

THE IMPLEMENTATION OF GOOD GOVERNANCE ON VILLAGE-OWNED ENTERPRISES OR BADAN USAHA MILIK DESA (BUMDes) THROUGH VILLAGE GOVERNMENT IN INDONESIA

¹Triono, ^{2*}Martin Purnama Chandra

¹International Relations Department, Faculty of Social and Political Sciences, Megou Pak Tulang Bawang University, Tulang Bawang Regency - Lampung

²Business Administration Department, Faculty of Social and Political Sciences, Sangga Buana University, Bandung City - West Java

Author's email: triono.sr@gmail.com; martin.chandra@usbykp.ac.id

*Corresponding author: martin.chandra@usbykp.ac.id

Abstract

The majority of villages in Indonesia face a number of traditional problems which require a government that is able to create synergy between systems, programs, and normative aspects. The Village Government significantly increases the performance of Village-Owned Businesses, or Badan Usaha Milik Desa (BUMDes), through the application of Good Governance principles in order to stimulate new business growth and economic transformation. The purpose of this research is to examine the relationship between good governance and BUMDes in order to improve community welfare. The research applies a qualitative analysis, in which the researcher is a participant-observer. The success of BUMDes since its implementation in 2004 shows that Good Governance is an effective tool. It focuses on aspects of accountability and community participation. President Jokowi directs BUMDes as an Organization Oriented to Economic Production to cooperate with State-Owned Enterprises or Badan Usaha Milik Negara (BUMN) and the private sector in every economic activity, as well as to consolidate business formation according to community needs, especially the distribution of value-added products to reach a wider market share. That way, all elements of the village community actively contribute to building through activities that bring profit. The presence of the village government as an embodiment of local politics is optimized for its role in the management of BUMDes through collaboration with others as a form of Good Governance. This research found that the principles of Good Governance are important to be applied in the management of BUMDes so that the economic growth of the Village can be transformed into superior through Good Governance.

Keywords: bumdes; good governance; government; local politic; village.

1. INTRODUCTION

The classic problem in villages in almost all of Indonesia is that human resources are not competent in managing their villages so the potential of natural resources cannot be managed by the village but controlled by parties outside the village. The solution to these problems is that there must be integrated programs, systems, policies, rules, laws from the central government, provincial governments, and local governments for villages. It is hoped that as these classic problems have in

common, complex problems can begin to be described one by one. A large number of Indonesian villages demand the creation of a prosperous village (Suhendar, 2019).

To create a prosperous village, a government that is able to synergize between systems, programs, and normative aspects is needed, known as Good Governance. Good Governance requires competent, professional, and certified human resources to manage the potential of village natural resources. Furthermore, these human resources will be able to make products and provide quality and internationally certified services. The synergy of the two will make the village's competitiveness high which in the end the ideals of a prosperous and prosperous village will be realized (Junita, 2013).

Human resources are the most important foundation for prosperous society. To solve this problem, there must be synergy between the central, provincial, and village governments in realizing international competitiveness. Indonesia will be able to produce highly competitive villages if these villages can manage their natural resource potential with competent and professional human resources. If the village is able to manage the Village Fund professionally, the village will be able to produce highly competitive products. The village must also have competent and internationally certified human resources so that the village community can become the main actors of development in the village. So it will not be replaced by foreign workers (Wakerkwa. 2016).

Good governance in the village must be carried out in a structured and systematic manner so that the village can not only be responsible for all activities carried out but also can increase the competitiveness of the village. This means that with good management, village governments can have clear directions and goals to achieve. The village government also knows which direction to go and has clear measures in assessing the performance of the village government. Good Governance will be able to increase village competitiveness.

President Joko Widodo emphasized the importance of involving Village-Owned Enterprises or *Badan Usaha Milik Desa (BUMDes)* to carry out economic transformation in villages. The rural economy is one of the saviors when the economy in urban areas is disrupted. The President also asked the community to build and make villages the basis of productive economic activities. Application of Law no. 6 of 2014 is expected to reduce poverty in rural communities. Poverty is only one of the problems in the village. Other problems that arise in the village are the problem of human resources, access to services in rural communities, and the empowerment of rural communities. Of course, autonomy alone is not enough to create a competitive and independent village community, but it also requires the readiness and capacity of village government officials to implement the main ideas about the village. Village government officials face formidable challenges in implementing independent village development, village empowerment, structuring village institutions, village development management, managing village business entities or *Badan Usaha Desa (BUD)*, village financial management, and village regulations (CNN Indonesia, 2021).

