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Analysis of Village-Owned Enterprise (BUMDes) Management Strategies for Increasing Village Own-Source Revenue: A Case Study of BUMDes in Medan Krio Village

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Abstract:

This study analyzes the management strategies of BUMDes Bintang Medan Krio, a village-owned enterprise (BUMDes) in Medan Krio Village, Sunggal District, Deli Serdang Regency, for increasing village own-source revenue (PADes). A descriptive qualitative design was employed. Data were collected through observation, in-depth interviews, and documentation; informants, selected by purposive sampling, comprised the Head of Medan Krio Village and the BUMDes management board. The data were analyzed using the interactive model of Miles, Huberman, and Saldaña (data condensation, data display, and conclusion drawing and verification) within Fred R. David's strategic management framework of strategy formulation, implementation, and evaluation. In the formulation stage, the BUMDes considers village potential, community needs, financing requirements, costs and benefits, and competitive conditions when establishing and developing business units. Implementation proceeds through the delegation of authority to unit managers, human resource management, capital support and oversight from the village government, community involvement, marketing, and budget management. Evaluation comprises weekly monitoring, monthly financial reporting, periodic assessments, the coaching or replacement of managers, and cross-subsidization between business units. These strategies were accompanied by improved performance: net profit rose from IDR 24,449,608 in 2024 to IDR 66,423,707 in 2025, and because the Articles of Association and Bylaws (AD/ART) allocate 35% of profit to PADes, the estimated contribution increased from IDR 8,557,363 to IDR 23,248,297. Challenges persist, including high operating costs in sheep farming, competition facing the village Wi-Fi and refill drinking water units, and limited human resources. Strengthening human resource capacity, mapping internal and external conditions more systematically, and adopting measurable performance indicators are essential to sustain the BUMDes and its contribution to PADes.

Keywords: Management Strategy; Strategic Management; Village Own-Source Revenue (PADes); Village-Owned Enterprise (BUMDes)

1. Introduction

Rural development is crucial to achieving an equitable distribution of social welfare and sustainable economic progress. In implementing development at the village level, village governments are required to identify and optimize local economic resources to strengthen village financial autonomy. One government initiative toward this objective is the establishment of village-owned enterprises (Badan Usaha Milik Desa, BUMDes). Law No. 6 of 2014 on Villages defines BUMDes as business entities whose capital is wholly or predominantly owned by the village through direct investment derived from separated village assets, established to manage assets, provide services, and conduct other businesses to improve community welfare.

According to Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration No. 3 of 2021, BUMDes function as village economic institutions intended to increase the economic productivity of the community, optimize village assets, and generate revenue to support village development. BUMDes are also expected to drive rural economic growth while contributing to village own-source revenue (Pendapatan Asli Desa, PADes). The success of a BUMDes is therefore measured not only by the profit it generates but also by the extent to which that profit increases PADes, one of the funding sources for village development. This achievement depends heavily on the managerial approaches adopted in BUMDes governance. Effective management enables an enterprise to make full use of its assets, develop promising business units, and overcome operational challenges. Nasution and Marliyah (2022) show that BUMDes development requires clearly defined objectives, coordination among stakeholders, and competent administration if these enterprises are to drive village economic growth and improve community welfare. Managerial strategy is therefore a crucial element in enhancing BUMDes effectiveness and expanding their contribution to PADes.

BUMDes Bintang Medan Krio, in Medan Krio Village, operates several business units: micro, small, and medium enterprise (MSME) stalls, football field rental, the Community-Based Water Supply and Sanitation Program (PAMSIMAS), reverse osmosis (RO) refill drinking water, village Wi-Fi, sound system rental, and sheep farming. This diversity reflects the enterprise's efforts to optimize the village's economic potential. According to its income statements, the BUMDes's net profit increased from IDR 24,449,608 in 2024 to IDR 66,423,707 in 2025. Because the Articles of Association and Bylaws (AD/ART) of BUMDes Bintang Medan Krio allocate 35% of business profit to PADes, any increase in profit directly increases the enterprise's contribution to PADes. However, rising profit does not necessarily mean that all business units are managed optimally. Several units continue to face challenges, including high operating costs in sheep farming, competition in the village Wi-Fi and refill drinking water businesses, and limited human resources in certain activities. These conditions suggest that BUMDes success depends not merely on the number of business units operated but also on the management strategies used to exploit potential and address challenges. A more in-depth analysis of BUMDes management is therefore needed to identify the factors that support or hinder increases in PADes.

