

Building Village Economic Independence Through Village-Owned Enterprises (BUMDes)

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Abstract: The purpose of BUMDes formation is to be an avant-garde in keeping and managing village resources and assets in a one-stop management to enhance village own-source revenue. BUMDes is also expected to enhance society participation in the management of village assets and resources so that they will effectively provide benefits to the society. BUMDes serves to be the pillar of village economic growth and equality in realization of village's economic independence. BUMDes is also socially oriented to helping villagers. This shows that BUMDes may become a pillar of village economic activities and also serve to be a socially commercial institution in attempt to enhance villagers' prosperity. BUMDes may realize its goals only if there is social carrying capacity and collaborative management with the society as the ones who own village resources. Village economic independence may be realized through BUMDes with villagers' ownership of village assets and resources, which will therefore encourage their social carrying capacity. Besides, a collaborative management of BUMDes between village government, BUMDes administrator and people is required for BUMDes to grow and develop under society support.

1 INTRODUCTION

As a business entity established in village, BUMDes is jointly owned by village government and the people (communal), so that it reflects togetherness element more in undertaking business, in which villager generally have high culture, mutual aid and social sense, not only profit oriented. Therefore, as village economic institution, BUMDes may be defined as an alternative economic institution to enhance villagers' economic and social life. Ideally, BUMDes is profit oriented in driving village economy through utilizing any existing local potential.

BUMDes is set forth in Government Regulation No. 72 of 2005 on Village and Regulation of Home Affairs No. 39 of 2010 on Village-Owned Enterprises. Act Number 6 of 2014 on Village and government Regulation No. 43 of 2014 on the Implementing Regulation of Act No. 6 of 2014 on Village also regulate that the Government, Provincial Government, Regency/City Government and Village Government must encourage BUMDes to develop by: Providing grant and/or access to capital; Performing technical coaching and access to the market; and prioritizing BUMDes in the management of village natural resources.

BUMDes development cannot be separated from Village Fund Allocation (ADD) which is partially allocated for BUMDes formation and development. This provision is set forth in Regulation of Minister of Villages and Underdeveloped Area Development and Transmigration No. 21 of 2015 on the stipulation of priority of village fund utilization year 2015 article 9 that one of the priorities of village fund utilization is BUMDes formation and development.

To accelerate BUMDes formation, the government issues Regulation of Minister of Underdeveloped Area Development and Transmigration of the Republic of Indonesia Number 4 of 2015 on the Formation, Administration and Management, and Dissolution of BUMDes. The number of BUMDes in Indonesia is 1,022 units in 2015 and drastically increases to 12,848 units in 2016 (*Jumlah BUMDES Naik 12 Kali Lipat*, Monday, May 22, 2016, Republika.co.id). In Central Java, there are only 725 units of BUMDes in 2016.

BUMDes may become part of attempts to enhance local and regional economy (Ridlwan, 2014). Village potential management by the society should be in empowerment of BUMDes. BUMDes is a business entity whose capital is

entirely or partially owned by Village through direct participation derived from village property separated to manage assets, services, and other businesses to the greatest benefit of villagers and to develop village economic activities. BUMDes is, as a business entity established in village, jointly owned by village government and the people (communal), so that it reflects togetherness element more in undertaking business, in which villagers generally have high culture, mutual aid, brotherhood and social sense, not only profit oriented. Therefore, BUMDes may, as a village economic institution, be defined as an alternative economic institution to enhance villagers' economic and social life. Ideally, BUMDes is profit oriented in driving village economy through any existing local potential.

Village local potential management by the society should be in empowerment based on: village initiative, problem solving, program design process and original/natural technology, in which the main sources are the people and local resources, supporting organizations are fostered from the bottom, continuous personnel coaching is based on field study or learning from field activities and the management focuses on the sustainability and function of institutional system (Tjokrowinoto, 2006). In line with Tjokrowinoto's opinion, Dwipayana also states that villagers' involvement in any renewal within village is a must since they are the stakeholders and shareholders who will be responsible for any risks of an activity program in the village (Dwipayana, 2003). BUMDes management requires one public institution or more which directly engages the stakeholders in a formal, consensus oriented and deliberative policy making process (Ansel and Gash, 2007). This is known as collaborative governance, in which collaboration serves an important role in a policy making.

