Building and Development of Business Entries Owned by the Village in Sumedang District West Java Province

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Abstract

Village-Owned Enterprises (BUMDes) are established as a manifestation of the government's commitment to fostering self-reliance and bolstering the local economy. However, it is evident that not all BUMDes have effectively initiated and executed commercial endeavors, thus failing to yield desired economic outcomes. This underscores suboptimal implementation of coaching and development initiatives. This research uses a qualitative method with a case study approach. For this reason, the research location was determined in Sumedang Regency with a case sample of 4 (four) BUMDes in different sub-districts which represent BUMDes qualifications, namely pioneer, beginner, developing and advanced. Data was collected through interview techniques, observation and documentation and then analyzed qualitatively. The formulation of BUMDes development and development strategies is carried out through SWOT analysis. The research findings indicate that the reasons for the inactivity and lack of development among many BUMDes in Sumedang Regency include: (1) low human resource capacity; (2) weak legal aspects; (3) insufficient institutional relationships; (4) the formation of BUMDes often driven by formalistic reasons; and (5) limited marketing networks. Effective strategies for BUMDes development should encompass: (1) human development through enhancing human resource capacities; (2) enterprise development through promoting village potential, facilitating cooperation and partnerships, strengthening marketing networks via digital marketing; (3) environmental development through mapping natural resource-based village enterprises; and (4) institutional development through optimizing the implementation of regulations concerning villages and BUMDes, collaboration in nurturing and developing BUMDes, facilitating BUMDes legality, reinforcing village consultations, and strengthening institutional relationships of BUMDes.

Keywords: Agency, Village, Ownership, Nurturing, Development, Strategy, Enterprise.

A. INTRODUCTION

Efforts to enhance village economic self-reliance include the implementation of policies governing Village-Owned Enterprises (BUMDes). Over nearly two decades, the development of BUMDes in Indonesia has seen significant growth in terms of quantity. As of 2021, there were 57,273 BUMDes recorded, comprising 45,233 active and 12,040 inactive entities. These figures signify an increase in the number of BUMDes, as per information released by the Village Potential Data (PODES) indicating that by 2020, 72 percent of the 74,500 villages in Indonesia had established BUMDes, leaving 18 percent (21,000 villages) without or yet to establish BUMDes (kanaldesa.com).

The government holds high hopes that through BUMDes, the economic vitality in rural areas can be revitalized, leading to increased self-sufficiency and improved
welfare for the community. In light of this, the government has established a series of regulations, including those pertaining to the nurturing and development of BUMDes as outlined in Government Regulation No. 11 of 2021, further detailed in Minister of Village Affairs and Development of Disadvantaged Regions Regulation No. 3 of 2021. In relation to the nurturing and development of BUMDes, particularly in Sumedang Regency, several issues have been identified as follows.

1. Not all BUMDes are classified as advanced and developed; the majority still fall under the pioneer and beginner categories.
2. Not all BUMDes engage in business activities, thus failing to yield economic results.
3. Not all BUMDes manage economic ventures or public services that align with village potentials and community needs.
4. Not all BUMDes establish partnerships or collaborations with other entities in conducting their operations.
5. There is a potential for conflict of interest due to the predominant involvement of village heads in the management and administration of BUMDes.
6. There is an imbalance between the number of support personnel for the implementation of nurturing and development activities and the number of existing BUMDes.

Based on the aforementioned issues, questions arise regarding why BUMDes have not been functioning effectively and what appropriate strategies should be devised for their development.

Conceptually, the nurturing and development of BUMDes represent tangible manifestations of one of the government's functions, namely empowerment, in addition to regulation, service, and development functions (Labolo, 2010). Therefore, the study of nurturing and developing BUMDes falls within the scope of governance administration discourse.

B. LITERATURE REVIEW

1. The Nature of Government and Governance

Viewed in terms of their linguistic forms, the terms "government" and "governance" bear distinct meanings. "Government" is defined as an institution or individuals in authority, while "governance" is defined as a process or activity of governing (Wasistiono & Rohmadin, 2023). This definition suggests that "government" primarily refers to individuals, bodies, or institutions empowered by the state to govern, whereas "governance" pertains to activities, governance structures, and concrete units. Put simply, "government" comprises the apparatus executing the duties and authorities of the state, while "governance" involves the execution of those duties and authorities (Surbakti, 2018).

Government and governance are two sides of the same coin that cannot be separated or independent of each other. If the government represents the body vested with authority, then governance represents the manner in which the governing body
operates, encompassing planners, policy-makers, and administrative activities to ensure order, fairness, empowerment, and development (Ilham & Welasari, 2016).

