Article

Building Partnership or Competition: Village Business Sustainability in Indonesia

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Abstract: Village-owned enterprises are expected to be a forum for village business groups to develop their economic potential. This research aims to understand the reality of village-owned enterprises and their implications for rural businesses. This research focuses on understanding the perspective of other village entities and asking whether these enterprises enhance the rural economy through partnership relationships or become competitors for rural small businesses. This study used a qualitative approach with informants from the village-owned enterprises management and villagers who run small businesses. The results showed that the village-owned enterprises runs a business that resembles the business fields of the villagers. This situation has unconsciously created a sense of competition for both parties. The atmosphere of competition between the two business entities has the potential to hinder the growth of the village’s local economy. This study recommends that village-owned enterprises evaluate their business activities and build a cooperation network for the sustainability of rural businesses. This research contributes to the enrichment and implementation of sustainability by capturing the context of rural business activities in Indonesia.

Keywords: village-owned enterprises; partnership; competitor; village economy; village business sustainability

1. Introduction

Rural areas have gradually changed for the better since the law on villages Number 06/2016 was implemented by the government in Indonesia. Several aspects of rural areas have improved, such as the availability of village infrastructure. The community uses village roads to facilitate the mobilization of socio-economic activities. Other public facilities, such as agricultural roads for harvesting-produce distribution, are also focused on improving the village government’s support of food security [1,2]. In addition, empowerment and development programs for rural communities are part of the government’s attention in their goal of implementing human development and social culture in rural areas [3].

Community economic empowerment based on local village potential is one of the government’s orientations to promote the economy in rural areas, including the development of tourist villages [4] and home industry businesses [5]. The government encourages the formation of village business units, or other designations such as village-owned enterprises, to become economic institutions for rural communities. Village-owned enterprises are business units with legal entities that receive their initial capital from the village government to drive the village economy [6]. The government hopes that village-owned enterprises can become an engine that drives the economy in rural areas. Therefore, the government encourages every village in Indonesia to have a village-owned enterprise. The number of village-owned enterprises continue to grow from year to year as shown in the following data.

The number of village-owned enterprises has increased from 2014 to 2022. In 2022, the number of village-owned enterprises reached 60,417 units (Source: Ministry of Villages,
Development of Disadvantaged Regions, and Transmigration). Table 1 shows that village-owned enterprises have spread almost to all village areas, recorded to be 83,821 throughout Indonesia. The increase in village-owned enterprises, spread throughout Indonesia, is expected to encourage increased economic activity in rural areas.

Table 1. Data on the development of village-owned enterprises in 2014–2022.

<table>
<thead>
<tr>
<th>Year</th>
<th>Title 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1022 Units</td>
</tr>
<tr>
<td>2015</td>
<td>11,954 Units</td>
</tr>
<tr>
<td>2016</td>
<td>18,466 Units</td>
</tr>
<tr>
<td>2017</td>
<td>39,149 Units</td>
</tr>
<tr>
<td>2018</td>
<td>45,549 Units</td>
</tr>
<tr>
<td>2019</td>
<td>51,091 Unit</td>
</tr>
<tr>
<td>2020</td>
<td>51,134 Unit</td>
</tr>
<tr>
<td>2021</td>
<td>57,288 Unit</td>
</tr>
<tr>
<td>2022</td>
<td>60,417 Unit</td>
</tr>
</tbody>
</table>

Village-owned enterprises’ capital comes from the village governments’ capital participation. The village government’s capital participation follows the village law, which stipulates that the village budget can be used for investment activities in village-owned enterprises. Investment in village-owned enterprises occurs so the village government can stimulate community economic activities through the village business unit. As Widiastuti revealed, capital participation from the village government aims to empower the economy of village communities through village-owned enterprises as social enterprises (2019).

Village-owned enterprises are not just economic institutions but have a social enterprise dimension [7]. By the definition of a social enterprise, village-owned enterprises prioritize rural communities’ economic interests rather than institutions’ economic interests. Village-owned enterprises have social enterprise characteristics and are different from profit-oriented private enterprises. Prioritizing the community’s economic interests is an example of the implementation of social enterprise characteristics in village-owned enterprises [8].

