

Development of Village Owned Enterprises (BUMDES) as a Solution to Achieve Mandiri Village

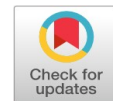
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Abstract: Regional development strategies in Indonesia from the economic sector start from the lower community so that the central government expects that the village government (government bottom) has a business entity as a source of income that can support the economic growth of the community. The business entity is called BUMDes. But in fact the BUMDes are still underdeveloped and need the help of many parties. This research identifies problems that hinder the development of BUMDes and provides solutions to develop soon. The study was conducted in the West Java Province of Indonesia using the Analytic Network Process method. The study was conducted on 7 experts who understood the problem of developing BUMDes in West Java, through the stages of focus group discussions and questionnaires. The results show that the main problem that impedes the development of BUMDes from the internal side is the lack of business management and institutional management, while from the external side is the competition of product marketing. While the internal solutions that can be used to solve these problems are partnerships with other parties and external solutions are the utilization of natural resource potential in the village. This research can be used as a reference for all parties including the government and the community to develop BUMDes in order to improve the economy of the community through the identification of several problems in the field and the best solutions provided by the results of this study.

Keywords: BUMDes, Village government, West Java



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INTRODUCTION

Indonesia is a country with the fourth largest population in the world with a total of 252.20 million people. According to Central Statistics Agency in Indonesia, the number of poor people in March 2018 was 25.95 million people or 9.82 percent of the total population. The largest number of poor people in rural areas with a total of 15.81 million people.

In an effort to improve the welfare of the community, the central government in Indonesia through the Community Empowerment and Village Development Agency forms a financial institution, namely Village Owned Enterprises or BUMDes is an institution whose purpose is to improve community welfare. BUMDes are business institutions managed by the community and village government in an effort to strengthen the village economy and are formed based on the needs and potential of the village. According to law number 32 of 2004 concerning Regional Government, BUMDes was established, among others, in order to increase Village Original Income (in Indonesia is PADes). Furthermore, as one of the economic institutions operating in the countryside, BUMDes must have differences with economic institutions in general. This is intended so that the existence of BUMDes is able to contribute significantly to improving the welfare of the community. This is because the village has an important role in national development

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efforts because the majority of Indonesian population is in rural areas so that it has a considerable influence in the effort to create national stability and reduce economic inequality.

Development in a country must certainly pay attention to several important aspects including growth, economy and welfare. These three aspects must continue to be attended to and improved through sustainable development programs. The government always makes work programs implemented not for one period (for example: one year) but long term so that development can be comprehensive and sustainable. Therefore, the community must have a good and equitable level of income as a form of development success through income distribution. The results of [Sayutri \(2011\)](#) show that the existence of BUMDes is needed to move the potential of the village and can assist in efforts to alleviate poverty. It is also supported by [Hardijono, Maryunani, and Ananda \(2014\)](#) that the establishment of BUMDes is a way to form an independent rural economy as an effort to increase Regional Original Revenue.

At present the village is still far behind compared to the city in terms of economy, welfare, education and other facilities. The government has carried out many programs to encourage the acceleration of rural development, but the results have not been significant in improving the welfare of rural communities. One of the factors causing the failure of village development is the large amount of government interference that has an impact on rural communities' creativity and innovation in village management and economy. [Agunggunanto, Arianti, Kushartono, and Darwanto \(2016\)](#) found that the problems experienced by BUMDes at present are limited capital and lack of knowledge of management, so that the institutional performance of BUMDes in business development is less than optimal. The level of knowledge and insight of the village community is low regarding the importance of forming a business group.

Furthermore that in running a business must use good governance. Even though BUMDes are government-owned enterprises, management must be done well. In managing private sector companies, it can also seek development and learning in the private sector because the private sector has a lot of experience. However, a contradictory view was expressed by [Wettenhall \(2004\)](#) which showed that governance experience in the public sector had long been established and many criteria applied in the private sector were not suitable for the public sector.

