

# The Role of Village-Owned Enterprise in Fostering Financial Literacy and Digital Economy: Case Study in Yogyakarta, Indonesia

Muhammad Heru Akhmadi<sup>1</sup>, Muhammad Syahrul Fuady<sup>2</sup> and Yanuar Pribadi<sup>3</sup>

{heru.cio@gmail.com<sup>1</sup>, [msfuady2001@gmail.com](mailto:msfuady2001@gmail.com)<sup>2</sup>, [yanuar.pribadi@pknstan.ac.id](mailto:yanuar.pribadi@pknstan.ac.id)<sup>3</sup>}

Polytechnic of State Finance STAN, Indonesia<sup>1,2,3</sup>

**Abstract.** Village-owned Enterprise (BUM Desa) is a social enterprise that functions as a pillar of the village economy in Indonesia. This study identifies the business models of BUM Desa in fostering financial literacy and the digital economy in Yogyakarta. The results revealed that there are four business models of BUM Desa: digital payment systems, digital markets, integrated waste management with savings, and rural microfinance. However, results show that several factors influence the success of the role such as business legality, innovative leadership, business model agility, village government support, and village meetings. Furthermore, capital, human resource quality, and information systems are the prerequisites for the fulfillment new business model in the internal BUM Desa. On the other hand, government involvement is also needed to socially strengthen village communities through programs to increase the financial literacy index and strengthen community entrepreneurship.

**Keywords:** Village-owned enterprises, Financial literacy, Digital economy, Village finance.

## 1 Introduction

Rural development is a development strategy in Indonesia since it is intended to reduce income gaps. Since the issuance of Law Number 6 of 2014 concerning Villages, the government has allocated a village budget of up to 1 billion per village to encourage increased welfare of rural communities [1]. To maintain accountability, village financial management is carried out transparently and sustainably to increase the trust of the village community [2].

The existence of a Village-owned Enterprise, hereinafter referred to as BUM Desa, as a pillar of the village economy that was stipulated in Government Regulation No. 11 of 2021, has become a new economic force as a facilitator in encouraging village economic activity [3]. BUM Desa is a corporation in the form of a legal entity standing in a village or with villages in the context of business management in the form of productive businesses, services, or other business services, utilization of village assets, investment development and productivity to realize the welfare of village communities. The role of BUM Desa as a driving force for the village

economy is not only profit-oriented but is expected to provide social benefits for village communities [4]

The sustainability of BUM Desa as a social enterprise is urgently needed in the context of developing village community production businesses in the fields of agriculture, fisheries and plantations as well as small home industry businesses. In this case, the business run by BUM Desa must be in line with the needs of the community [5] and provide benefits in the form of rural entrepreneurship, capacity building and stakeholder support in developing the village economy [6].

The development of the BUM Desa business sector is still not optimal. Limited types of businesses being run and human resources managing BUMDes, as well as low community participation due to low public knowledge [7] are homework that needs to be completed. So the existence of BUM Desa has not brought significant benefits to directly increasing the welfare of the community members.

BUM Desa innovation is an indicator of increasing company performance [8]. The ability to deal with market disruptions can affect financial performance [9]. So it is necessary to improve BUM Desa's business performance through collaboration with village communities and village government to create a strong relationship of trust in the community [10].

Development of the BUM Desa business model through increasing a combination of financial literacy and capital can maintain business continuity [11]. Financial literacy influences entrepreneurial participation and entrepreneurial performance (Li & Qian, 2020). As a community, financial literacy is influenced by several factors such as age, gender, income, religion, social group, family size, marital status, education level, and occupation [12].

On the other hand, the development of digital rural economy ecosystems that have emerged along with the increasing use of information technology has developed the entrepreneurial abilities or activities of rural communities [13] although there are still problems with regulation, collaboration, and infrastructure that need to be addressed so as not to hinder digital economic growth [14].