Village-owned enterprises are projected to become economic pillars that can provide added value to rural businesses [9]. However, these enterprises need help in realizing these expectations. The limited quality of human resources managing village-owned enterprises creates a gap between implementation and regulation ideals [10]. Competence and limited experience in managing social enterprises have implications for the selection of business activities that could be more synergistic and even lead to competition. The competition that unconsciously arises due to the economic activities of village-owned enterprises (social enterprises) is a new field that still needs to be studied comprehensively by previous researchers in the socio-economic context in Indonesia.

In contrast to village-owned enterprises, small businesses managed by rural communities, such as trading businesses and home industries, operate with limited capital [11]. Capital constraints and limited access to the latest technologies cause small businesses owned by villagers to face many business obstacles. Marketing reach of local products is a fundamental obstacle for small businesses in rural areas. The distribution networks of local products from the village to the market center are still experiencing difficulties, so the optimization of sales for small business actors in rural areas has not been achieved as it should have. This situation means local village businesses have not developed optimally, so they have not made a significant contribution to the family economy and rural economic independence.

One of the keys to strengthening the village economy is the empowerment of village-owned enterprises. The success of village-owned enterprises is determined by community participation in managing joint ventures. Consequently, competent and professional human resources become necessary so that the use of economic resources is well managed for the
benefit of the community [12]. The competence of human resources will be a competitive factor in managing resources [13]. Allocating economic resources on target can help local village businesses develop [14].

Village-owned enterprises and small business actors run similar businesses and operate in the same area. The similarity in the business fields between the two entities causes business competition and unfavorable disruption for local business actors. The similarity of business fields creates a sharing market that leads to business competition between village-government-owned Enterprises and small businesses owned by villagers. Village-owned enterprises with the initial goal of becoming a driving force for the community’s economy have turned into competitors for micro-enterprises owned by villagers.

This study focuses on the role of village-owned enterprises located in the Bandung Regency area an engine for driving the economy of the community in rural areas. Our research question is the following: what is the reality of the business practices of village-owned enterprises and their implications for the sustainability of small rural businesses?

The motivation for this research is explained henceforth. The government hopes that village-owned enterprises can become the engine that drives the rural economy. This desire can be seen from the government’s efforts to encourage the number of village-owned enterprises to continue increasing yearly (Table 1). However, in certain areas, the economic activities of village-owned enterprises resemble those of local businesses owned by neighboring villagers. Unconsciously, the village government-owned business unit becomes a competitor for village small business actors. This situation attracts the attention of researchers who want to re-examine the function of village-owned enterprises: whether they are driving the partnership-based economy or becoming competitors for local businesses.

The economic activities of village-owned enterprises have similarities with those of small businesses, which unconsciously causes competition. Although this is not a new field of research, it still needs to be comprehensively studied by researchers in Indonesia. Given this concern, this research aims to analyze the reality of village-owned enterprises’ business practices and their implications for the sustainability of small rural businesses. Scientifically, this research is expected to enrich the exploration of sustainability studies in the context of rural business activities in Indonesia. In addition, this research is also an academic reflection from which regulators can evaluate and reorganize the role and function of village-owned enterprises as drivers of the rural economy.

2. Literature Review
2.1. Partnership in the Context of Village Business

Community homogeneity in rural social systems results in strong kinship ties [15]. Similar cultures, socio-economic backgrounds, and family ties are inherent social capital in rural social systems, including village communities. Social capital manifests in gotong royong activities [16], distribution of agricultural work [17,18], and other activities where residents participate in village development together [19]. Cooperation and togetherness are important parts of the social system of rural communities.

The attitude of collectivism manifested in gotong royong activities represents a sense of togetherness in rural life [16] with knitted cultural ties [20]. In addition to this, the nuances of togetherness can also be felt in the domestic sphere, through reciprocal “giving” actions between villagers. The practice of reciprocal exchange in social activities and within the fabric of the family has become a tradition of rural communities in Indonesia.

The communitarian social characteristics of rural communities cause social relations to grow and become a pattern in the living environment of rural residents. Likewise, in some village communities in Indonesia, social relations take shape and become part of social activities.

Social capital in the village community system has the opportunity to transform into economic capital. Partnership-oriented economic system building, with participatory
democratic values [21] and rural business sustainability [22], is a foundation for village enterprises to become social enterprises.

Sustainability-oriented cooperation is a concern in studies of public-private cooperative relationships [23], three-way partnerships between academics, service providers, and regulators [24], and triangular cooperation, which face global challenges [25]. In the rural context, cooperation is formed through internal and external social relations. Internal relations are relationships between economic groups in the village area and external networks of formal institutions outside the village [26]. The pattern of internal and external social relations can be replicated in village enterprises to realize sustainable social enterprise.