BUMDes is a village business collectively owned by the government and the people, so that there will be public and community partnership in its activities, which is a partnership between village government as public sector and local society (Yunanto, 2014). Partnership between stakeholders will be realized if various participative programs are held such as forum for discussion, panel user, youth forum, and area committee (Newman et.al, 2004). Through meeting agenda and village discussion with participants from all groups, human resource development in the village will be accelerated.

BUMDes is established to strengthen village economy through various business units it operates to enhance village revenue. However, BUMDes management is also deemed less effective since it is not transparent and accountable yet because, generally, village economic enhancement is only enjoyed by only BUMDes players, not the people in general (Sidik, 2015). In other words, BUMDes management in enhancing villagers' economy and empowering the society still lacks effectiveness (Purnamasari et al., 2016).

This paper attempts to analyze BUMDes management policy as an important issue in developing villagers' economy and prosperity. Many regions have actually established BUMDes, but many of them do not develop and even collapse. BUMDes has been given with many opportunities to manage village assets, such as: market, tourist attraction, clean water and village electricity. BUMDes has great potential and may be used as a breakthrough in enhancement of villagers' prosperity in a creative and adaptive way.

2 RESEARCH METHOD

This qualitative descriptive research is able to explain, define and find the cause along with reason behind it. This research attempts to observe how the society participates in a concept of collaborative governance in BUMDes management in Ponggok Village. This way, this qualitative research is deemed able to reveal and understand various field phenomena (Straus and Corbin, 1998). For analysis, the data are obtained from interview, secondary data analysis and field observation.

3 RESULTS AND DISCUSSION

3.1. BUMDes as Alternative to Build Village Independence

Act No. 6 of 2014 states that Village may establish Village-Owned Enterprise (BUMDes). BUMDes is a business entity whose capital is entirely or partially owned by Village through direct participation derived from Village property separated to manage its assets, services and other businesses to the greatest benefit of villagers and to develop village economic activities. Act No. 6 of 2014 on Village is expected to force all related parties to consistently put bigger role to Village Government in administering Village Administration, Village Development implementation, Village Community Coaching,

and Villagers Empowerment based on people's initiative, origin right, and Village customs, including in giving maximum role to BUMDes.

The Ministry of Underdeveloped Area Development (KPDT) currently has Special Allocation Fund as one source of funding for development of 183 underdeveloped areas, called as Special Allocation Fund for Underdeveloped Area's Facilities and Infrastructure (*Dana Alokasi Khusus Bidang Sarana dan Prasarana Daerah Tertinggal - DAK SPDT*). BUMDes (Village-State Enterprise) is one of the institutions given with opportunities by DAK SPDT to manage the facilities and infrastructure. BUMDes is currently given with opportunity to develop various types of business pursuant to village's needs and potential. The types of business include: 1) service 2) distribution of the nine basic commodities, 3) trade of agricultural yields; and/or 4) small and house industries.

Almost all regencies currently compete to establish BUMDes, particularly in welcoming the fund of Rp1.4 Billion per village from the Central Government to village governments. Expectedly, with the fund, village governments are to establish BUMDes to manage village assets to be more effective and give the society benefits more, particularly in enhancing the society's economy.

Although the number of BUMDes units keeps increasing annually, but in fact, only few units of BUMDes develop and survive. An example of BUMDes unit which grows and develops in Central Java is BUMDes Tirta Mandiri in Klaten. This BUMDes may become a benchmark for BUMDes management model in local potential based areas. This BUMDes has collaborated with other parties in BUMDes management, so that it is able to drive village economy. However, there are still many BUMDes in this regency which do not develop and even collapse. Most of BUMDes units collapse because they find it difficult to determine their business, so that almost all of them perform business in saving and loan and water, telephone and electricity payment service sectors. Besides having no capability to target the society market share, particularly in determining what business to operate, the BUMDes managements do not have courage to innovate. This condition is resulted from the low capability of human resources who manage those BUMDes.

Klaten Regency Government has attempted to encourage each village to establish BUMDes to realize village independence and to optimize village potential. BUMDes formation in Klaten is

based on Local Regulation (Perda) Number 1 of 2018 on the Establishment and Management of Village-Owned Enterprise. Klaten Regency Government is incessantly socializing Local Regulation No. 1 of 2018 in encouraging villages to establish revenue oriented BUMDes which may develop village economic potential towards village independence.

