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## **Village-Owned Enterprises and Rural Community Welfare: A Lesson from Malang of Indonesia**

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**Abstract.** The shifting paradigm from capital-based city to village development brings the potential to enhance community welfare. This paper aims to examine the enlargement of community well-being by optimizing village-owned enterprises (BUMDes) from management sides. This paper was conducted through several stages including, a survey to collect preliminary information, socialization, implementation, and evaluation. The activity was carried out in 13 villages located in Ngantang municipalities in Malang of Indonesia. The findings indicate that the problem experienced is the lack of knowledge of BUMDes management, which limits their obligations as village residents. The utilization of local potential has not been excavated and centered on BUMDes due to managers' lack of human resource knowledge. The role of BUMDes in improving the local economy can be seen by maximizing existing efforts in the community to be associated with BUMDes. The one village one product, for example, the program can be supported with the existing BUMDes.

**Keywords.** village-owned enterprises, local economic development, management

### **Introduction**

The development of village-owned enterprises (BUMDes) has an acquaintance with Indonesia's rural economy (Nuak, F. S., Djani et al, 2019). The fundamental rationale is that most of Indonesia's population lives in rural areas (Utomo et al, 2019). In addition, the government's instructions to shift economic development from capital-oriented to village-based empowerment will support the Indonesian economy (Wiguna et al, 2017). The village is the smallest part of the state that is very close to the community and directly touches the needs of the community's welfare (Hermawan, 2019).

The existence of villages in institutions and development is underpinning Indonesian Law No. 6 of 2014 concerning villages. Before the issuance of this law, villages were still seen as mere objects of development that drive the programs from the government were not in accordance with village needs. In detail, BUMDes is defined as business entities with the majority of the capital is owned by the village through direct participation from village assets for the greater welfare of the village community (Suleman, et al 2020). In its function, BUMDes is expected to become a driving force for economic activity in the village, which also functions as a social and commercial institution (Nursetiawan, 2018). BUMDes, as a social institution, sided with the community's interests through its contribution to the provision of social services,

while as a commercial institution, BUMDes aims to seek profit to increase village income (Muryanti, 2020).

Strategy development of village economic potential through BUMDes is an alternative solution to reduce dependence on government assistance and become an independent village (Ramly & Mursyida, 2018). The establishment of BUMDes is carried out based on the agreement of the community and the village government through deliberation to drive the economy in the village revenue. The emergence of BUMDes is projected to become a new economic force in the village. According to Permendes and PDTT regulations No. 4 of 2015 (Article 19), there are six forms of BUMDes business: social enterprises, leasing, brokering, opening rural business units, and agricultural sub-sector businesses. In addition, BUMDes can also open banking services, construction services, trading businesses, and handicrafts.

Since the critical role of BUMDes, it has gained attention among scholars on what or how to improve the role and capacity of BUMDes in enhancing local economic welfare. However, the majority of researchers and community services programs focused on improving entrepreneurship (Setiawan & Malihah, 2021; Kania et al, 2021; Sitepu, 2021), while scholars often overlook the enhancement from the management of BUMDes. Therefore, this paper focuses on enlarging BUMDes from management sides that are expected to gain rural economic welfare.

BUMDes in Ngantang of Malang Indonesia is a great example to explain the condition of BUMDes in East Java of Indonesia. With its outstanding natural and abundant resources, it failed to improve the welfare of the rural community (Aly et al., 2019). Therefore, there is a need for a greater understanding to enhance community welfare by maximizing BUMDes management. One of the strategies that can be adapted to support the management of BUMDes is to apply management principles consisting of planning, organization, actuating, and controlling (POAC). With the implementation of POAC, it will undoubtedly be appropriate to make BUMDes a forum that can make a real contribution and improve the welfare of the village community (Satria & Prayitno, 2019). This paper will contribute to the literature on this theme by providing insight from the management sides and assist the policymakers in providing the development of villages in Indonesia.

### Method

This paper aims to provide knowledge, understanding, skills, and assistance to village-owned enterprises (BUMDes) management to improve performance and impact the utilization of local community potential. The implementation of this activity is carried out mixed online and offline. In detail, the framework of this activity is illustrated in Figure 1.