Therefore, based on the above explanation, it is necessary to conduct a research that is able to identify all problems and provide solutions for BUMDes so that they can develop quickly so that the economic development of the lower community becomes better.

LITERATURE REVIEW

Village-owned enterprises (BUMDes)

BUMDes is an institution formed by the village government and the community manages the institution based on the needs and economy of the village. BUMDes are formed based on laws and regulations that apply to agreements between village communities. The objective of BUMDes is to improve and strengthen the village economy. BUMDes has a function as a commercial institution. According to [Maryunani \(2008\)](#), BUMDes is a village business institution that is managed by the community and village government in an effort to strengthen the village economy and build social cohesion of the community based on the needs and potential of the village. So BUMDes is a business institution which means having a function to do business in order to get a result such as profit.

[Gunawan \(2011\)](#) explained the formation of BUMDes aims to receive activities that develop according to customs, activities based on the Government program and all other activities that support efforts to increase community income. The main characteristics that distinguish BUMDes from commercial economic institutions are as follows ([Adora, 2017](#); [Anggadwita & Dhewanto, 2016](#); [Maryunani, 2008](#); [Niesing, Merwe, & Potgieter, 2016](#)):

1. Business capital sourced from the village (51%) and from the community (49%) through equity participation (shares or shares).
2. This business entity is owned by the village and managed together
3. It is carried out based on the principle of kinship and cooperation and is rooted in the values that develop and live in the local wisdom.

4. The business sectors carried out are based on the development of the village potential in general and the results of market information that sustains the economic life of the community.
5. Workers empowered in BUMDes are potential workers in the village.
6. The benefits are aimed at improving the welfare.
7. Decision makers and problem solving is done through village deliberations.
8. BUMDes regulations are implemented as village policies.
9. Facilitated by the Central Government, Provincial Government, Local Government, and Village Government.
10. The activities of BUMDes are supervised jointly.

The role of BUMDES for the development

BUMDes is a form of community participation as a whole which is established based on the Village Regulation. BUMDes were also established on the consideration of channeling village community initiatives, developing village potential, management, utilization of village potential, village government funding and wealth handed over to be managed by BUMDes.

Therefore, the development of BUMDes needs to be done as soon as possible so that it can function in accordance with its role. BUMDes goals and objectives can be achieved if managed in a directed and professional manner. BUMDes is a solution to the problems that occur in the village. BUMDes are expected to encourage and drive the village economy (Ramadana, Ribawanto, & Suwondo, 2013). The existence of BUMDes can help the government in managing creative and innovative village potential, so that it can open up new jobs so that it can absorb labor in the countryside.

According to Seyadi (2003) the role of BUMDes is as follows:

1. Building and developing the potential and economic capacity of the village community, in general to improve their economic and social welfare.
2. Act actively in an effort to enhance the quality of human life and society.
3. Strengthening the people's economy as a basis for the strength and resilience of the national economy with BUMDes as its foundation.
4. Trying to realize and develop the economy of the village community.
5. Helping the community to increase their income so that it can increase the income and prosperity of the community.

Therefore, if BUMDes has run well, it will create an Independent Village Government. Independent villages or Mandiri Villages are villages that are able to meet their needs and if there is assistance from the Central Government, the assistance is only a stimulus. Mandiri village development encompasses participatory, transparent and accountable development plan activities. In the long run, the Village Government that will independently increase economic growth, especially in Indonesia. According to Jhingan (2004), the process of economic growth is influenced by economic factors, economic growth of a country depends on the Factors of Human Resources, Natural Resources Factors, Factors of Science and Technology, Division of Work and Production Scale and Resources Capital. Therefore, it is necessary to identify these factors that influence the growth of BUMDes in Indonesia.

METHOD

Population and sample

Respondents in this study were carried out by considering the respondent's understanding of the problems being discussed specifically regarding the Development of BUMDes in the West Java Province of Indonesia. The number of respondents in this study consisted of seven people, with the consideration that they were quite competent in representing the entire population. In ANP analysis the number of samples/respondents is not used as a benchmark of validity. The requirements of valid respondents in the ANP are that they are the people who know the problem best. Therefore, the technique sampling used purposive sampling, with criteria of respondents in this study were expert respondents who were most aware of the problems being studied, namely regarding the development of BUMDES consisting of

the Village Head, District Head, Community, Chairperson of the Organization of BUMDes Associations, Regional Governments, Chairman of BUMDES, and Head Office.