BUMDes formation for Klaten Regency is also a business aimed at reducing the high rate of poverty in villages. There are currently 70 villages with BUMDes in Klaten (<http://berita.suaramerdeka.com/smcetak/baru-45-desa-miliki-bumdes/>). Out of the existing 70 BUMDes units, one BUMDes unit becomes a national icon, which is BUMDes in Ponggok, namely BUMDes Tirta Mandiri. Ponggok is a village in the minapolitan area KALUNGHARJO, which is a minapolitan area consisting of three subdistricts: Karanganyam, Tulung and Polanharjo. This area is known as *Kawasan Desa Nila* (Nila Village Area) in Klaten Regency.

BUMDes Ponggok Tirta Mandiri in its early time of formation in 2009 is a business in fish feed trade and capital loan for the society, which is then developed to tourism sector. The businesses currently managed by BUMDes Tirta Mandiri include tourist attraction, swimming pool, fishery, hawkers coaching, clean water supply, construction service and procurement of goods and services. In 2015, BUMDes Tirta Mandiri has asset of Rp6.5 Billion annually with annual net profit of Rp2 billion. (<http://www.kemendesa.go.id/index.php/view/detil/1866/bumdes-tirta-mandiri-cetak-laba-bersih-2-mtahun>, August 31, 2016).

BUMDes Tirta Mandiri's assets are investment of various parties including Ponggok villagers of Rp1.2 Billion. Besides villagers, each Neighborhood Association and Neighborhood Council in Ponggok also makes investment. The shared profit of investment made by Neighborhood Associations and Neighborhood Councils is utilized to pay for health security, education security and social security (<http://bumdesindo.com/wp/wow-investasi-warga-bum-des-tirta-mandiri-pongok-klaten-tembus-rp12-miliar/>) BUMDes Tirta Mandiri continuously attempts to enhance its capacity to be a successful business entity by partnering with bank. BUMDes Tirta Mandiri is currently a development partner of Bank Negara Indonesia (BNI). This partnership includes business development training, so that it has the capability to provide limited banking

services. The partnership between BUMDes and bank is expected to facilitate and accelerate the growth rate of financial literacy in villages (<http://jateng.tribunnews.com/2016/06/24/bumdes-asal-klaten-ini-jadi-yang-terbaik-di-tingkat-nasional?page=3>).

BUMDes Tirta Mandiri is currently managing tourism, clean water management, fish ponds and culinary kiosks rent, village shops and revolving credit business units. In addition, BUMDes Tirta Mandiri also sells its shares to villagers as a form of society investment. These shares may be acquired by the society starting from nominal value of Rp100,000 to Rp5,000,000. In avoidance of social jealousy, every family is allowed to buy only one share. The purpose of this society investment is to allow the society to obtain benefit from the business units managed by the BUMDes.

Society investment has led to BUMDes Tirta Mandiri's development that it enhances village own-source revenue which eventually leads to society's prosperity. Ponggok village's own-source revenue enhancement encourages the village to issue a smart card program in the form of education fund assistance for its villagers; Health Card for the society; Car for Mother and Child services and Entrepreneur Card.

BUMDes Tirta Mandiri's success in Klaten is expected to encourage other villages in every area to enhance their capacity, particularly in managing and developing their business as well as collaborative model with other parties in enhancement of BUMDes's performance. However, BUMDes Tirta Mandiri's success has not been followed by other BUMDes in Klaten Regency. Out of 391 villages in Klaten Regency, 70 villages have Village-Owned Enterprises (BUMDes). Out of the existing 70 BUMDes, 10 BUMDes have successfully developed their tourism business, while the remainder collapses and most of them operate in service sectors and electricity, water or telephone payment service sectors (Bapermades Klaten, 2016).

BUMDes Tirta Mandiri's successful business management and development make its income keeps increasing so that it contributes to village own-source revenue. The BUMDes also drives village potential for villagers' prosperity. The BUMDes and its business activities have directly raised local economic independence at village level, so that villagers' economic activities will be around the village. Not only outcome oriented, the BUMDes is also socially oriented, that it attempts to help villagers. This shows that BUMDes may

become a pillar of economic activities in village and also serve as a socially commercial institution.

