, (2) citizen participation, (3) transparency and accountability, (4) local innovation, and (5) digital integration—as the analytical framework. By doing so, the research situates BUMW within the broader field of public administration and explores how governance deficits manifest at the grassroots level.

Governance, in the public administration literature, is understood not merely as state bureaucracy but as a broader constellation of institutions, rules, and processes through which collective decisions are made. Community-owned enterprises occupy a hybrid space within this framework: they are neither fully public nor entirely private, but embedded within local social structures. Their success, therefore, depends not only on institutional design but also on social legitimacy and community engagement.

Scholars such as (Ansell & Gash, 2008) emphasize the importance of collaborative governance, where state and non-state actors deliberate together to pursue collective goals. Likewise, stresses participatory development as a shift away from top-down approaches toward bottom-up empowerment (Chambers, 1995; Shisanya & Khayesi, 2007). These perspectives remind us that the effectiveness of community enterprises cannot be judged solely by financial outcomes; inclusiveness, representation, and accountability are equally critical.

In Indonesia, the growth of BUMW parallels the development of Badan Usaha Milik Desa (BUMDes, or Village-Owned Enterprises). While BUMDes are legally recognized under national law, BUMW are often grassroots initiatives without formal regulation or institutional safeguards. This makes governance all the more essential. Without clear rules, BUMW remain vulnerable to elite domination, lack of accountability, and weak organizational structures.

The case of Pulosari Village reflects these broader dynamics. Although the BUMW was established to manage local resources and promote collective welfare, it faces governance

problems across all five pillars: its legal status remains uncertain, decision-making is dominated by local elites, financial management lacks transparency, community participation is largely symbolic, and opportunities for innovation and digital integration are underutilized.

This gap between normative expectations and empirical realities highlights the need for deliberate interventions. In this study, "social engineering" refers to intentional efforts to reshape community norms, organizational practices, and governance structures—not through coercion, but by enabling empowerment and institutional learning. Strategies such as legal empowerment, inclusive decision-making forums, participatory oversight, innovation incubators, and grassroots digitalization are proposed as pathways to strengthen governance and ensure sustainability.

Ultimately, this research seeks to contribute to the scholarship of public administration by bridging theory and practice. It demonstrates how governance deficits in community enterprises are systemic rather than isolated, and argues that holistic social engineering strategies are needed to transform BUMW into resilient, accountable, and inclusive institutions that can deliver sustainable local development.

Although numerous studies have examined BUMDes and other community-owned enterprises in Indonesia, most focus on financial performance, regulatory compliance, or descriptive governance challenges. Limited attention has been given to the structural relationship between governance deficits and organizational fragility using an integrated governance-pillar framework.

Furthermore, while participatory development and institutional strengthening are widely discussed, few studies conceptualize governance reform as a form of institutional-based social engineering that is participatory, non-coercive, and adaptive.

This study addresses these gaps by:

(1) Operationalizing five governance pillars (participation, transparency, accountability, leadership, and digital integration) as an analytical framework;
(2) Empirically demonstrating how deficits across these pillars interact and produce institutional fragility; and
(3) Proposing context-sensitive social engineering strategies as a governance reform model for community-owned enterprises in rural Indonesia.

By doing so, this study contributes theoretically to hybrid governance literature and practically to policy discussions on strengthening BUMW institutions beyond compliance-based approaches.

To guide the reader, this article is structured into five main sections. The first section introduces the background, research problems, and significance of examining governance deficits in Community-Owned Enterprises (BUMW). The second section presents the literature review, which conceptualizes governance, participation, and social engineering within the framework of public administration. The third section outlines the research method, detailing the qualitative case study approach adopted in Pulosari Village. The fourth section discusses the research findings and their implications across five governance pillars: institutional autonomy, citizen participation, transparency and accountability, local innovation, and digital integration. Finally, the fifth section provides conclusions and policy recommendations, offering practical and theoretical insights for strengthening governance and sustainability in community-based institutions.

Literature Review

Community-owned enterprises (COEs), known in Indonesia as Badan Usaha Milik Warga (BUMW), represent a hybrid institutional model that blends social objectives with economic activities. Unlike private firms, which prioritize profit, or public enterprises that are bound by state bureaucracy, COEs pursue collective welfare, strengthen local solidarity, and ensure equitable access to resources. Their dual mission—social and economic—places them at the intersection of grassroots governance and public administration.

In the Southeast Asian context, community-based enterprises have become an essential mechanism for promoting local economic resilience and inclusive governance. Countries such as Thailand, the Philippines, and Vietnam have experimented with community enterprises and cooperatives that combine economic empowerment with participatory management. For instance, Thailand's Community Enterprise Promotion Act emphasizes self-reliance and participatory decision-making, aligning with the principles of collaborative governance (Bovaird & Loeffler, 2012). Similarly, the Philippines' barangay-level cooperatives function as local governance platforms that blend social entrepreneurship with grassroots accountability. Despite these promising frameworks, studies in the region reveal persistent governance deficits—particularly in transparency, power distribution, and sustainability—due to elite capture, low administrative capacity, and limited citizen engagement (Escher & Rottinghaus, 2024; Haesevoets et al., 2023).

