

Legal Governance of Customary Village Enterprises for Sustainable Cultural Tourism

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ABSTRACT

The governance of customary village enterprises has become increasingly important in promoting sustainable cultural tourism; however, limited research has examined how legal governance shapes the effectiveness of these institutions within a pluralistic legal system. This study investigates the legal governance of Baga Utsaha Padruwen Desa Adat (BUPDA) as a customary village enterprise and evaluates its contribution to sustainable cultural tourism. Employing a mixed-method legal research design, this study integrates statutory, conceptual, and socio-legal approaches through the analysis of legislation, institutional documents, interviews, and field observations. The findings demonstrate that BUPDA operates within an integrated framework of national legislation, regional regulations, customary village rules, and local governance mechanisms that collectively establish legal certainty and institutional legitimacy. Beyond serving as an economic entity, the BUPDA strengthens participatory governance, preserves cultural values, and supports sustainable tourism through community-based management. However, institutional effectiveness remains constrained by limited human resource capacity, governance quality, and regulatory harmonization. The principal novelty of this study lies in the development of a legal governance perspective that positions customary village enterprises as institutional instruments linking legal pluralism, indigenous economic governance, and sustainable cultural tourism. The study concludes that strengthening legal coordination, institutional capacity, and adaptive governance is essential for improving the long-term sustainability of customary village enterprises in the region. Future research should comparatively examine customary economic institutions across different Indigenous communities to develop broader governance models applicable to sustainable tourism policies.

Keywords: Legal Governance; Customary Village Enterprise; Legal Pluralism; Sustainable Cultural Tourism; Indigenous Governance.

INTRODUCTION

Sustainable cultural tourism has become a strategic policy agenda in many countries seeking to balance economic development, cultural preservation and environmental sustainability. Unlike conventional tourism models that primarily emphasize economic growth, sustainable cultural tourism promotes community participation, local institutional capacity, and the protection of indigenous cultural values as integral components of destination governance. International organizations have consistently emphasized that cultural heritage and indigenous institutions constitute essential pillars for achieving sustainable tourism governance because local communities possess traditional knowledge, customary norms, and social legitimacy that cannot be substituted by formal governmental institutions alone. Consequently, the governance of indigenous economic institutions has attracted increasing scholarly attention, particularly in jurisdictions characterized by legal pluralism, where state law coexists with customary law.

Indonesia is one of the most distinctive examples of legal pluralism in the world. The constitutional recognition of Indigenous peoples under Article 18B, paragraph (2) of the 1945 Constitution provides legal legitimacy for customary communities to preserve their traditional rights, institutions, and local governance

systems. This constitutional framework has encouraged regional governments to strengthen Indigenous governance as an integral part of regional development policies (Rahayu, 2022). Rather than merely functioning as cultural entities, Indigenous communities have increasingly evolved into institutional actors responsible for managing natural resources, local economies, and tourism destinations within their customary territories (Zuhraeni, 2014). This development reflects a broader transition from state-centered governance to collaborative governance involving customary institutions and local communities.

Bali Province presents a distinctive legal and institutional context for examining this transformation. The coexistence of administrative (*desa dinas*) and customary (*desa adat*) villages creates a dual governance structure that simultaneously reflects decentralization and legal pluralism. While administrative villages exercise governmental authority under national legislation, customary villages maintain autonomous authority over customary affairs, cultural preservation, communal assets, and traditional economic activities (Dewi, 2014 Triadi et al., 2023). Rather than generating institutional conflict, this dual structure potentially creates complementary governance arrangements when supported by coherent legal regulations and effective institutional coordination.

Recognizing the strategic role of customary villages, the Bali Provincial Government enacted Bali Provincial Regulation Number 4 of 2019 concerning Customary Villages, followed by Bali Provincial Regulation Number 4 of 2022 concerning the establishment and governance of *Baga Utsaha Padruwen Desa Adat* (BUPDA). These regulations substantially expand the authority of customary villages to establish community-owned enterprises responsible for managing economic resources based on customary values, local wisdom and sustainable development principles. Simultaneously, Bali Provincial Regulation Number 5 of 2020 concerning Balinese Cultural Tourism and Minister of Tourism and Creative Economy Regulation Number 9 of 2021 concerning Sustainable Tourism Destinations integrate sustainability principles into regional tourism governance, thereby establishing a comprehensive legal framework that connects indigenous governance with sustainable tourism policy (Astara, 2025).