Previous studies have examined BUMDes from various perspectives, including financial management and human resource strategies (Rosari et al., 2022), business unit effectiveness (Ikhsan et al., 2023), business sustainability (Nugraha et al., 2025), and development strategies (Maulida et al., 2025; Hamid et al., 2026). Nevertheless, there remains scope for research on how the strategic management process, comprising strategy formulation, implementation, and evaluation, is applied comprehensively to increase PADes. To address this gap, this study analyzes the management strategies of BUMDes Bintang Medan Krio for increasing PADes in Medan Krio Village using Fred R. David's strategic management framework, focusing on the formulation, implementation, and evaluation of the strategies applied across its business units and on their contribution to PADes. The findings are expected to advance understanding of strategic management in BUMDes and to inform the development of more effective and sustainable BUMDes business strategies.

2. Literature Review

Strategic Management

Strategic management is the process of formulating, implementing, and evaluating decisions that enable an organization to achieve its objectives (David, 2020). It helps organizations set their future direction and adapt to changes in the external environment. Unlike operational management, which focuses primarily on day-to-day targets, strategic management emphasizes long-term organizational success.

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In village-level enterprises such as BUMDes, strategic management should take account of the village's local advantages and economic potential. The strategic management process comprises three main stages: strategy formulation, strategy implementation, and strategy evaluation (David, 2020).

Village-Owned Enterprises (BUMDes)

BUMDes are business entities established by village governments to manage village economic potential and resources for the welfare of the community. Their establishment is one of the government's efforts to promote village economic self-reliance through business units suited to the characteristics and potential of each village. Beyond serving as economic institutions, BUMDes are expected to create employment, increase community income, and generate PADes to support village development. The primary objectives of BUMDes include improving the village economy, generating PADes, maximizing the use of village potential in line with community needs, and establishing a strong economic foundation for the village (Nuraini, 2024). In practice, BUMDes act as managers of village assets and economic resources, providers of economic services to residents, and instruments of community empowerment. Competent and sustainable management is therefore crucial to supporting village economic development and community welfare.

Village Own-Source Revenue (PADes)

Under Law No. 6 of 2014, PADes is a crucial component of village revenue that reflects a village's financial autonomy. Conceptually, it refers to revenue derived from the exercise of village authority based on rights of origin and local-scale village authority; it belongs to the village within a given fiscal year and entails no repayment obligation. PADes is a source of revenue that the village can manage independently and includes income from village businesses, the use of village assets, community self-help contributions, and other legitimate sources (Susanti, 2024). BUMDes are an important instrument for optimizing PADes through the allocation of the profits generated by their business units. More effective BUMDes management can increase this contribution; effective management strategies therefore largely determine the extent of BUMDes contributions to village revenue and the sustainability of village economic development.

3. Method

A. Research Approach and Design

This study adopted a descriptive qualitative approach. A qualitative method was chosen because the study seeks to investigate and comprehensively describe the management strategies of BUMDes Bintang Medan Krio for increasing PADes in Medan Krio Village. This approach allows the researchers to collect holistic data on BUMDes operating procedures, supporting factors and challenges, and the BUMDes's contribution to village revenue from the perspectives and experiences of the informants. According to Sugiyono (2023), qualitative research examines objects in their natural conditions, with the researcher as the key instrument and with findings that emphasize meaning rather than generalization. The descriptive method provides an organized, fact-based account of phenomena observed in the field without manipulating the research object (Sugiyono, 2023). In this study, it is used to explain the management strategies that BUMDes Bintang Medan Krio applies to its business units to increase PADes.

B. Research Site

The study was conducted at BUMDes Bintang Medan Krio in Medan Krio Village, Sunggal District, Deli Serdang Regency, North Sumatra, Indonesia. The site was selected because the BUMDes operates several active business units, has recorded revenue growth over the past two years, and contributes to PADes, making it a relevant case for examining management strategies to increase village revenue.

C. Data Sources

The study used both primary and secondary data.

1. Primary data: These were collected directly from informants through interviews and field observation. Informants were selected by purposive sampling as individuals with an in-depth understanding of and direct involvement in BUMDes management, namely the Head of Medan Krio Village and the management board of BUMDes Bintang Medan Krio.

2. Secondary data: These were obtained from relevant documents, including the BUMDes Articles of Association and Bylaws, financial records, village profiles, applicable regulations, publications, academic articles, and other literature, and served to complement and corroborate the primary data (Moleong, 2021).

D. Data Collection Techniques

Data were collected through observation, interviews, and documentation. Observation involved directly examining BUMDes management activities and the condition of the business units operated by BUMDes Bintang Medan Krio, giving the researchers a practical understanding of how management strategies were implemented. In-depth interviews were conducted with the selected informants to obtain information on management strategies and the BUMDes's contribution to village revenue. Documentation involved collecting relevant records, such as financial reports, the BUMDes Articles of Association and Bylaws, and other supporting documents. Combining observation, interviews, and documentation enhances data validity in qualitative research (Sugiyono, 2023).