By applying the principles of Good Governance, the Village Government optimizes *BUMDes* to trigger new business growth for economic transformation. This research aims to examine the relationship between Good Governance and *BUMDes* in order to improve community welfare. The researchers attempt to analyze how the Village Government applies the concept of Good Governance and the explanation for requiring a concept of Good Governance as a means of achieving positive change through the implementation of *BUMDes*.

2. LITERATURE REVIEW

Good Governance

The term "governance" refers to the mechanisms, practices, and procedures by which the government and its citizens manage resources and resolve public issues. Government is only one of the actors in the concept of governance and is not always the deciding factor. The government's role as a developer as well as a provider of services and infrastructure will evolve to become a driving force for the creation of an environment conducive to other community members. Governance necessitates a redefinition of the state's role, which entails a redefinition of the role of citizens. There are greater demands on citizens, among others, to monitor the accountability of the government itself (Hetifa, 2003: 1-2).

Good governance is defined as the practice of prudent and responsible development management in accordance with democratic and market principles, including the avoidance of misallocation of investment funds and the prevention of corruption at both the political and administrative levels, enforcing fiscal discipline, and establishing legal and political frameworks conducive to business growth. Indeed, the regional bureaucracy has been deemed incompetent thus far. In such circumstances, local governments' capacity to carry out decentralization is always questioned. On the other hand, they must also reform their own government from one that is corrupt to one that is clean and transparent (Hetifa, 2003: 3).

The United Nations Development Program (UNDP) policy document further mentions the characteristics of Good Governance:

1. Inclusive, transparent and accountable, effective and fair.
2. Ensure the rule of law.
3. Ensure that political, social, and economic priorities are based on community consensus.
4. Pay attention to the interests of the poorest and weakest in the decision-making process regarding the allocation of development resources (Hetifa, 2003:3-4).

The current Democratic Governance is a government that emphasizes the importance of building a public decision-making process that is sensitive to community. This means the hierarchical decision-making process turns into a decision-making process that is fair to all stakeholders. The application of the ideals of Good Governance ultimately requires the involvement of civil society organizations as a balancing force for the State. However, the ideals of Good Governance have become a critical component of the discourse surrounding the evolution of the bureaucratic paradigm and its future development. Because the purpose of implementing Good Governance principles is to provide mechanisms and guidelines for stakeholders to achieve a balance in pursuing their respective interests. The State Administration Institute or Lembaga Administrasi Negara (LAN) concluded from a review of various results that there are nine fundamental aspects to achieving Good Governance:

1. Participation
2. Rule of Law
3. Transparency
4. Responsiveness
5. Consensus Orientation
6. Equity
7. Effectiveness and efficiency
8. Accountability
9. Strategic Vision (Rosyada et al., 2005: 182)

The Village-Owned Enterprises Or *Badan Usaha Milik Desa (BUMDes)*

Good village government management can have high competitiveness. If the village has high competitiveness automatically prosperity, prosperity will be realized so that it is prosperous, prosperous, and independent. An independent and prosperous village will be realized with Good Governance, optimal use of resources, and with support from good village institutional management, management of village business entities, village financial management, and village regulations that lead to village goals. Village institutions strive to optimize the effectiveness of village governance, accelerate the improvement of rural communities' welfare, accelerate the improvement of public service quality, enhance the quality of village governance, and also increase village competitiveness (Dwipayana, 2003: 22-26).

BUMDes are separate business entities in which the village owns all or a majority of the capital through direct participation in village assets. They are used to manage village assets, services, and other businesses for the village's maximum welfare. *BUMDes* was founded on the initiative of the community and adheres to the principle of independence as an economic institution for its business capital. This means that the community must contribute to the fulfillment of *BUMDes* business capital requirements. However, *BUMDes* may seek capital loans from third parties, such as the village government or other parties, even if the third party is not a financial institution (Suparji, 2019: 10-13).

The establishment of *BUMDes* according to the *BUMDes* Management Handbook is intended to accommodate all economic activities aimed at increasing people's income, both economic activities that develop according to the customs and culture of the local community such as "arisan" groups, traditional economic institutions, as well as economic activities that are handed over to the community in the form of programs. Projects from the Government and Regional Governments, such as *Usaha Ekonomi Desa Simpan Pinjam (UED-SP)*, and others located and domiciled in the village (Suparji, 2019: 37-39).