Unlike conventional village-owned enterprises established under the Village Law, BUPDA represents an indigenous economic institution whose legitimacy derives from both state legislation and customary law. This dual legitimacy enables BUPDA to function as an economic organization and an institutional mechanism for preserving cultural identity, strengthening customary governance, and improving community welfare. Consequently, the effectiveness of BUPDA cannot be evaluated solely through economic performance indicators; it must also be understood through legal governance, institutional accountability, community participation, and cultural sustainability (Karyada, 2024).

Among the various customary village enterprises established in Bali, BUPDA *Galang Kangin* of Sanur Traditional Village provides a particularly significant case for legal analysis because it manages multiple tourism-related business units, including coastal parking services, sanitation services, security services, public facilities, and micro-enterprise activities within one of Bali's internationally recognized tourism destinations. This institutional arrangement illustrates how indigenous governance has evolved from a purely customary institution into an integrated governance mechanism that supports sustainable tourism development. However, institutional transformation has also generated complex legal challenges concerning legal status, regulatory harmonization, institutional accountability, governance quality, and human resource capacity, all of which influence the effectiveness of customary village enterprises in achieving sustainable development objectives. These issues are also reflected in the empirical findings of this study.

Theoretically, the governance of customary village enterprises can be explained from the perspective of legal pluralism. Legal pluralism argues that multiple normative systems may coexist within a single jurisdiction, allowing state law and customary law to interact dynamically rather than hierarchically (Griffiths, 1986; Dan, 2005). Within this framework, the legitimacy of customary institutions is not derived exclusively from statutory regulations but also from their acceptance by indigenous communities and their consistency with local cultural values. This perspective is particularly relevant in Bali, where customary law continues to regulate communal assets, indigenous governance, and cultural tourism through *Awig-Awig* and *Pararem* alongside formal governmental regulations (Astara, 2026).

Previous studies have substantially contributed to the understanding of indigenous institutions and tourism governance. Research by Asih et al. (2021) primarily examined investment policy within customary tourism development, while Ariyudha et al. (2021) focused on integrated agricultural tourism policies. Hadiati

et al. (2021) investigated governance within Village Credit Institutions (LPD), whereas Suarjana et al. (2024) analyzed the contribution of BUPDA to community economic empowerment. Sundari & Pemayun (2024) emphasized the economic independence of customary villages following the enactment of Bali Provincial Regulation Number 4 of 2019. Although these studies demonstrate the growing importance of customary institutions in regional development, they predominantly concentrate on economic empowerment, tourism management and public policy implementation.

However, limited attention has been devoted to examining legal governance as the central analytical framework through which village enterprises operate under multiple legal systems. Existing studies rarely investigate how national legislation, regional regulations, customary law, and institutional governance interact to establish legal certainty, organizational legitimacy, and sustainable governance within BUPDA. Consequently, previous studies have not adequately explained the relationship between legal pluralism, institutional governance, and sustainable cultural tourism as an integrated legal governance model. This represents the principal research gap addressed in the present study.

Therefore, the novelty of this study lies in proposing the Legal Governance of Customary Village Enterprises as a comprehensive analytical framework integrating legal pluralism, institutional governance, indigenous economic institutions, and sustainable cultural tourism. Rather than approaching BUPDA merely as a community-owned enterprise or tourism operator, this study conceptualizes BUPDA as a legally recognized indigenous governance institution that simultaneously performs regulatory, economic, cultural, and participatory functions within a pluralistic legal order. This perspective extends the existing scholarship by connecting legal governance theory with indigenous institutional development and sustainable tourism governance.

