

Local Governance and Sustainable Tourism Development through Village-Owned Enterprises: Evidence from Coban Srengenge Ecotourism, Malang Regency, Indonesia

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ABSTRACT

Sustainable tourism development in rural areas increasingly depends on the effectiveness of local governance arrangements and the institutional capacity of community-based organizations. In Indonesia, Village-Owned Enterprises (Badan Usaha Milik Desa/ BUM Desa) are designed as key governance instruments to manage local economic assets and support sustainable development goals. This study examines how local governance practices shape the sustainability of village-based ecotourism through a case study of Coban Srengenge Ecotourism in Malang Regency. The study employs a qualitative descriptive approach. The data capture governance-related aspects, including institutional roles, financial capacity, participation mechanisms, and strategic visions for tourism development. Thematic analysis was applied to identify key patterns and constraints influencing the sustainability of tourism initiatives. The findings reveal that while BUM Desa possesses a clear developmental vision and formal authority to manage multiple business units, the sustainability of Coban Srengenge Ecotourism is constrained by limited financial resources, dependence on a single active business unit, and weak integration of youth participation. The tourism unit has remained inactive following the COVID-19 pandemic, highlighting governance challenges related to resource mobilization and adaptive capacity. Nevertheless, the strong commitment of local actors indicates potential for sustainable tourism development if supported by improved governance structures and diversified funding strategies. This study contributes to the governance and sustainable development literature by providing empirical evidence on how local institutional constraints and capacities affect community-based tourism sustainability in rural contexts.

Keywords: local governance; sustainable tourism; village-owned enterprises; community-based development; rural Indonesia

1. INTRODUCTION

Sustainable development has become a central paradigm in contemporary public governance, emphasizing the integration of economic growth, social inclusion, and environmental protection across multiple levels of governance. Since the adoption of the 2030 Agenda for Sustainable Development, scholars have increasingly highlighted the importance of local institutions and governance arrangements in translating global development goals into tangible outcomes at the community level (United Nations, 2015). In this context, local governance plays a critical role in shaping how development initiatives are planned, implemented, and sustained, particularly in rural and peripheral areas. Governance scholarship has consistently emphasized that development outcomes are not merely the result of policy design, but are deeply influenced by institutional capacity, actor collaboration, and decision-making processes at the local level. Collaborative and participatory governance frameworks argue that effective governance emerges from interaction among state actors, community organizations, and local stakeholders rather than hierarchical control alone (Ansell & Gash, 2008). This perspective aligns with polycentric governance theory,

which highlights the importance of decentralized institutions and locally embedded decision-making in managing complex socio-economic systems (Ostrom, 2010). Within the field of sustainable tourism, governance has been widely recognized as a determining factor in long-term destination sustainability. Tourism development, particularly in rural and nature-based settings, requires coordinated governance arrangements to balance economic benefits with environmental conservation and community well-being (Bramwell & Lane, 2011). Empirical studies have demonstrated that weak governance structures often result in fragmented planning, limited community participation, and unsustainable exploitation of tourism resources (Hall, 2011). Conversely, strong local governance arrangements enhance adaptive capacity, stakeholder trust, and resilience in tourism destinations. Community-based tourism has emerged as a prominent approach to sustainable tourism development, especially in developing countries. This approach emphasizes local ownership, community participation, and equitable benefit distribution as key principles for sustainability (Tosun, 2000). However, the literature also cautions that community-based tourism initiatives frequently face institutional and financial constraints that limit their long-term viability, particularly when local governance mechanisms are underdeveloped (Bramwell, 2011). These challenges underscore the importance of examining governance capacity rather than assuming that community-based structures automatically lead to sustainable outcomes.

