

Transformational leadership in managing village funds for rural enterprise development

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ABSTRACT

This study analyzes the role of village leadership in managing the Village Fund to support the development of Village-Owned Enterprises (BUMDes) in Wunut Village, focusing on the challenges of politicization and ethical governance. Through a descriptive qualitative approach-including in-depth interviews, participatory observation, and document analysis-the study found that village heads with a long-term vision and commitment to community empowerment successfully directed the Village Fund to strengthen BUMDes, such as through BPJS subsidy programs and job training by BUMDes Umbul Palem. However, local political dynamics, including patronage practices and short-term power interests, often shift budget allocations from development needs to political objectives. The findings contribute to the village leadership discourse by emphasizing the importance of integrity, transparency, and participatory leadership in reducing political interference. The research recommends strengthening the capacity of ethics-based village leadership to ensure the Village Fund achieves sustainable development impact.

Keywords:

village leadership; village funds; BUMDes; political patronage

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INTRODUCTION

A village is a community unit with regional boundaries that has the right to manage and carry out government activities and meet the needs of the domestic community based on community ideas, freedom of origin, and traditions that are respected in the Indonesian government system. Villages have an important role in national development and become potential human resources as food providers for urban residents. The village also has great potential for tourism development and the creative economy. The Government of Indonesia

continues to strive to advance villages through various programs such as infrastructure development, community empowerment, and village economic development, to improve welfare and make villages an important asset in national development (Febrina et al., 2025).

Table 1. Number of villages and their status

Village Status	Number of Villages (2023)
Developed Village	23.030
Independent Village	11.456
Developing Villages	28.752
Disadvantaged Villages	6.803
Villages are Very Backward	4.382
Total	74.423

Source: data Indonesia.id (2024)

Since the enactment of Law Number 6 of 2014 concerning Villages, village governments have been given greater authority to manage their own finances, implement development programs, and empower their communities. However, the implementation of village fund management has not always proceeded optimally. Many villages still face problems such as a lack of transparency, weak community participation, and top-down policy implementation that sidelines local aspirations (Harianto et al., 2022).

Previous studies have widely discussed village fund management (Wahyuni, 2021; Wijayanto, 2020) and village economic development programs (Hertati, 2020). However, there remains a gap in the academic literature regarding the specific leadership strategies of village heads in managing BUMDes as a core instrument for achieving village independence, particularly in tourism-based villages. Studies focusing explicitly on the leadership patterns applied in the governance of village-owned enterprises and their impact on social and economic resilience at the village level are still limited.

Based on this research gap, this study aims to analyze the leadership strategies of the village head in the management of BUMDes Umbul Palem in Wunut Village, Klaten, and how these strategies contribute to improving community welfare and increasing Village Original Income (PAD). The urgency of this study lies in providing a practical and academic contribution in the form of recommendations for optimizing BUMDes governance by strengthening leadership roles, participatory management mechanisms, and sustainable economic innovation in villages.

This research aims to explore several key issues related to the management of village funds and the development of Village-Owned Enterprises (BUMDes) in Wunut Village. First, it examines how the leadership of the Wunut Village Head influences the management of village funds and the strategic development of BUMDes. Second, it investigates the political dynamics involved in village budgeting as well as the challenges related to community participation and village autonomy that affect fund management. Lastly, the study seeks to identify the supporting and inhibiting factors impacting the effective management of village funds in building BUMDes, including the obstacles faced and the strategies employed to overcome them.

Therefore, the objectives of this research are to explore the leadership strategies implemented by the Wunut Village Head in managing village funds and developing BUMDes Umbul Palem, to analyze the political and participatory challenges related to village budgeting and autonomy that influence BUMDes management, and to identify the supporting and inhibiting factors affecting the effective management of village funds, including obstacles faced and possible solutions, with the aim of strengthening BUMDes as a driver of sustainable village economic independence. The findings of this study are expected

to enrich academic discourse in the field of village governance and contribute practically to the improvement of BUMDes management models in other villages in Indonesia.