Observing the development of thought concerning the functions of governance, it can be understood that governance carries out four fundamental functions. These four functions, according to Rasyid (2000), encompass regulatory, service, empowerment, and development functions. The implementation of regulatory function is intended to create conducive conditions for various activities and foster a favorable social order across various aspects of community life. The service function aims to ensure justice within society. Empowerment seeks to promote community self-reliance, while development endeavors to foster prosperity. As the government carries out development and empowerment initiatives, and given its inherent limitations, gradually, communities are expected to autonomously meet their needs (Labolo, 2010).

2. Concept of Empowerment

The concept of empowerment in governance contexts is closely related to its target audience, namely, the community. Empowerment fundamentally entails granting strength to those who are less empowered or powerless so they can possess the basic strength needed to actualize themselves. Self-actualization is one of the fundamental human needs, and empowerment is not merely individual but also collective in nature (Hikmat, 2013).

The essence of empowerment lies in its process and objectives. As a process, empowerment involves a series of activities aimed at strengthening and/or optimizing the empowerment of vulnerable groups within society (Mardikanto & Soebiati, 2019). As an objective, empowerment refers to the state or outcome desired from a social change, namely, a community that is empowered, possessing authority or knowledge and capabilities to meet its livelihood needs. The understanding of empowerment as an objective is often used as an indicator of the success of empowerment as a process (Suharto, 2010).

3. Village-Owned Enterprises

Through the Minister of Village Affairs, Underdeveloped Regions Development, and Transmigration, the government has established four priority programs as part of its efforts to accelerate rural development, namely (1) the development of Rural Superior Product Areas (Prukades); (2) the construction of village reservoirs; (3) the development of Village-Owned Enterprises (BUMDes); and (4) the construction of Village Sports Facilities (Raga Desa) (Novanda et al., 2019). It is evident that BUMDes is one of the components of these four priority programs.

BUMDes is a village business institution managed by both the government and the rural community with the aim of strengthening the village economy. It is formed based on the needs and potentials existing within the village. BUMDes can also be defined as a village business institution managed by the community and village
government, aiming to enhance the village economy and foster social cohesion based on the needs and potentials of the village (Maryuani, 2010).

The government actively pursues a series of efforts to advance and empower BUMDes to become functional and effective, particularly in enhancing the welfare of villages and rural communities. Among the government's active efforts is the registration, data collection, ranking, as well as nurturing and development of BUMDes. Regarding the ranking of BUMDes, Minister of Village Affairs and Development of Disadvantaged Regions Regulation Number 3 of 2021 stipulates that ranking is conducted based on consideration of seven aspects, namely: (1) institutionalization; (2) management; (3) BUMDes enterprises; (4) cooperation or partnerships; (5) assets and capitalization; (6) administrative reporting and accountability; and (7) benefits and advantages for villages and rural communities. Based on these seven aspects, BUMDes can be classified into four categories: advanced, developing, beginner, and pioneer.

4. Nurturing and Development Strategies for BUMDes

The government's strategy to nurture and develop BUMDes constitutes the implementation of empowerment functions. There are at least three compelling reasons why nurturing and developing BUMDes are imperative. Firstly, every business endeavor generates employment opportunities, thus the growth of BUMDes will have a positive impact on increasing employment and reducing poverty levels. Secondly, it promotes equitable distribution in development as BUMDes can serve as a means to harness the potential of local natural resources. Thirdly, it fosters equitable income distribution (Darwanto, 2008). Nurturing and developing BUMDes are indeed necessary. Referring to the views of Mardikanto & Soebiato (2019), nurturing and development steps represent a form of government support to facilitate rural communities in planning, deciding, and managing local resources through collective action and networking, thus empowering them economically, ecologically, and socially. Nurturing and development entail actions, processes, outcomes, or statements that reflect improvement. In this context, it signifies progress, growth enhancement, evolution of various possibilities, or enhancement of something (Thoha, 2008). Understanding nurturing and development in the context of BUMDes can also be linked to the concept of capacity building, which generally involves a learning process to enhance the abilities, skills, and expertise of individuals, organizations, and systems to strengthen self and organizational capabilities to withstand any situation. In this regard, the concept of empowerment encompasses four areas of capacity building: human development, enterprise development, environmental development, and institutional development (Mardikanto & Soebiati, 2019; Theresia et al., 2014).