In Indonesia, the emergence of Village-Owned Enterprises (BUMDes) and Community-Owned Enterprises (BUMW) reflects a policy innovation aimed at strengthening rural governance through economic participation (Antlöv et al., 2016). However, the implementation of these models has been uneven across regions. While some villages demonstrate high institutional autonomy and accountability, many others face governance deficits manifested in symbolic participation, limited financial transparency, and dependence on village authorities. These patterns illustrate the tension between decentralization and local power hierarchies, a dilemma common in Indonesia's post-reform governance landscape. As scholars such as (Antlöv et al., 2016; Nanda & Warrier, 2023) note, the effectiveness of community enterprises depends on the extent to which governance practices—especially participation, accountability, and innovation—are embedded in the local sociopolitical context. Therefore, understanding governance within Indonesian community enterprises requires situating them within broader debates on rural democratization, decentralization, and the social engineering of institutional reform.

Scholars in the field of social economy (Kushendar, 2023) view COEs as instruments of empowerment that mobilize community assets for collective benefit (Defourny & Nyssens, 2010). From a public administration perspective, these organizations embody the principles of co-production and collaborative governance (Amalputra et al., 2023), where citizens and institutions share responsibilities for shaping and delivering public value (Bovaird & Loeffler, 2012).

In the Indonesian context, BUMW are often compared to Badan Usaha Milik Desa (BUMDes). Although BUMDes are formally recognized by the 2014 Village Law, BUMW typically emerge from local initiatives without clear regulatory backing. This informal foundation gives them flexibility but also exposes them to institutional fragility due to the absence of legal and financial safeguards. Their existence therefore raises important questions: How can communities organize economic activities without strong legal structures? To what extent do participatory norms translate into actual decision-making

power? And how does governance capacity shape sustainability?

Collaborative governance theory, as defined by (Ansell & Gash, 2008), emphasizes consensus-building and inclusiveness between public agencies and non-state actors. This framework is relevant to BUMW because they are positioned at the intersection of village governments, community members, and external stakeholders. However, empirical evidence shows that power asymmetries often undermine collaboration. Village elites frequently dominate decision-making, leading to what (Arnstein, 2019) describes as "tokenism." Genuine collaboration requires institutional autonomy and equitable participation—two areas where BUMW often struggle.

Critiques top-down development models and calls for participatory approaches that put "the last first." In this view, participation should empower communities to define their priorities and control resources (Chambers, 1995; Shisanya & Khayesi, 2007). Yet, in practice, BUMW participation often remains symbolic: residents are invited to meetings but excluded from meaningful decisions or oversight. Such practices echo critiques of participation as a "tyranny" (Johnson, 2008), where the rhetoric of inclusion masks entrenched hierarchies.

Transparency and accountability are equally essential. The OECD (OECD, 2005) defines transparency as timely and accurate disclosure of information, while accountability requires mechanisms that hold decision-makers answerable to stakeholders. In many BUMW, however, financial reporting is incomplete, inaccessible, or ceremonial. This erodes public trust and increases the risk of mismanagement. Comparative studies show that fiscal oversight mechanisms can enhance accountability, but only when institutional frameworks ensure credible and accessible information (Michael & Bates, 2011; Nanda & Warrier, 2023).

Innovation is another pillar of sustainability. Rogers' diffusion of innovations theory highlights the conditions under which new practices are adopted (Yu, 2022). For BUMW, innovation includes not only new products but also organizational and governance practices. Local creativity often exists, but without institutional support or incubation mechanisms, it remains untapped. Research shows that social enterprises thrive when innovation is embedded into governance systems (Defourny & Nyssens, 2010).

The digital transformation of governance adds a new dimension to community enterprises. Digital tools can increase efficiency, accountability, and citizen engagement. Yet, in many cases, digital adoption remains limited due to literacy gaps, infrastructure challenges, and generational divides. As (Escher & Rottinghaus, 2024) argue, digital participation has the potential to strengthen trust in government, but without inclusive design it may exacerbate inequality.

The governance challenges faced by BUMW resonate with findings from other regions. In Brazil, (D'albuquerque, 2024) observes that restricted autonomy hampers the adaptive capacity of community organizations. In South Africa, (Kariuki et al., 2020; Lemanski, 2017) show how participatory governance is often undermined by entrenched power asymmetries. In Colombia, (Kariuki et al., 2020) demonstrate that fiscal oversight can build accountability only if institutional conditions support transparency. Similar patterns are evident in India, where weak accountability in community health governance diminishes service delivery (Malhotra et al., 2020; Nanda & Warrier, 2023).

Within Indonesia, research on BUMDes has highlighted issues of elite domination, poor financial reporting, and dependence on external support (Aritenang, 2021; Kasumaningrum et al., 2024; Tarlani et al., 2022). Since BUMW often lack even the limited legal recognition that BUMDes enjoy, their vulnerability is greater. In places such as West Java, including Pulosari Village, weak governance structures expose BUMW to political capture and institutional fragility.

Against this backdrop, the concept of social engineering has gained relevance. In public administration, social engineering refers to deliberate interventions that reshape norms, practices, and organizational structures. While critics caution against paternalism, proponents argue that such strategies are necessary to reform fragile institutions. In the context of BUMW, social engineering is not coercive but empowering—through legal empowerment, inclusive participation, oversight mechanisms, innovation incubators, and grassroots digitalization.