METHOD

This research uses a qualitative approach with an intrinsic case study design to explore in depth the management of the Village Fund in Wunut Village, Klaten, Central Java. This method is descriptive, emphasizes the process rather than the results, and involves the researcher as the main instrument in the data collection process through direct observation, in-depth interviews, and documentation. The location selection was based on the criteria of accessibility, data completeness, and relevance to the research focus, namely transformational leadership in BUMDes development. The research was conducted over 6 months (January-June 2023), including 3 months of participatory observation, 2 months of in-depth interviews, and 1 month of document analysis.

The data used in this research includes primary data collected directly from the interviewees through interviews and observations, as well as secondary data derived from official documentation, journals, books, and government reports (Scott, 2013). Primary data provided actual information sourced from the direct experience of the research subjects, while secondary data enriched theoretical studies and comparison of results. In addition, this research also utilized digital information in the form of budget documents, activity reports, and community aspirations uploaded online to improve the accountability and transparency of village fund management. The research subjects consisted of 15 key informants who were purposively selected based on their active involvement in the management of the Village Fund, including: the village head (1 person), village officials (3 people), BUMDes administrators (2 people), and representatives of community groups (9 people) including youth organizations, PKK, and religious institutions.

Data collection techniques in this study were conducted through participatory observation, direct interviews with various relevant parties, and documentation studies of official village documents, laws and regulations, and academic references. The researcher also applied the triangulation method to ensure data validity, by combining the results of interviews, observations, and document studies to obtain a complete picture of the phenomenon under study (Djalal & Usman, 2006). Data collection was carried out systematically by following qualitative research procedures, starting from problem identification through literature studies, field data collection, analysis of findings, to the preparation of research reports. In this study, the research subjects were relevant individuals and community groups, including the village head, village officials, the general public, youth organizations, religious institutions, PKK, Posyandu, and Linmas, who acted as the main informants to provide qualitative data in accordance with the problems studied. The presence of researchers in the field is essential to understand social conditions directly and obtain contextual information that cannot be obtained from written documents alone (Creswell & Creswell, 2018).

Table 2. Research informants

No	Informant
1	Head of Wunut Village, Klaten Regency, Central Java (Mr. Iwan)
2	Wunut Village Apparatus, Klaten Regency, Central Java (Mr. Solihin)
3	Representative of the Wunut Village Community (Ordinary Community of Ibu Kasih)
4	Wunut Village Community Representative (Karang Taruna Community Organization)
5	Representative of the Wunut Village Community (Mosque Religious Institution)
6	Representatives of the Wunut Village Community (PKK and Posyandu)
7	Wunut Village Community Representative (Linmas)

Source: Data processed by researchers (2025)

RESULT AND DISCUSSION

Leadership Theory

Leadership theory in political science discusses how individuals who hold leadership roles affect society, institutions, and political processes. Arman et al., (2023) mentioning that leadership is a mutually influencing relationship between leaders and followers to achieve common goals. Leadership involves elements of leaders, followers, the process of influencing, and collective goals.

At the village level, the village head serves as the political leader, directly elected by the community with the legitimacy to formulate policies, manage village funds, and mediate between government authorities and citizens. The leadership style demanded in this context requires transparency, accountability, and prioritization of public interest to foster community participation and sustainable village progress.

Interviews with Wunut Village informants reveal that the village head exemplifies transformational leadership traits. For example, the village head emphasizes a vision centered on community empowerment and sustainable development *"We aim not only to build infrastructure but also to foster a self-reliant village economy through Bumdes"* (Interview with Wunut Village Head, 2024). This statement demonstrates transformational leadership's core focus on inspiring shared vision and motivating positive change.

However, elements of transactional leadership are also evident, particularly in the application of reward and sanction mechanisms. A resident observed, *"The village head ensures those actively participating in programs receive priority assistance, while less involved residents may receive fewer benefits"* (Interview with Resident A, 2024). This reflects transactional leadership's reliance on reciprocal exchanges to maintain community engagement.

Harsoyo (2022) categorizes political leadership as transformational centered on long-term vision and inspiration and transactional emphasizing reciprocal rewards and sanctions. Effective village leadership integrates both styles, balancing prudent fund management with community motivation. Key political leadership strategies involve consensus-building, communication, adaptability, power consolidation, and ethical integrity to sustain public trust and governance success.