C. METHODS

This study employs a qualitative design utilizing a case study approach. The research was conducted in Sumedang Regency, focusing on the fostering and
The development of four Village-Owned Enterprises (BUMDes) in different sub-districts, namely:

1. BUMDes Tirta Mekar in Cipamekar Village, Conggeang Sub-district;
2. BUMDes Cipanas Manjur in Cipanas Village, Tanjungkerta Sub-district;
3. BUMDes Barokah in Paseh Kaler Village, Paseh Sub-district; and
4. BUMDes Harta Guna in Ujungjaya Village, Ujungjaya Sub-district.

To acquire necessary data, interview, observation, and documentation techniques were employed. It was determined that interview informants would include stakeholders such as officials from the Sumedang Regency Community Empowerment Office (DPMD) as well as village officials and BUMDes administrators from the four targeted villages.

Dimensions and indicators forming the foundation for data collection and analysis regarding the fostering and development of BUMDes were established by referencing the empowerment concept by Mardikanto and Soebiato, which comprises four dimensions, combined with Regulation of the Minister of Village, Development of Disadvantaged Regions, and Transmigration Number 3 of 2021 Article 25.

**Table 1 Conceptual Framework of Nurturing and Development Strategies for BUMDes**

<table>
<thead>
<tr>
<th>Concept</th>
<th>Dimension</th>
<th>Indicator</th>
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<tr>
<td>Nurturing and Development of Village-Owned Enterprises (BUMDes)</td>
<td>Human development</td>
<td>- human resources development</td>
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<td>- enhancement of stakeholders’ participation</td>
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<td>- strengthening cooperation within the organization</td>
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<td>Enterprise development</td>
<td>- strengthening business management and business units</td>
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<td>- developing partnerships with other parties</td>
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<td>- strengthening management and development of capital</td>
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<td>- business development</td>
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<td>- developing marketing networks</td>
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<td>Environmental development</td>
<td>- development and maintenance of the sustainability of natural resources/village potentials</td>
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<td>- strengthening management of benefits and advantages for the village and rural community</td>
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<td>Institutional development</td>
<td>- institutional revitalization</td>
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<td>- enhancement of management quality and organizational strengthening</td>
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<td>- improvement in the quality of administrative management, reporting, and accountability</td>
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Source: Mardikanto & Soebiato (2019:114-115), and Minister of Village Affairs and Development of Disadvantaged Regions Regulation Number 3 of 2021
The collected data is subsequently analyzed qualitatively using an interactive model. The analysis also involves SWOT analysis to evaluate the strengths, weaknesses, opportunities, and threats in the fostering and development of BUMDes, particularly in Sumedang Regency. This enables the formulation of a new and appropriate strategy to ensure the effective implementation of BUMDes fostering and development.

D. RESULTS AND DISCUSSION

1. Condition of Underdevelopment of BUMDes

All 270 villages in Sumedang Regency have Village-Owned Enterprises (BUMDes). Based on their categorization, only a few BUMDes have reached an advanced level, accounting for merely 3.70 percent. The majority of BUMDes are classified as pioneer (38.52 percent), beginner (36.30 percent), and developing (21.48 percent). The businesses operated by BUMDes in Sumedang Regency can be grouped into eleven sectors, with some BUMDes known to have more than one business unit. There are at least 353 business sectors operated by 270 BUMDes. The most prevalent business sector is clean water management (15.86 percent), while the least prevalent is village market management (2.83 percent). It is also noted that the majority of BUMDes in Sumedang Regency (35.69 percent) do not yet have monthly turnover. This simultaneously indicates that these BUMDes have not commenced operations or are inactive. The absence of turnover may also be due to BUMDes being in the early stages of business initiation and not yet yielding results.

Given the limited number of advanced BUMDes and the prevalence of BUMDes without monthly turnover, it can be said that the development of BUMDes in Sumedang Regency is exceedingly slow. There are five reasons for the underdevelopment of BUMDes in Sumedang Regency, namely:

a. Low human resource capacity of BUMDes

One determinant of BUMDes’ success is the human resources (HR) capacity of its management, besides the utilization of technology, government budget allocation, and the existence of cooperation with third parties (Ibrahim, 2019). Despite having potential, strong capital support, and complete facilities and infrastructure, BUMDes will face difficulties in operating and developing effectively without competent HR. Field observations indicate numerous BUMDes in Sumedang Regency encountering issues related to HR capacity, especially those occupying operational execution positions. In fact, the HR in most BUMDes are incompetent in carrying out their responsibilities and do not meet the requirements of expertise, integrity, leadership, experience, honesty, good behavior, and high dedication to advancing BUMDes.