Accordingly, this study aims to analyze the legal governance of BUPDA within the pluralistic legal system governing customary villages in Bali and examine how legal governance contributes to sustainable cultural tourism through institutional legitimacy, participatory governance, and community-based economic development. By integrating normative legal analysis with empirical socio-legal investigation, this study seeks to contribute to the development of legal governance theory and policy formulation concerning indigenous economic institutions in sustainable tourism destinations.

RESEARCH METHOD

This study employed a mixed-method legal research design integrating normative legal analysis with an empirical socio-legal approach to examine the legal governance of *Baga Utsaha Padruwen Desa Adat* (BUPDA) in supporting sustainable cultural tourism. The mixed-method design was selected because the research addresses both the normative dimensions of legal regulation and the empirical implementation of customary village-enterprise governance. Combining these approaches enabled a comprehensive assessment of the interaction between statutory law, customary law, and institutional practices within Bali's pluralistic legal system (Fithriatus Shalihah, 2017 Supeno, 2024).

The normative component examines the legal framework governing customary village enterprises through statutory, conceptual, and legal pluralism approaches. The primary legal materials consisted of the 1945 Constitution of the Republic of Indonesia, Law Number 10 of 2009 on Tourism, Law Number 6 of 2014 on Villages, Law Number 23 of 2014 on Regional Government, Law Number 15 of 2023 on the Province of Bali, Bali Provincial Regulation Number 4 of 2019 concerning Customary Villages, Bali Provincial Regulation Number 5 of 2020 concerning Balinese Cultural Tourism Standards, Bali Provincial Regulation Number 4 of 2022 concerning BUPDA, Minister of Tourism and Creative Economy Regulation Number 9 of 2021, Governor Regulation Number 20 of 2023, Mayor Regulation of Denpasar Number 51 of 2022, and the *Pararem* of BUPDA *Galang Kangin Sanur* (2023). These legal instruments were analyzed to identify the institutional structure, legal authority, governance mechanisms, and regulatory coherence of customary village enterprises.

The empirical component was conducted at Sanur Traditional Village, Denpasar City, Bali, where BUPDA *Galang Kangin* manages several tourism-related business units, including coastal parking services, sanitation, security, public facilities, and community-based micro-enterprises. The study adopted a purposive sampling strategy by selecting informants directly involved in the governance and operation of the BUPDA. Participants included customary village leaders (*Prajuru Desa Adat*), BUPDA management, local

government representatives, tourism stakeholders, and community members with direct knowledge of institutional governance.

Data were collected using four complementary techniques. First, documentary analysis was used to examine legislation, customary regulations, institutional reports, and policy documents. Second, semi-structured interviews were conducted to explore perceptions of legal governance, institutional accountability, and tourism management. Third, non-participant observation documented the implementation of tourism-related business activities and institutional practices within the BUPDA. Finally, a literature review was conducted to compare empirical findings with previous studies on legal pluralism, indigenous governance, and sustainable tourism.

To enhance research credibility, data triangulation was applied by comparing the evidence derived from legal documents, interviews, observations, and academic literature. The analysis followed an interactive qualitative model involving data reduction, categorization, interpretation, and conclusion verification. Normative legal analysis was employed to interpret statutory provisions and customary regulations, whereas socio-legal analysis was used to evaluate how legal norms operate in practice through institutional governance and community participation. The analytical framework was informed by legal pluralism, legal system, and legal protection theories, enabling an integrated assessment of the relationship between legal regulation, institutional governance, and sustainable cultural tourism.

This study did not employ statistical testing because its primary objective was explanatory rather than predictive. Qualitative legal reasoning and thematic analysis were used to identify patterns of legal governance, institutional effectiveness, regulatory harmonization, and community participation. This methodological framework provides a comprehensive understanding of how customary village enterprises function as legally recognized indigenous institutions that simultaneously promote economic development, cultural preservation and sustainable tourism governance.