In Indonesia, Village-Owned Enterprises (Badan Usaha Milik Desa / BUM Desa) have been institutionalized as formal local economic entities intended to strengthen village autonomy and promote sustainable rural development. From a governance perspective, BUM Desa represent hybrid institutions that combine public authority, community participation, and entrepreneurial functions. Such hybrid governance arrangements are increasingly discussed in the public administration literature as potential drivers of inclusive and sustainable development, particularly in rural contexts where market mechanisms alone are insufficient (Ansell & Torfing, 2017). Despite their strategic role, empirical evidence suggests that many village-based enterprises struggle to achieve sustainability due to limited institutional capacity, dependence on single revenue streams, and weak integration of local human capital. In the tourism sector, these challenges are further exacerbated by external shocks and changing market conditions, which test the adaptive capacity of local governance systems. The post-pandemic context has intensified scholarly interest in governance resilience, highlighting how crises expose structural vulnerabilities in local development institutions rather than creating entirely new problems (OECD, 2020). Against this theoretical and empirical backdrop, this study examines local governance practices in the management of village-based ecotourism through a case study of Coban Srengenge Ecotourism in Malang Regency, Indonesia. By drawing on open-ended survey data from BUM Desa management actors, the study seeks to contribute to the governance and sustainable development literature by providing grounded empirical insights into how institutional capacity, financial constraints, and participation dynamics shape the sustainability of community-based tourism initiatives at the village level.

2. LITERATURE REVIEW

Governance as an Analytical Entry Point

This study adopts governance as the primary analytical lens to examine sustainable tourism development at the village level. Governance is understood not merely as formal governmental authority, but as a set of institutional arrangements, decision-making processes, and interactions among public actors, community organizations, and local stakeholders that collectively shape development outcomes (Rhodes, 1996; Ansell & Gash, 2008). In rural development contexts, governance emphasizes how power, resources, and responsibilities are distributed and coordinated across multiple actors rather than centralized within a single authority. Collaborative governance theory provides a foundational framework for this analysis, highlighting the importance of inclusive participation, shared decision-making, and trust-building among stakeholders in addressing complex public problems (Ansell & Gash, 2008). Tourism development, particularly community-based ecotourism, is inherently multi-actor and thus highly dependent on governance arrangements

that facilitate coordination between village governments, community members, and economic institutions such as Village-Owned Enterprises (BUM Desa).

Institutional Capacity of Village-Owned Enterprises

Institutional capacity constitutes the central mediating construct in this framework. Drawing on institutional theory, capacity is conceptualized as the ability of organizations to mobilize resources, coordinate actors, and adapt to changing environmental conditions (Hall & Taylor, 1996). In the context of village-owned enterprises, institutional capacity encompasses several interrelated dimensions, including organizational structure, leadership competence, financial management, human resource utilization, and strategic planning. From a governance perspective, BUM Desa represent hybrid institutions that combine public mandates with entrepreneurial functions. Such hybridity requires governance arrangements that are flexible yet accountable, participatory yet efficient (Koppenjan & Enserink, 2009). Prior studies indicate that when institutional capacity is weak—characterized by limited financial resources, dependence on single revenue streams, or insufficient human capital—local development initiatives struggle to achieve sustainability, regardless of formal policy support (Grindle, 1997). In tourism management, institutional capacity is particularly critical due to the sector's vulnerability to external shocks and fluctuating demand. Adaptive capacity—the ability to respond to crises, reallocate resources, and innovate—is increasingly recognized as a core component of sustainable tourism governance (Folke et al., 2010).

Sustainability as an Outcome of Governance Processes

Sustainability in this study is treated as an outcome of governance processes rather than a static goal. Building on the sustainable development literature, sustainability is defined as the long-term ability of tourism initiatives to generate economic benefits, support social inclusion, and maintain environmental integrity (WCED, 1987; Bramwell & Lane, 2011). Importantly, sustainability is not assumed to emerge automatically from community-based arrangements but is contingent upon the effectiveness of underlying governance and institutional capacities. The literature on sustainable tourism governance emphasizes that destinations with weak institutional arrangements often experience stagnation, inequitable benefit distribution, and environmental degradation (Hall, 2011). Conversely, destinations supported by strong local institutions and participatory governance structures are more likely to demonstrate resilience and continuity, particularly in post-crisis contexts (OECD, 2020).

Analytical Framework of the Study

Based on the above theoretical discussion, this study proposes an analytical framework in which local governance practices shape the institutional capacity of BUM Desa, which in turn influences the sustainability of village-based ecotourism. Governance is operationalized through dimensions such as role clarity, participation mechanisms, and decision-making processes. Institutional capacity is examined through financial resources, human capital, and organizational adaptability. Sustainability is assessed in terms of continuity of tourism activities, community involvement, and future development potential. This framework allows the study to move beyond descriptive accounts of tourism stagnation and instead provide a governance-oriented explanation of sustainability challenges at the village level. By focusing on the mediating role of institutional capacity, the framework contributes to the broader governance literature by demonstrating how local institutions translate governance arrangements into sustainable development outcomes.