b. Legal status of BUMDes

The legality aspect or legal entity status of BUMDes is crucial as it enables BUMDes to manage its business activities more flexibly and access financing more easily. Referring to Law Number 6 of 2023, Article 117, essentially, BUMDes becomes a legal entity upon its establishment by Village Regulations
(Perdes). However, concerns arise regarding this legal aspect as it may be perceived as weak when BUMDes engage in cooperation or partnerships. To address this issue, the government has provided BUMDes the opportunity to obtain a legal entity certificate by registering electronically (online) through the village information system at the Minister of Village Affairs, Underdeveloped Regions Development, and Transmigration. However, the ease of obtaining a legal entity certificate has not been maximally responded to by most BUMDes in Sumedang Regency. As of the end of December 2023, it was found that 151 BUMDes (55.93 percent) in Sumedang Regency were still without legal entity status. Furthermore, there are instances where the establishment of BUMDes has not been determined through Perdes and they lack articles of association (AD/ART).

c. Weak institutional relationships
As an organization, BUMDes is built and managed based on cooperative, participatory, emancipatory, transparent, accountable, and sustainable principles. The cooperative principle requires all components involved in BUMDes to engage in good cooperation for the development and sustainability of BUMDes. Meanwhile, the participatory principle directs all components involved in BUMDes to willingly or upon request provide support and contributions that can drive BUMDes' progress (Wijaya, 2018). BUMDes will thrive when positive cooperation is established among its components (management). It is known that the difficulty for BUMDes in Sumedang Regency to "level up" to become developed or advanced is caused, among other things, by weak institutional relationships. Facts have been found about poor communication and cooperation within BUMDes internally, especially between advisors appointed by the village head and operational implementers. Moreover, the lack of interaction and communication between advisors and operational implementers has led to BUMDes becoming inactive in business activities.

d. Reasons for the establishment of BUMDes
Tending Towards Formality The phenomenon of establishing BUMDes has spread throughout Indonesia, including in Sumedang Regency, but many parties believe that the establishment of BUMDes is still motivated by formal reasons or simply for the sake of existence, seen from the high number of inactive BUMDes.

e. Limitations in BUMDes marketing
Marketing remains one of the challenges faced by BUMDes. Many local village products are actually very attractive and have potential but fail to find the right market or even fail to be marketed (Ruswandana, tt). BUMDes often struggle to market their products outside the village. The marketing aspect as one of the constraints to BUMDes development is possibly due to information asymmetry. With the rapid development of information technology where trade transactions are increasingly conducted online, BUMDes' ability to
market their products is both challenged and presents opportunities. On one hand, BUMDes faces competition from marketers from various regions with diverse types, qualities, and prices of products. The penetration of internet technology even in remote villages also facilitates rural communities to shop online. If BUMDes loses out to online markets, the deficit in the village's trade balance will increase. On the other hand, BUMDes can actually benefit from the increasingly advanced information technology as it enables easy access to information regarding marketed products, their price ranges, and target consumer segments. BUMDes can also utilize internet technology to introduce and market their products more widely, not just locally within the village.

2. Development and Enhancement of BUMDes in Sumedang Regency

Research findings indicate that the human resource capacity of the management in most BUMDes in Sumedang Regency is still low and lacks competence. This reality underscores the strong need for human resource development through various capacity-building programs, increased participation, and strengthened cooperation. Human resource capacity development needs to be carried out through activities aimed at enhancing knowledge, abilities, and skills to meet the demands of the respective human resources’ tasks (Kadarisman, 2012). Therefore, human resource development needs to focus on three core components: (1) training to improve the performance of human resources in their current roles; (2) education to develop individuals fully for future roles and responsibilities as human resources; and (3) preparing human resources for responsibilities within a specific timeframe (Rahardjo, 2022). For this purpose, the Department of Community and Village Empowerment (DPMD) of Sumedang Regency has established and implemented a series of programs including:

a. Training for village chiefs and BUMDes managers covering business planning, business analysis, business administration, and financial report preparation.

b. Benchmarking or study visits to advanced and successful BUMDes.

c. Direct field mentoring by conducting training sessions for BUMDes administrators in each district.

d. BUMDes Clinic comprising two main programs: Collaborative Learning (MABAR) and Opportunity Meeting (TEPANG).

e. Training programs for BUMDes capacity development in collaboration with the Department of Community and Village Empowerment (DPMD) of West Java Province, known as the Village Business School (SABISA) program.

f. Other training programs in collaboration with third parties, such as PT. Pegadaian.