Overview of the Analytic Network Process (ANP)

ANP is a mathematical theory that is able to analyze influences with assumptions to solve the problem. This method is used in the form of settlement with consideration of the adjustment of the complexity of the problem by decomposition of the synthesis accompanied by the existence of a priority scale that produces the greatest priority influence. ANP is also able to explain models of dependence factors and feedback systematically. Decision making in the ANP application is by considering and validating the empirical experience (Saaty, Vargas, et al., 2006).

Questions in the questionnaire are in the form of pairwise comparison between elements in a cluster to find out which of them has a greater influence (more dominant) and how big the difference is seen from one side. The numerical scale 1-9 used is a translation of verbal assessment.

The fundamental scale of values to represent the intensity of judgment is shown in Table 1. This scale has been derived through stimulus response theory and validated for effectiveness, not only in many applications by a number of people, but also through theoretical justification of what scale one must use in the comparison of homogeneous elements (Saaty et al., 2006).

Table 1: The fundamental scale of absolute numbers

	Intensity of Definition Importance	Explanation
1	Equal Importance	Two activities Contribute equally to the objective
2	Weak	
3	Moderate importance	Experience and judgment slightly favor one activity over another
4	Moderate plus	
5	Strong importance	Experience and judgment strongly favor one activity over another
6	Strong plus	
7	Very strong or Demonstrated	An activity is favored very strongly over another; its dominance demonstrated in practice
8	Very, very strong	
9	Extreme importance	The evidence favoring one activity over another is of the highest possible order of Affirmation
Reciprocals of above	if activity i has one of the above nonzero numbers assigned to it when Compared with activity j , then j has the reciprocal value when Compared with i	A reasonable assumption
Rationals	Ratios Arising from the scale	If consistency were to be forced by Obtaining n numerical values to span the matrix

Filling out of the questionnaires by the informant must be accompanied by Researchers to keep the consistency of the answers given by the informant. Commonly, the questions in the ANP questionnaire have a large number so that, so the inconsistency might happen in the answers.

Data analysis techniques

Mean geometric

To find out the results of individual evaluations from the respondents and determine the results of opinions in one group an assessment is done by calculating the geometric mean (Saaty et al., 2006).

The rater agreement

Rater agreement is a measure that shows the level of agreement (agreement) of the respondents ($R1-Rn$) on a problem in one cluster. The tool used to measure rater agreement is Kendall's Coefficient of Concordance (W ; $0 < W \leq 1$). $W = 1$ shows perfect suitability (Ascarya, 2011).

To calculate Kendall's (W), the first is to rank each answer then add it up:

$$R_i = \sum_j^m = 1r_{i,j} \quad (1)$$

The average value of the total ranking is:

$$R = \frac{1}{2}m(n + 1) \quad (2)$$

The sum of squares deviation (S), calculated by the formula:

$$S = \sum_i^n = 1(R_i - \bar{R})^2 \quad (3)$$

So Kendall's W is obtained, namely:

$$W = \frac{12s}{m^2(n^s - n)} \quad (4)$$

If the test value W is 1 ($W = 1$), it can be concluded that the assessment or opinion from the respondents have perfect suitability. Whereas when the W value is 0 or getting closer to 0, then it shows that there is a discrepancy between the respondent's answers or the varied answers (Ascarya, 2011).