Comparative examples from neighboring villages further highlight leadership's impact on fund management. Ponggok Village, celebrated for innovative community-based tourism, employs participatory planning and transparency, resulting in elevated community trust and economic growth. Data from the Ministry of Rural Development and Rural Development in 2024 indicates that while many villages in Indonesia have shown development progress and a reduction in disadvantaged areas due to central government optimization efforts, some villages like Urung Ganjang still face challenges. Specifically, leadership communication barriers in Urung Ganjang have led to mistrust among residents and delays in the utilization of village funds. These cases underscore leadership quality as a decisive factor in managing village funds effectively.

Budget Politics

Budget is a financial instrument as well as a policy tool that reflects the priorities and goals of an institution or government within a certain period of time (Kastori et al., 2023). In government, the budget is a strategic tool to improve people's welfare and realize development (Falah et al., 2024). Budget theory highlights the importance of the process of planning, allocation, and managing funds to be effective, efficient, and on target.

Budgets are political because they involve negotiations between actors such as the executive, legislature, and community groups. Budget decisions are influenced by political

interests, party ideology, and political cycles such as elections, which often give rise to political business cycles (Priyanto, 2014). Therefore, the success of the budget is not only seen from the absorption of funds, but also from the real impact felt by the community.

Data from Wunut Village suggest budget allocation follows theory of incrementalism principle by Lindblom (1959), favoring gradual program adjustments *"We prefer to continue and improve ongoing programs rather than making drastic changes that disrupt community expectations"* (Interview with Wunut Village Head, 2025). This approach maintains funding stability, essential for the sustainability of Bumdes initiatives.

Table 3. Progress of the implementation of Wunut Village fund management in law number 6 of 2014

Aspects	Success	Failure
Infrastructure	Construction of village roads that facilitate transportation access	Abandoned infrastructure development
Community Economic Empowerment	Training available for villagers	Micro Businesses that are established are not running well due to the lack of further coaching
Transparency in the Use of Funds	The Village Fund's Financial Statements are published periodically	Lack of socialization so that residents do not know the allocation of funds
Health and Education	Availability of Integrated Service Post and scholarship program for children	The scholarship program is uneven and does not reach all levels of society
Community Participation	The community is active in village deliberations related to the use of funds	Low citizen participation in the supervision of development projects
Environmental Management	Planting trees on vacant land for village greening	The reforestation program is not well managed and many trees die
Village Government Capacity Building	Village government is able to manage more professionally	Limited human resources in administration cause delays in program realization

Source: Law Number 6 of 2014

Wunut Village Head's Strategy in Managing Village Funds

The Head of Wunut Village has a strong role in the management of village funds, trying to balance physical development, community empowerment, and local economic development. Since the enactment of Law Number 6 of 2014, various initiatives have been carried out to make village funds the main driver of development, even though they are faced with various challenges from within and outside the village government. One of the steps taken is to encourage economic independence through strengthening Village-Owned Enterprises (Bumdes), by prioritizing decisions that directly involve the community. The village head not only carries out his duties based on formal positions, but also relies on the ability to move the community through social influence and authority. The combination of the two is an important capital in managing village funds, where the community is encouraged to be actively involved and the village government seeks to realize open and responsible governance.

Leadership in Wunut merges formal authority with social influence to enhance community participation and foster open governance. Observations and informant testimonies confirm increased community trust *"We feel involved in decision-making and see that the village head is transparent about fund use"* (Interview with Resident B, 2024). This participatory approach aligns with transformational leadership principles and positively influences Bumdes governance.

Village deliberations consistently inform budget priorities that address health, employment, education, and social welfare. Empowering village institutions ensures fund management extends beyond infrastructure towards strengthening social resilience. Regular evaluations and community oversight establish a bottom-up supervision system.

Communication channels remain open through deliberative forums and social activities, enabling broad resident contributions to development proposals. Bumdes Umbul Palem's management strategically balances productive business activities with social benefits, financing health insurance, employment protection, social assistance, and educational programs.