3. METHODS

This study employs a qualitative descriptive approach to examine how local governance practices shape institutional capacity and sustainability in village-based ecotourism management. A qualitative design is appropriate for exploring governance processes, organizational constraints, and actor-based perspectives embedded in specific institutional contexts rather than for testing

hypotheses or establishing causal relationships (Creswell & Poth, 2018; Yin, 2018). The research is designed as a single-case, governance-oriented study focusing on Coban Srengenge Ecotourism in Malang Regency, Indonesia. The primary data consist of open-ended survey responses collected from key BUM Desa management actors directly involved in governance and operational decision-making. Open-ended survey instruments are widely used in qualitative governance research to elicit reflective, experience-based narratives from institutional actors, particularly when direct interviews are constrained by access or organizational settings (Miles et al., 2014). Although the data were collected in written form, the responses provide analytically rich accounts capable of capturing governance dynamics and institutional challenges. Data analysis followed the interactive model of qualitative analysis proposed by Miles, Huberman, and Saldana (2014), consisting of data condensation, data display, and conclusion drawing/verification. Data condensation involved selecting, focusing, and simplifying governance-related information from the survey responses. Data display was conducted through thematic matrices that organized findings according to the analytical framework of governance, institutional capacity, and sustainability. Conclusion drawing and verification involved identifying patterns, relationships, and explanatory propositions linking governance practices to sustainability outcomes.

4. FINDINGS

The findings from the study on Local Governance and Sustainable Tourism Development through Village-Owned Enterprises (BUM Desa) at Coban Srengenge Ecotourism, Malang Regency, Indonesia, are elaborated as follows:

Demographic and Institutional Context

The leadership structure of BUM Desa is composed of experienced individuals predominantly aged between 30 and over 40 years. These leaders mainly originate from the local communities of Ampelgading and Tirtomarto, ensuring that governance is deeply rooted in local knowledge and community engagement. The institutional framework integrates the village apparatus with BUM Desa directors, who collaboratively oversee the management and strategic direction of local economic initiatives. This integration fosters a governance model that aligns with community priorities and supports sustainable development objectives.

Current Status of Tourism and Business Units

The tourism sector, with specific emphasis on the Coban Srengenge ecotourism unit, is currently underutilized and largely inactive. This inactivity is primarily attributed to the adverse effects of the COVID-19 pandemic, which necessitated a temporary suspension of all tourism-related operations to comply with health and safety regulations. Apart from the ecotourism unit, other business units under the BUM Desa umbrella continue to operate but have yet to achieve full development or integration. At present, only one business unit is actively functioning, while the remaining units remain dormant, indicating a fragmented operational status that limits overall organizational performance and economic contribution.

Marketing and Digital Presence

In response to the evolving digital landscape, BUM Desa has embraced digital marketing strategies to enhance visibility and outreach of its business units. This includes the utilization of a dedicated website and active engagement on prominent social media platforms such as WhatsApp, Instagram, and Facebook. These digital channels serve as critical tools for promoting products and services, engaging with potential customers, and fostering community awareness. Financially, BUM Desa allocates an estimated budget of approximately IDR 5,000,000 specifically for marketing activities, supplemented by an additional IDR 1,000,000 for other operational expenses. This budgetary commitment reflects an understanding of the importance of digital marketing in contemporary business environments, although resource constraints may limit the scale and effectiveness of these efforts.

Challenges in Funding and Expansion

A significant challenge facing BUM Desa is the lack of sufficient funding to support the expansion or enhancement of existing business units. Despite proactive efforts to build capacity through various training and development programs, the translation of these initiatives into tangible operational improvements has been limited. Consequently, many business units experience stagnation, with growth impeded by both financial constraints and managerial limitations. Although new business opportunities with promising prospects have been identified, their realization remains slow and uncertain due to these impediments. This funding gap highlights the need for innovative financial solutions and stronger institutional support to catalyze sustainable growth.

