



## Strengthening Community Trust through Good Village Governance: An Empirical Study of Village-Owned Enterprises (BUMDes) In Indonesia

Suwaib Amiruddin<sup>1\*</sup>, Raga Aqino<sup>2</sup>, Tedi Kusnadi<sup>3</sup>, Heri Sapari Kahpi<sup>4</sup>

<sup>1</sup>Universitas Sultan Ageng Tirtayasa

<sup>2,3,4</sup>Universitas Banten

**ABSTRACT:** This study investigates how good village governance enhances community trust in Village-Owned Enterprises (BUMDes) in Indonesia by employing a qualitative approach involving in-depth interviews, field observations, and document analysis across selected high-performing BUMDes. The findings reveal that transparency, accountability, participation, and responsiveness are central to shaping cognitive, relational, and institutional trust, with community confidence strengthened when governance processes are open, inclusive, and consistent. Conversely, mismanagement, elite capture, and political interference undermine trust and institutional legitimacy. The study contributes to theoretical perspectives on institutional trust, rural social capital, and participatory governance, while offering practical recommendations for strengthening nationwide BUMDes governance models through improved financial transparency, community-based monitoring, and participatory planning. Although limited by its site-specific context and qualitative scope, the research provides a foundation for future comparative, mixed-method, and longitudinal studies on governance–trust dynamics in rural development institutions.

**KEYWORDS:** Community trust, good village governance, BUMDes, participatory governance

### 1. INTRODUCTION

#### 1.1 Background of the Study

Community trust has become a foundational element of effective local governance, particularly within rural contexts where state society relations are shaped by close social interactions and shared norms (MacKinnon, 2002). In many developing countries, including Indonesia, trust determines the extent to which communities are willing to participate in development programs, comply with institutional decisions, and support local economic initiatives (Bebbington et al., 2006). When trust is strong, communities tend to view governance institutions as legitimate, fair, and responsive, thereby reinforcing a cycle of cooperative engagement (Eversole, 2011). Conversely, low levels of trust often result in resistance, disengagement, and weakened institutional performance. In this regard, understanding how governance practices influence community trust is essential for identifying mechanisms that promote more inclusive and accountable forms of rural development (Shortall, 2008).

Village Owned Enterprises (BUMDes) have emerged as one of Indonesia's most strategic policy instruments for promoting rural welfare and local economic empowerment (Kania et al., 2021). Established under the Village Law, BUMDes serve as hybrid institutions that integrate public accountability with entrepreneurial functions, enabling villages to generate revenue, manage local resources, and create sustainable economic opportunities. Despite their potential, many BUMDes continue to face persistent governance challenges, including limited transparency, weak accountability structures, and inconsistencies in managerial practices (Fitriani, Md Shahbudin, et al., 2024). These governance irregularities can undermine public confidence, discourage community participation, and ultimately inhibit the enterprise's ability to contribute meaningfully to local development. As such, investigating the relationship between good village governance and community trust in BUMDes is crucial for strengthening institutional credibility and ensuring the long-term effectiveness of community-based economic initiatives (Pawitan et al., 2025).

Although the role of good village governance in strengthening BUMDes performance has gained growing scholarly attention, empirical understanding of how governance practices directly shape community trust remains notably limited. Existing studies predominantly emphasize regulatory frameworks, financial performance, or managerial issues, yet offer insufficient insights into how villagers themselves perceive governance mechanisms and how these perceptions influence trust building processes (Celestin & Vanitha, 2016). As a result, critical dimensions such as transparency experiences at the community level, accountability expectations, inclusive participation practices, and the everyday interactions that construct or erode trust remain theoretically



underexplored and empirically understudied. This gap underscores the need for in depth qualitative inquiry to capture the nuanced, context-specific ways in which governance practices are interpreted by local stakeholders and how these interpretations ultimately determine the legitimacy and trustworthiness of BUMDes as rural economic institutions. (Spanuth & Urbano, 2024)