RESULT & DISCUSSION

The empirical findings reveal that the governance of *Baga Utsaha Padruwen Desa Adat* (BUPDA) *Galang Kangin* extends beyond the conventional administration of a community-owned enterprise. Rather than functioning solely as an economic organization established to generate village revenue, BUPDA has evolved into an indigenous governance institution that integrates legal authority, customary values, institutional accountability and sustainable cultural tourism. This institutional transformation reflects the interaction between the constitutional recognition of Indigenous communities, decentralization policy, Balinese customary law, and regional tourism governance. Consequently, legal governance within the BUPDA should be understood not merely as regulatory compliance but as an integrated governance mechanism through which statutory and customary laws collectively shape institutional legitimacy, organizational performance, and community participation.

The constitutional recognition of Indigenous communities under Article 18B, paragraph (2) of the Constitution provides the primary legal foundation for the existence of customary villages throughout Indonesia. Within the Province of Bali, this constitutional recognition has been translated into a comprehensive regional legal framework through Bali Provincial Regulation Number 4 of 2019 concerning Customary Villages and Bali Provincial Regulation Number 4 of 2022 concerning the establishment of *Baga Utsaha Padruwen Desa Adat* (BUPDA). These regulations significantly expand the authority of customary villages to administer economic resources based on customary values, while simultaneously supporting regional development and sustainable tourism policies. Unlike previous community-based institutions, BUPDA receives legal legitimacy from both state legislation and customary legal norms, creating a governance structure unique to the Indonesian legal system.

The field investigation conducted in Sanur Traditional Village confirms that this legal framework has been operationalized through the establishment of BUPDA *Galang Kangin*, which manages tourism-supporting business activities within one of Bali's most prominent coastal tourism destinations. Empirical evidence demonstrates that institutional governance is implemented through continuous interaction among customary leaders, BUPDA management, community members, and local government institutions. Rather than creating overlapping authority, this interaction establishes complementary governance responsibilities, in which statutory regulations provide legal certainty, while customary institutions maintain social legitimacy

and cultural accountability. This finding confirms that governance effectiveness depends not on legal centralization but on institutional coordination among multiple legal systems operating within the same social environment.

Table 1. Integrated Legal Governance Framework of BUPDA

Governance Component	Institutional Instrument	Governance Function
Constitutional recognition	Article 18B (2) of the Constitution	Recognition of indigenous communities
National legislation	Law Number 10 of 2009 on Tourism, Village Law, Regional Government Law	General institutional authority
Provincial regulations	Bali Regulations concerning Customary Villages and BUPDA	Institutional governance and economic management
Administrative regulations	Governor and Mayor Regulations	Operational coordination
Customary regulations	<i>Awig-Awig</i> and <i>Pararem</i>	Community legitimacy and internal accountability

Source: Processed data, 2026

The governance structure presented in Table 1 illustrates that the BUPDA operates within a multilayered legal environment. National legislation establishes the general legal framework governing regional administration and tourism, whereas provincial regulations recognize the institutional autonomy of customary villages (*desa adat*). At the operational level, *Awig-Awig* and *Pararem* determine internal governance mechanisms, decision-making procedures and community obligations. The coexistence of these regulatory instruments demonstrates that legal governance is produced through institutional integration rather than through regulatory uniformity.

This finding substantially extends previous research on indigenous economic institutions. Earlier studies have generally interpreted customary village enterprises from administrative, economic, or tourism management perspectives. For example, Asih et al. (2021) emphasized investment policy within customary tourism development, while Hadiati et al. (2021) focused on governance within Village Credit Institutions (LPD). Similarly, Suarjana et al. (2024) examined the contribution of BUPDA to community economic empowerment and Sundari & Pemayun (2024) highlighted the role of customary villages in strengthening local economic independence following the enactment of Bali Provincial Regulation Number 4 of 2019. Although these studies provide valuable insights into institutional performance, they do not comprehensively explain how legal governance integrates constitutional authority, regional legislation, customary law, and institutional accountability into a coherent governance system. Therefore, the present findings fill an important analytical gap by positioning legal governance as the principal institutional mechanism for explaining the effectiveness of customary village enterprises.