Human Resources and Community Involvement

The current human resource base within BUM Desa is adequate in terms of skills and workforce presence; however, there is minimal involvement of local youth in the management and operation of business units. Engaging youth is recognized as a critical factor for fostering innovation, ensuring sustainability, and promoting community-driven economic development. Despite this awareness, actual youth participation remains limited, largely due to the restricted number of active business units and insufficient mechanisms to integrate young people into organizational activities. Strengthening youth engagement is essential for building a resilient and dynamic enterprise that can adapt to changing economic and social conditions.

Governance and Vision for Growth

The leadership of BUM Desa exhibits a strong commitment to professional and transparent management practices. The governance team articulates a clear vision and mission focused on supporting village government initiatives to increase local revenue (Pendapatan Asli Desa or PAD) and enhance the welfare of the community. This vision underscores the strategic role of BUM Desa as a catalyst for local economic development and social empowerment. Nonetheless, operational challenges, including limited resources and external disruptions such as the pandemic, continue to constrain the full realization of these objectives, particularly within the tourism sector where potential remains largely untapped.

Sustainability and Future Prospects

Achieving sustainable tourism development through BUM Desa at Coban Srengenge necessitates a multifaceted approach. Key priorities include the establishment of robust funding mechanisms to provide financial stability and enable expansion, increased involvement of local youth to inject fresh perspectives and energy, and the revitalization of dormant business units to diversify income streams. Strengthening governance capacity is vital to improve strategic planning, operational efficiency, and accountability. Additionally, maximizing the potential of digital marketing platforms can help overcome pandemic-related setbacks by expanding market reach and customer engagement. Collectively, these efforts are crucial to securing long-term economic benefits for the village, ensuring that tourism development contributes meaningfully to local sustainability and community well-being.

5. DISCUSSION

Governance Practices in Village-Owned Ecotourism Management

The findings indicate that local governance of Coban Srengenge Ecotourism is characterized by formal institutional authority combined with limited operational capacity. The BUM Desa management actor occupies a clear governance role as the implementing body responsible for managing multiple village business units, including water services, village kiosks,

and tourism. This reflects the hybrid governance position of BUM Desa as both a public institution and an economic actor, as discussed in the literature on collaborative and hybrid governance arrangements (Ansell & Gash, 2008). However, despite this formal authority, governance practices remain largely administrative rather than strategic. Decision-making and operational focus are concentrated on a single active unit, while other units—including ecotourism—remain underdeveloped or inactive. This pattern suggests a governance gap between institutional mandate and actual implementation capacity, a common issue in decentralized rural governance where authority is not sufficiently matched by resources and coordination mechanisms (Rhodes, 1996; Ostrom, 2010).

Institutional Capacity Constraints and Resource Dependency

A central empirical finding concerns the limited institutional capacity of the BUM Desa, particularly in relation to financial resources and business diversification. Although the BUM Desa formally manages several business units, the data reveal a strong dependency on one operational unit to sustain overall organizational activities. The tourism unit at Coban Srengenge has remained inactive due to insufficient funding for maintenance and management, indicating weak financial resilience and limited capacity for resource mobilization. From an institutional perspective, this dependency reflects a classic capacity-building problem in local development organizations, where limited financial and human resources constrain the ability to scale up or sustain multiple initiatives (Grindle, 1997). The absence of diversified revenue streams reduces organizational flexibility and undermines adaptive capacity, particularly in sectors such as tourism that are sensitive to external shocks and fluctuating demand (Hall, 2011). These findings align with governance literature emphasizing that sustainability is unlikely to emerge in the absence of adequate institutional capacity, even when local actors possess strong developmental intentions and formal legitimacy (Bramwell & Lane, 2011).

Participation and the Limits of Youth Involvement

The data further highlight participation as an uneven dimension of local governance. While the BUM Desa management expresses a strong normative commitment to community and youth involvement—particularly the aspiration to create employment opportunities for village youth—the realization of this vision remains limited. Youth participation is constrained not by a lack of willingness, but by the absence of operational tourism activities capable of absorbing local labor. This finding supports existing critiques of community-based development initiatives that emphasize the distinction between participatory ideals and structural realities (Tosun, 2000). In this case, participation functions more as a future-oriented governance vision than as an active mechanism embedded in current institutional practice. Without sufficient institutional capacity and operational units, participatory governance remains symbolic rather than substantive.