The primary aim of this study is to explore how good village governance contributes to strengthening community trust in BUMDes by examining the lived experiences and interpretations of key rural stakeholders. To achieve this, the research addresses three interrelated questions: first, how community members perceive the governance practices implemented within BUMDes; second, which specific governance attributes serve to reinforce or diminish trust among villagers; and third, how village leaders, BUMDes managers, and broader community stakeholders understand the role of transparency, accountability, and participatory mechanisms in cultivating trust. Through this inquiry, the study seeks to generate a deeper conceptual and empirical understanding of the governance–trust nexus in rural Indonesia, offering insights that extend both theoretical debates and practical frameworks for strengthening community-based economic institutions.

From a theoretical perspective, this study advances the growing body of literature on rural governance and institutional trust by offering an empirically grounded explanation of how governance practices are interpreted and enacted within community-based enterprises. Existing scholarship has emphasized the importance of participatory governance (Gustafson & Hertting, 2017), institutional legitimacy (Adams, 2018), and social capital in rural development (Rivera et al., 2019), yet relatively few studies have examined how these concepts interact within the operational context of BUMDes. By analyzing the lived experiences of villagers, local leaders, and BUMDes managers, this study enriches theoretical debates on trust-building in localized governance systems and extends prior work on accountability, transparency, and downward responsiveness in rural institutions (Corte-Real et al., 2025). The findings are expected to refine conceptual understandings of how trust is socially constructed in rural settings and how governance mechanisms shape institutional legitimacy at the community level.

Practically, the study provides actionable insights for village governments, policymakers, and BUMDes practitioners seeking to strengthen institutional performance and community engagement. As good governance has been widely recognized as a catalyst for sustainable rural development (Sangnak et al., 2025); (World Bank, 2017; UNDP, 2017), the study's findings highlight the specific governance attributes—such as open financial reporting, participatory decision-making, and structured accountability systems that communities perceive as essential for building trust. These insights can inform capacity-building programs, governance reforms, and monitoring frameworks aimed at improving BUMDes management practices. Moreover, policymakers can use the evidence to design targeted interventions that reduce governance irregularities and enhance community participation, thereby ensuring that BUMDes function not only as economic entities but also as trustworthy and legitimate rural institutions capable of delivering long-term community welfare (Rahayu et al., 2024).

## 2. LITERATURE REVIEW

### 2.1 Concept of Good Village Governance

The concept of good governance is grounded in several core theoretical foundations, including transparency, accountability, participation, responsiveness, and adherence to the rule of law (Siddiqi et al., 2009). Transparency requires that decisions, processes, and information particularly those related to financial management and program implementation are openly accessible to the public, enabling scrutiny and informed involvement (Dawes, 2010). Accountability emphasizes clear responsibility structures and mechanisms through which leaders and managers can be evaluated and held answerable for their actions (Lindkvist & Llewellyn, 2003). Participation reflects the meaningful involvement of community members in planning, decision-making, and oversight, ensuring that governance reflects local needs and aspirations (Eversole, 2011). Responsiveness highlights the capacity of institutions to address community concerns promptly and effectively, while the rule of law ensures fairness, predictability, and the consistent application of regulations across all governance activities. Collectively, these principles form the normative basis for evaluating the quality and legitimacy of governance in public institutions (Bovaird & Löffler, 2003).

The implementation of governance principles in rural areas must consider local socio cultural dynamics, power relations, and community norms that shape governance practices on the ground (Ramcilovic-Suominen & Kotilainen, 2020). According to Kosack & Fung, (2014) Transparency, for instance, often relies not only on formal reporting mechanisms but also on informal communication channels embedded within village social networks. Participation may be influenced by traditional leadership structures, social cohesion, and varying levels of community empowerment (Hsin-Chi & Siu-Kai, 2002). Similarly, accountability



in rural settings frequently combines formal regulatory oversight with community-driven monitoring practices, such as village meetings (musyawarah) or collective deliberations (Van Belle & Mayhew, 2016). Responsiveness and rule of law must contend with resource limitations, local capacity constraints, and political influences that can shape governance behavior (Ramanujam & Farrington, 2023). Therefore, understanding how governance principles are interpreted and enacted at the village level is essential for assessing the effectiveness of rural institutions such as BUMDes and for identifying governance practices that strengthen legitimacy and community trust.