RESULTS AND DISCUSSION

The study began with an FGD with seven respondents who were most aware of the problems examined, namely the development of BUMDes in the West Java province of Indonesia. The results of the study obtained identification of several problems and solutions for the development of BUMDes in West Java, consisting of:

1. Internal problems The

- Lack of business management and institutions
- Lack of capital
- Lack of human resources
- Not understand the function of BUMDes
- There are no superior products
- Not able to utilize natural resources

2. External problems

- Business competition
- Product marketing competition
- Interventions from the Village Government

In addition to the problems that have been identified, there are also several solutions that have been collected and divided into two categories, namely as follows:

1. Internal solutions

- Make a Feasibility Study
- Managerial Improvement
- There must be superior products
- Production cost efficiency

- Usage technology machinery
- Reducing labor costs and production
- Marketing professionalism
- Partnership with outside
- There must be breakthroughs/product innovations

2. External solutions

- Increasing the Role of Local Governments
- Increasing the Role of Village Governments
- Utilizing the Potential of Natural Resources
- Increasing the allocation of Village Funds to BUMDES

The next step is to build an ANP network model using Super Decision software in order to obtain a questionnaire to be then returned to all respondents. The model created was validated by one of the most competent respondents according to the research team. Following is the ANP network model:

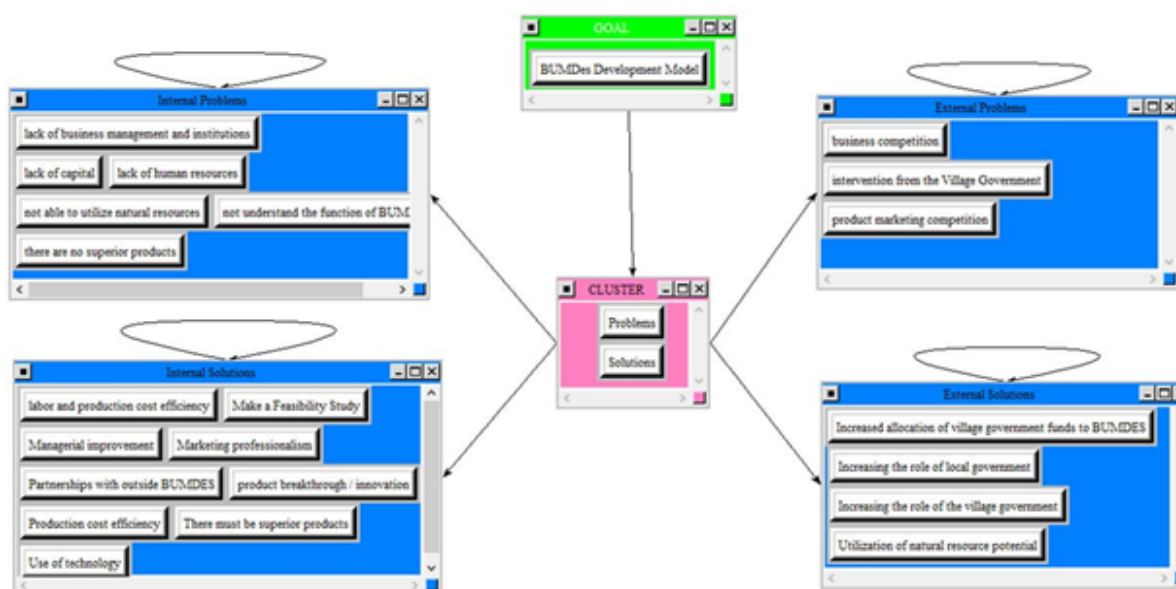


Figure 1. ANP Network Model for BUMDes development

The second step is distributing questionnaires to each respondent, then analyzing the priorities for each final assessment. Based on the results of the collected questionnaire processing, the results of synthesis are as follows.

Internal problems

The highest problem in the development of BUMDes in West Java is "lack of business and institutional management". The management of BUMDes is run unprofessionally so that it does not go according to expectations. The BUMDes organizational structure is also incomplete like a company that will be run professionally so that the impact is that this institution is run with as little as possible without a clear vision, especially the vision for regional development.

The second biggest problem is "lack of human resources". Human resource shortages are a crucial factor at this time. The existing human resources at BUMDes have relatively low education and are not business experts, while business competition shows very tight conditions because it will compete with entrepreneurs who have better capabilities, especially in the management of production, marketing and institutional management.

