Optimisation of Management of BUMDes: 
The Case in East Java Province

Muhammad Ridwan Basalamah 
*Faculty of Economics and Business*  
*Universitas Islam Malang*

M. Cholid Mawardi  
*Faculty of Economics and Business*  
*Universitas Islam Malang*

**Abstract:** This study aimed to describe the use of village assets in increasing the village's original income through BUMDes in Ketapanrame Village, Trawas District, Mojokerto Regency, East Java Province. This research type is qualitative research using a three-stage approach, namely the first stage with a community-based research approach. Second Stage In-depth Interview. The third stage of the Focus Group Discussion approach. The study results indicate that the management of Village-Owned Enterprises located in Ketapanrame Village, Mojokerto Regency, East Java Province, follows existing village regulations starting from the underlying legal basis, the articles of association and bylaws compiled, as well as the organisational structure. BUMDes in Ketapanrame village, East Java province, have been well managed, so that to date, they have five business units, namely, drinking water management unit, environmental hygiene unit, land and cage management unit, tourism unit and savings and loans business unit and partnership.

**Keywords:** Optimisation, BUMDes, Economic Improvement, Management

**Introduction**

Development is an effort to improve the welfare of the entire community, nation and state in order to achieve the national goals listed in the Preamble to the 1945 Constitution. Villages have an essential role in national development efforts because the Indonesian population tends to live in rural areas, so that this has a considerable influence in efforts to create national stability (Sa'dullah, 2016). According to the Minister of Home Affairs Regulation Number 39 of 2010, BUMDes is a village business established by the village government in which the village government and the community carry out capital ownership and management. The purpose of establishing BUMDes is the government's effort to improve the financial capacity of village governments in government administration and increase community income through various economic business activities for rural communities. The existence of BUMDes is also strengthened by Law Number 6 of 2014, which is discussed in chapter X articles 87-90. Through village deliberations, the establishment of BUMDes is agreed upon and managed with a spirit of kinship and cooperation.

Sayutri (2011) suggests that the existence of BUMDes is needed to mobilise village potential and help in poverty alleviation efforts. This is also supported by Hardijono et al. (2014) that establishing BUMDes is a way to form an independent rural economy to increase Regional Original Income. This regional regulation will emerge with the existence of Law number 12 of 2008 amendments to Law number 32 of 2004 concerning regional governance, which states that: "in order to realise the mandate of the 1945 Constitution of the Republic of Indonesia, the
implementation of regional government is directed to able to produce effective regional leadership by taking into account the principles of democracy, equality, justice and legal certainty in the system of the Unitary State of the Republic of Indonesia”. Regarding this law, with effective regional leadership, regional regulations will also be reasonable, as has been used as a guideline by the Ketapanrame Village Government, namely in Mojokerto Regency Regional Regulation Number 18 of 2006 concerning Village-Owned Enterprises (BUMDes), which become a reference in the formation and management of village-owned enterprises in Ketapanrame Village. Then the Village Regulation Number 10 of 2016 concerning Ketapanrame Village-Owned Enterprises was formed. The development of BUMDes in Ketapanrame village needs to be done so that existing BUMDes can function according to their roles. BUMDes goals and objectives can be achieved if BUMDes are managed in a directed and professional manner. BUMDes is a solution to problems that occur in the village. BUMDes is expected to encourage and drive the village economy (Ramadana et al., 2013).

One form of village development policy is the existence of Village-Owned Enterprises (BUMDes). One of the areas that have BUMDes is Mojokerto Regency. One of them is in Ketapanrame Village, Trawas District, Mojokerto Regency, as one of the self-sufficient villages and a leading tourist destination in Mojokerto. The existence of BUMDes in Ketapanrame village is expected to increase the capacity of the village community regarding the sustainable management of BUMDes, and the participation of the Ketapanrame village community towards BUMDes is also no longer reduced. On the other hand, the village government can also have a creative and innovative pattern in dominating village economic activities through the ownership of BUMDes. So that it can build the regional economy needed to create new jobs, produce regional substitution goods and services, increase inter-regional government trade, and provide optimal services for consumers.

BUMDes is an institution established by the village government, and the community manages this institution based on the needs and economy of the village. BUMDes is formed based on the applicable laws and regulations on an agreement between village communities. The goal of BUMDes is to improve and strengthen the village economy. BUMDes functions as a commercial institution by offering local resources that aim to seek profit and social institutions by providing social services that favour the community's interests. BUMDes has made a positive contribution to strengthening the economy in rural areas in developing the community’s economy, especially in facing the 2015 Asean Economic Community (Alkadafi, 2014). Collective village community life has traditions: First, solidarity, cooperation, self-help, and cooperation without knowing the boundaries of kinship, ethnicity, religion, sect, and the like are the root of tradition from the basis of village social capital. Second, the community's interests are regulated and managed through the power and village government which contains authority and accountability. Third, the local economy that protects and distributes essential community services is carried out by the village (Putra, 2015).