The functioning of financial literacy and the digital economy is an important factor in building financial inclusion and resilience [15]. The results of the 2019 National Financial Services Authority (OJK) literacy and inclusion survey (SNLK) show that the percentage of the financial inclusion index in rural areas is 76.19% and the financial literacy index is 38.03% which is below the national literacy. The low level of public financial literacy is generally caused by a lack of education about finance, even from an early age [16].

Optimizing financial literacy and the formation of digital economic functions in villages will improve the performance and productivity of BUM Desa [17]. This research wants to explore the form of the role carried out by BUM Desa in increasing financial literacy and the digital economy in rural areas. The formulation of this research is the role of BUM Desa in increasing financial literacy and digital economy in rural areas and what factors support the successful role of BUM Desa in increasing financial literacy and digital economy in rural areas.

## **2 Literature Review**

### **2.1 Village-owne Enterprise (BUM Desa)**

BUM Desa is a business entity in which all or most of the capital is owned by the village through direct participation originating from village assets which are separated to manage assets, services and other businesses for the greatest possible welfare of the village community [18]. The formation of BUM Desa as an institution driving the village economy is an effort to synergize between the government and stakeholders in building a people's economy [19].

The implementation of the role of BUM Desa is part of institutional theory which is a theory that explains the phenomenon of the tendency of changes in organizations towards homogeneity [20]. In the new institutional theory, decision-making in institutions will emphasize the implementation of a policy or system through isomorphism [21], [22]. This isomorphism can be divided into coercive, mimetic, and normative isomorphisms [20].

The role of BUM Desa as a driving force for the rural economy is the development of the theory of social capital, which is not capital in the sense of assets or money, but rather "capital" in social life such as goodwill, friendship, sympathy, and close relationships and cooperation between individuals and families that form a social group [23]. Social capital consists of a network of social attachments governed by norms that determine the productivity of a group of people or community [24].

The characteristic of a village that naturally has a close relationship among its community members is an advantage. The existence of closeness and good relations between members of this community will make it easier to solve common problems. Through the closeness of this community, the concept of community-driven development (Community Development) emerged, for example, the National Program for Community Empowerment (PNPM), or also Community-Based Water Supply and Sanitation (PAMSIMAS). In this case, optimizing the BUM Desa has a positive effect on increasing village independence [25].

As a corporation, BUM Desa requires capital as a lever for company performance [26]. Strengthening BUM Desa capital from the village government is provided through financial capital sourced from the village government budget. However, it was found that the capital owned by BUM Desa did not have a significant effect on the growth of BUM Desa turnover [27]. Positive BUM Desa business performance can increase investor confidence to invest [28].

Several factors affect the performance of BUM Desa, The internal factors are business models, institutional norms [29] lack of business planning, inefficiency in business management, corruption, and lack of business management skills [30]. The external factors are the decline in community income [30], changing regulations and lack of harmony in the synergy between the village government and BUMDesa [6]. The existence of BUM Desa has a positive influence on the welfare of the village community [31]. The ability to manage BUM Desa is a driving factor for the existence of BUM Desa [32]. The management of BUM Desa through the application of information systems and the presence of work motivation has a positive effect on improving employee performance [33]. In addition, the democratic leadership style applied to BUM Desa will improve the performance of BUM Desa as a whole [34].

### **2.2 Financial Literacy**

Understanding and knowledge about investment are needed by parties involved in financial and investment management. Investors certainly want results from what is invested. Expectancy

theory as put forward by [35] explains that the urge to do something is influenced by the opportunity to get that thing. Conversely, the smaller the opportunity to get something, the individual's motivation to try for it also tends to be smaller. About investment, an understanding of finance and motivation must of course be based on adequate knowledge.

Financial literacy is one of the efforts to increase understanding of financial and investment management by individuals. As revealed by [36] financial literacy will have an impact on the ability to analyze finances by individuals. Furthermore, financial literacy turns out to play a more important role than the level of education in influencing the success of investments in the family sphere [37].