BUMDes formation and management is aimed at realizing village's creative and productive economy management. Besides aiming at enhancing village potential and enhancing village economy, BUMDes is also expected to be the core of village economic growth and equality. This way, BUMDes is, in performing its activities, expected to fulfill society's (productive and consumptive) needs through distribution of goods and services which may drive village economy. BUMDes is also expected to serve the society in general, not only the villagers, by applying standard prices and services in the market. This requires regulation which is mutually agreed on so that BUMDes's business activities will not cause economic distortion to villagers, but will support villagers' economic activities, in non-competitive way.

BUMDes is an instrument to utilize local economy with various types of potential. This potential utilization aims at enhancing villagers' prosperity by developing their economic business. BUMDes is also expected to contribute to increasing village own-source revenue which allows the village to perform development and enhance people's prosperity optimally.

3.2. Building Participation and Collaboration in BUMDes Management

The existence of BUMDes cannot be separated from villagers' socio-economic condition. Village socio-economic condition is very complex and different from each other, in which village is a unit of legal community with original system by preferential right of origin. Village has the authority to manage and regulate its villagers' interest pursuant to its socio-cultural condition (Widjaya, 2003). Therefore, uniform BUMDes management is impossible, that it should be based on the capability of and existing resources in each village. The difference in resource capability should be wisely responded by stakeholders that manage the BUMDes. BUMDes will operate and synergize to be one strong business in case of society participation.

Society participation is a form of society's involvement from the start of planning to supervision of BUMDes's activities implementation. Society participation in BUMDes is something important since they are the ones who know the situation and condition to be faced and what necessities are required to establish

BUMDes. Society's involvement will also raise society's trust in any programs in progress so that they will feel as if they also have the existing program, which will lead to social carrying capacity.

Participation is something important in a program that it will generate a sense of self-regard and personal ability to get involved in achieving important decision; to condition information of an environment such as attitude, aspiration, necessity and local condition which will not be revealed without society participation. Participation serves to be an effective way to build human ability to manage development program in fulfilling their needs (Moeljarto, 1987). The principle of participation is basically involving society's direct participation which will be a success in case the society themselves participates since the beginning.

Similarly, developing BUMDes is a joint responsibility of the government and the society. The society serves to be an object as well as a subject of BUMDes development. Therefore, the key to success of BUMDes development is society's direct participation or involvement in each phase of BUMDes management. The management of BUMDes Tirta Mandiri in Ponggok is initiated with a village meeting which engages Village Government, Village Representative Assembly (BPD), and the society consisting of farmers group, public figure and female group to discuss anything important in village development with regard to BUMDes development.

The various groups' participation requires collaboration in order to achieve the shared interest. Collaboration is an alternative to BUMDes management because of the complexity of BUMDes's roles and functions for villagers' economy. Besides, BUMDes cannot be developed independently, but it requires partnership with other institutions, either private or non-government organization. Therefore, BUMDes management collaboration is collaboration in a process sense, which is institutional collaboration between BUMDes, Village Government, Neighborhood Association, Bank and Community Empowerment Body. In this BUMDes management, every element serves their-own role and goals, particularly in enhancing village economy and society's income.

The collaboration in BUMDes management in Ponggok has yielded benefit in the form of operating management of BUMDes business unit

managed effectively by the society. The reason is collaboration between Ponggok Village government, society and BUMDes administrator that cooperate for society's prosperity. This collaboration runs well because of village discussion forum which engages various actors from the village, society and administrator.

Ponggok Village successfully develops BUMDes Tirta Mandiri since in developing BUMDes, it fully engages the society to participate and collaborate. Ponggok Village Government forms formal and informal forums to make joint agreement in planning for BUMDes formation so that it is developed in conformance to the goals. The forums are established not only on village discussion, but from long before the implementation of village discussion, such as at Neighborhood Association or Neighborhood Council meeting. This way, data and inputs will be directly collected from the society pursuant to real condition.

4 CONCLUSION

An independent BUMDes may be developed by observing aspirations from and engaging all components of village community. BUMDes administrator, village government, society and other parties related to BUMDes development must collaborate. This collaboration may be initiated by a public institution followed by village government and BUMDes administrator in involvement of non-government institution. The purpose such forum is held is to make mutual decision of BUMDes management.

Village economic independence may be achieved through BUMDes, but the process requires society participation and good collaboration between village government, BUMDes administrator and the society. Independence will be achieved only if the society also has shares in BUMDes management, so that they will also obtain some benefits from the business units developed.

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