Partnerships will make business governance better [27]. Collaboration allows each party to improve its capabilities [28,29]. This thinking is in agreement with research results which state that cooperation can create motivation to maximize benefits for the group and other partners [30]. Individuals and groups actively compete to be more generous than others when profit opportunities are obtained through cooperative partnerships [31]. Such thinking, when applied to the business activities of village owned enterprises, can have implications for rural economic growth.

2.2. Competition in the Context of Small and Medium Enterprises

Individuals, as social creatures, cannot be separated from the relationship of cooperation and competition with each other. On the one hand, competition is a social movement mechanism that does not always have negative connotations. Competition for resources is a concern in the study of ecological life [32]. Economics is one field that pays attention to the practice of competition in business activities.

Competition is a subject of research in economics, information systems, management and organization, and marketing research [33]. Small- and medium-sized enterprises involve all these aspects and are the concern of researchers. Research with the subject of small and medium enterprises focuses on aspects of competitive advantage and marketing orientation [34–36], competition and business sustainability with an emphasis on technology [35,37], and strengthening human resources for productivity [38]. In addition, other researchers also recognize that small and medium enterprises play an important role in poverty control and the country’s economy, including at the rural scale [39,40].

Many small and medium enterprises develop and grow in rural areas [41]. The source of raw materials is one reason why small and medium enterprises are widely spread in rural areas [42,43], apart from certain reasons such as the need and special expertise in batik cloth production [44,45]. These small businesses, especially home-industry food-based businesses, depend on crops. Many agricultural and plantation products are produced in rural areas, connecting the value chain with small businesses. Although recognized as contributing to the regional economy, small enterprises face barriers such as capital [46,47], marketing, and technology [48], following recent developments.

2.3. Village-Owned Enterprises

Over the past five years, village funds allocated by the central government to village governments have successfully brought changes to rural areas in Indonesia [49,50]. The rural development program using village funds has resulted in improved village infrastructure that can support local economic activities. Establishing and operating village economic institutions are also a focus of utilizing village funds [51,52].

Village-owned enterprises are economic institutions that aim to improve the village economy. Economic institutions belonging to the village government have the authority to manage the village’s potential to improve the rural economy. Village-owned enterprises have the authority to manage village economic potential for the benefit of rural communities. Village communities have an economic interest in village-owned enterprises, so this economic institution should apply the sharing-economy principle. The sharing-economy principle is that the community keeps the main priority in providing economic benefits.
Community-based development is a model that provides opportunities for the community to participate in rural development [53]. The participation of community elements in village business development can encourage a sense of shared responsibility. Community participation in village budget planning activities [54], and community participation with village-owned enterprises [55], can encourage the achievement of common goals.

Community participation in village business development aims to safeguard the community’s interests in the activities of village-owned enterprises. Community participation in the development of village-owned enterprises is an effort to empower and create economic growth in rural areas [56]. Thus, the awareness of all parties of strengthening community participation in rural local economic development is essential, especially for village-owned companies.

Villagers have equal opportunities to participate in development activities. The community is not only the object of development benefits but is also a subject, specifically, as an implementer of the development. The village community becomes a partner of the village government in realizing village development [57]. Community involvement in rural economic development is one of the rights that village business entities need to pay attention to for the sustainability of rural businesses.

Economic development occurs with various activities, but these efforts still need to provide satisfactory results for the community, so that the benefits of village-owned enterprises are visible. This situation causes the level of community participation in developing the village-owned enterprise entity to be improved. Managing village-owned enterprises with communities that do not cooperate can inhibit business growth [58].

Businesses in fields similar to small businesses in villages cause community participation and trust in village-owned enterprises to decrease. Similar business fields cause competition between the two businesses [59]. Without realizing it, village-owned enterprises become competitors that make it difficult for the small businesses of villagers to develop, so the purpose of village-owned enterprises as a driver of the village economy has yet to be realized.

3. Materials and Methods

3.1. Types of Research

Exploration of the economic activities of village-owned enterprises and small and medium enterprises is an effort to understand the economic reality in rural environments. Understanding rural socio-economic realities requires a methodology that can critically parse the actual situation in the socio-economic activities of the community. In this context, this study uses a critical qualitative approach by trying to understand the economic activities of village business entities that potentially have negative implications for household-scale micro-enterprise activities in rural areas.