Financial literacy also provides benefits in improving the performance of Small and Medium Enterprises [38]–[40]. Increasing financial literacy will affect increasing financial inclusion [41], [42]. The financial services sector is seeing an increase in demand for financial services. The higher the level of public financial literacy, the more people will access financial products and services.

Financial literacy influences entrepreneurial participation and entrepreneurial performance [43]. As a community, financial literacy is influenced by several factors such as age, gender, income, religion, social group, family size, marital status, education level, and occupation [12]. Empirically, the results of the 2019 National Financial Services Authority (OJK) Literacy and Inclusion Survey (SNLK) show that the percentage of financial inclusion index. in rural areas, the 2019 SNLK results show a financial literacy index that is below national literacy of 38.03%.

Financial education plays a fairly important role in financial literacy [44], [45]. This financial literacy will be in line with the level of community welfare on the financial side [46] because the community can plan and make the right financial decisions both in terms of investment and other financial decisions. Increasing the role of village financial institutions is one of the efforts to improve the financial conditions of rural communities. This is done, among others, through the village granary economic model [47].

### **2.3 Digital Economy**

The digital economy is defined by Amir Hartman as a virtual arena where actual business is conducted, value is created and exchanged, transactions occur and one-to-one relationships using the internet initiative as a medium of exchange. Don Tapscott [48] explains that there are twelve characteristics of the digital economy: knowledge, digitization, virtualization, molecularization, internetworking, disintermediation, convergence, innovation, assumptions, immediacy, globalization, discordance.

Digitalization has an impact on the quality and financial capability of small-scale economic enterprises. Investment in education is an important component in supporting the creation of a digital economy [49]. Increasing human resources will affect digital readiness. Increasing digital readiness will affect increasing economic growth [50]. Increasing digital literacy will encourage the use of information technology in Small and Medium Enterprises [51]. BUM Desa must be able to develop digital business services. The digital business service platform will improve the performance of BUM Desa [52].

### 3 Methodology

This study used a descriptive qualitative method where data analysis was carried out descriptively in the form of pictures, tables and descriptions. This research used a case study in Yogyakarta Province by collecting data from 2 (two) BUM Desa: Panggung Lestari in Panggunharjo village and Maju Mandiri in Bejiharjo village. The selection of these BUM Desa is based on the consideration that both have superior predicates and have many types of businesses, thus enriching the data collection in this research.

Primary data becomes a source of data analysis for case studies while secondary data supports arguments for data analysis. Primary data was obtained through structured interviews with several informants who were selected based on the criteria of understanding the problems related to BUM Desa. Some of the informants referred to are the Head of the Village, the Director of BUM Desa, and the Academics. While secondary data was obtained through literature studies, sources from internet searches, as well as sources from other studies relevant to this research.

**Table 1.** Relationship between objectives, data, and research analysis

Objective	Data	Data Source	Data Analysis
1. Identify existing factors that influence the role of BUM Desa in increasing financial literacy and the digital economy.	Primary	Informant	Descriptive analysis
2. Identify BUM Desa business strategies in increasing financial literacy and the digital economy	Primary	Informant	Descriptive analysis
3. Identify the factors supporting the successful role of BUM Desa in increasing financial literacy and the digital economy.	Primary	Informant	Descriptive analysis

Data analysis uses NVivo tools to help codify and interpret data. Descriptive analysis is used to identify the variables used in determining the research model and variables. The research model was identified from the interview results. To identify the variables in the research model, data processing was carried out in the form of data codification to the relationships between codes.

### 4 Results and Discussion

The condition analysis shows that several obstacles affect the development of BUM Desa, that divided into two factors internal BUM Desa and the social community of the village. Internal factors include aspects of capital, quality of human resources, and inadequate information systems. The social factors of the village community include a low level of financial literacy and a high consumption behavior of the people.