The establishment of *BUMDes* aims to:

1. Improving the village economy.
2. Optimizing Village assets to be useful for Village welfare.
3. Increasing community efforts in managing the village's economic potential.
4. Develop a business cooperation plan between villages and/or with third parties.
5. Creating market opportunities and networks that support the public service needs of citizens.
6. Create job opportunities.
7. Improving the welfare of the community through the improvement of public services, growth, and equitable distribution of the Village economy.
8. Increase village community income and village original income (Dewi, 2014).

The basic principles in establishing the formation of *BUMDes*:

1. Empowerment: has the meaning of increasing community capacity, community involvement, and community responsibility.
2. Diversity: the community activity business has a variety of businesses, and the business diversity is referred to as part of the *BUMDes* business unit without reducing the status of existence and ownership of existing community economic businesses.
3. Participation: management must be able to realize the active role of the community so that they always own and participate in being responsible for the development of the sustainability of the *BUMDes*.
4. Democracy: means that managing it is based on the needs of the community and must be carried out in the perspective of proper financial administration (Suparji, 2019: 56-57).

3. RESEARCH METHODS/METHODOLOGY

This research uses a qualitative analysis approach, where the researchers acts as a participant-observer and thus becomes a valid data source in the field. The method used in this research is non-research, such as library research, by collecting information from several sources, namely books, journals, the internet, and information in the form of opinions expressed by President Joko Widodo through several events that researchers quote from online news media with the aim of to obtain more in-depth information and provide analysis related to *BUMDes* (Sugiyono, 2008).

The data analysis technique used is Discourse Analysis, which analyzes the discourses or communication between people in a certain social context. The fields researched in discourse analysis are in the form of speech, writing, language, conversation (both verbal and nonverbal), and so on. The stages are: 1) determining the main topic of a specific discourse; 2) reviewing discursive strategies (including argumentation strategies); and 3) analyzing real meanings in language, as well as linguistic meanings in other forms (Darma, 2009).

4. RESULTS AND DISCUSSION

Indonesia as a unitary state is divided into various provinces, regencies, cities, and villages. The imbalance in Governance between the four has made the Village Government be left behind. Meanwhile, if the village is properly managed, primarily through increased human resource competence in natural resource management, the welfare of the village community will be achieved. Villages that have a wealth of natural resources will be able to create village welfare in the era of free competition if they are able to compete economically in the era of globalization (Somali, 2021).

The village must build creative efforts in developing the potential of both human and natural resources in order to increase the wealth and welfare of the village. If the potential of human resources is developed properly, it will be able to increase competitiveness. In the end, it will encourage economic growth in the village. In-Law no. 6 of 2014 concerning villages has two principles, they are the principle of subsidiarity and recognition. State recognition of the origin of the village is called the principle of recognition, whereas if the village is given the authority to determine and make decisions on a local scale for the benefit of the village community, then this means that the village has the right to manage and regulate its village

resources so that the welfare of the village community will be achieved. These two principles will be able to create a village that has Good Governance of natural resources and human resources so that the village will have high economic competitiveness (Kushandajani, 2015).

After understanding these two principles, there are challenges that need to be overcome, like the lack of understanding of the village and supra-village governments. The village community must be educated through a good learning process and the village government must encourage the implementation of village programs that can increase competitiveness so as to create a prosperous village. Regional autonomy determined by the government must provide the widest possible space for all village communities in increasing the potential of human resources and natural resources. Village communities must have high participation in the implementation of existing programs in the village so that the objectives of implementing these programs can be achieved. Village programs are in line with central government programs so that various program policies and their implementation will further strengthen the competitive position of the village. Village financial independence encourages village community empowerment in the form of integrated village empowerment and mobilizing village community participation. Village funds can be managed properly and become part of social capital that can be developed. The central government gives the authority to regulate and manage so that the village government and other village institutions can have authority before the village community in particular and the international community in general (Saleh, 2008).