To support the research design, the researcher used a case study. Creswell and Lazuardi [60] place case studies as a methodology, while Stake treats the case study method as an instrument in determining the choice of research objects to be understood and analyzed within certain time and place limits. In the context of this research, the case study applied by the researcher refers to Stake’s view, namely the time and place limits concentrated in the village area of the research location.

The data collection method uses observation, in-depth interviews, and documentation techniques. Information collection through observation is fieldwork conducted by the researcher while observing the research object. In this context, researchers directly observed the business practices of village-owned and small and medium enterprises operating around the village.

Qualitative data collection methods require researchers to be directly involved in the social setting of community groups at the research site. Bryman [61] divides the researcher’s participation in the social environment of the community into six forms. First, covert full member, where the researcher is fully involved in the social community group, but all group members must not realize they are being researched. Second, overt full member, where the
A researcher is fully involved in the social community group, but all group members realize they are being researched. Third, the participating observer is a researcher who involves himself in core activities in social groups rather than as a full member. Fourth, the partially participating observer, namely the researcher, involves himself in core activities in social groups, but the results of observations are only one of the data sources. Fifth, minimally participating observer, where the researcher makes low-intensity observations and does not participate in social group activities. From some of these classifications, researchers place themselves as participating observers when conducting field research.

Field Research Procedure: First Stage

Researchers conducted field observations on the village-owned enterprise “Mandiri” and the village-owned enterprise “Mandalamekar”.

Field Research Procedure: Second Stage

At this stage, the researcher made direct observations of the business activities of the two business entities. Direct observation aims to obtain direct information on the reality of how the “Mandiri” village-owned enterprise and the “Mandalamekar” village-owned enterprise conduct business activities in rural areas.

Object scans (observations) have richer information if additional explanations are obtained from informants during in-depth interviews. Interviews conducted face-to-face allow researchers to dig deeper into information from informants. Researchers conducting face-to-face interviews obtain verbal information and capture behaviors such as mimics, gestures and expressions exhibited by informants during the interview.

Field Research Procedure: Third Stage

Even though interviews with simple chatter have made it easier for researchers to obtain information, often, the content of the conversation goes beyond the context of the research issue. In such circumstances, the researcher must control the situation as much as possible so that the conversation returns to the context of the research issue. The researcher realized that such out-of-context conversations were still needed to dispel the boredom of both parties during the interview.

In-depth interviews aim to collect data in the form of information from informants. Information from the interviews can confirm and strengthen the observations researchers made at the beginning of field research. The initial informant is the first source of information and the gatekeeper for the researcher to meet the next informant. In this context, researchers first met informants, including the head of the village-owned enterprise (P1), then met the secretary (P2) and treasurer (P3) at the direction of the first informant. Like the secretary and treasurer, the researcher also met the officer in charge (P4) of the “Mandiri” shop, one of the units of the village-owned enterprise. Information continued to grow in line with the number of informants. The researcher had the opportunity to interview a small- and medium-sized business owner (P5) in the home industry sector around the village on the instructions of the previous informant (P1). Furthermore, the researcher met several small trader informants (P6 and P7) close to the village-owned enterprise unit’s “Mandiri” shop. The last informant was a coordinator of a farmers’ group (P8), cultivating vegetables on land around the village. The flow of field research informants looks like Figure 1.

Empirical data sources come from the Village Community Empowerment Office, Bandung Regency Government. The data are in the form of profiles of village-owned enterprises operating in Bandung Regency until 2022. These data are secondary data containing quantitative information that researchers will use to enrich analyses and understand the economic reality of village-owned enterprises.
3.2. Fourth Stage: Data Analysis

Interview data scripts are material used by researchers to conduct a research analysis. The analysis technique, open coding, is a stage where researchers try to find and classify certain concepts or themes in the interview scripts. In the next stage, the researcher tries to understand each theme from several groupings of interview scripts. In data analysis, this process is an open coding analysis stage. Each theme is then described in more detail and divided into specific sub-themes by applying open coding analysis. In the context of this research, the sub-theme relates to the facts of managing village-owned enterprises.