E. Data Analysis Techniques

Data were analyzed using the interactive model of Miles et al. (2019), continuously from data collection until the completion of the study. The model comprises three stages: data condensation, data display, and conclusion drawing and verification. Data condensation involved selecting, focusing, simplifying, and categorizing the information obtained from interviews, observation, and documentation according to the research focus. The condensed data were then displayed in narrative form to facilitate analysis. Finally, conclusions were drawn and verified by interpreting the analyzed data to answer the research question on the management strategies of BUMDes Bintang Medan Krio for increasing PADes.

4. Findings and discussion

Management Strategies of BUMDes Bintang Medan Krio for Increasing PADes Drawing on interviews with the informants, this section analyzes and describes the management strategies of BUMDes Bintang Medan Krio for increasing PADes in Medan Krio Village, using David's (2020) strategic management framework, which comprises three stages: strategy formulation, strategy implementation, and strategy evaluation.

1. Strategy Formulation

The findings indicate that BUMDes Bintang Medan Krio assesses village potential, community needs, and the costs and benefits of proposed business activities before formulating business development strategies. The BUMDes director explained that, before establishing a business unit, the management board conducts surveys with the Village Head to identify suitable business opportunities, taking into account investment requirements and capital recovery plans. Business development is also guided by the specific potential of each hamlet, with hamlet heads providing information on resources that could be developed. The revitalization of the football field illustrates this approach: the field serves not only as a sports facility but also as a rental venue and a space for MSME and culinary businesses.

In formulating strategies, the BUMDes also considers environmental conditions and the competitive landscape. For example, the village Wi-Fi unit faces competition from private providers, which has prompted the BUMDes to adopt a more affordable pricing strategy, whereas the refill drinking water unit focuses on acquiring new customers and improving water quality to retain existing ones. Strategy formulation at BUMDes Bintang Medan Krio thus aligns business decisions with available internal resources and external challenges. This is consistent with David (2020), for whom strategy formulation is a fundamental stage that involves determining organizational direction and selecting strategic alternatives on the basis of a careful assessment of internal and external factors. The BUMDes's formulation process encompasses identifying village assets, conducting preliminary surveys before establishing business units, assessing potential advantages and disadvantages, determining funding requirements, and adapting strategy to the competitive landscape, which indicates that the BUMDes consciously considers the factors that may affect operational viability. Nevertheless, the process remains largely pragmatic, relying on surveys and informal discussions, with no evidence of a systematically documented analysis of the internal and external environment. The BUMDes therefore needs to strengthen strategy formulation through a more structured assessment of internal conditions and external factors, so that business development decisions are better informed and more strategically oriented.

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2. Strategy Implementation

The findings indicate that BUMDes Bintang Medan Krio implements its strategies through the management of individual business units. Each unit manager is delegated authority to oversee operations within their area of responsibility. The village government provides capital investment, guidance, and supervision of business progress. In human resource management, the BUMDes facilitates training for staff who need competency development. The community is also involved, both as part of the workforce and as consumers of the BUMDes's products and services. These findings indicate that the formulated strategies are being translated into practice through resource utilization and the allocation of responsibilities. Strategy implementation also encompasses marketing and budget management. According to the BUMDes director, hamlet heads help promote BUMDes business units to the public, while each unit manager submits requests for operational funding, which are reviewed for alignment with the unit's conditions and needs. Implementation thus extends beyond daily operations to expanding market reach, managing financial resources, and fostering collaboration among the BUMDes, the village government, hamlet heads, and residents.

In David's (2020) framework, strategy implementation means putting strategies into action through resource allocation, human resource management, and the execution of activities designed to achieve organizational objectives. At BUMDes Bintang Medan Krio, implementation is reflected in the delegation of authority to unit managers, human resource development, community participation, financial support, marketing coordinated through hamlet heads, and budget management. However, human resource capacity remains a challenge in several business units. Strengthening managerial guidance and the competencies of unit personnel is therefore necessary to implement strategies more efficiently, improve BUMDes performance, and ultimately increase PADes.

3. Strategy Evaluation

The findings indicate that strategy evaluation at BUMDes Bintang Medan Krio involves monitoring the activities and progress of each business unit. According to the BUMDes director, direct monitoring takes place at least weekly, unit financial reports are submitted monthly, and each unit is assessed approximately every three months to track business growth and identify operational problems. These activities allow management to assess each unit's condition and to take corrective measures when performance declines. Evaluation also covers human resource performance and the financial condition of each unit. If a manager is judged insufficiently competent, the BUMDes may provide additional training or, after consulting the Village Head, replace the manager. When a unit's revenue declines, the BUMDes applies cross-subsidization, allocating funds from profitable units to those in difficulty. The success of a unit, however, is measured not solely by profitability but also by its benefits to the community and its ability to cover at least its operating costs, thereby reducing its dependence on support from other units.