#### 4.1 The BUM Desa's Business Models

In increasing digital financial and economic literacy, BUM Desa can develop 2 (two) main things, namely increasing digital services and developing microfinance business units. Strengthening these two things is done through collaboration with various parties such as

banking, private investment, non-bank financial institutions including pawnshops, and local/village governments. In terms of business digitization, most BUM Desa still have a minimal business scale and the business life is not too long so digitalization in BUM Desa is currently very weak. This is by research which states that the factors causing weak digitalization are business scale and length of business [53].

### 1. E-ticketing Service

E-ticketing services can be developed in tourist villages, in this case, the BUM Desa acts as a service operator. For example, the e-ticketing service for the Pindol Cave tourism business at BUM Maju Mandiri Village in Bejiharjo Village, Kulonprogo, Province of D.I. Yogyakarta. Initially, this tourism business was managed by each Tourism Awareness Group (Pokdarwis), totaling 11 groups. There is conflict between Pokdarwis due to the monopoly of one of the Pokdarwis, and the lack of transparency in the management and distribution of the results of the management of the tourist area [54].

Furthermore, to maintain harmony, the village meeting agreement mandated that BUM Desa Maju Mandiri be the manager of the village assets of Goa Pindol as well as a tour operator that compiles tourism Standard Operating Procedures (SOPs). Meanwhile, the duties of tour guides are still assigned to each Pokdarwis. To support services, BUM Desa Maju Mandiri has launched an e-ticketing system which has been implemented since early 2022 in collaboration with PT Telkom as a provider and maintainer of the system.

This system facilitates visitors of Pindol cave to make reservations for entrance tickets and tour guide services. In addition, payments are also made online and cashless through several payment channels provided. Visitors can have tickets before coming to tourist sites even though visitors can buy tickets on arrival, but purchases made at ticket counters still use an online and cashless system.

This e-ticketing system provides benefits, including:

- a. Encouraging digital literacy among villagers, especially the Pindol's Cave tour guide.
- b. Increase the comfort and satisfaction of Pindul Cave visitors, because they can buy entrance tickets online, especially during peak seasons such as January, April and May.
- c. Reducing the potential for conflict between Pokdarwis, because the e-ticketing system increases transparency, especially by cross-checking the billing of Pokdarwis services to BUM Desa Maju Mandiri.
- d. Improving service efficiency through simplifying the Goa Pindol tourism business process and minimizing costs incurred such as collecting costs, inventory costs, and others arising from complicated management if done manually.
- e. Minimizing the practice of brokers/brokers and extortion because all payments are made cashless and go directly to the BUM Desa account.
- f. Simplification of business processes is a key factor in service efficiency so that visitors to tourist attractions get comfort, convenience and speed of service.

### 2. Digital Marketplace

The digital market is a solution to the problem of marketing products/services produced by industry or households [55]. The digital market is also a new entrepreneurial paradigm for millennials. Currently, the growth of digital trade (e-commerce) in Indonesia is increasing every year. Kominfo data for 2019 states that Indonesia is the 10th country with the largest e-

commerce growth with a growth of 78 percent and is predicted to become the largest digital economy player in Southeast Asia.

The results of some interviews, the BUM Desa digital market can be divided into five stages. The development of the digital market managed by BUM Desa in both Bejiharjo Village and Panggungharjo Village is still at levels 1 and 2. This is due to the progress of the village strengthening as a production base. The elements of economic actors in the village have not been fully involved in marketing their products through the BUM Desa digital market. So that the products or services catalog is incomplete, both in terms of quantity, price, and product or service specifications.