This perspective resonates with adaptive governance theory (Ansell & Gash, 2008; Folke et al., 2005), which highlights flexibility, learning, and participation as key to resilience. It also underscores the importance of linking governance reforms to sustainability. However, gaps remain in the literature: (1) most studies on community enterprises are either normative or descriptive, rarely connecting governance pillars with reform strategies; (2) while research on BUMDes is growing, studies on BUMW are scarce; and (3) the link between governance deficits and the sustainability of community enterprises in Indonesia has yet to be systematically explored.

This study addresses those gaps by developing an integrated framework based on five governance pillars, providing empirical evidence from BUMW in Pulosari, and proposing concrete social engineering strategies. In doing so, it advances both theory and practice in public administration and demonstrates that governance deficits are structural challenges requiring systemic solutions rather than isolated fixes.

In this study, social engineering does not imply coercive or manipulative intervention. Rather, it refers to structured, participatory, and institutional interventions designed to reshape governance norms, organizational routines, and stakeholder relationships. The approach is grounded in community empowerment principles, emphasizing voluntary engagement, transparency, and adaptive learning.

RESEARCH METHODS

This study adopts a qualitative case study design to examine governance deficits in Community-Owned Enterprises (BUMW) and to explore possible social engineering strategies for institutional reform. A case study approach was chosen because governance is not a fixed variable but a process shaped by social interactions, power relations, cultural norms, and institutional frameworks. As (Yin, 2018) notes, case studies allow for in-depth, context-sensitive analysis of complex organizational dynamics—making them especially suitable for examining grassroots governance.

The research is grounded in an interpretive, constructivist paradigm (Lincoln et al., 1985). Instead of aiming for statistical generalization, the study seeks to generate rich insights that may be transferable to similar contexts of rural governance in Indonesia and other developing settings.

The research was conducted in Pulosari Village, located in Pangalengan Subdistrict, West Java. Pulosari was purposively selected for three reasons:

1. Relevance — Its BUMW demonstrates common governance problems such as elite dominance, weak accountability, and limited innovation.
2. Representativeness — The village reflects broader trends among rural enterprises in West Java.
3. Accessibility — The researchers had established networks with local actors, which facilitated trust and data access.

Pulosari is a predominantly agricultural community, with growing exposure to tourism and increasing access to digital technology. These dynamics create opportunities for enterprise development but also complicate governance arrangements.

Informants were selected using purposive sampling based on the following inclusion criteria: (1) direct involvement in BUMW governance or operations, (2) minimum one year of engagement, and (3) representation of different stakeholder groups (village officials, BUMW managers, community members, and beneficiaries).

Data collection continued until theoretical saturation was reached, indicated by recurring themes and no emergence of new substantive categories during coding.

Table 1.
Summary of Informants and Duration of Observation

Category of Informants	Number of Participants	Main Roles / Characteristics	Method of Data Collection	Observation Duration
Village Government Officials	5	Village head, secretary, and staff involved in BUMW oversight	Semi-structured interviews	3 weeks (meetings and administrative monitoring)
BUMW Managers and Staff	4	Operational and financial managers, administrative officers	Interviews and participant observation	4 weeks (BUMW office, financial activities)
Community Leaders	5	Religious figures, elders, youth leaders, and women's group representatives	Interviews and FGD participation	3 weeks (community events and coordination meetings)
Citizens / Beneficiaries	6	Local residents, farmers, and small entrepreneurs engaged with BUMW programs	Focus Group Discussions (2 sessions)	2 weeks (routine interactions and informal discussions)
External Stakeholders	5	Representatives of NGOs, cooperatives, and local business partners	Key informant interviews	1 week (consultation and partnership observation)
Total	**25**	—	—	**13 weeks (cumulative field engagement)**

Source: Author Processed

Multiple qualitative methods were employed to ensure triangulation and depth:

1. Semi-Structured Interviews: A total of 25 key informants were interviewed, including village officials (e.g., head and secretary), BUMW managers, community leaders (youth, women, religious figures), ordinary residents, and external stakeholders such as NGOs and entrepreneurs. Interviews explored perceptions of governance, participation, accountability, innovation, and digital adoption.
2. Focus Group Discussions (FGDs): Two FGDs were held, each with 8–10 participants representing diverse groups (farmers, youth, women, and local entrepreneurs). These discussions highlighted collective experiences and group dynamics that might not surface in individual interviews.
3. Participant Observation: The research team observed BUMW meetings, community events, and daily operations. Special attention was given to decision-making processes, transparency practices, and interactions among stakeholders.
4. Document Analysis: Both formal and informal records were reviewed, including organizational statutes, financial reports, meeting minutes, and promotional materials. This helped evaluate accountability and transparency.

The five governance pillars were operationalized into guiding themes in the interview protocol. For example, participation was explored through questions regarding community involvement in planning and decision-making; transparency through access to financial reporting; accountability through supervisory mechanisms; leadership through strategic direction and conflict resolution; and digital integration through technology adoption in administration and communication.