The results of the description of each theme became sub-themes. The researchers combined all the information to find an interpretive view of the reality of the management of the “Mandiri” village-owned enterprise and “Mekarmanik” village-owned enterprise. The interaction of sub-themes with other sub-themes in selective coding analysis becomes a series that will form a relationship pattern and become a causal relationship with logical reasoning. This analytical tool is a researcher’s effort to produce a proposition grounded through exploring phenomena to understand the noumena (Figure 2).
4. Results

Field Findings

The research site is located in one of the villages within the administrative area of the Bandung district. Geographically, the village occupies a hilly area far from the city center. Anyone who wants to visit this village must drive about half an hour from the city center. The distance is short, making it easier for residents to mobilize. Its location in the hilly area makes this village feel cool throughout the day. In addition to the cool air, the village presents a natural panorama typical of the mountains with a stretch of hills that look stunningly green with various types of vegetable and crop plants, further adding to the beauty of the village. Another beauty that spoils the eyes is the panoramic view of the city center from an elevated position. As the sun rises and begins to shine between the hills, the thick fog begins to erode, further clarifying the beauty of the city center seen from this research location. The beauty peaks when the sun begins to set; the expanse of twinkling lights is as beautiful as thousands of stars. Almost every corner of the village presents beauty in the morning and at night. Natural resources can provide value to the economic empowerment of rural communities.

The establishment of village-owned enterprises is a part of community empowerment activities [62,63] in the agricultural sector [64], culinary entrepreneurship [65], and several other sectors in village areas in Indonesia. Initially, these business entities were very limited in number, and most village areas had not yet established village-owned enterprises. However, since the law on villages Number 06/2014 took effect, the number of village-owned enterprises has increased dramatically (see Table 1). These enterprises can be found in every village in Indonesia, although they have not yet been established in certain areas.

Empirically, data on village-owned enterprises have increased in Bandung Regency. The number of business entities increased in 2015 by 113 units and continued to increase to 277 units in 2022 (Figure 3). The number continues to increase with the implementation of government policies requiring each village government to form a village-owned enterprise in Indonesia. Although the number continues to increase, business diversification has remained the same, allowing economic stimulation in particular villages. Village-owned enterprises continue to increase in number but have yet to significantly impact employment opportunities for villagers [51].

![Figure 3. Increase in the number of village-owned enterprises in Bandung District 2015–2022.](image-url)

Village owned enterprise spread over rural areas in Bandung Regency are engaged in the business sector with varied business fields. Service businesses, trade, home-scale
industries, agriculture, and livestock sectors are the business sectors of village business entities. Village-owned enterprises in the service sector are of several types of business, such as chair and tent rentals, sports arena buildings (GOR), clean water management, savings and loans, and management of village tourism objects. The trading sector, including village stalls, selling necessities, gas businesses, office stationery, and photocopies, forms a part of the village business entities. Other village business entities are engaged in selling agricultural fertilizers and distributing building materials. The household-scale industrial sector (IRT), including the manufacture of handicrafts, the culinary industry, and convection, forms part of the village business entities. The last sector of the village business entities’ business is the business of breeding and cultivating mushrooms, as well as fattening sheep.

Small and medium enterprises are found in many rural areas. Most of these small businesses are run by villagers through trading businesses and home industries. In Indonesia, small-scale traders are known as “Kelontong” stalls. This kind of economic activity is mainly performed by mothers [66,67], and the income from business activities is used to help with household needs. This situation was reinforced when the researchers made field observations of the owner of the “Kelontong” stall, who became a research informant. This small business sells merchandise in the form of household needs and other types of goods that residents around the village need. This situation can be seen from the results of observations, accompanied by unstructured interviews with informants who are also housewives. The following is an excerpt from an interview.

“I have been running this stall for a long time, I do not remember how many years it started, but the children were still small and not in school then. At first, I only sold vegetables, but I am grateful that I have been able to sell staples (rice, sugar, flour, etc.) until now. I also sell gas fuel to neighbors around my house.” (Code: P6)

The interview script excerpt describes small- and medium-sized businesses operating in rural areas. For villagers, trading is one of the easiest businesses to establish and operate. Small-scale trading requires limited capital, so some entrepreneurs use family savings, zakat distribution assistance [68,69], or receive government assistance [70] to start a business. The small capital capacity means that this sector contributes little income. Nevertheless, the income from this line of business is quite helpful for family life [71,72], because the economic value of basic needs in rural areas is still much smaller than in urban areas.