**Table 2.** Stage of Digital Marketplace in BUM Desa

Stage	Description
Stage 1 (Start Up)	BUM Desa compiles an online catalog for products/services with specifications and prices which can be accessed online through the website
Stage 2 (Developing)	BUM Desa utilizes social media for outreach, two-way communication, building networks and communities
Stage 3 (Growing)	BUM Desa builds product branding through social media or community talk
Stage 4 (Sustained)	BUM Desa utilizes e-commerce to increase sales and expand market access
Stage 5 (Matured)	BUM Desa can build an integrated marketing channel ecosystem

BUM Desa Panggung Lestari Panggungharjo Village has encouraged the village community to shop through digital markets, especially during the COVID-19 pandemic situation in 2020. Villagers who receive Village Fund BLT are directed to shop using ATM cards as a means of cashless payment at merchants in villages affiliated with the BUM Desa Digital Market. Communities are monitored to spend BLT funds to meet basic needs and expand the value of benefits according to needs, not desires.

The regional inspectorate found this distribution program to be criticized, but the Panggungharjo village administration was guided by regulations up to the district government level, namely the procedure for channeling BLT village funds, while the procedure for utilizing BLT village funds was not regulated. So that this becomes a policy space for the village government to direct its citizens to take advantage of BLT village funds through the BUM Desa digital market. To strengthen the utilization of BLT village funds, the Head of Panggungharjo Village has issued a Village Regulation.

The existence of the BUM Desa digital market provides benefits including:

- a. Providing convenience for buyers and sellers, where transactions can be made by buyers using ATMs or deposit funds (e-wallets) and sellers using Electronic Data Capture (EDC) devices and QRIS facilities.
- b. Reducing unemployment, due to the emergence of creative entrepreneurs and the addition of new types of jobs such as merchant keepers and delivery of goods (courier).
- c. Encouraging production villages, where the creativity of rural communities emerges in producing goods or services that can be reached locally at competitive prices. BUM Desa can provide stimulation to village communities through various entrepreneurship trainings.

- d. BUM Desa can analyse economic behaviour and product potential produced by rural communities through the digital market big data.

### 3. Waste Savings Program

The waste savings program is an environmental control program, especially in terms of waste management by collaborating the resulting benefits in the form of gold savings. This program is motivated by concerns about the environmental impact resulting from poor waste management. The characteristics of the Panggungharjo village area which is in the suburbs of Yogyakarta City have encouraged an increase in the amount of household waste as a result of the demographic growth of the Panggungharjo village population.

To solve this problem, BUM Desa Panggung Lestari formed a Waste Management Business Group (KUPAS) which has existed since 2013. The existence of KUPAS has been able to reduce non-productive waste in Panggungharjo village. Waste processing is carried out not only by sorting and picking up certain waste that meets economic criteria, but also all waste including plastic bag waste. Currently, KUPAS has a thermoplastic waste management system as an innovation in the utilization of plastic waste so that it has a high selling value.

In terms of business processes, the waste management carried out by KUPAS involves the Waste Bank Group (KBS) at the RT/RW level. The KBS is in charge of receiving and collecting waste that has been sorted by the residents of each RT/RW to be weighed and recorded based on each participant's account. At the time of garbage collection, KUPAS employees will recalculate the recyclable waste collected by KBS and input it into each participant's waste savings book. In addition, KUPAS will charge a minimum fee of Rp20.000,- per month for families who have non-recyclable waste, including organic waste, with certain conditions for the maximum volume of waste. If it is more than these conditions, an additional fee will be charged.

The waste savings program is a collaboration between BUM Desa Panggung Lestari and PT. Pegadaian through the launch of a gold-denominated waste savings program. This program aims to increase environmental awareness as well as financial literacy of the village community. The community sustainably saves gold based on the waste sold to KUPAS. This gold savings in the long term can pay for children's education or old age savings. According to the source, the gold savings scheme was chosen considering the intrinsic value of gold is more stable against inflation than rupiah savings. In addition, waste savings that are converted to gold are considered more valuable than in the form of rupiah currency, which is of little value.