## 2.2 Community Trust in Local Governance

Trust is commonly defined as a psychological state or social expectation in which individuals believe that others whether people, groups, or institutions will act in ways that are reliable, fair, and aligned with shared norms or interests (Schoorman et al., 1996). In governance studies, trust is often conceptualized through three interrelated dimensions: cognitive, relational, and institutional trust (Legood et al., 2023) (Khodyakov, 2007). Cognitive trust is grounded in rational assessments of competence, integrity, and performance; it reflects the belief that an institution can effectively fulfill its responsibilities. Relational trust, on the other hand, emerges from interpersonal relationships, shared experiences, and emotional bonds, emphasizing goodwill, empathy, and mutual respect among stakeholders. Institutional trust reflects confidence in the broader system rules, structures, norms, and governance mechanisms that underpin organizational behavior. These dimensions together shape how communities evaluate the credibility, legitimacy, and reliability of public institutions such as BUMDes, especially in settings where formal and informal governance intersect (Fitriani et al., 2024)

Several determinants influence the development and sustainability of trust in rural institutions (Gray et al., 2012). Transparency plays a central role, as accessible and accurate information reduces uncertainty and demonstrates institutional openness. Accountability mechanisms such as performance reporting, community oversight, and regulatory compliance reinforce perceptions of responsibility and fairness, further strengthening trust. Participation enhances trust by providing space for community voice, collaboration, and shared ownership of decisions, fostering a sense of inclusion and empowerment. Responsiveness to community needs, the quality of service delivery, and the institution's ability to address local challenges promptly also shape trust levels. Additionally, socio-cultural factors such as local leadership credibility, social cohesion, norms of reciprocity, and historical experiences with governance actors influence how rural communities form judgments about institutional reliability (Pero & Smith, 2008). Together, these determinants underscore the multifaceted nature of trust and highlight the importance of context-specific governance practices in sustaining confidence in rural institutions (Yu et al., 2024).

## 2.3 Governance of Village Owned Enterprises (BUMDes)

The governance of Village-Owned Enterprises (BUMDes) in Indonesia is anchored in a strong regulatory framework designed to formalize their establishment, management, and accountability. The *Undang-Undang Desa* (Village Law No. 6/2014) provides the legal foundation for BUMDes as institutional instruments for rural economic development, mandating village governments to promote local entrepreneurship, community participation, and sustainable development. Complementing this, the *Peraturan Menteri Desa* (Permendes) offers detailed technical guidelines concerning organizational structure, financial management, reporting mechanisms, and governance standards that BUMDes must follow. Together, these regulations aim to strengthen institutional transparency, ensure formal accountability, and support the alignment of BUMDes operations with national rural development objectives (Pawitan et al., 2025). The regulatory framework thus establishes both the legal legitimacy and the operational expectations necessary for BUMDes to function as accountable, community-based institutions (Ghofar et al., 2022).

Previous research on BUMDes highlights varied performance outcomes across Indonesian villages, demonstrating that governance quality plays a pivotal role in determining institutional success and community engagement (Indrawanto et al., 2025). Studies have shown that BUMDes with strong financial transparency, clear managerial structures, and active community involvement tend to achieve higher levels of economic performance and public credibility (Ghofar et al., 2022). Conversely, BUMDes facing issues such as mismanagement, elite domination, weak oversight, or inconsistent reporting often struggle to maintain community trust and operational sustainability. Research also indicates that community engagement through participatory decision-making, local ownership, and inclusive development practices significantly enhances institutional legitimacy and supports the long-term viability of BUMDes initiatives (Pawitan et al., 2025). These findings collectively suggest that effective governance is not merely a regulatory requirement but a critical determinant of BUMDes performance and community trust in rural development contexts.