On a different occasion, researchers also conducted observations and interviews with the owner of the “Kelontong” stall, located not far from the previous stall. The results of the observations show that the two businesses are not much different; the following is an excerpt from the interview results.

“This stall has only been in operation for a few years, about 3 years ago. It was during the COVID-19 pandemic, and my husband lost his job. With limited capital, I sold staples such as rice, sugar, cooking oil and other processed products. Neighbors also leave snacks such as cassava chips and bananas produced locally in the village to be sold through this stall.” (Code: P7)

The interview excerpt describes a resident running a small stall around the village. Like the previous informant, this informant (P7) trades basic household necessities for residents. In addition, this stall receives consignments of home-produced chips and banana products from residents. It is important to note that this small business is the family’s economic hope after the head of the household (husband) lost his job during the COVID-19 pandemic.

The population has increased every year, followed by an increase in the labor force [73]. The productive population comes from the labor force, aged over 18 years, which has started looking for work. Age can affect income; as you get older, income will increase depending on the type of work [74]. However, widespread employment did not match this increase in the labor force and income. In 2021, there was a reduction of business sectors in villages,
such as the fisheries and mining sectors. Forestry and trade services stayed the same from 2020. The reduction of some sectors aims to provide more focus to businesses that generate more significant income potential.

In addition to observations of small business owners, researchers observed the village enterprise office, which also functions as a trading shop. The observation process focused on the trading activities run by the village-owned enterprise. The results of these observations were supported by informants who revealed the following.

“I have worked here for several years since the village-owned enterprises board established the shop. In the beginning, the shop sold staples such as rice, sugar, cooking oil, and chicken eggs, and now we also sell 3 kg of gas. In addition, we also provide photocopy services as a payment point online bank (PPOB). The prices of staple goods in this shop are lower because the merchandise is obtained directly from suppliers. Residents around the village usually come to buy basic supplies, while photocopy services are more in demand from village government offices.” (Code: P4)

The interview scripts above received similar consistent recognition (triangulation) from the chairperson (P1), secretary (P2) and treasurer (P3) as administrators of the village-owned enterprise. Observations show that the shop sells household staples, including rice, sugar, cooking oil, eggs, 3 kg quantities of gas and other products. The shop owned by the village enterprise also provides photocopying services and office stationery to support the administrative activities of the village government. Observations, supported by quotes from interviews, show that one of the businesses run by the village-owned enterprise is similar to that of neighboring villagers. Toko “Mandiri” and the Kelontong stalls owned by villagers run similar businesses, which can be seen from the types of merchandise the two businesses have in common. This situation unconsciously creates competition between the two because they have the same market segmentation: residents around the village.

5. Discussion

Observations and interviews showed that the trade shops, which are the village-owned enterprises’ business units, replicate the villagers’ grocery stalls. The village-owned enterprises run similar businesses to neighboring small businesses (Figure 4, 37% trade businesses). From a business perspective, this situation unconsciously has the potential to create competition between the two businesses. Ultimately, the orientation of village-owned enterprises as social enterprises and drivers of the village economy will also unconsciously shift. The business sector infographic of the village business entities is shown in the following image.

![BUSINESS SECTOR VILLAGE-OWNED ENTERPRISES](image)

**Figure 4.** Village-owned enterprises business sectors.
Village-owned enterprises are a means of community service in developing the community’s economy [75]. Community participation in the economic activities of village-owned enterprises can encourage growth in rural areas. Collaboration between local village business actors and village-owned enterprises provides opportunities to grow villager-owned businesses [76]. This perspective prioritizes cooperation rather than creating competition between village business entities and micro-enterprises owned by villagers. Therefore, business actions that can exacerbate business competition situation need to be eliminated by the management of village-owned enterprises.

In the context of the rural economy, the competition system can be contractive, where some parties benefit, but other parties do not feel the same. The competition system is strengthened because business diversification is limited, and rural business sectors resemble each other. This situation makes efforts to establish cooperative relationships increasingly difficult and actually causes mutual business competition. Village-owned enterprises, as the driving engine of the economy, can be a unifying node for common economic interests.

Village business entities are engaged in several business fields. This situation leads village business units to resemble holding companies, as they engage in several business sectors. A business in the village business unit differs from that in the private business sector. Village business entities are social enterprise institutions, while private businesses are profit-oriented to accommodate stockholder interests. Social enterprise institutions place village communities as stockholders in managing village business entities. Village business entities accommodate the community’s economic interests beyond their own economic interests. They prioritize profitability for rural communities while improving the internal performance of the village business entity itself. Therefore, the management of village business entities needs to make business decisions to place village communities at the forefront of their goals.