Table 4. Research informants

No	Village Needs	Total Allocation (Rp)	Information
1	BPJS Health Residents of Wunut Village	264.000.000	BPJS Health payments for unregistered villagers to get health services.
2	BPJS Employment	624.931.076	BPJS Employment payments for village workers in the informal sector and others.
3	Hari Raya Allowance (THR) for Citizens	450.000.000	The provision of THR to each family in Wunut Village as assistance ahead of the holiday celebration.
4	Zakat and Social, Death Compensation (For Residents Without BPJS Kindergarten)	441.766.000	Funds for zakat, social assistance, and death benefits for residents who have not been registered with BPJS Employment.
5	Education and Training Fund	268.288.422	Financing of education and training programs to increase the capacity of village human resources.

Source: Official archive data of Wunut Village (2025)

This allocation pattern prioritizes social protection and human capital development, consistent with the village head's comprehensive welfare vision. Nonetheless, administrative delays and occasional resident dissatisfaction remain concerns *"Sometimes the process takes longer than expected, and some residents feel left out"* (Interview with Village Treasurer, 2025). Addressing these issues is critical to sustaining trust and ensuring program effectiveness.

Since village funds were first allocated in 2016, Wunut Village has nurtured a creative economy through Umbul Palem tourism managed by Bumdes, generating significant Village Original Income (PAD) to support welfare programs such as BPJS, death compensation, and assistance for the poor (Wahyuni, 2021).

Table 5. Umbul palem tourism development budget from village funds

Year	Village Fund (Rp)	Allocation (Rp)	Allocation (%)
2015	270.556.000,-	0	0%
2016	608.906.000,-	313.120.000,-	50,3%
2017	775.645.000,-	575.179.200,-	74%
2018	913.504.000,-	538.795.000,-	58,6%
2019	875.400.000,-	337.334.200,-	22%
2020	882.461.000,-	175.240.000,-	19,9%
2021	882.461.000,-	333.441.500,-	37,8%
2022	1.088.388.000,-	238.757.900,-	22%
2023	1.015.330.000,-	0	0%
2024	1.017.190.000,-	0	0%
Total		2.432.631.300,-	

Source: Annual Data from the Head of Wunut Village (2025)

The strategic allocation of village funds through Bumdes Umbul Palem has tangibly enhanced resident welfare, reflecting the village head's holistic development commitment that spans physical, social, and economic dimensions.

Supporting Factors and Inhibiting Factors in Village Fund Management in Building Village-Owned Enterprises

The management of village funds in the development of Village-Owned Enterprises (Bumdes) in Wunut Village is a complex process and is influenced by various internal and

external factors that are interrelated. The success of this management does not only depend on the village apparatus as the main implementer, but is also influenced by community dynamics, regulations, and the support of related parties. The village head emphasized that the use of village funds is not enough only for the development of physical infrastructure such as roads or public facilities, because it tends to have a temporary benefit impact. Instead, village funds should be directed to productive sectors such as food security, livestock, and plantations that are in line with the potential of local resources. The right allocation of funds is an important capital to create an independent source of income and reduce the dependence of villages on central government assistance in the long term.

The main supporting factors that drive the success of the village fund management include the visionary leadership of the village head and has a commitment to sustainable village economic development. In addition, Government regulations and policies that support the development of Bumdes also provide a solid legal and institutional foundation, while adequate capacity of village apparatus in the field of financial management and business administration facilitates the implementation of the program. No less important is access to technical assistance and training from related institutions, which help strengthen the institutional capacity of Bumdes. The potential of local natural resources and culture is also the main capital in developing Bumdes business units that are in accordance with the characteristics of the village.

However, in practice, the management of village funds also faces various obstacles that have the potential to hinder the effectiveness of the implementation and development of Bumdes. One of the most significant obstacles is the lack of commitment and weak leadership at the village level, which causes village funds to be allocated more for routine activities and physical development without regard to the development of productive businesses. The lack of managerial capacity of Bumdes managers, especially in terms of business management and financial administration, increases the risk of failure and loss. The inconsistency in the allocation of village funds every year also makes it difficult for Bumdes to prepare long-term business plans. On the other hand, legality constraints and poorly understood business licensing can slow down the operation of Bumdes units. Many Bumdes are established without the support of a mature business plan and sufficient market analysis so that they are unable to compete and fail to achieve economic goals.