The main characteristics of BUMDes that distinguish other commercial institutions (PKDSP, 2007) are (1) The business entity is owned by the village and is managed jointly; (2) Business capital amounting to 51% comes from village funds, and 49% comes from community funds; (3) Operationalisation is carried out based on a business philosophy based on local culture; (4) The potential of the village and the results of available market information are the basis for running the business sector; (5) Profits obtained by BUMDes are used for efforts to improve the welfare of members and the community based on the regulations that have been prepared; (6) Facilities supported by the Provincial, Regency and Village Governments; and (7) The implementation of BUMDes operations is jointly supervised by the Village Government, BPD and members. In addition, the purpose of establishing BUMDes is to create an equal distribution of business fields
while increasing community income (Ridlwan, 2014).

Creating an independent village requires resources from the village. Business units operating in the village must have distinctive features and competitive advantages to improve the village community's welfare. More specifically, based on the resource-based view theory, the village must have these resources that must be valuable, scarce, not substituted, and not imitated. This competitive advantage is determined by social capital, human capital and financial capital (DeMassis et al., 2011). Social capital is related to the relationships between people within the organisation (internal social capital) and between the organisation and outsiders (external social capital) (DeMassis et al., 2011).

Etymologically, participation comes from the English language “participation”, which means taking part / taking part. In the complete dictionary of Indonesian, it is explained that "participation" means: taking part in an activity, participation, participation. Community participation in development is the participation of all members or representatives of the community to make decisions in the planning and management process. It includes deciding on activity plans to be implemented, the benefits to be obtained, and how to implement and evaluate its implementation. Soemarmo (2005, p. 26) argues that the community can be actively involved from the early stages of planning. Community involvement can be in the form of (1) education through training, (2) active participation in information gathering, (3) participation in providing alternative plans and suggestions to the government.

The needs of development carried out in villages will be different from those carried out in urban areas. In this case, the direct participation of the village community is vital, including development through the utilisation of BUMDes funds based on local potential. Kessa (2015) defines participatory development as a development management system in villages and rural areas coordinated by the village head by promoting togetherness, kinship, and cooperation to realise the main mainstreamers of peace and social justice. It clearly indicates that together the community is actively involved in development while the village government is tasked with coordinating development in the village through BUMDes to run as it should be.

The Methods, Data and Analysis

This research was conducted at BUMDes in Ketapanrame Village, Trawas District, Mojokerto Regency, East Java province. This type of research used in this research is a type of qualitative research. To obtain complete and relevant data, this research using several techniques to collect data. In observation, direct data collection, recording were carried out at the place where the incident took place. The interview method used in this research is a structured interview, the purpose of holding interviews in this study are to complete and re-check the data from observations in the BUMDes of Ketapanrame village. Interviews in this study were conducted by visiting research informants directly and ask them some matters relating to the subject matter. Interview carried out in-depth to obtain direct data through a series of questions and answers with parties related to BUMDes. Documentation technique. This method collects data that produce important notes related to the problem researched so that complete, valid, and not valid data will be obtained based on estimates by taking data that already exists and is available in the document records. This documentation was taken to obtain data, photos, and field notes such as regulations legislation related to the role of BUMDes.

The data analysis technique is required to analyse the research data. The methodology used for data analysis is qualitative data analysis with an integrated model consisting of four primary subjects (Matthew, Michael, & Johnny, 2014):
Figure 1. Miles and Huberman’s Interactive Model Data Analysis Component

Data Collection, Reduction and Display

The data collection is conducted by observation, interview and reporting, and then documented in field notes. The field observations can be in the form of observations of explanation and reflection notes. Description note is written in the form of interview output. At the same time, reflection notes are notes which include additions or suggestions. Description notes and reflection notes can be obtained through several competent speakers who know about the problem under study, i.e. dig information relating to establishing and managing village-owned enterprises required for this research. In this research, the researcher reduces and sorts the data the results of observations, interviews, and documentation. Only relevant data related to the management of BUMDes was selected.