The data were analyzed using thematic analysis (Braun & Clarke, 2006). The process included:

1. Familiarization – Repeated reading of transcripts, notes, and documents.
2. Coding – Identifying codes such as "elite dominance," "symbolic participation," and "financial opacity."
3. Theme Development – Grouping codes into themes corresponding to the five governance pillars.
4. Interpretation – Relating themes to governance and social engineering theories.
5. Triangulation – Cross-checking findings across interviews, FGDs, observations, and documents.

Data were analyzed using thematic analysis supported by NVivo software. The process involved open coding, axial coding to identify relationships between categories, and selective coding to refine overarching themes aligned with the five governance pillars. A coding tree was developed to organize sub-themes under each governance pillar. To enhance credibility, coded data were reviewed iteratively, and discrepancies were discussed among researchers.

To ensure rigor, the study applied (Lincoln et al., 1985) criteria of credibility, transferability, dependability, and confirmability. Strategies included triangulation of methods, member checking with participants, detailed contextual descriptions, an audit trail of coding and decisions, and peer debriefing within the research team.

Ethical protocols were strictly observed. Informed consent was obtained from all participants, and anonymity was maintained through pseudonyms. Sensitive information, especially criticism of local elites, was handled with discretion to protect participants. The research adhered to standard ethical guidelines for qualitative studies (Mergel et al., 2019).

As with most case studies, findings cannot be statistically generalized. They are intended for analytical generalization to similar contexts. Time constraints limited prolonged immersion, and reliance on self-reported data posed risks of bias—though triangulation helped mitigate this. Future longitudinal studies could capture governance dynamics over time. To mitigate researcher bias, triangulation was conducted through interviews, observations, and document analysis. Member checking was performed by sharing summarized findings with selected participants to validate interpretation accuracy.

In summary, the study employed a qualitative case study design combining interviews, FGDs, observation, and document analysis to examine governance deficits and identify potential reform strategies. This approach provided a comprehensive understanding of how governance functions—and fails—at the grassroots level, while offering a robust foundation for theoretical and practical contributions to public administration.

RESULTS AND DISCUSSIONS

The case of Pulosari Village provides valuable insights into the governance dynamics of Community-Owned Enterprises (BUMW). Although the BUMW was envisioned as a mechanism for collective empowerment and sustainable development, the empirical evidence reveals persistent governance deficits that weaken its legitimacy and long-term viability. These deficits manifest across five interconnected pillars: institutional autonomy, citizen participation, transparency and accountability, local innovation, and digital integration. In what follows, each pillar is examined in detail, drawing on empirical evidence, theoretical perspectives, and comparative cases from other contexts. The discussion not only highlights the challenges but also reflects on possible social engineering strategies to transform these weaknesses into opportunities for reform.

Table 2.
Thematic Distribution from NVivo Coding Results

Governance Pillar / Theme	Description of Thematic Focus	Number of References (Nodes)	Relative Frequency (%)	Representative Quotations
Institutional Autonomy	Dependence on village authority; limited legal status; weak financial independence	42	21%	"We always wait for instructions from the village office." *(BUMW Manager)*
Citizen Participation	Symbolic participation, limited voice of women/youth, elite dominance	38	19%	"We are invited to attend, but not to decide." *(Youth Participant)*
Transparency & Accountability	Irregular reporting, inaccessible records, declining trust	46	23%	"We never see the financial reports; everything is hidden." *(Community Member)*
Local Innovation	Unused creative ideas, lack of facilitation and incubation	34	17%	"We have ideas but no one helps to implement them." *(Farmer)*

Governance Pillar / Theme	Description of Thematic Focus	Number of References (Nodes)	Relative Frequency (%)	Representative Quotations
Digital Integration	Low adoption of ICT, generational gap, absence of digital records	30	15%	"We could use apps, but leaders still prefer manual systems." *(Youth Representative)*
Cross-cutting Governance Issues	Power asymmetry, limited capacity, need for reform	13	5%	"Everything depends on a few people; there is no system." *(Village Official)*
Total	**—**	**203**	**100%**	**—**

Source: Author Processed

Thematic analysis using NVivo revealed that the most frequently referenced themes were Transparency & Accountability (23%) and Institutional Autonomy (21%), indicating that issues of control, openness, and financial legitimacy dominate governance concerns in Pulosari's BUMW. Participation (19%) and Innovation (17%) also emerged strongly but were constrained by elite capture and lack of institutional support. Meanwhile, Digital Integration (15%) remains the least developed pillar, highlighting the need for capacity building and technological adaptation at the community level.

Institutional Autonomy: Between Dependency and Empowerment

A central finding of this study is the fragile institutional autonomy of the BUMW in Pulosari. Interviews with managers and village officials revealed that the enterprise lacks a clear legal foundation. Instead of functioning as an independent community organization, it often operates as an extension of the village government. Decisions about strategic priorities, allocation of resources, and even day-to-day operations are heavily influenced by the village head and a small circle of elites.

One BUMW manager remarked: "We always wait for instructions from the village office. Even when the community proposes ideas, nothing can move forward without approval from above." This statement illustrates a structural dependency that undermines the very essence of community ownership.