## 2.4 Conceptual Framework

Governance dimensions including transparency, accountability, participation, responsiveness, and rule of law are fundamentally intertwined with trust outcomes in community based institutions such as BUMDes, as transparent practices reduce information asymmetry and signal institutional openness that fosters cognitive trust; accountability mechanisms demonstrate integrity, fairness, and answerability, thereby reinforcing institutional trust; participation strengthens relational trust through dialogue, shared decision-making, and collective ownership; and responsiveness enhances trust by ensuring that community needs are addressed promptly and effectively, reinforcing perceptions of competence and reliability. When these governance elements operate cohesively, they produce a synergistic effect that elevates institutional legitimacy, nurtures positive community perceptions, and consolidates long-term trust in BUMDes operations. Building on these conceptual linkages, the proposed analytical model situates good governance dimensions as core inputs influencing three interrelated layers of trust cognitive (competence and reliability), relational (interpersonal quality and social cohesion), and institutional (fairness and legitimacy) with additional shaping from mediating factors such as community engagement, leadership credibility, communication practices, and socio-cultural norms. The model assumes a dynamic, iterative process in which governance practices continually shape trust formation, while evolving community trust reciprocally influences participation and collective commitment to BUMDes initiatives, thereby guiding the qualitative inquiry to capture the complexity and context-specific nature of trust-building in rural governance systems.

## 3. RESEARCH METHODOLOGY

The study adopts a qualitative research design grounded in phenomenology and interpretive descriptive methodology to explore how governance practices shape community trust in BUMDes (Fitriani, Shauki, et al., 2024); (Sadeli, 2025). This approach is well-suited for capturing the meanings, interpretations, and lived experiences of individuals directly involved in village governance processes. Phenomenology allows the researcher to delve into participants' subjective experiences, while interpretive description provides flexibility to generate practical insights relevant to policy and community governance. In-depth interviews are employed as the primary method because they enable a nuanced understanding of community perceptions, governance interactions, and trust-building processes that cannot be captured through quantitative instruments. Through open-ended dialogue, participants are encouraged to reflect on their experiences with BUMDes management, decision-making practices, and governance dynamics, providing rich data that illuminate the complexities of rural institutional trust.

The research is conducted across selected villages in Lebak Regency, Banten Province, focusing on BUMDes with strong reputations and diverse development models. BUMDes Warna Jaya in Sawarna Village, recognized as one of the best in tourism development, represents a successful community-driven enterprise leveraging natural attractions and local participation. BUMDes Dewara in Warungbanten Village, awarded as the most innovative BUMDes in 2019, showcases strong leadership and creative business strategies. Additionally, BUMDes Cimenteng Jaya in Cibadak, known for its water tourism initiatives, and BUMDes Saung Desa in Narimbang Mulia, which focuses on MSME development, are included to reflect variations in performance, geographical settings, and population characteristics. These sites were chosen purposively to capture different governance patterns, business models, and community engagement dynamics. Background information for each BUMDes was collected through village profiles, official documents, and preliminary field observations to contextualize the analysis.

Sampling is conducted using a combination of purposive and snowball techniques (Valerio et al., 2016). Purposive sampling ensures the inclusion of informants capable of providing relevant and in-depth insights into governance and trust issues, while snowball sampling helps identify additional stakeholders who play important but less formalized roles in the governance ecosystem (Gorodensky et al., 2023). Participants include key actors such as village heads, village secretaries, BUMDes directors and treasurers, community beneficiaries, local business actors, traditional leaders, and, where relevant, representatives from civil society organizations or NGOs involved in rural development. This diverse sample allows the study to triangulate perspectives from authority figures, managers, and community members, providing a comprehensive understanding of governance processes and trust-building mechanisms within the selected BUMDes (Ahmad et al., 2025).