The gold savings program is intended for rural communities that are active in sorting their household waste. Currently, 1,500 families are customers of junk savings with a total gold collected by the end of 2021 of 2.5 ounces of gold or IDR 200 million, assuming a gold exchange rate of IDR 800,000 per gram. There are still 83% of the village population who have not taken advantage of this scheme. The village government is targeting the gold savings program to be paperless in 2023. It is hoped that PT. Pegadaian can develop an application system that can facilitate digital gold savings.

### 4. Microfinance Business Unit

Based on Law No. 1 of 2013, the business activities of microfinance institutions can include 3 (three) things, namely distributing micro-scale business loans/financing, managing deposits, and providing business development consulting services. Management of UKMM can use



conventional or sharia schemes. UKM business activities are fostered and supervised by the Financial Services Authority (OJK). UUKM can manage funds entrusted by village communities in the form of savings and time deposits based on agreed fund deposit agreements. Meanwhile, the distribution of loans/financing must follow Government Regulation No. 89 of 2014 which regulates the scope and interest rates of loans/financing yields.

The development of Microfinance Business Units (UUKM) is an effective way to strengthen villages as production bases and improve the financial behavior of village communities. The implementation of the role of UUKM in strengthening the village as a production base is carried out through channeling loans/financing to household businesses as MSME partners for BUM Desa. This loan/financing distribution can improve the performance of MSMEs [56].

BUM Desa Mitra Mandiri has initiated the development of UKMM through a children's savings program aimed at kindergarten/elementary school children with a maximum nominal value of IDR 10,000 per week. Currently, 108 students have joined, with total savings reaching IDR 11 million. Even so, the development of UUKM in BUM Desa Mitra Mandiri and BUM Desa Panggung Lestari has not been optimal. The problems are more related to operational permits that are determined according to OJK regulations, including capital readiness as UUKM. It is proposed that there is a need for regulations from the government that make it easier for BUM Desa to form UUMK with controlled risk management.

Another alternative that can be carried out by BUM Desa is to cooperate with UUKM organizers who have received operational permits, such as Rayat Credit Banks, Cooperatives, or financial technology (fintech). To support the fulfillment of production village targets, BUM Desa can open village community business development consulting services. UUKM organizers are involved to ensure that businesses run by the community continue to grow and have better performance. The use of information technology and business development consulting can facilitate system administration, speed up services, and gain stakeholder trust [57].

#### **4.2 Supporting Factors for the Role of BUM Desa**

The results of interviews showed that there were factors that influenced the successful role of BUM Desa in increasing financial literacy and digital economic development in villages which were divided into two groups: external factors (consisting of village government support and quality of village meetings) and internal factors (consisting of legality effort, leadership, and business model).

The support of the village head is important for BUM Desa, especially as a leadership figure who has the vision and mission to develop the village during his leadership period. The village head's leadership encourages BUM Desa to innovate and improve its performance. The results of the interviews stated that there was a causal relationship between leadership figures and the business development of the BUM Desa.

Village meetings are the highest authority holders that produce various strategic decisions in the context of development and increasing the welfare of village communities. The Village Deliberation can also be the General Meeting of Shareholders (GMS) of the BUM Desa so that the results of the decisions become an important concern for the BUM Desa in operational, institutional and business unit management. Some of the authorities of the Village Meetings concerning BUM Desa based on Government Regulation No. 11 of 2021 include:

- a. Establishment and dissolution of BUM Desa along with settlement of all rights and obligations;

- b. Stipulation of the Articles of Association which regulate BUM Desa advisers, operational executors, supervisors, secretaries and treasurers of BUM Desa;
- c. Approval of capital participation in BUM Desa, BUM Desa work program plans, BUM Desa loans and BUM Desa cooperation with other parties.
- d. Distribution of BUM Desa net profits and determination of the purpose of using Village BUM net profits;
- e. Village assignment to BUM Desa to carry out certain activities;
- f. Closure of BUM Desa Business Units and settlement of BUM Desa losses,
- g. Reporting and accountability of BUM Desa activities