The third biggest problem is "Not understand the function of BUMDes". BUMDes are business institutions that exist in the village government and not long ago. Although this institution is often socialized by the government, many managers/communities do not understand the functions of BUMDes.

In the end, BUMDes were not managed and utilized properly.

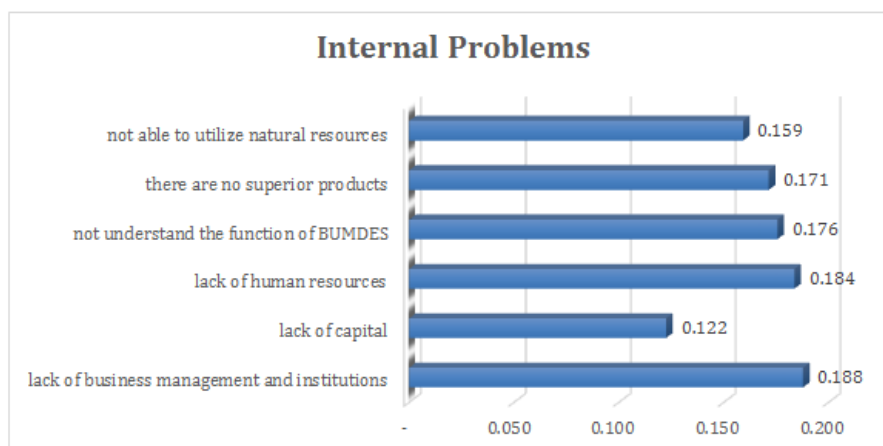


Figure 2. Priority of internal

Problems external problems

There are three biggest problems from the external side, namely the first order is “Product marketing competition”. The amount of business competition with outsiders, especially in product marketing caused BUMDes to lose before competing. Marketing products should keep abreast of an era where they must utilize technology so that products can arrive quickly to consumers. Some other strategies also need to be considered in order to market their products. This certainly requires substantial costs so that it will collide with the limited financial condition of BUMDes.

The second sequence of problems is “Intervention from the village government”. The village government should not interfere too far in managing BUMDes’ business because it will result in disruption of business strategy and management of business entities towards professionalism. The Village Government simply controls and advises if needed.

The order of the third problem is “business competition”. At present in Indonesia, a start-up company has grown that has exceptional product innovation and shows the success of its business. In addition, SME companies that have long been established also still show their existence in the business world. These two factors are certainly the toughest competitors of BUMDes in running their business. But that does not mean having to give up because there are still solutions that can be done to develop BUMDes towards mandiri village development.

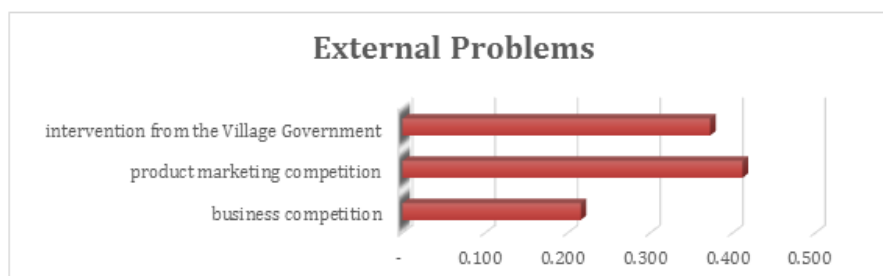


Figure 3. Priority of external problems

Of the biggest problems that exist, it must be found the best solution to solve the problem immediately. The following is a sequence of the best solutions that can be offered from the research.

Internal solutions

The best internal solution according to respondents is “Partnership with Outside”. Seeing the current conditions where BUMDes has many shortcomings in terms of funding, professionalism in busi-

ness management, production, limited human resources to marketing, the best solution is to work with outsiders so that BUMDes does not walk alone with all its limitations.

The second internal solution is “There must be superior products”. BUMDes do not have to have various types of products that can be sold so that there is no superior product, but must have one product that can be seeded so as to provide a large income. the product is certainly different from other products on the market.