The empirical findings further indicate that institutional legitimacy derives not only from statutory recognition but also from community acceptance. Interviews with customary leaders and institutional managers revealed that major governance decisions are deliberated through *Paruman Adat*, where customary representatives collectively determine institutional policies, financial priorities, and business development strategies. This participatory mechanism differs fundamentally from corporate governance because institutional authority is continuously validated through customary consensus rather than solely through a formal organizational hierarchy. Consequently, governance accountability extends beyond administrative reporting to include customary responsibilities before the indigenous community.

From the perspective of Legal Pluralism Theory, these findings illustrate the coexistence of multiple normative systems regulating the same institutional activities. State law establishes formal legal authority, whereas customary law provides social legitimacy necessary for institutional effectiveness. Rather than functioning as competing legal systems, both normative orders interact to produce complementary governance arrangements capable of accommodating economic development without undermining Indigenous autonomy. This finding supports Griffiths' conception of legal pluralism while simultaneously

reinforcing Indonesian perspectives that emphasize the coexistence of customary law and state law within a unified constitutional framework (Dan, 2005; (Astara, 2026).

The study also demonstrates that BUPDA possess a legal status that differs from that of ordinary commercial enterprises. Although they perform business activities that generate economic benefits, institutional objectives remain inseparable from customary responsibilities. Business activities are not conducted for private profit maximization but for strengthening customary institutions, financing religious ceremonies, improving public facilities, preserving local culture, and enhancing community welfare. Consequently, economic activities become instruments that support broader social and cultural objectives. This governance philosophy reflects the Balinese understanding that economic development should reinforce, rather than replace, indigenous cultural identity.

An important implication of the empirical findings is institutional accountability. Rather than relying exclusively on governmental supervision, the BUPDA implements dual accountability mechanisms consisting of administrative oversight and customary control. Administrative accountability ensures compliance with statutory regulations governing financial management and institutional administration. Simultaneously, customary accountability operates through collective supervision exercised by customary leaders and community members within the framework of *Awig-Awig* and *Pararem*. This dual accountability mechanism strengthens institutional transparency because organizational performance is evaluated based on both legal compliance and customary expectations. Such institutional arrangements remain relatively uncommon in conventional public enterprises, highlighting the distinctive governance characteristics of customary village enterprises in Bali.

The findings further reveal that legal governance significantly influences the stability of institutions. Because institutional authority is clearly defined within statutory regulations and customary law, BUPDA possesses greater certainty in managing communal assets and tourism-related economic activities. Legal certainty encourages community participation, strengthens institutional trust, and facilitates cooperation between customary villages and governmental institutions. Conversely, ambiguity concerning institutional authority is likely to generate governance fragmentation and weaken organizational legitimacy. Accordingly, the present findings confirm that legal certainty is a prerequisite for sustainable governance within Indigenous economic institutions.

Beyond institutional legitimacy, this study identifies governance as a continuous process of balancing economic development with customary obligations. Tourism development in Sanur has generated increasing economic opportunities; however, commercialization simultaneously introduces risks that affect cultural authenticity and community participation. The BUPDA addresses this challenge by embedding tourism management within customary governance structures rather than separating economic administration from indigenous institutions. Consequently, tourism activities remain closely connected to local cultural practices, communal values and collective responsibility.

Field observations demonstrate that BUPDA administers several interconnected business units that support tourism development, including coastal parking management, environmental sanitation, security services, public toilet management, and facilitation of community-based micro-enterprises. Instead of functioning independently, these business units operate within an integrated governance framework designed to maintain service quality while supporting environmental sustainability and community welfare.