Before *BUMDes* can compete internationally, they must be empowered as business entities with capital that is wholly or primarily owned by the village, derived from village assets, and separated to manage village assets, services, and other businesses for the benefit of the community. This Village Business Institution must be managed collaboratively by the village community and village government. *BUMDes*, as a production-oriented organization, is tasked with the responsibility of enhancing the village economy in accordance with market demands and village resource potential. *BUMDes* will become a pillar of economic activity in the village that functions as a social and commercial institution with family management and mutual cooperation (Junaidi, 2018).

BUMDes needs to develop agricultural and horticultural products for the international market. For example, a village in East Kalimantan has exported sticks from oil palm and nipa palm, as well as halaban wood charcoal. The government has disbursed village funds of IDR 400.1 billion since 2015 until now. The President reminded that the distribution can be managed wisely and on target. He supports *BUMDes* to consolidate people's efforts to facilitate the supplies needed by the community (Ministry of State Secretariat, 2021).

To optimize the implementation of *BUMDes*, the Village Government needs to take strategic steps, including:

1. Cooperation with State-Owned Enterprises or *Badan Usaha Milik Negara (BUMN)* and Private Sector.

When the Village Government opens up business and economic investment opportunities, infrastructure readiness is needed to support investment. There will be the construction of large-scale projects. Not only that, the certification of human resources is a strategic decision that must be taken by the Village Government in order to compete in the era of globalization. Of course, will involve a lot of village communities as project actors and external parties considering that everything that the Village Government needs cannot be fulfilled alone. Therefore, the role of *BUMN* and the private sector needs to be played. The involvement of private sectors and *BUMN* does not only focus on aspects of infrastructure development and human resource development, but also on market activities. With the cooperation of the Village Government with the two sectors, every business activity carried out by the Village Government will also contribute. For example, for every natural commodity, be it plantations, mining, agriculture, or forestry, the villagers don't just watch. In other words, the village community gets benefits such as employment and managerial staff. Not only that, there are several conveniences for business activities that can be obtained with this collaboration, such as the development of a national logistics system, development of banking, investment, micro, Small and Medium Enterprises (SMEs), health, trade distribution, tourism, and entrepreneurship that produces products. added value to reach a wider market share (Ministry of State Secretariat, 2021).

2. Participation and transparency

Functions in Village Governance need to be maximized so that they are in line with the objectives of Village Governance. In order for the objectives of Village Governance to be realized, there must be Good Governance in the Village Government. With good governance, the village government can increase the effectiveness of village governance, accelerate the improvement of rural community welfare, accelerate the improvement of public service quality, enhance the quality of village governance, and enhance village competitiveness. Referring to the principles of Good Governance, there are 2 principles that can be applied to the implementation of *BUMDes*. First, the participation of all elements of the village community to actively contribute to development through the implementation of every *BUMDes* program that brings benefits. With the participation of both, the program will be strengthened with the support of the City/Regency, Provincial and Central Government through funds as well as a number of policies and regulations. Second, Good Village Governance will also enable village governments to use funds effectively, which refers to the principle of transparency. If the village can effectively use funds, natural resources, and human resources, and can encourage investment, the village community's welfare will also improve, which will help the village's economic growth (Ministry of State Secretariat, 2021).

The process of Good Village Governance has a positive impact on village arrangement so that villages have high competitiveness. So Village Governance is not just a normative formulation so that the purpose of Village Governance is to increase the effectiveness of Village Governance, accelerate the improvement of village community welfare, accelerate the improvement of the quality of public services, improve the quality of Village Governance, which in turn can increase village competitiveness. The implementation of *BUMDes* which incorporates the concept of Good Governance is not the first time it has been launched. However, it has been running since 2004 during the reign of President Joko Widodo, whose success can be directly felt and proven. Referring to his speech, President Joko Widodo asked the community to build and make villages the basis for productive economic activities. The implementation of *BUMDes* has succeeded in spurring the growth of new businesses needed by the community. What's remarkable is that growth of new businesses does not require the closure of existing ones, but rather the formation of new businesses that have not yet been formed but are required by the community. That way, it will trigger and spur many new businesses to emerge in the community (Berita Satu, 2021).

CONCLUSION

From the description of the discussion, the researcher concludes that the presence of the village government as an embodiment of local politics is optimized for its role in the management of *BUMDes* through collaboration with other parties as a form of Good Governance. This study found that the principles of Good Governance are important to be applied in the management of *BUMDes* so that village economic growth can be transformed into superior through Good Governance.

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