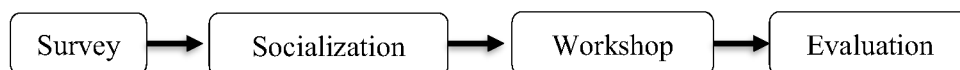


Figure 1: The framework of activity

This activity was carried out in 13 villages in Nagnatang District, Malang Regency, Indonesia. Most villages are still not optimal in carrying out BUMDes organizational activities, so it is necessary to carry out several stages to support successful activities. At a glance, a survey is a system or plan for observing behavior. The survey was conducted directly in the observed activities or situations as a source of data related to BUMDes in Ngantang District, Malang Regency. This activity aims to obtain accurate information related to the management and condition of BUMDes in the Ngantang sub-district. Information was obtained, namely village

officials, working groups (Pokja), and the village supervisory board. The second is socialization. This socialization activity is related to coordinating the training schedule and venue to attend using the government's health protocols regularly. Thus, the training materials match the needs, and the training can run effectively and efficiently in improving BUMDes. Additionally, provide training and assistance on BUMDes management to increase village income and potential and community welfare. This training involved village officials, Pokja, and the village supervisory board. Lastly, evaluation which carried out to find out feedback from training participants, namely. In addition, evaluation is carried out to determine the smooth implementation of the training in terms of motivation, product, and time.

## **Results and discussion**

### **Existing Issues**

The first problem that exists is the lack of knowledge of village-owned enterprises (BUMDes) management. BUMDes administrators insufficiently understand knowledge about BUMDes in each village. The management of BUMDes is still limited to their obligations as village residents. The utilization of local potential has not been excavated and centered on BUMDes. This is due to the lack of human resource knowledge for BUMDes managers. Lack of knowledge of BUMDes management. In addition, skills regarding BUMDes management which have been inadequately applied to each BUMDes unit in several villages that impact BUMDes governance, are still not utilizing the local potential in village communities. With this maximization, later BUMDes can have an impact on increasing the economic welfare of rural communities. Introduction and socialization of BUMDes Management.

Having local potential in an area is aimed at improving the welfare of the community as a whole in terms of the economy. However, with the local potential that can be developed, it is hoped that it can raise the awareness of stakeholders in the village area in maintaining, managing a BUMDes unit or institution. The next problem is the lack of knowledge and awareness of the management in developing BUMDes as a forum that is able to support village needs by utilizing their potential. This happens because the BUMDes management is elected people, but with various activities, they have and have not focused on managing the BUMDes organization. Therefore, there is a need for training and human resource development, especially for BUMDes managers. According to Triatmanto et al. (2019), the purpose of developing human resources is an effort to reduce and eliminate the gap between the capabilities of Human Resources and those desired by the organization.

From the 13 villages that became partner villages in this activity, almost 95% of the overall managers had not maximally implemented the BUMDes governance management system properly. The same problems and limitations have made the managers of BUMDes still carry out roughly BUMDes organizational activities. This is an obstacle that supports the difficulty of developing BUMDes. In fact, if we examine further, each village has potential, great opportunities to be developed, and BUMDes can be the only organization that manages so that all village activities can be centered on BUMDes.

### **The optimization of BUMDes**

Optimization of BUMDes Governance can be adopted by adhering to important management principles consisting of planning, organization, actuating, and controlling (POAC). First, planning is an important thing for BUMDes to do. By providing good planning, every human resource involved in BUMDes organization will be able to carry out governance and work in accordance with the vision, mission, and goals to be achieved. This is in accordance with the opinion of Purwanto (2012), which states that: (1) with clear, objective, and rational