Table 2. Institutional Functions of BUPDA Business Units

Business Unit	Governance Function		Institutional Contribution		
Coastal parking	Visitor mobility management		Tourism accessibility		
Environmental sanitation	Public environmental services		Clean and sustainable destination		
Security services	Community-based security		Safe tourism environment		
Public toilet management	Public facilities		Visitor comfort and hygiene		
MSME facilitation	Community empowerment	economic	Inclusive development	local	economic

Source: Processed data, 2026

As presented in Table 2, the business units administered by the BUPDA perform functions that extend beyond commercial service delivery. Collectively, they constitute an integrated governance system that supports destination management, environmental quality, visitor experience, and local economic participation. The revenue generated through these activities is subsequently redistributed to strengthen customary institutions, finance cultural ceremonies, maintain public infrastructure, and support community development initiatives. Consequently, institutional success cannot be evaluated solely through financial indicators because governance outcomes encompass economic resilience, cultural preservation, environmental sustainability, and social cohesion.

These findings reinforce the proposition that sustainable cultural tourism depends fundamentally on institutional governance rather than infrastructure development alone. While physical tourism facilities remain important, long-term sustainability ultimately requires governance mechanisms that can balance economic growth, environmental stewardship, and indigenous cultural preservation. BUPDA demonstrates that customary village enterprises possess the institutional capacity to perform this balancing function because their governance is embedded within indigenous legal traditions while remaining consistent with statutory regulations.

Nevertheless, the empirical investigation identifies several governance challenges that require institutional attention. The first concerns the managerial capacity. Increasing organizational responsibilities demand competencies in strategic planning, financial administration, tourism management, digital governance, and organizational leadership, which continue to evolve within customary institutions. Although social legitimacy remains strong, institutional professionalism must be developed simultaneously to respond effectively to changing tourism dynamics.

The second challenge relates to regulatory harmonization. The continuing development of provincial regulations governing BUPDA requires customary institutions to adapt their administrative procedures without diminishing indigenous autonomy. Therefore, effective governance depends on continuous coordination among provincial authorities, local governments, and customary institutions to ensure regulatory consistency while respecting local customary practices.

Finally, tourism commercialization creates persistent tension between economic expansion and cultural preservation. The empirical findings indicate that the BUPDA has maintained institutional equilibrium by ensuring that tourism development remains subordinate to customary values rather than allowing commercial objectives to dominate indigenous governance. This balance represents one of the most significant empirical contributions of the present study because it demonstrates that sustainable tourism governance can be achieved through institutional integration rather than regulatory centralization. The subsequent discussion further develops these findings by comparing them with previous scholarship, elaborating on their theoretical implications, and presenting an integrated Legal Governance Model of Customary Village Enterprises as the principal novelty of this research.

The institutional findings discussed above have broader implications than merely explaining's PDA the operational performance. They demonstrated that the sustainability of customary village enterprises is fundamentally determined by the interaction between legal certainty, institutional legitimacy, and indigenous participation. Consequently, legal governance should be interpreted as a dynamic institutional process rather than as a collection of legal rules governing organizational administration. This interpretation is particularly significant within the Balinese customary village system, where statutory regulations and customary laws operate simultaneously to regulate the same institutional activities.

A comparison with previous studies further confirms the distinct contribution of this study. Earlier scholarship has consistently acknowledged the growing role of customary villages in regional economic development, tourism governance and community empowerment. Asih et al. (2021) demonstrated that tourism investment policies require the stronger involvement of customary villages to ensure equitable local development. Ariyudha et al. (2021) highlighted the importance of integrating tourism policy with local agricultural resources to strengthen sustainable regional development. Similarly, Suarjana et al. (2024) concluded that BUPDA contributes significantly to improving the economic capacity of customary communities, while Sundari & Pemayun (2024) emphasized that the enactment of Bali Provincial Regulation Number 4 of 2019 strengthened the economic autonomy of customary villages. Collectively, these studies

successfully establish the economic importance of customary institutions; however, they generally approach BUPDA from the perspective of economic empowerment or public administration.

The present study reached a different analytical conclusion. Rather than considering economic performance as the principal determinant of institutional effectiveness, empirical evidence demonstrates that legal governance constitutes the primary institutional mechanism through which economic sustainability becomes possible. Community participation, organizational accountability, transparent decision-making, and cultural preservation are not independent variables operating alongside legal regulations; instead, they are integral components of a single governance framework sustained by legal pluralism. This distinction represents the principal contribution of the present study because it shifts the analytical focus from organizational performance to institutional legitimacy.