However, the village business entity is engaged in several business fields, as shown in the infographic (Figure 4), indicating that the community has not yet received the central position and economic benefits. The village business entity runs the service business and general trade, similar to a small community business, giving rise to business competition between the two. The formation of village business entities, which should be the engine of the rural economy, has introduced competition for small business actors and seized the local market. Village-owned small businesses compete with village government-owned enterprises because they run similar businesses. Without realizing it, village business entities position themselves as competitors, disrupting the sustainability of small businesses in rural areas.

Village-owned enterprises and small businesses owned by rural communities have different sources of capital. Several studies have revealed that community micro-enterprises are sourced from internal household funding [77–79]. Some business actors convert family savings funds into household-scale business capital. The capital element is one of the factors that make it difficult for a household-scale business to develop. On the other hand, village-owned enterprises labeled as formal legal entities obtain village government capital participation, making it very easy for managers to operate businesses. The village-owned enterprise capital from the government does not necessarily make the business unit perform well, especially due to the rural economy’s size.

The application of social entrepreneurship in village-owned enterprises has not resembled the actual situation. The nature of social enterprise, in village-owned enterprises, is building partnerships with micro business groups to improve rural communities’ economies. Supposedly, village-owned enterprises become a medium for rural business groups to develop the economic potential of rural communities. Small business groups become partners for village-owned enterprises to build the financial independence of rural communities.

However, the actual situation is not yet so; village-owned enterprises run businesses similar to business activities owned by villagers, which are the economic base of local communities’ households. Village-owned enterprises have become competitors, thus dis-
rupting the sustainability of small rural businesses. Ideally, village-owned enterprises become economic partners for rural community economic groups because of their position as the driving force for the rural economy. However, it is still not running as it should. The existence of village-owned enterprises in certain village areas has not shown sustainable economic development for rural communities. Village funds play more of a role in encouraging the increase in the number of village-owned enterprises but have not been able to provide an impact on the rural economy [51].

**Recommendation**

The social enterprise feature of village-owned enterprises means that the business unit is oriented towards social-based economic functions. The business entity mainly encourages economic growth through collaboration with all stakeholders, including village small businesses. This objective distinguishes it from other business entities, such as companies, which are oriented towards achieving internal profits. Village-owned enterprises encourage partnerships with small businesses around the village. The collaboration between village-owned enterprises and village-scale small businesses in economic activities is a form of social enterprise.

Micro-enterprises’ participation in economic activities positions village-owned enterprises as drivers of growth in rural areas. Village-owned enterprises can build cooperation by positioning small businesses as partners. In this context, village enterprises must evaluate their trading activities to eliminate competition and encourage partnerships.

The research location has a beautiful environment with a good natural panorama, as described in the research findings sub-section. These resources have economic potential that can encourage growth if managed properly. Tourism villages based on natural resources can be an alternative avenue for village economic development. Several studies have revealed that tourist villages contribute to small businesses and the village economy [80]. The collaboration of the village government and all elements of the village in managing tourism villages can encourage the sustainability of rural community empowerment [81].

6. Conclusions

The reality of the business practices of village-owned enterprises in the area studied is still unfavorable for small village businesses because there is unconscious business competition between the two. Such a situation needs attention from the management of village-owned enterprises by reprioritizing the growth of rural small businesses. Village-owned enterprises should collaborate with the community in developing businesses to advance the rural economy.

The sustainability of rural-based small businesses is a priority to build economic independence in rural areas. Village-owned enterprises have a strategic role in realizing these expectations, so the management needs to evaluate business activities so as not to create competition with local small business actors. Returning village-owned enterprises to their initial role is an effort to maintain the stability and sustainability of rural economic business groups. Village-owned enterprises are the economy’s pillars and become the rural economy’s engine.

This research contributes to expanding the application of the concept of sustainability through rural business activities in the Indonesian context. In addition, this research is an academic reflection that can provide practical implications for village-owned business managers as drivers of the rural economy. The researcher realizes that this research only focuses on certain village areas and has yet to capture the conditions of other villages. This situation means that the practical implications of the results of this research may only apply to some areas.

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