The inauguration of the BUM Desa legal entity will emphasize that BUM Desa is part of village assets whose management is separated from the village government. The manager, in this case, the Director of BUM Desa, has legal certainty and management autonomy in a professional, efficient, effective, and accountable manner. Theoretically, the legality of the BUM Desa emphasizes the criteria as a public legal entity whose arrangements are adjusted to the general principles of the corporation, but its management prioritizes a spirit of kinship and cooperation. The status of a BUM Desa legal entity is based on the issuance of an electronic registration certificate from the Minister of Law and Human Rights by first going through a registration and verification process.

Understanding the agility of the BUM Desa business model can be viewed from a stakeholder approach. The success of identifying stakeholders will provide direction for BUM Desa management to be accountable to several related stakeholder groups [58].

**Table 3.** BUM Desa's Stakeholder Mapping

Internal Stakeholder		External Stakeholder	
Member	Interest In	Member	Interest In
1. Village Government	High profit (and or maximum benefit)	1. Customer	Quality products or services
2. BUM Desa Manager	Fair compensation/ rewards (salary, incentives).	2. Business partners	Fair and ethical treatment
3. BUM Desa Officer	Fair compensation/ rewards (salary, incentives).	3. Local Government	Fulfillment of obligations on regulations, payment (and incentives) of taxes
		4. Community	Social, economic and environmental impacts, as well as labour relations stability for members of society

The management of BUM Desa cannot be separated from the leadership figure, who has an entrepreneurial mindset and qualified managerial skills. The entrepreneurial mindset of the BUM Desa leadership can be seen from their ability to see business opportunities and efficient management of BUM Desa's finances in generating profits. The managerial ability can be seen from the ability to recruit BUM Desa human resources with an adequate recruitment system and selection of appropriate and competent individuals in managing BUM Desa.

A business model can be defined as a method used by a company to make money in the business environment in which the company operates. The BUM Desa business model has different characteristics compared to companies or cooperatives in general. The BUM Desa business

model is closer to a social enterprise, where in addition to seeking profits, the BUM Desa also has a social mission that is localized in the village. The role of BUM Desa is to participate in community empowerment and village poverty reduction.

In terms of public services and asset utilization, BUM Desa can be the only service owner who chooses a business whose business model is a company. As an example of managing a tourism village that utilizes village or government assets, the BUM Desa must focus on generating profits. Even so, social missions are still carried out, for example recruiting workers from the local community so that unemployment in the village decreases.

On the community empowerment side, the sharing economy model is a reference where BUM Desa fills in empty spaces that are not/have not been entered into by local village businesses, such as being a liaison, advertising, promotion and replacement of distribution channels from capital owners/companies, and receiving profit sharing from what the community does. BUM Desa should not be a direct competitor for business actors in the village but should embrace and strengthen them.

## 5 Conclusion

BUM Desa has different business model characteristics compared to general companies. The BUM Desa business model is closer to a social enterprise, where in addition to seeking profits, the BUM Desa also has a social mission that is localized in the village. Exploring the role of BUM Desa as a pillar of the village economy is the key to strengthening the BUM Desa business model. This study aims to explore the BUM Desa business model in supporting financial literacy and the digital economy in rural areas. The results of this study indicate that four BUM Desa business models can be developed, namely: developing e-ticketing services or online and cashless payment systems, developing village digital markets, integrated waste management with savings, and establishing microfinance institutions. Several factors influence the success of increasing the role of BUM Desa in financial literacy and rural digital economy, namely village government support and village deliberations, business legality, leadership, and the BUM Desa business model. Furthermore, there are prerequisites for internal BUM Desa improvement as fulfillment of a new business model which includes: aspects of capital, quality of human resources, and information systems. On the other hand, the involvement of the village government is also needed to socially strengthen village communities through programs to increase the financial literacy index and programs to strengthen community entrepreneurship.

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