A comparison with previous studies also reveals an important theoretical gap. Existing literature has generally examined legal regulations and community participation separately. Research on customary villages frequently concentrates on the constitutional recognition of indigenous peoples, whereas tourism governance studies emphasize destination management, service quality, and community empowerment. Few studies have attempted to explain how legal institutions simultaneously perform regulatory, economic, social, and cultural functions in a pluralistic legal environment. Consequently, previous studies have not sufficiently demonstrated the institutional relationship among legal certainty, customary governance, and sustainable tourism.

The empirical findings obtained from the Sanur Traditional Village demonstrate that these dimensions cannot be separated. BUPDA governance continuously integrates statutory authority with customary legitimacy. Institutional policies remain legally valid because they comply with provincial regulations, yet they simultaneously remain socially legitimate because they are formulated through customary deliberation and implemented in accordance with Indigenous norms. This institutional interaction explains why community participation remains consistently high, despite the increasing commercialization of tourism activities. Rather than weakening customary governance, tourism development has strengthened institutional collaboration because economic activities remain embedded in Indigenous governance structures.

From the perspective of Legal System Theory, the findings confirm that the effectiveness of law depends on the interaction among legal structure, legal substance, and legal culture. The legal structure is represented by government institutions, customary village organizations, and BUPDA management. Legal substance consists of constitutional provisions, statutory regulations, provincial legislation, mayoral regulations, and customary legal instruments that govern institutional authority. However, the findings demonstrate that legal culture is the determining element explaining institutional effectiveness. Community trust, customary values, collective participation, and indigenous responsibility encourage compliance beyond formal legal sanctions. Consequently, the legal system functions effectively because institutional legitimacy originates from both governmental authority and community acceptance of the law.

These findings substantially extend Friedman's Legal System Theory by demonstrating that, within indigenous governance, legal culture plays a more strategic role than is generally recognized in conventional administrative institutions. Formal legal authority alone cannot sustain institutional effectiveness if governance is not simultaneously supported by the customary legitimacy. This finding is particularly relevant for Indigenous communities, where collective identity and customary values continue to influence organizational decision-making and resource management.

This study also contributes to the development of Legal Protection Theory. Conventional legal protection generally distinguishes between preventive and repressive protection provided by governmental institutions. The present findings reveal a broader institutional frame. Preventive legal protection is provided through constitutional recognition, statutory regulation, provincial legislation, and customary regulations, establishing legal certainty before institutional activities occur. Repressive protection exists through administrative sanctions, customary sanctions, and dispute resolution mechanisms within customary governance structures. Consequently, legal protection should be understood as an institutional governance process designed to preserve the continuity of Indigenous economic institutions, rather than merely resolving legal disputes after violations occur.

Another important finding concerns the relationship between legal governance and sustainable tourism. International tourism literature frequently evaluates sustainability through environmental conservation,

visitor satisfaction, destination competitiveness and economic growth. Although these indicators remain relevant, the present findings indicate that sustainable tourism in Indigenous communities requires an additional institutional dimension. Tourism development becomes sustainable because it is governed by institutions capable of preserving indigenous identity while simultaneously facilitating economic innovation. In the Sanur Traditional Village, BUPDA performs this institutional function by ensuring that commercial tourism activities remain consistent with customary obligations, cultural preservation, and collective welfare.

This institutional balance reflects the philosophical values of Tri Hita Karana, emphasizing harmonious relationships among human beings (*pawongan*), the natural environment (*palemahan*), and spiritual life (*parhyangan*). Rather than merely functioning as a cultural philosophy, Tri Hita Karana becomes operational through institutional governance, influencing financial allocation, environmental management, community participation, and cultural preservation. Accordingly, sustainability emerges not only from environmental policy but also from the interaction between legal governance and indigenous philosophy.