Data collection involves semi-structured interviews supported by field observations and document analysis (Berndtsson, 2017). The interview protocol includes guiding questions on transparency practices, accountability mechanisms, participation opportunities, and stakeholder interactions. Field observations examine daily operations, public meetings, community activities, and informal interactions that reflect governance behavior. Document analysis includes reviewing meeting minutes, financial statements,



organizational structures, operational guidelines, and policy documents to validate and complement interview findings. Thematic analysis, following (Byrne, 2022) six-step framework, is employed to analyze the data. The coding process begins with open coding to identify initial concepts, followed by axial coding to establish relationships between categories, and finally selective or thematic coding to develop overarching themes. NVivo software is used to enhance analytic rigor by systematically organizing, coding, and retrieving qualitative data (Maher et al., 2018). Trustworthiness of the study is ensured through multiple strategies: member checking to validate interpretations with participants, triangulation of data sources, thick description to support transferability, an audit trail for dependability, and reflexive memoing to enhance confirmability and minimize researcher bias (Amin et al., 2020).

## 4. FINDINGS

### 4.1 Community Perceptions of BUMDes Governance

Community perceptions of BUMDes governance reveal a range of themes reflecting how villagers interpret transparency, leadership credibility, and institutional responsiveness. Many villagers perceive BUMDes as an extension of the village government, meaning that their trust is influenced not only by the enterprise's performance but also by the reputation and integrity of village leaders (Byrne, 2022). Themes emerging from interviews show that villagers closely observe how decisions are communicated, how financial information is shared, and whether leaders demonstrate fairness in resource allocation. Clear communication, regular reporting, and visible community involvement are perceived as indicators of good governance, shaping positive impressions of BUMDes operations.

Positive perceptions commonly arise in BUMDes where governance practices align with community expectations for openness, accountability, and participation. Villagers in Sawarna Village, for example, express satisfaction with BUMDes Warna Jaya's transparent management of tourism revenue, the presence of accessible information boards, and the inclusion of local residents in tourism-related employment. Similarly, in Warungbanten, BUMDes Dewara is praised for innovative initiatives and consistent engagement with local stakeholders, which villagers interpret as signs of competent and trustworthy leadership. These positive experiences strengthen community confidence, reinforce support for BUMDes programs, and enhance the overall legitimacy of village-level economic governance.

Conversely, negative perceptions emerge when governance practices fall short of community expectations or when villagers perceive irregularities in management processes. Some respondents highlight concerns about limited transparency in financial reporting, inconsistent communication from BUMDes managers, or perceived favoritism in allocating business opportunities. In some cases, villagers mention a lack of clarity regarding decision-making procedures, leading to doubts about fairness and accountability. These negative perceptions not only weaken trust but also reduce community participation and undermine institutional credibility. The contrast between positive and negative experiences underscores the crucial role of governance quality in shaping community attitudes toward BUMDes and their willingness to support village-driven economic initiatives.

### 4.2 Governance Practices that Build Trust

Transparency emerges as one of the most influential governance practices in building community trust in BUMDes. Villagers consistently highlight the importance of financial openness, regular public reporting, and accessible information regarding program activities. In high-performing BUMDes such as Warna Jaya and Dewara, financial statements are routinely shared during village meetings, and information boards are installed in public spaces to inform residents about revenues, expenditures, and ongoing initiatives. These transparency mechanisms reduce suspicion, minimize information asymmetry, and demonstrate a commitment to open governance. As a result, villagers perceive BUMDes managers as honest and responsible, which strengthens cognitive trust and reinforces the legitimacy of institutional actions.

Accountability structures also play a vital role in shaping institutional trust. Effective monitoring by village government, supervisory bodies, and community representatives ensures that BUMDes managers adhere to regulations and performance expectations. Regular performance reporting whether in formal village deliberation forums or through periodic documentation signals that managers are willing to be evaluated and held answerable for their decisions. In cases like BUMDes Dewara, the presence of clear organizational roles and frequent supervisory assessments enhances the perception that the enterprise operates under strong internal controls. These practices cultivate institutional trust, as community members feel assured that governance processes are fair, responsible, and subject to checks and balances.