planning goals; (2) planning causes all activities to be directed, orderly, and economical; (3) planning will increase the utilization of all owned facilities; (4) planning can describe the whole organization; (5) planning can minimize organizational risk; (6) planning provides the basis for control; and (7) planning provides a clear and complete description of the entire work. Planning activities are able to support all strategies that can be made by BUMDes in the management of BUMDes governance so that it will support increasing income, village community welfare with optimal planning. Second, the organization is important in BUMDes governance. The selection, gathering, and placement of people according to their abilities and expertise in a planned job can be one of the keys to the success of BUMDes in managing their business. In an organization, it is necessary to have a division of labor and the placement of expected tasks so that the work will be carried out effectively and efficiently. This is because the work is divided according to their respective duties and functions—placement of duties and functions of BUMDes. The division of work or tasks must be in accordance with the abilities and expertise of each individual so that the division of work can run efficiently and effectively. BUMDes have assigned tasks and functions in accordance with their respective areas of expertise so that the administrators already know their respective duties and roles so that there is no overlap in their work. Furthermore, the Actuating function, which is an action taken by all existing human resources in accordance with the references, plans, and also the vision and mission to be achieved. It is also necessary for the awareness of the BUMDes management in developing a business that does not only think about profit but also thinks about how the business being carried out will be able to raise and provide the overall success of the welfare of the village community. Finally, controlling is needed in BUMDes governance as a measurement of how the implementation of BUMDes activities in achieving organizational goals. It is necessary to have a measuring tool that serves as a guide for BUMDes so that it can be seen how and where the position of BUMDes is for each period. This is one way for BUMDes to be able to play a greater role in helping business groups in the village. After the success measurement tool is in place, it is also necessary to take corrective actions that will later support the shortcomings and strategic mistakes made by BUMDes. This needs to be made because not all governance management is able to run according to the plan at the beginning. This is important to control each activity at the end of the period in order to be able to provide input and also opportunities for future improvements (Febrianza, 2021).

BUMDes governance activities through this POAC can be carried out through BUMDes management training, and assistance is carried out online and offline. Participant enthusiasm is highly considering that there is currently a covid-19 pandemic, so the implementation of training and assistance is in accordance with the health protocol recommended by the government. The training materials include planning, organizing, directing, and monitoring. In addition, training on financial management, service management, marketing management, and human resource management will also be provided. The result of this training is that BUMDes managers can apply the right management model, increase the competence of BUMDes managers and increase effectiveness and efficiency in the management of BUMDes. The purpose of this assistance is to obtain input in efforts to improve the tools and management of BUMDes so that they can achieve their goals optimally. Before starting the training, the understanding of BUMDes Management is explained first. The implementation of this activity involved 20 stakeholders in the Ngantang municipalities of East Java.

### **BUMDes and Local Economic Welfare**

Maximizing BUMDes needs to draft laws and regulations related to BUMDes to provide authority to village regulators in implementing village development and innovation, especially



in an effort to encourage economic activities in villages and the welfare of rural communities. BUMDes in implementation must be able to become a driving force for the economy of rural communities, well managed and professionally. As a rural business driver, BUMDes will have a crucial influence in improving the welfare of rural communities. BUMDes is a plan developed by the government to improve the living standards of rural communities. As a rural commercial entity, it should be managed synergistically for a common goal. BUMDes has several roles, including (1) identifying the local potential of the village; (2) mapping the village's leading economic potential; (3) building an integrated economic center; (4) marketing the village's superior products. The four roles of BUMDes are the capital used to build the village towards an independent and prosperous village (Sofyani et al, 2019).

### **The Importance of Village Governance**

According to Labolo, (2010), the role of the government as a facilitator is to create conducive conditions in the implementation of development to bridge various interests of the community in optimizing regional development. As a facilitator, the government is engaged in mentoring through training, education, and skills improvement, as well as in the field of funding/capital through providing capital assistance to the community. From the research results, it can be seen the role of the Village Government in the form of providing BUMDes capital sourced from Village funds. And for education and training, the role of the Village Government has not been shown because the training carried out is training carried out by the regency government. For this reason, it is necessary to have the role of the village government and cooperate with village extension workers/facilitators or village assistants to be able to see and determine, according to Beriansyah and Maulana (2020) which states: opportunities for assistance that can be done to improve the quality of life of the beneficiary community; choose the most appropriate assistance opportunities (easy, cheap, and really useful); the available resources can be utilized for the implementation of the planned activities.

### **Conclusion**

Village development is a target in supporting national economic development. BUMDes is an opportunity to support the progress of a village and the welfare of the community. This activity aims to strengthen BUMDes in order to maximize the potential of the village and the welfare of the surrounding community. The findings show that the problem experienced is the lack of knowledge of village-owned enterprises (BUMDes) management. The management of BUMDes is still limited to their obligations as village residents. The utilization of local potential has not been excavated and centered on BUMDes. This is due to the lack of human resource knowledge for BUMDes managers. Lack of knowledge of BUMDes management. The role of BUMDes in improving the local economy can be seen by maximizing existing efforts in the community to be associated with BUMDes. The one village one product for example program can be supported with the existing BUMDes. Some suggestions for relevant activities can raise BUMDes themes with the aim of increasing awareness, intentions and activities on various different subjects.

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