To synthesize these empirical findings, this study proposes an integrated conceptual framework referred to as the Legal Governance Model of Customary Village Enterprises. Unlike governance models that emphasize administrative efficiency or organizational productivity, the model proposed in Table 3 positions legal governance as the central institutional mechanism integrating constitutional law, regional autonomy, customary law, organizational management, and sustainable tourism. Therefore, the model represents the principal conceptual contribution of this study. This demonstrates that indigenous economic institutions cannot be adequately explained through public administration theory alone because their effectiveness depends equally on legal legitimacy and customary authority.

From a policy perspective, these findings indicate that strengthening customary village enterprises requires a governance-oriented approach rather than a purely financial intervention. Institutional capacity building should prioritize regulatory harmonization, transparent financial governance, professional management, digital administrative systems, and human resource development, while preserving customary autonomy. This approach enables customary institutions to remain adaptive to changing tourism dynamics without sacrificing indigenous cultural identity.

The findings have broader implications beyond Bali. Indigenous communities throughout Indonesia are increasingly participatin in managing tourism destinations, communal assets, and local economic resources. Nevertheless, governance arrangements often remain fragmented because constitutional recognition has not always been accompanied by coherent institutional governance. The legal governance framework developed in this study offers a transferable institutional model for strengthening Indigenous economic institutions operating within pluralistic legal systems.

Table 3. Legal Governance Model of Customary Village Enterprises

Governance Dimension	Institutional Mechanism	Governance Outcome
Constitutional recognition	Protection of indigenous communities	Legal legitimacy
Statutory and regional regulation	Institutional governance framework	Legal certainty
Customary governance	<i>Awig-Awig, Pararem, and Paruman Adat</i>	Community legitimacy
Institutional management	Professional administration and financial accountability	Organizational effectiveness
Community participation	Collective decision-making and supervision	Public trust
Cultural preservation	Indigenous values and customary obligations	Cultural sustainability
Tourism governance	Community-based destination management	Sustainable cultural tourism

Source: Processed data, 2026

Accordingly, this study confirms that legal governance constitutes the institutional foundation through which customary village enterprises contribute to sustainable cultural tourism. The principal novelty does not

lie merely in examining BUPDA as a community-owned enterprise but in reconceptualizing it as a legally recognized indigenous governance institution that integrates constitutional recognition, regional autonomy, customary law, institutional accountability, and sustainable tourism within a single analytical framework. This integrated perspective expands the existing scholarship on legal pluralism and Indigenous governance while providing a new theoretical model for analyzing community-based tourism governance in jurisdictions characterized by multiple coexisting legal systems.

CONCLUSION

This study concludes that the effectiveness of legal governance within *Baga Utsaha Padruwen Desa Adat* (BUPDA) is fundamentally determined by the institutional integration of constitutional recognition, statutory regulation, regional legal frameworks, and customary law operating within Bali's pluralistic legal system. Rather than functioning solely as a community-owned economic enterprise, BUPDA serves as a legally recognized indigenous governance institution that simultaneously performs regulatory, economic, cultural, and participatory functions to support sustainable cultural tourism. The empirical findings demonstrate that legal certainty alone is insufficient to sustain institutional effectiveness unless reinforced by customary legitimacy, participatory governance, and community trust through Indigenous decision-making mechanisms. Consequently, sustainable cultural tourism is achieved not merely through tourism policies or economic development initiatives but through governance arrangements capable of harmonizing legal authority with local cultural values and a collective sense of responsibility. The principal contribution of this study lies in advancing the concept of Legal Governance of Customary Village Enterprises, which explains how legal pluralism operates as an institutional mechanism connecting legal legitimacy, indigenous governance, community-based economic management, and cultural sustainability within a unified analytical framework. This perspective extends existing scholarship that has predominantly examined customary village enterprises from economic or administrative viewpoints by demonstrating that legal governance constitutes the institutional foundation for strengthening Indigenous economic resilience and sustainable tourism. Accordingly, this study provides both a theoretical framework for analyzing indigenous governance within pluralistic legal systems and a policy reference for developing customary village enterprises that remain legally accountable, culturally embedded, and institutionally adaptive in responding to contemporary tourism development.

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