The second internal solution is “Must make a feasibility study”. BUMDes are business institutions that aim to improve the economy of the community with the majority of business capital from the village government so that BUMDes must obtain a large profit. Therefore, in order for the business to run smoothly, a feasibility study must first be made so that the business is running well.

The third internal solution is “product innovation”. On average, BUMDes produce goods that are mostly produced by other entrepreneurs. This causes no special products that will attract consumers. Therefore, product innovation is needed both goods and services that will differentiate BUMDes products from other products.

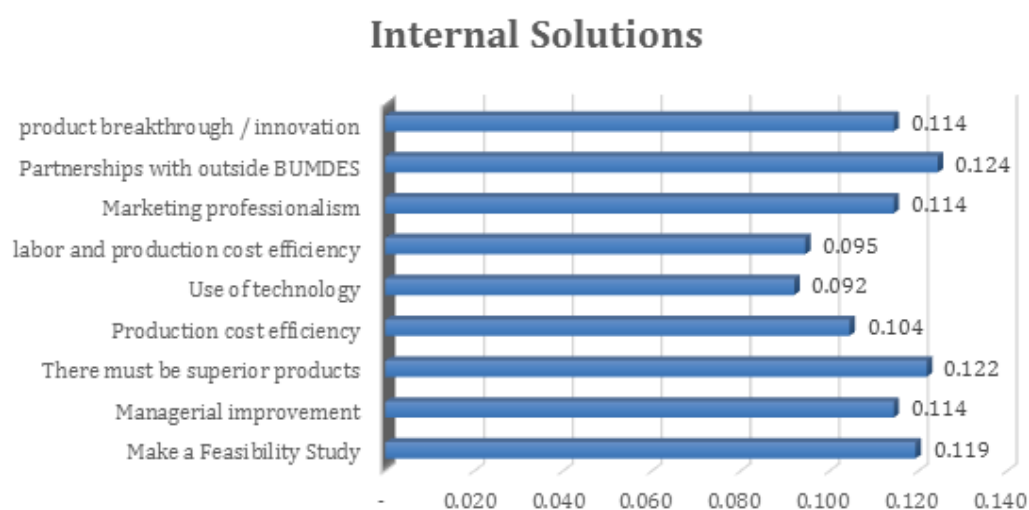


Figure 4. Priority of internal solutions

External solutions

The best solution from the external side for the development of BUMDes is “Utilization of natural resources potential”. The village has a lot of natural wealth that can be used as the main capital of BUMDes in running its business. All wealth in the village can be managed into superior products that are different from other products. Utilization of natural resources potential can reduce costs and ultimately increase profits. In addition, it will be easier for the credit to market its products because it will be a superior product. The second external solution is “Increasing the role of the Village Government”. The village is the government that provides the majority of capital to run BUMDes so that it has a large influence on the development of BUMDes. However, this role must be clearly demonstrated so as not to disturb/damage the system run by BUMDes. The role of the village government can be in the form of village regulations or others.

The third external solution is “Increasing the role of Local Government”. The local government is the government above the village government. So it has a big influence also because that will control the village government and BUMDes. So that the regulations made by the regional government will directly affect the village government and BUMDes. In addition, the regional government can also directly provide training and funds/capital for the sustainability of BUMDes.



Figure 5. Priority of external solutions

CONCLUSION

Development of BUMDes in West Java is very important because it will have an impact on village development. But in fact, it is still difficult to do because there are many factors that hinder the development of BUMDes. The most important factor in hindering the development of BUMDes from the internal side is the lack of business management and institutional management, while from the external side is the competition of product marketing. The solution that can be used to solve existing problems is partnership with other parties as an internal solution for BUMDes and its external solution is the utilization of natural resource potential in the village.

IMPLICATIONS

The results of this study have implications for many parties, especially for BUMDES, the village government, the regional government, the Central and Community Governments as information and input material to develop a village government-owned business so that BUMDes run smoothly and earn large income in the context of community economic development .

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