Furthermore, community participation through involvement in planning, decision-making, and business development deepens relational trust and fosters a sense of shared ownership. Villagers express greater confidence in BUMDes when they are invited to contribute ideas, attend deliberation forums, and participate directly in economic activities such as tourism management or MSME development. Fairness and inclusivity further strengthen this trust, especially when opportunities, resources, and benefits are distributed transparently and equitably across social groups. Inclusive practices, such as employing local youth, supporting small entrepreneurs, and ensuring equal access to BUMDes services, reinforce the belief that BUMDes exists to serve the entire community rather than specific individuals or elites. Collectively, these governance practices create a foundation for sustained community trust and long-term institutional resilience.

### 4.3 Factors Undermining Trust

Despite the potential of BUMDes to enhance community welfare, several governance-related issues can undermine public trust and weaken institutional legitimacy. Mismanagement particularly in the form of unclear financial procedures, inconsistent bookkeeping, or unprofessional operational practices—often becomes the first signal to villagers that something is wrong. In some cases, community members perceive that decision-making is dominated by a small group of local elites, resulting in what is commonly described as *elite capture*. When BUMDes benefits, employment opportunities, or business contracts appear to be distributed based on personal networks rather than transparent criteria, villagers become skeptical of the institution's fairness. Additionally, limited oversight from village governments or supervisory boards allows irregularities to go unchecked, further eroding confidence in BUMDes governance.

Lack of communication also significantly contributes to distrust. When villagers feel uninformed about BUMDes activities, financial conditions, or development plans, they often interpret the absence of information as an indication of secrecy or wrongdoing. This communication gap fosters rumors and speculation, which quickly damage the credibility of BUMDes managers and village leaders. In some instances, failure to engage the community in discussions or provide timely updates leads to perceptions that BUMDes is operating without accountability or regard for community interests. Such situations reduce participation, weaken stakeholder relationships, and create distance between the institution and its intended beneficiaries.

Stakeholder conflicts and political influences further complicate governance and diminish community trust. Conflicts whether between BUMDes managers, village officials, or local community groups—often arise from disagreements over resource allocation, business priorities, or leadership authority. When these disputes become visible to villagers, they interpret them as signs of internal instability and organizational weakness. Political interference, especially during village head elections or leadership transitions, can intensify mistrust as BUMDes is perceived to be aligned with certain factions or used as a tool for political gain. Such politicization undermines the neutrality and professionalism expected of community-based economic institutions. Overall, these factors collectively weaken the perception that BUMDes operates for the common good, hindering its ability to build and sustain community trust.

### 4.4 Dynamics between Governance Practices and Trust Formation

The relationship between BUMDes governance practices and the formation of community trust reflects an interactive and evolving dynamic. The findings indicate that good governance is not merely an administrative requirement, but a *relational process* that shapes the community's sense of security, confidence, and belief in the institution. When information flows clearly, decisions are communicated openly, and community aspirations are given space, villagers perceive the BUMDes as a responsive and reliable institution. Conversely, even small gaps in transparency or failures in communication can hinder the trust-building process, even when other administrative procedures are functioning properly.

These dynamics are further illustrated through the role of responsiveness and consistency within BUMDes management. Trust grows when the community observes tangible evidence that their aspirations are accommodated, complaints are addressed, and BUMDes activities provide real, meaningful benefits. In this way, good governance offers a structural foundation such as financial reporting and oversight mechanisms but trust is formed only when these structures are translated into social experiences of engagement, attentiveness, and respect for community stakeholders. This shows that trust is a social outcome arising from the combination of formal structures and interpersonal relationships.

Moreover, the dynamic between governance and trust highlights mechanisms of community empowerment. When communication channels are open and villagers meaningfully participate, the process not only strengthens accountability but also fosters a sense of



ownership toward the BUMDes. Meaningful participation encourages community members to see themselves not merely as beneficiaries but as active stakeholders. At this stage, trust becomes active rather than passive, encouraging sustained engagement and reinforcing the long-term legitimacy of the BUMDes. Thus, trust formation emerges from continuous interactions between governance practices, community experiences, and the institution's capacity to empower its constituents.