Conclusion Drawing and Verifying

The data is presented in a narrative text to explain the processes that occur from the establishment and management stages BUMDes. The data presented is then processed based on the previously put forward theories to obtain a clear picture. All data that has been processed is then collected into one for then presented until it reaches the conclusion stage. Conclusions are drawn to general things to know the answer to the problem. This research problem related to the role and management of BUMDES in the village of Ketapanrame, East Java Province.

Result and Discussion

The Process of Establishing a Village-Owned Enterprise (BUMDes) in Ketapanrame

The village government and the community form BUMDes to improve the management of the village (human resources and natural resources) following the community’s needs to increase original income and the village economy, and BUMDes can be relied on in efforts to equalise the village economy. BUMDes Ketapanrame started with a clean water program from the government through the sub-district development team; in 1978, a clean water facility was built in pipe installation and construction of water storage tanks. In 1988 the HIPPAM "Tirto Tentrem" was formed as a forum for water management, so that community water services can be adequately managed and distributed evenly.

In 2000, HIPPAM collaborated with PDAM founded BUMDes (Village-Owned Enterprises) named BPAM "Tirto Tentrem". It focused on managing and distributing drinking water to Village communities. In 2010, BUMDes (Village-Owned Enterprises) BPAM "Tirto Tentrem" changed its name to BUMDes "Ketapanrame" with the addition of 3 new business units so that it became four business units. In 2016, BUMDes Ketapanrame developed new businesses from store and tourism units. BUMDes Ketapanrame has made another innovation to merge two business units, namely the water tank filling unit, joining the...
drinking-water management business unit. The Ketapanrame BUMDes has five business units: the drinking water management unit, environmental cleanliness unit, land management unit and cages livestock, tourism unit, and the savings and loans and partnership business unit.

Research results from Anggraeni (2016) that the existence of BUMDes inevitably brings changes in the economic and social fields. The BUMDes contribution is mainly in Village Original Income, where the BUMDes net profit is allocated for Village income. BUMDes profits are allocated to several parties with different percentages. Based on the results of the analysis above, it appears that the allocation of profits from the three BUMDes which are allocated to hamlets gets the smallest percentage. It impacts the small allocation of benefits received by the hamlet, which directly relates to the residents. The opinion of residents who say that BUMDes is not beneficial for improving welfare can be caused by the small percentage received by the hamlets. Most of the facilities provided by BUMDes for the use of residents can be said to have been wrongly targeted. Facility users are dominated by residents from outside the village or residents with a relationship with the manager. Meanwhile, the village community mainly do not directly experience the economic benefits of the BUMDes existence.

Drinking-Water Management Service Unit (BPAM Tirto Tentrem)

This unit is engaged in drinking water services for residents of Ketapanrame Village, with a population of more than 1,500 rural residents, villas and hotels with 916 SR consumers. The establishment of BPAM "Tirto Tentrem" is not separate from the PAMSIMAS program, but due to the emergence of several problems and obstacles in its sustainable management, in 2014, collaboration was carried out. In August 2015 at the Ketapanrame drinking water management is carried out by one Village business institution, namely BUMDesa in BPAM Tirto Tentrem drinking water unit, with the intention that these assets can be secured to become Village Assets managed by BUMDesa for the benefit of all communities.

The village drinking water-management collaboration was carried out by the BUMDesa Unit of BPAM Tirto Tentrem so that the distribution of drinking water to the residents could run well. The rules for residents of water users are applied the same following the rules/regulations applicable at BPAM Tirto Tentrem which are based on village regulations and village head regulations. The KP- SPAMS assets were granted to BUMDesa Unit BPAM Tirto Tentrem so that, as a whole, they become Village Assets that are used for the benefit of all Village Communities.

As Agunggunanto (2016) research showed, clean water management by building a clean water company to meet the clean water needs of residents. The provision of clean water is also used to anticipate the reduced availability of clean water due to the dry season and flood disasters during heavy rains, which may cause leaks in the existing spring pipes. PAM Desa in Tubanan Village conducts a community program to utilise their house yard. The community is directed to use their house yards to grow vegetables and live pharmacies. BUMDes, through the PAMDes program, provides cross-subsidies for customers who use the house yard. If the customer does not want to take advantage of his house yard, the rate charged is normal.

Waste Management and Environmental Cleanliness Services Business

Environmental Cleanliness Management is a village program implemented by BUMDesa Ketapanrame through the environmental cleanliness unit. In analysis, environmental cleanliness management efforts, in this case, the handling of waste originating from household waste, are not profitable but impact the comfort of life in the community. For this reason, to create comfort in the community, the program of this unit will try to improve waste collection and waste processing services so as not to disturb the comfort of the community. The things that will be done are consolidation and
coordination with waste collectors, the community, waste care groups, and policymakers to optimise waste management. It is hoped that the community's involvement in sorting waste starting from the household will make it easier to process and handle the waste.