It is noted that not all BUMDes in Kabupaten Sumedang are actively engaged in business activities or have failed in their business endeavors. This condition is caused by, among others:

a. Choosing a type of business without going through a planning process or thorough analysis, resulting in a trial-and-error approach.
b. Selecting a type of business without the corresponding skills or expertise in that field.

c. Choosing a business type merely following trends without considering the existing potential, including resource potential, market potential, or the sustainability potential of the business.

d. Selecting a business field that does not align with the capabilities and experience of the management’s human resources.

To address and prevent BUMDes from making mistakes in choosing business types and to encourage their active participation, the Department of Community Empowerment and Village Development (DPMD) of Kabupaten Sumedang has established and implemented various activities, including:

a. Providing understanding to village governments about the importance of BUMDes for the progress and self-reliance of villages.

b. Encouraging the development of partnerships between BUMDes and third parties within the framework of business partnerships as a form of business network development.

c. Providing guidance to village heads on the importance of capital participation for BUMDes.

d. Business incubation and efforts to establish partnerships or collaborations between BUMDes and other parties.

e. Providing training in marketing through digital marketing and application development.

f. Establishing and activating BUMDes Clinic programs.

Environmental development is essential concerning the fundamental goal of establishing BUMDes, which is to enhance the economic self-reliance of the village and the welfare of the rural community by utilizing every village potential. The abundance of natural resources encourages the DPMD of Kabupaten Sumedang to actively provide guidance so that BUMDes can identify and then utilize every potential for development as business units. Essentially, many BUMDes in Kabupaten Sumedang have utilized natural wealth as their business mainstays, such as in agriculture (30 units), livestock farming (20 units), clean water management (56 units), and tourism (15 units).

BUMDes functions as both a social institution and a commercial institution, thus requiring a strong institutional framework. To strengthen the institutional framework, the Department of Community Empowerment and Village Development (DPMD) of Kabupaten Sumedang strives to provide guidance focused on: (1) Revitalization of BUMDes: Revitalization involves more than just changing management or obtaining legal certificates, it also ensures the sustainability of BUMDes and their tangible benefits to the village and rural communities. The revitalization efforts by DPMD include institutional strengthening and repositioning, business enhancement, fostering collaborations, and improving accountability for the sustainability of BUMDes; (2) Enhancement of management quality and
organizational strengthening to ensure BUMDes operate effectively; (3) Improvement of administrative quality and reporting as a manifestation of BUMDes’ accountability.

3. New Strategies for the Development and Empowerment of BUMDes

Through SWOT analysis, appropriate strategies for the development and empowerment of BUMDes, particularly in Kabupaten Sumedang, can be proposed as follows:

a. Leveraging Strengths and Opportunities (Strength-Opportunity Strategy) with alternative strategies:
   1. Optimization of the implementation of regulations concerning villages and BUMDes.
   2. Mapping of village-based businesses using natural resources.
   3. Promotion of village potentials through the utilization of Information and Communication Technology (ICT).

b. Leveraging Weaknesses and Opportunities (Weakness-Opportunity Strategy) with alternative strategies:
   1. Enhancement of the capacity of BUMDes’ human resources.
   2. Facilitation of BUMDes’ legal status.
   3. Facilitation of collaboration and partnerships.

c. Leveraging Strengths and Threats (Strength-Threat Strategy) with alternative strategies:
   1. Promotion and socialization of BUMDes internally within the village.
   2. Strengthening village deliberations as a means of communication between BUMDes’ executives.

d. Leveraging Weaknesses and Threats (Weakness-Threat Strategy) with alternative strategies:
   1. Strengthening marketing networks through digital marketing.
   2. Strengthening and repositioning BUMDes’ institutions.

E. CONCLUSION

The development of BUMDes in terms of quantity is very encouraging, but not so much in terms of quality. It is evident that many BUMDes are still underdeveloped and have not achieved their founding objectives, thus requiring appropriate strategies to address these issues. Several strategies are directed towards four key elements: (1) human resource development through capacity-building efforts; (2) business development through the promotion of village potentials using internet technology, facilitating collaboration and partnerships with third parties (private sector), promoting and socializing BUMDes internally within the village, and strengthening marketing networks through digital marketing; (3) environmental development through mapping village-based businesses using natural resources; and (4) institutional development through the optimization of the implementation of regulations concerning villages and BUMDes, collaboration in development and
empowerment, facilitating BUMDes' legal status, strengthening village deliberations as a means of communication between executives, and strengthening BUMDes' institutional relationships.

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