The literature on collaborative governance underscores the importance of power symmetry (Ansell & Gash, 2008). Without institutional autonomy, community enterprises risk becoming administrative instruments rather than vehicles for empowerment. The situation in Pulosari mirrors findings from studies of Village-Owned Enterprises (BUMDes), where elite capture and state dependency have been shown to stifle local initiative (Antlöv et al., 2016). For BUMW, the problem is even more acute, given their lack of formal recognition within Indonesia's legal framework.

From a theoretical standpoint, institutional autonomy is more than an administrative requirement; it is a precondition for building legitimacy. When autonomy is absent, communities perceive the enterprise as externally controlled, which weakens collective ownership and participation. Social engineering strategies aimed at legal empowerment therefore become critical. Formal registration, independent statutes, and recognition of community ownership rights are necessary steps to strengthen institutional independence.

Beyond legal recognition, financial autonomy is equally important. The Pulosari BUMW relies heavily on village funds, with little capacity to generate independent revenue streams. This

dependency not only constrains decision-making but also fosters a cycle of financial vulnerability. Comparative evidence from Brazil suggests that local organizations with greater fiscal independence demonstrate stronger adaptive capacity and resilience (D'albuquerque, 2024).

Strengthening autonomy in Pulosari thus requires a dual approach: (1) securing legal status to protect against elite capture, and (2) diversifying financial resources through microfinance, partnerships with cooperatives, or small-scale business ventures. Only by achieving both legal and financial independence can BUMW function as truly community-driven institutions.

Citizen Participation: From Symbolic Involvement to Substantive Engagement

The second major deficit concerns citizen participation. While the BUMW in Pulosari was initially launched with broad community meetings, participation has become increasingly symbolic over time. Residents are invited to attend socialization events or inauguration ceremonies, but their role in decision-making remains minimal. Strategic discussions about budgets, priorities, or program design are dominated by a few leaders.

During focus group discussions, a youth representative commented: "We are invited when they need us to fill the seats, but our suggestions are rarely considered. It feels like participation is only for show." This sentiment reflects the gap between formal inclusion and substantive empowerment.

"Ladder of Participation" provides a useful framework here (Arnstein, 2019). Pulosari's BUMW sits on the rungs of tokenism, where citizens are informed or consulted but rarely given actual decision-making power. For participation to be genuine, there must be mechanisms that redistribute power and create space for diverse voices.

Empirical research in South Africa demonstrates how power asymmetries in participatory processes often reduce citizen involvement to symbolic gestures (Haesevoets et al., 2023; Lemanski, 2017). The same pattern emerges in Pulosari, where women and youth are particularly marginalized. Although they represent significant portions of the community, their involvement in BUMW governance remains peripheral.

The consequences of symbolic participation are significant. Without genuine inclusion, citizens develop a sense of detachment and disillusionment. This erodes community ownership, discourages voluntary contributions, and diminishes trust in the institution. Over time, the BUMW risks becoming an elite-driven entity with little grassroots legitimacy.

Social engineering strategies can help transform participation from symbolic to substantive. Inclusive forums should be institutionalized, where decision-making is open to diverse groups. Quota mechanisms ensuring representation of women and youth could help correct entrenched power imbalances. Participatory budgeting, where citizens collectively decide how funds are allocated, offers another pathway to deepen engagement. Such approaches resonate with (Chambers, 1995) call to put "the last first," ensuring that marginalized voices are prioritized in governance processes.

In short, while participation exists in form, it is deficient in substance. Strengthening participation requires both structural reforms and cultural shifts that value diversity, inclusiveness, and collective ownership.

Transparency and Accountability: Rebuilding Trust in Community Institutions

Transparency and accountability emerged as another critical weakness. Document analysis showed that financial reporting in Pulosari's BUMW was irregular and often inaccessible. Community members reported that they only received information during ceremonial events, usually in vague or incomplete form.

One resident voiced frustration: "We never know how much money comes in or goes out. Decisions are made behind closed doors." Such opacity has contributed to declining trust in the BUMW.

Transparency and accountability are widely recognized as pillars of good governance (OECD, 2005). When these principles are absent, risks of mismanagement, corruption, and resource misuse increase. Comparative studies show that citizen involvement in fiscal oversight can strengthen accountability—but only if reliable and accessible information is provided (Haesevoets et al., 2023; Rai, 2022).

The case of Pulosari mirrors broader patterns observed in Indonesian rural enterprises, where financial reporting is often inconsistent and accountability mechanisms weak (Antlöv et al., 2016). Without clear structures of oversight, community skepticism grows, and the institution's legitimacy declines.

Restoring trust requires deliberate strategies. One approach is the establishment of community-based audit committees, composed of independent citizens tasked with reviewing BUMW accounts. Regular public reporting—both in physical forums and through digital platforms—can ensure timely disclosure. Simplified reporting formats can also make financial information more accessible to citizens who may lack technical literacy.

From a theoretical perspective, accountability is not only about technical compliance but also about relational trust. Communities are more likely to engage with and support an institution when they feel confident that their contributions are managed transparently. In this sense, strengthening accountability is both a governance reform and a community-building exercise.

Local Innovation: Unlocking Grassroots Creativity

Pulosari residents possess considerable creativity and entrepreneurial spirit, yet the BUMW has failed to systematically harness these resources. Farmers spoke of ideas to diversify crops, develop agro-tourism, or create value-added food products, but these ideas often stalled due to lack of facilitation or institutional support.