In David's (2020) framework, strategy evaluation verifies the alignment between strategy implementation and organizational objectives and identifies the corrective actions required when obstacles arise. BUMDes Bintang Medan Krio conducts evaluation through weekly monitoring, monthly financial reporting, periodic assessments, human resource development or replacement, and cross-subsidization among business units. Its effectiveness could nevertheless be improved by establishing quantitative performance indicators for each unit, which would provide more precise evaluation data to support future strategic decisions. Strategy evaluation would then serve not only to detect problems but also as a foundation for continuous improvement and business sustainability.

Contribution of BUMDes Bintang Medan Krio to Village Own-Source Revenue

BUMDes Bintang Medan Krio is one of the sources of PADes through the distribution of the profits generated by its business units. Under its AD/ART, 35% of business profit is allocated to PADes. According to its income statements, net profit increased substantially, from IDR 24,449,608 in 2024 to IDR 66,423,707 in 2025, an increase of approximately 172%. Applying the 35% allocation, the estimated contribution to PADes was IDR 8,557,363 in 2024 and approximately IDR 23,248,297 in 2025 (Table 1).

Table 1. Contribution of BUMDes Bintang Medan Krio to Village Own-Source Revenue (PADes)

Year	Net profit (IDR)	PADes allocation, 35% (IDR)
2024	24,449,608	8,557,363
2025	66,423,707	23,248,297

Source: Income statements of BUMDes Bintang Medan Krio, 2024–2025; PADes allocation calculated by the authors. These figures show that higher business profits translate directly into a larger contribution to PADes. The increase in the PADes contribution from approximately IDR 8.6 million to IDR 23.2 million indicates that the BUMDes functions as a village economic instrument capable of supporting village financial autonomy. This increase reflects the management strategies implemented by BUMDes Bintang Medan Krio, including the use of village potential and assets, the development of business units, adaptation to market competition, the enhancement of human resource capabilities, community empowerment, and regular monitoring and evaluation. The effectiveness of these strategies is reflected in profit growth, which in turn contributes positively to PADes.

Beyond contributing to PADes, BUMDes operations generate social benefits for residents by supporting community-based social and economic activities. BUMDes Bintang Medan Krio thus functions not only as a profit-generating business entity but also as an instrument of village economic development that can improve community welfare and sustainably strengthen village financial capacity. These findings are consistent with Susanti (2024), who argues that effective BUMDes management can increase their contribution to PADes through the development of productive and sustainable business sectors, with improvements in management strategy positively associated with BUMDes contributions to rural development and economic autonomy.

4. Conclusion

The management strategies of BUMDes Bintang Medan Krio for increasing PADes have been implemented through the three stages of strategic management. In formulation, the BUMDes considers village potential, community needs, financing requirements, operational costs and benefits, and the competitive landscape when deciding which business units to develop. In implementation, strategies are put into practice through the delegation of responsibilities to unit managers, human resource management, financial support and supervision from the village government, community involvement, promotion through village officials, and budget management. In evaluation, the BUMDes monitors business activities, requires monthly financial reports, conducts periodic assessments, trains or replaces managers, and cross-subsidizes business units. Nevertheless, the strategic management process needs to be strengthened, particularly through more systematic analysis of internal and external conditions, greater human resource capacity, and measurable performance indicators for each business unit.

The BUMDes benefits from capital contributions and guidance from the village government, village assets with development potential, community involvement, a diverse portfolio of business units, and committed management. However, challenges remain, including high operating costs in sheep farming, competition in the village Wi-Fi and refill drinking water businesses, and limited human resource capabilities in certain units. BUMDes success thus depends not merely on the number of business units but on management's ability to optimize resources and address operational challenges. These strategies have been accompanied by improved BUMDes performance and a larger contribution to PADes: net profit rose from IDR 24,449,608 in 2024 to IDR 66,423,707 in 2025, and the estimated PADes contribution, at 35% of profit under the AD/ART, increased from IDR 8,557,363 to IDR 23,248,297. BUMDes Bintang Medan Krio has thus served both as a source of PADes and as an instrument of village economic development. More systematic management strategies, supported by the optimization of village potential and stronger managerial capacity, are essential to sustaining the business and increasing its future contribution to PADes.

BUMDes Bintang Medan Krio is advised to strengthen human resource capabilities, establish quantitative performance indicators, and systematically assess internal and external conditions to guide strategic decision-making and business unit expansion. Operating expenses should be monitored more closely, particularly in the sheep farming unit, to improve profitability, while the village Wi-Fi and refill drinking water units require innovation and better service quality to remain competitive. New business units with revenue-generating potential should also be developed through more effective marketing and the sustainable use of village resources. These measures would improve BUMDes performance and increase its contribution to PADes.

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