As the results of research from Agunggunanto (2016) show that BUMDes in Tubanan Village, Jepara Regency, have a waste bank called PUS (Main Waste Center) named Larah Nisti, which is the largest waste bank in Jepara Regency and the first comprehensive waste bank for one village. Each RT in Tubanan Village, totalling 43 RTs, has two trash cans to distinguish organic and inorganic waste. However, what is being done is still PUS. One of the objectives of building this waste bank is that people can change their mindset to become "waste is not a problem but a blessing". The inorganic waste is then processed into high-value items, such as soap packaging, which is used as craft bags, shoe holders, etc.

Village Tourism Management Business

The performance of the tourism unit is currently still oriented to the tourism development program in the Ghanjaran park and Gempong source tourism. For the development of the Ghanjaran Park in the future, there are several plans for a program to develop facilities for supporting facilities for the tourism of the Ghanjaran Park. The development plan that is being implemented includes continuing the construction of a food court and street vendor stalls, arrangement of street lights and parking lots. Besides that, there are also programs to repair facilities and infrastructure that need to be carried out periodically, including swimming and garden facilities.

Ghanjaran Park Tourism is one of the Village Treasury Lands managed by the BUMDesa Ketapangrame Tourism Unit, and this location is located in Ketapangrame Hamlet, Trawas District, Mojokerto Regency, East Java Province. The construction of Ghanjaran Tourism Park is planned for 2015 and will be realised in late 2018 through district financial assistance. In the past, before the Tourism Park was built, as it is today, the location was agricultural land managed by residents, the yields which continued to decline made the management of this land stop, giving rise to several ideas that were poured out in village meetings to change this location to a tourist destination.

In 2019 Ghanjaran Park was only able to absorb 107 workers and business actors because there were only flower gardens and food courts. This caused a polemic in the community, many of whom wanted to participate but were constrained by very limited land. In mid-2020, the Head of Ketapanrame Village made an innovation to build investment in the Wahana Games Joint Business Group.

Through community investment village deliberations, funds of Rp. 3,800,000,000 (Three billion eight hundred million rupiahs) from 432 heads of families provided that 1 (one) family head may only invest a maximum of Rp. 10,000,000 (ten million rupiahs) of the funds were made means for games, including Play Comedy, Cinema 9D, VR cinema, Tagada, Carousel, Skybike and buildings that became the locations for games. The opening planned for July 2020 had to be postponed due to the pandemic that hit the country. However, this does not diminish the determination of the management, through very strict health protocols, regulations that oblige visitors to wear masks and always wash their hands and keep their distance so that this Tourism Park can survive during a pandemic without laying off employees, in 2020 this Tourism Unit able to absorb as many as 870 family heads of business actors.

As Ramadana (2018) research showed that the contribution of BUMDes is as an independent village development that can run confidently that the village has succeeded in managing its own household and creating an independent village that does not only depend on the village budget that the Malang district government has given. This Village-Owned Enterprise, including 1) run seven business fields) agriculture, 2) animal husbandry, 3) savings and loans, 4) waste management, 5)
essential services, 6) home industry, 7) market area.

**Stall and Cage Management Business**

We will optimise the TKD (Village Treasury Land) management used as a kiosk rental business and cattle sheds. We will optimise it with several programs. We continue to do the kiosk arrangement program to create a safe and comfortable kiosk for traders and consumers. Intensive coordination with kiosk users is still carried out for the orderliness of the kiosks so that the kiosks are well organised. The slum impression of the kiosk in Slepi will be immediately addressed so that the existence of the village kiosk can become a buffer for village tourism.

The management of cattle sheds in 3 different locations will also be further arranged to facilitate the community in the livestock business, especially cows and goats. Then the waste produced from livestock so that it does not become a problem will be handled and developed into a compost-making centre so that it has commercial value, which can be new potential for BUMDesa businesses. For this reason, it is necessary to program training on the procedure for the manufacture and sale of organic fertilisers.

Anggareni's research (2016) showed that BUMDES has carried out several social activities such as giving goats to underprivileged residents and providing kiosks for residents. From the management side, it is stated that BUMDes has been beneficial for the community, but most of the participants who are not managers stated that BUMDes does not bring benefits from the economic side. The participants of this research said that the kiosks come from outside the village of Gunungkidul Regency. Some say that kiosk users are people related to the manager. In terms of labour recruitment, participants said there was an inequality where residents were not empowered as BUMDes employees. Many residents think that the employee recruitment process is not transparent.