A local farmer explained: "We have ideas, but there is no one to help us develop or market them. Without support, the ideas just stay in our heads."

Innovation theory suggests that adoption requires institutional support, incentives, and opportunities for experimentation (Yu, 2022). In Pulosari, however, such conditions are absent. The BUMW lacks mechanisms for identifying, testing, and scaling grassroots innovations. Without such support, the organization risks stagnation.

Social enterprises are most sustainable when innovation is embedded into their governance structures (Defourny & Nyssens, 2010). Comparative evidence also supports this view. In Latin America, cooperatives that institutionalize local innovation—through incubators, training programs, and partnerships—achieve higher levels of resilience and competitiveness (D'albuquerque, 2024).

Social engineering strategies for Pulosari could include establishing community innovation labs, organizing competitions to surface creative ideas, and forming partnerships with universities for technical assistance. Small grants or seed funding could enable pilot projects, giving residents the resources to test and refine their ideas before scaling them.

By institutionalizing innovation, the BUMW can tap into the creativity of its community, aligning economic activities with local needs and aspirations. This not only enhances sustainability but also strengthens collective ownership by demonstrating that the institution is responsive to citizen initiatives.

Digital Integration: Between Access and Exclusion

Despite widespread smartphone use among Pulosari residents, the BUMW has not adopted digital tools for governance or operations. Financial records are maintained manually, communication remains fragmented, and market access is largely offline. Younger residents expressed frustration at the lack of digital strategies, while older leaders resisted change, citing complexity and unfamiliarity.

A youth participant noted: "We could use WhatsApp or simple apps to manage finances and promote products, but the leaders prefer the old ways."

Digital governance literature emphasizes the transformative potential of technology in enhancing participation, transparency, and efficiency (Escher & Rottinghaus, 2024). However, without deliberate strategies, technology can exacerbate inequalities, especially between generations or socio-economic groups.

Concept of social capital is relevant here: digital tools can strengthen networks of trust and cooperation, but only if inclusively designed (Gelderblom, 2018; Jarmara, 2023; Putnam, 1995). In Pulosari, the absence of digital integration not only limits efficiency but also deepens generational divides.

Grassroots digitalization strategies could include the adoption of mobile-based accounting apps, online marketplaces for local products, and participatory digital forums. Building digital literacy programs, especially for older or less tech-savvy members, would ensure inclusivity.

Ultimately, digital integration is not a technical issue alone—it is a governance challenge that requires institutional design, cultural adaptation, and inclusive implementation.

Cross-Cutting Analysis: Governance Deficits as Systemic Challenges

The five governance pillars are deeply interconnected. Weak institutional autonomy reinforces elite domination, which in turn undermines citizen participation. The absence of transparency erodes trust, discouraging engagement. Without support for innovation, creativity remains untapped, and the lack of digital adoption perpetuates inefficiency.

These interlinkages demonstrate that governance deficits are systemic rather than isolated. They reflect not just administrative shortcomings but deeper structural and cultural issues. As (Folke et al., 2005) argue, governance in complex social systems requires adaptive strategies that address multiple dimensions simultaneously.

For Pulosari's BUMW, piecemeal reforms will not suffice. Holistic interventions are needed to reconfigure norms, practices, and structures. Legal empowerment must be accompanied by inclusive participation. Transparency must be paired with innovation and digital tools to ensure accountability and responsiveness. Only when reforms are integrated can BUMW evolve into

resilient and sustainable institutions.

Risks of Reform in Governance Transformation

While the reform of community-owned enterprises is crucial, it also carries significant risks that must be carefully managed. The transition from traditional governance patterns to participatory and transparent models may provoke resistance from entrenched elites who perceive reforms as threats to their authority or economic interests. As observed in Pulosari, certain village leaders and BUMW officials expressed hesitation toward financial disclosure and inclusive decision-making, fearing loss of control and increased scrutiny. This resistance, if not addressed through adaptive and communicative strategies, could lead to passive obstruction, selective participation, or even co-optation of reform agendas. Moreover, reform fatigue—stemming from repetitive policy initiatives without visible results—can erode public trust and weaken collective motivation for change.

Another key risk concerns the capacity gap between reform aspirations and local institutional readiness. Governance transformation requires technical skills in financial management, digital literacy, and participatory facilitation, which many community actors still lack. Without adequate training and institutional support, new governance structures may reproduce old hierarchies under a modern label, resulting in what (Johnson, 2008) describe as "the new tyranny of participation." Additionally, premature digitalization or top-down innovation projects risk excluding older or less literate citizens, further widening socio-digital divides. Therefore, governance reform in BUMW must be pursued through gradual, inclusive, and context-sensitive processes—balancing innovation with social legitimacy, and ensuring that the pursuit of transparency and accountability does not unintentionally destabilize community cohesion.