The importance of supervision of village funds by the community and the Village Consultative Body (BPD) is a key factor in maintaining transparency and accountability. With optimal supervision, the use of village funds becomes more targeted and development programs can run effectively. In the context of Wunut Village, if there is abuse or corruption, the impact is not only administrative but also has an impact on the entire development process and the welfare of the community. In addition to the aspect of fund management, the research also shows the need for special attention to the young generation of the village. Their involvement in the development and management of Bumdes is very important for business continuity. Therefore, education programs, entrepreneurship training, and managerial capacity building are needed for the next generation to be able to manage village businesses well and innovate according to the needs of the times. The community's collective awareness of the importance of active participation in the development process is also a success factor, strengthening the principle of mutual cooperation and supporting the transformation of villages to become more advanced and independent.

Finally, infrastructure obstacles such as road access and transportation facilities must continue to be improved to support economic activities and public services in Wunut Village. Adequate infrastructure will facilitate access to service centers, increase tourist visits to objects such as the Umbul Palem waterpark, and encourage overall village economic growth.

Thus, the management of village funds in building Bumdes in Wunut Village is a process that requires synergy between visionary leadership, community participation, transparent supervision, and regulatory support and technical capacity. By managing challenges appropriately and consistently utilizing the existing potential, Wunut Village has the opportunity to become an independent, competitive, and sustainable village. However, this requires a joint commitment from all elements of the village as well as good coordination between the central government, village governments, and the community.

Participatory Challenges and Village Autonomy

Ideally, the village should function as a public space where residents actively participate in fund decision-making processes. However, strategic decisions often remain dominated by village elites or apparatuses aligned with central government directives, restricting local aspirations. Such central interventions constrain the village's space for innovation and deliberation, reducing the village to a mere implementer of policies rather than a sovereign development agent. Consequently, the potential of village funds remains underutilized, and the principle of village independence marginalized.

Therefore, establishing participatory evaluation mechanisms that include all community sectors and traditional leaders, youth, women, and vulnerable groups is crucial to ensure policies reflect local needs, equity, and sustainability. This approach aligns with the core goals of village decentralization and autonomy.

According to reports in 2024, Wunut Village is considered one of the villages that has demonstrated effective management of village funds. It is classified as an independent village based on the Development Village Index (IDM) published by the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration. Generally, independent villages are characterized by their social, economic, and ecological resilience, which collectively contribute to enhancing the quality of life of the local community in a sustainable manner.

In a comparative context, Ponggok Village in Klaten has been frequently cited as an example of successful participatory community empowerment and innovative utilization of village funds. Its programs have reportedly succeeded in increasing tourism potential and promoting local entrepreneurship. Conversely, Urung Ganjang Village has faced challenges, particularly regarding limited community participation. This condition has been associated with reduced effectiveness of development programs and insufficient transparency in the management of village funds.

CONCLUSION

This research proves that transformational leadership plays a crucial role in optimizing Village Fund management for BUMDes development in Wunut Village. Field data shows that a village head with a long-term vision and ethical integrity succeeded in driving tangible programs such as BPJS subsidies that reached 78% of underprivileged residents and entrepreneurship training for 42 participants through BUMDes Umbul Palem. However, the dynamics of local politics-particularly patronage practices and electoral intervention-are still a serious challenge, with 65% of respondents claiming to have experienced the diversion of village budgets for political purposes ahead of elections. The lack of community participation (only 35% were involved in planning) and the weak managerial capacity of the apparatus also exacerbate this condition.

These findings underscore the need for a holistic approach that combines ethics-based village leadership capacity building, regulatory reform of village fund oversight to prevent politicization, and community empowerment through participatory transparency mechanisms. Concrete recommendations include inclusive leadership training for village

officials, the establishment of community-based budget oversight forums, and the optimization of digital technology for financial accountability. Thus, this research not only confirms the causal relationship between transformational leadership and the effectiveness of village fund management, but also provides an operational roadmap for policymakers in realizing sustainable development-oriented village fund governance.

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