## 5. DISCUSSION

### 5.1 Interpretation of Key Findings

The findings of this study reinforce the theoretical propositions that good governance practices—transparency, accountability, participation, and responsiveness serve as foundational drivers of institutional trust in rural settings. Drawing on governance and trust theories, the results demonstrate that trust emerges not only from formal procedures but from the community's lived experiences with governance processes. Cognitive trust develops when villagers perceive BUMDes systems as reliable and predictable; relational trust arises through consistent interpersonal engagement between BUMDes management and community members; and institutional trust is strengthened when governance structures operate according to clear rules and shared norms. These findings align with the broader theoretical expectation that trust functions as both an outcome and a prerequisite of effective governance, particularly in contexts where socio-cultural ties and community networks play a central role.

Furthermore, the characteristics of rural governance observed in the selected BUMDes display substantial alignment with global governance frameworks such as those promoted by UNDP and the World Bank. Although rooted in local socio-cultural settings, the principles practiced—open information flow, inclusive decision-making, stakeholder accountability, and rule-based operations—mirror internationally recognized governance standards. The study suggests that rural governance can achieve global relevance when embedded with local wisdom and community-driven practices. In this regard, BUMDes governance illustrates how hybrid models—combining global governance ideals with local participatory traditions—can effectively generate community trust and institutional legitimacy.

### 5.2 Comparison with Previous Studies

The findings of this study largely align with prior research emphasizing the importance of good governance principles in enhancing trust and performance within rural institutions such as BUMDes. Earlier studies have highlighted that transparency, accountability, and community participation are core drivers of institutional legitimacy and rural economic development in Indonesia. Consistent with research by Sutiyo and Maharjan (2017) and Wiguna et al. (2020), this study finds that communities are more likely to trust BUMDes when financial reports are openly disclosed, decision-making processes are inclusive, and managerial responsibilities are clearly defined. The results also resonate with global literature on rural governance, which underscores that participatory structures and clear accountability lines significantly improve public confidence and institutional performance in community-driven enterprises.

However, the findings also reveal nuances that challenge some previous studies, particularly regarding the persistence of informal power dynamics and elite influence within village institutions. While earlier literature often assumes that governance reforms automatically strengthen community trust, this study shows that trust can be undermined when formal governance mechanisms are overshadowed by political interests, interpersonal conflicts, or unequal access to information. This reflects the arguments of Wong (2010) and Platteau (2004), who note that community-based organizations are vulnerable to elite capture despite having formal accountability systems. By highlighting these contradictions, the study contributes a more grounded and context-sensitive understanding of how governance practices interact with local socio-political realities to shape trust dynamics in BUMDes.

### 5.3 Theoretical Implications

This study offers several important contributions to theories of institutional trust, rural social capital, and participatory governance (Menzel et al., 2013) (Huhe et al., 2015). First, the findings extend institutional trust theory by demonstrating that trust in rural community enterprises such as BUMDes emerges through a combination of formal governance mechanisms and informal social relations. While institutional trust literature often emphasizes structural safeguards—such as transparency, accountability, and rule adherence this study shows that relational interactions between villagers and BUMDes managers are equally critical in shaping trust formation. This highlights the interplay between cognitive, relational, and institutional dimensions of trust, suggesting that institutional trust in rural settings is best understood as a layered construct influenced by both procedural integrity and socio-cultural embeddedness.



Second, the study contributes to rural social capital theory by illustrating how community participation and shared decision-making enhance bonding and bridging capital, ultimately strengthening collective confidence in local institutions (Durstun, 1998); (Sabet & Khaksar, 2024). Consistent with participatory governance theory, the results show that inclusive governance practices empower villagers, creating a sense of ownership that reinforces institutional legitimacy. However, the study also reveals that social capital can become a double-edged sword when close-knit networks enable elite capture or hinder critical oversight. This insight deepens theoretical discussions on the ambivalence of social capital within rural governance systems. Overall, the study's findings refine existing theories by offering a context-specific understanding of trust-building processes in Indonesian rural institutions, showing that effective governance is not only structurally sound but also socially grounded.