Policy Recommendations and Broader Implications

Based on the findings, several policy recommendations emerge:

1. **Legal Empowerment and Institutional Recognition**
   o Formalize BUMW through local regulations or cooperative frameworks.
   o Develop clear statutes defining ownership, decision-making, and financial rules.
   o Diversify revenue streams to reduce dependency on village funds.
2. **Inclusive Participation Mechanisms**
   o Establish forums where women, youth, and marginalized groups are systematically included.
   o Introduce quota mechanisms to guarantee representation in governance bodies.
   o Adopt participatory budgeting to ensure citizen influence over financial decisions.
3. **Strengthening Transparency and Accountability**
   o Mandate regular, accessible financial reporting.
   o Create community-based audit committees.
   o Utilize digital platforms to publish real-time updates.
4. **Fostering Local Innovation**
   o Set up innovation incubators and small grant programs.
   o Partner with universities and NGOs for technical support.
   o Encourage community competitions to surface new ideas.
5. **Advancing Grassroots Digitalization**
   o Introduce mobile-based accounting and reporting systems.
   o Develop online marketplaces for local products.
   o Promote digital literacy programs for inclusive adoption.

The findings extend governance theory by applying it to hybrid, community-based enterprises. They demonstrate that governance is not only about administrative rules but also about social legitimacy, inclusiveness, and adaptability. The study illustrates how deficits across multiple governance pillars create systemic vulnerabilities that require integrated solutions.

For policymakers and practitioners, the study provides actionable strategies to strengthen community enterprises. These strategies emphasize that governance reforms must be multi-dimensional, targeting autonomy, participation, accountability, innovation, and digitalization simultaneously.

The case of Pulosari demonstrates that governance deficits are not marginal issues but defining features that determine whether community enterprises succeed or fail. Institutional autonomy, participation, transparency, innovation, and digitalization are not independent pillars but interdependent elements of sustainable governance.

Addressing these deficits requires deliberate social engineering strategies that empower communities, redistribute power, and foster adaptive institutions. If implemented, such strategies could transform BUMW from fragile entities into resilient, accountable, and inclusive organizations that embody the principles of participatory governance and sustainable development.

CONCLUSIONS

This study underscores that the governance of Community-Owned Enterprises (BUMW) is not merely a managerial challenge but a reflection of broader socio-political dynamics in rural Indonesia. The findings collectively point to a governance system that oscillates between communal aspirations and institutional constraints. Rather than restating individual weaknesses, the synthesis reveals that governance deficits are systemic — embedded in power asymmetries, limited institutional capacity, and the absence of mechanisms that translate community values into accountable practices. The strength of BUMW lies not in its formal structures but in its ability to adapt governance principles to local realities through inclusive participation, legal empowerment, and community-driven innovation.

From a policy perspective, the study implies that reforming BUMW governance requires a dual strategy: institutional alignment and social engineering. Institutional alignment involves integrating BUMW within the broader legal and administrative frameworks of local governance, ensuring coherence between village autonomy and community ownership. Meanwhile, social engineering emphasizes behavioral and cultural change — fostering trust, promoting transparency, and nurturing a participatory ethos among citizens and local elites. Policymakers should thus prioritize capacity building, participatory policy design, and digital inclusion as long-term instruments of reform. These interventions, when executed contextually and collaboratively, can transform BUMW into resilient governance laboratories that strengthen both local democracy and sustainable community welfare.

REFERENCES

Amalputra, H. P. F., Nurasa, H., Kombaitan, B., & Ningrum, S. (2023). Collaborative Governance in the Bandung Basin Urban Area: A Case Study of Bandung Basin Urban Management Agency. *Jurnal Manajemen Pelayanan Publik*, *6*(2). https://doi.org/10.24198/jmpp.v6i2.45619

Ansell, C., & Gash, A. (2008). Collaborative governance in theory and practice. *Journal of Public Administration Research and Theory*, *18*(4). https://doi.org/10.1093/jopart/mum032

Antlöv, H., Wetterberg, A., & Dharmawan, L. (2016). Village Governance, Community Life, and the 2014 Village Law in Indonesia. *Bulletin of Indonesian Economic Studies*, *52*(2). https://doi.org/10.1080/00074918.2015.1129047

Aritenang, A. (2021). The Role of Social Capital on Rural Enterprises Economic Performance: A Case Study in Indonesia Villages. *SAGE Open*, *11*(3). https://doi.org/10.1177/21582440211044178

Arnstein, S. R. (2019). A Ladder of Citizen Participation. *Journal of the American Planning Association*, *85*(1). https://doi.org/10.1080/01944363.2018.1559388

Bovaird, T., & Loeffler, E. (2012). From Engagement to Co-production: The Contribution of Users and Communities to Outcomes and Public Value. *Voluntas*, *23*(4). https://doi.org/10.1007/s11266-012-9309-6

Chambers, R. (1995). Poverty and livelihoods: whose reality counts? Uner Kidrar dan Leonard Silk (eds), People : Form Impoverishment to Empowerment. *Environment and Urbanization*, *7*(1).