**Savings and Loans Management and Partnerships**

The Savings and Loans and Partnership Unit, which was formed in 2020, is intended to handle savings and loan businesses in BUMDesa. This unit was formed as a forum for managing savings and loans from the JALINMATRA program. Furthermore, following OJK regulations regarding the handling of financial service business institutions in villages, the point is that all financial service institutions in the village

PUEM, UP2K, and others must enter BUMDesa or cooperatives. The system in the loan agreement, which has so far contained elements of usury, will be changed and the agreement made clearer so that the element of usury can be removed. The cooperation sector has also been carried out by this business unit in 2020. The cooperation carried out is with managing the Dlundung waterfall tourism area in the rabbit garden business and parking management services. From the results of the collaboration that occurred, it shows very significant results so that in the future, it needs to be optimised again by increasing cooperation efforts. If all this time the partnership business is still in Rabbit Park and parking at Wana Wisata Dlundung, in the future, we will explore other potential partnership businesses, including tourist transportation, camping ground, tourist stalls and tourist rides.

BUMDes Ketapanrame, with its various business units, can provide operating profits, which have increased significantly every year. Even though the impact was very much felt during this pandemic, the manager continued to work with various strategies to achieve the targeted operating profit target. In 2020, BUMDes Ketapanrame achieved a profit target of as much as two million Rupiah. The revenues of BUMDes business mainly were obtained from the activities of the tourism management unit, followed by the drinking water management unit. The rest was from other units, including the savings and loans and partnerships unit, hygiene management unit, livestock kiosk, and cage Management unit. Various types of business units that are carried
out can positively impact, not only for increasing PAD but also on increasing the Village community's income.

Based on BUMDes data records, it is known that 850 villagers are involved in BUMDes activities, either as direct actors in business activities or who are indirectly involved through business investment programs. Citizen involvement is based on membership in one KK (Head of Family), meaning that one KK is only given the opportunity for one person to participate in business activities managed by BUMDes. If currently there are 1879 households in Ketapanrame Village, it can be represented that 45% of the villagers in one family have had the opportunity to take part in BUMDes activities. In addition, BUMDes, following the provisions stipulated in the Village Regulation, is obliged to channel 10% of business profits to the poor through a social fund program.

Prasetyo (2016) research showed that the pattern of utilisation of BUMDes funds in Pejambon Village had been driven for equipment rental services. Using BUMDes funds for rental activities is considered more productive in accumulating capital when compared to savings and loan use because, according to experience, savings and loan services tend to be difficult to collect back in some communities. The Pejambon Village government then uses the proceeds from this equipment rental service to finance development and provide several assistance programs to the community in Pejambon Village. Judging from the types of assistance from BUMDes received by respondents, the types vary. In the field of business, 24% of the respondents received promotional / product marketing assistance. As many as 28% of respondents also admitted to receiving business capital assistance. Some other assistance is related to business development, such as equipment, training and business assistance. In the future, one of the uses of BUMDes funds will be used to develop village information technology through the village internet. Sufyan argues that besides being beneficial for the development of village information technology, the existence of the internet also provides profitable business prospects.

Conclusion

The formation of a village-owned enterprise, which is in Ketapanrame village, follows the existing village regulations starting from the underlying legal basis, the constitution and bylaws that are compiled, and the organisational structure. BUMDes village Ketapanrame east java province has five business units: Drinking Water Management Unit, Environmental Hygiene Unit, Land and Cage Management Unit, Tourism Unit, and most recently, the Savings and Loans and Partnership Business Unit. BUMDes Management Activities is supported by a budget originating from the previous year's BUMDes Profit fund, BUMDes reserve fund, Ketapanrame Village APBD, Third-Party Assistance. During 2021 the operational budget of the Ketapanrame BUMDes uses the previous year's BUMDes profit funds.

This research has a limitation; some informants are only willing to answer some of the questions asked and cannot explain in detail, and the object used only focuses on one location of village-owned enterprises. Related to suggestions for the subsequent research is research conducted in a different place, adding a theory that is relevant to the BUMDes management process, and can add other variables such as BUMDes finances, BUMDes inhibiting factors and village community welfare and This research is expected to provide references and benefits in the field of economics and business, especially in Business management studies that can be used as reference material in a broader research

References


Undang-Undang Republik Indonesia Nomor 6 Tahun 2014 Tentang Desa