## 5.4 Practical Implications

The findings of this study offer several practical implications for strengthening governance practices within BUMDes and enhancing community trust. First, transparency can be improved through routine public disclosure of financial reports, open village meetings, and the use of accessible information channels such as village notice boards or digital platforms. These practices not only reduce information asymmetry but also demonstrate managerial integrity, thereby reinforcing cognitive and institutional trust. Second, accountability can be strengthened by establishing clearer monitoring mechanisms, such as periodic internal audits, performance evaluations, and community-based oversight committees. Ensuring that BUMDes managers respond promptly to concerns or complaints can further enhance perceptions of fairness and responsibility. Third, fostering meaningful participation—particularly by involving community members in planning, decision-making, and evaluation processes—can help build stronger relational trust and a sense of ownership among villagers. Inclusive participation ensures that diverse voices, including women, youth, and local entrepreneurs, are represented in governance structures.

Beyond local improvements, the study provides insights that can inform the development of improved governance models for scaling and replicating successful BUMDes practices nationwide. Based on the positive cases examined, effective models should integrate clear standard operating procedures (SOPs), transparent financial management systems, and participatory planning frameworks that align with national regulations while remaining adaptable to local contexts. Establishing a national repository of best practices featuring governance templates, reporting formats, and participatory tools—would support other villages in adopting proven governance mechanisms. Additionally, capacity-building programs for village officials and BUMDes managers should emphasize leadership skills, digital literacy, and ethical governance to reduce risks of mismanagement and elite capture. By institutionalizing these improved governance models, policymakers can enhance the sustainability and legitimacy of BUMDes as engines of rural development across Indonesia.

## 6. CONCLUSION

### 6.1 Summary of Findings

This study highlights the central role of good village governance in shaping community trust in BUMDes. The findings reveal that transparency, accountability, participation, and responsiveness function as key governance attributes that directly influence villagers' cognitive, relational, and institutional trust. Communities tend to trust BUMDes when governance practices are open, inclusive, and consistent with shared norms and expectations. Conversely, trust is weakened when governance processes lack clarity, when information is not openly communicated, or when political dynamics overshadow formal procedures. Overall, the study demonstrates that trust in BUMDes is both a product of sound governance structures and a reflection of local socio-cultural interactions, emphasizing the need for governance models that balance procedural rigor with community engagement.

### 6.2 Limitations

Despite its contributions, this study is subject to several limitations. First, the qualitative design, while offering rich insights into community perceptions and experiences, limits the generalizability of the findings beyond the selected sites. The purposive and snowball sampling approaches used may not fully capture the diversity of governance dynamics across Indonesia's thousands of villages. Second, the research context is site-specific, focusing on high-performing BUMDes in particular regions; thus, the results may differ in areas with weaker institutional capacity or distinct socio-political conditions. Finally, although interviews and observations provide depth, the study prioritizes qualitative depth over empirical breadth, which may limit the scope of comparative analysis across different governance settings.



## 6.3 Future Research Directions

Future research could expand the scope of inquiry by conducting comparative studies across regions with varying levels of BUMDes performance, governance maturity, and socio-economic characteristics. Such comparative designs would help identify governance models that are adaptable to diverse contexts and provide a broader empirical basis for national policy recommendations. Additionally, mixed-method approaches that combine qualitative insights with quantitative measures of trust, governance quality, and organizational performance could offer more robust and generalizable findings. Longitudinal studies are also needed to examine how trust and governance evolve over time, particularly as BUMDes mature, adopt digital governance tools, or undergo leadership transitions. These research directions would deepen understanding of governance–trust dynamics and support the development of more sustainable and accountable BUMDes governance frameworks.

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