D'albuquerque, R. (2024). Dimensions of Local Decision-Making Capacity, Institutional Design and Coordination Mechanisms: The Spaces of Autonomy in Brazilian Municipalities. *Caderno CRH*, *36*. https://doi.org/10.9771/ccrh.v36i0.53666

Defourny, J., & Nyssens, M. (2010). Conceptions of Social Enterprise and Social Entrepreneurship in Europe and the United States: Convergences and Divergences. *Journal of Social Entrepreneurship*, *1*(1), 32–53. https://doi.org/10.1080/19420670903442053

Escher, T., & Rottinghaus, B. (2024). Effects of online citizen participation on legitimacy beliefs in local government. Evidence from a comparative study of online participation platforms in three German municipalities. *Policy and Internet*, *16*(1). https://doi.org/10.1002/poi3.371

Folke, C., Hahn, T., Olsson, P., & Norberg, J. (2005). Adaptive governance of social-ecological systems. In *Annual Review of Environment and Resources* (Vol. 30). https://doi.org/10.1146/annurev.energy.30.050504.144511

Gelderblom, D. (2018). The limits to bridging social capital: Power, social context and the theory of Robert Putnam. *Sociological Review*, *66*(6). https://doi.org/10.1177/0038026118765360

Haesevoets, T., Roets, A., Van Severen, R., Dierckx, K., & Verschuere, B. (2023). The public's preferred level of involvement in local policy-making. *Scientific Reports*, *13*(1). https://doi.org/10.1038/s41598-023-34282-w

Jarmara, T. (2023). Robert Putnam: Trust as a Fundamental Element of Civil Society and Democratic Governance. *Filozofia*, *78*(1). https://doi.org/10.31577/filozofia.2023.78.1.2

Johnson, C. (2008). Arresting development: The power of knowledge for social change. In *Arresting Development: The power of knowledge for social change*. https://doi.org/10.4324/9780203086018

Kariuki, P., Adeleke, J. A., & Ofusori, L. O. (2020). The role of open data in enabling fiscal transparency and accountability in municipalities in Africa: South Africa and Nigeria case studies. *ACM International Conference Proceeding Series*. https://doi.org/10.1145/3428502.3428558

Kasumaningrum, Y., Azis, Y., Saefullah, K., & Siregar, A. Y. M. (2024). Investigating the Impact of Social Capital, Cross-Sector Collaboration, and Leadership on Social Innovation in Rural Social Enterprises. *Journal of Human, Earth, and Future*, *5*(1). https://doi.org/10.28991/HEF-2024-05-01-09

Kushendar, D. H. (2023). Implementation Of Public Housing Management Policy: A Case Study In Rusunawa Of Cimahi, West Java, Indonesia. *Jurnal Manajemen Pelayanan Publik*, *7*(1). https://doi.org/10.24198/jmpp.v7i1.47689

Lemanski, C. (2017). Unequal citizenship in unequal cities: participatory urban governance in

contemporary South Africa. *International Development Planning Review*, *39*(1). https://doi.org/10.3828/idpr.2017.2

Lincoln, Y. S., Guba, E. G., & Pilotta, J. J. (1985). Naturalistic inquiry. *International Journal of Intercultural Relations*, *9*(4). https://doi.org/10.1016/0147-1767(85)90062-8

Malhotra, C., Anand, R., & Soni, V. (2020). Creating Public Services 4.0: Sustainable Digital Architecture for Public Services in India. *Indian Journal of Public Administration*, *66*(3). https://doi.org/10.1177/0019556120957421

Mergel, I., Edelmann, N., & Haug, N. (2019). Defining digital transformation: Results from expert interviews. *Government Information Quarterly*, *36*(4). https://doi.org/10.1016/j.giq.2019.06.002

Michael, B., & Bates, M. (2011). Implementing and Assessing Transparency in Digital Government. In *Electronic Government Strategies and Implementation*. https://doi.org/10.4018/978-1-59140-348-7.ch002

Nanda, S., & Warrier, U. (2023). Socio-Managerial Framework of Health Governance: Empirical Evidence from India's National Sanitation Program (SBM-G). *Journal of Health Management*, *25*(4). https://doi.org/10.1177/09720634221150998

OECD, O. (2005). The OECD principles of corporate governance. *Contaduría y Administración*, *216*. https://doi.org/10.22201/fca.24488410e.2005.562

Putnam, R. D. (1995). Bowling Alone: America's Declining Social Capital. *Journal of Democracy*, *6*(1). https://doi.org/10.1353/jod.1995.0002

Rai, S. K. (2022). Issues, challenges, and ways ahead to develop citizen-centric e-Governance in Nepal. *Journal of Management and Development Studies*. https://doi.org/10.3126/jmds.v31i01.52852

Shisanya, C. A., & Khayesi, M. (2007). How is climate change perceived in relation to other socioeconomic and environmental threats in Nairobi, Kenya? *Climatic Change*, *85*(3–4). https://doi.org/10.1007/s10584-007-9321-9

Tarlani, T., Dariah, A. R., & Rani, A. M. (2022). Transforming Rural Economy Through Community-Based Tourism with Village-Owned Enterprise (BUMDES, Badan Usaha Milik Desa) - A Case Study: Cibiru Wetan, Pagerwangi and Cipamekar Villages, Indonesia. *International Journal of Sustainable Development and Planning*, *17*(5). https://doi.org/10.18280/ijsdp.170517

Yin, R. K. (2018). Case study research and applications: Design and methods. In *Journal of Hospitality & Tourism Research* (Vol. 53, Issue 5). https://doi.org/10.1177/109634809702100108

Yu, P. (2022). Diffusion of Innovation theory. In *Implementation Science: The Key Concepts*. https://doi.org/10.4324/9781003109945-16