Sustainability as a Governance Outcome

In this study, sustainability emerges not as an inherent characteristic of community-based tourism, but as a conditional outcome shaped by governance and institutional capacity. The stagnation of Coban Srengenge Ecotourism illustrates how sustainability depends on the ability of local governance systems to mobilize resources, coordinate actors, and adapt to changing conditions. The post-crisis context has further exposed structural vulnerabilities within the governance arrangement, reinforcing arguments that crises often function as stress tests for

institutional resilience rather than isolated disruptions (OECD, 2020). Nevertheless, the findings also reveal latent sustainability potential. The presence of a clear organizational vision, prior engagement in capacity-building training, and recognition of local economic needs indicate that the foundations for sustainable tourism development exist. What remains lacking is the governance capacity to translate these intentions into sustained operational outcomes.

Linking Governance, Capacity, and Sustainable Development

Taken together, the findings support the conceptual proposition that local governance influences sustainable tourism development indirectly through institutional capacity. Governance arrangements that grant authority without sufficient resources result in fragile development outcomes, particularly in rural tourism contexts. This study contributes to the governance literature by demonstrating how sustainability challenges in village-based ecotourism are less about community motivation and more about institutional constraints embedded within local governance structures. These findings reinforce broader arguments in sustainable development scholarship that achieving the SDGs at the local level requires not only participatory institutions but also sustained investment in governance capacity and organizational resilience (United Nations, 2015). In this sense, Coban Srengenge Ecotourism represents a broader pattern observed in rural development contexts across the Global South, where institutional ambition often exceeds operational capability.

6. CONCLUSION

This study examined how local governance practices shape institutional capacity and sustainability in village-based ecotourism through a case study of Coban Srengenge Ecotourism managed by a Village-Owned Enterprise (BUM Desa) in Malang Regency, Indonesia. By adopting a governance-oriented qualitative approach and drawing on actor-based open-ended survey data, the study provides empirically grounded insights into the institutional dynamics underlying sustainable tourism development at the village level. The findings demonstrate that sustainability challenges in village-based ecotourism are not primarily driven by a lack of community motivation or developmental vision, but by structural constraints embedded within local governance arrangements. Although the BUM Desa possesses formal authority and a clear mandate to manage multiple business units, limited financial resources, dependency on a single operational unit, and weak institutional capacity have constrained the continuity of tourism activities. This confirms the study's conceptual proposition that local governance influences sustainability indirectly through institutional capacity, rather than through formal authority alone. From a theoretical perspective, this study contributes to the governance and sustainable development literature by reinforcing the argument that community-based and decentralized institutions do not automatically generate sustainable outcomes. Instead, sustainability emerges when governance arrangements are supported by adequate organizational capacity, resource mobilization mechanisms, and adaptive capabilities. By positioning sustainability as an outcome of governance processes, the study extends existing discussions on sustainable tourism governance beyond normative participation frameworks.

The study also offers several policy implications. First, strengthening village-based tourism requires targeted investment in institutional capacity-building, particularly in financial management, business diversification, and human resource development within BUM Desa. Second, governance arrangements should move beyond administrative implementation toward more strategic coordination between village governments, BUM Desa, and external stakeholders, including

district-level authorities and development partners. Third, youth participation in village tourism should be supported through the expansion of viable business units rather than relying solely on participatory rhetoric. Despite its contributions, this study is subject to limitations. The analysis is based on a single case and relies on open-ended survey data without follow-up interviews, which may limit the depth of interpretive insight. Future research could adopt comparative designs across multiple villages, integrate longitudinal data, or combine qualitative governance analysis with quantitative performance indicators to further advance understanding of sustainable tourism governance in rural contexts. In conclusion, the case of Coban Srengenge Ecotourism illustrates that achieving sustainable tourism development at the village level requires more than community enthusiasm or policy mandates. It demands robust local governance structures capable of translating institutional authority into sustainable organizational performance, a lesson that holds relevance for rural development initiatives across similar contexts.

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