

# The Role and Strategy of Village-Owned Enterprises in Conducting Economic Empowerment of Village Communities

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## Abstract

*Based on Law No. 6 of 2014, the establishment of village-owned enterprises (BUMDes) aims to encourage and accommodate all activities to increase community income man. The role of BUMDes is to become a pillar of community independence in accommodating community economic activities to improve community welfare, so this research uses a qualitative descriptive type of research. It is said to be qualitative because the main data source in this research is the words and actions of the people who are observed or interviewed. While it is descriptive, that is, the researcher describes an object, phenomenon, which will be written in narrative writing. In terms of place, this research is a type of field research with the hope that BUMDes will be able to create a more efficient society.*

## Keywords

BUMDes; role; economic empowerment



## I. Introduction

The community is the main actor in carrying out economic activities and the government is obliged to direct, guide, protect and foster a supportive atmosphere. Community activities and government activities must run in harmony, support each other, complement each other, and complement each other in a single step towards the achievement of national development goals. This must be done to the smallest unit in the government, namely the village unit.

Organization must have a goal to be achieved by the organizational members (Niati et al., 2021). The success of leadership is partly determined by the ability of leaders to develop their organizational culture. (Arif, 2019).

According to the Central Bureau of Statistics (2020) Village is a regional unit occupied by some residents as a community unit, including community units that have the lowest government organization and are directly under the sub-district head and have the right to organize their households within the bonds of the Unitary State of the Republic of Indonesia. The main characteristic of the village is that the village head is elected by the local community.

According to Law No. 6 of 2014 explains that the village plays a very important role in national development, where the village is the lowest government structure of the Indonesian government system. Each type of national development policy leads to village development so that in the spirit of decentralization of regional autonomy, the community must always be involved or empowered in village development, although in general, the results have not been satisfactory for improving the welfare of rural communities. Community welfare is also influenced by the potential of the village. Village potential is the power, strength, ability, and ability that can be developed. Broadly speaking, village potential can be divided into two, namely physical potential and non-physical potential. This village potential can be developed through Village Owned Enterprises (BUMDes).

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BUMDes is a village business institution that is managed by the community and village government to strengthen the village economy which is formed based on the needs and potential of the village. The establishment of Village-Owned Enterprises (BUMDes) is regulated in the Ministerial Regulation on Villages No. 4 of 2015 concerning the Establishment, Management and Management, and Dissolution of Village Owned Enterprises. The purpose of the establishment of BUMDes is as an instrument for utilizing the local economy which is used for business development managed by BUMDes as village development such as empowering rural communities. Based on the definition of BUMDes, the central government should pay serious attention to the existence of villages.

Kusman and Widaningsih (2019) stated that BUMDes is a company run by village communities and its management is separate from the village government. Furthermore, in the management of BUMDes, it must be in accordance with the SOP (*Standard Operating Procedure*) that has been determined, its implementation is carried out in a transparent and accountable manner (Sakti, et al, 2020). Agunggunanto and Darwanto (2016) stated that the main limiting factor for BUMDes is human resources (HR) in the management and development of BUMDes. According to Mr. Cepto from the Ponorogo Regency Village Community Empowerment Office (DPMD), Ponorogo Regency until 2020 has had around 281 BUMDes units, of these 281 there are indicators of progress, development, and beginners.

One of the villages in Ponorogo Regency that has run BUMDes is Nglumpang Village. BUMDes Nglumpang was founded in 2012 and named BUMDes LANTABUR, but the journey did not go smoothly due to a lack of planning from the start. Until now, BUMDes Nglumpang is still running a business in one type of business, namely, refill drinking water and health water. Based on the survey results and interviews with the village head of nglumpang, Mr. Hermawan Sutikno said "There is a lot of potentials such as fish cages, superior human resources, an environment that supports plant cultivation, and others. However, this potential has not been fully utilized and empowered by BUMDes due to a lack of understanding and responsibility from BUMDes management regarding business management at BUMDes Nglumpang".

Based on the explanation and theoretical study above, the researcher wants to know the role and strategy of BUMDes (Village Owned Enterprises) in empowering the village economy. The purpose of this research is to obtain data on the role of BUMDes for rural communities, as well as to know the strategy of BUMDes to empower the community's economy as well as to find out the constraints of BUMDes in carrying out their roles. There are benefits in this research, namely for the government and BUMDes managers. For the government, this research is useful to assist the central and local governments in making regulations, policies, and empowerment related to BUMDes. For BUMDes managers, the results of this study are useful in providing a complete perspective on how BUMDes is good and right, including how to take advantage of the strategy and role of BUMDes as the economic strength of rural communities.

## II. Review of Literature

### 2.1 Community Economic Empowerment

April Theresa (2014) Empowerment is an effort to empower the community. In other words, community empowerment is defined as the ability of individuals in society to build the capacity of the community in which they live. According to OSM Anwas (2014), community development can be interpreted as an effort to change people's behavior in a positive direction, gradually improving their quality of life and welfare.

Mubiyato (2010) argues that capacity building is an effort to build capacity, encourage, motivate, raise awareness, and encourage development.

Based on the literature review above, it can be concluded that community empowerment is an effort to meet the needs of life and improve their welfare to increase the economic potential of a neutral socio-economic community.

## **2.2 The Role of Village Owned Enterprises (BUMDes)**

According to the Big Indonesian Dictionary, the word "role" means something, a set of expected levels that people in the society can hold. Roles can be described as unique traits that describe each person in a workgroup or social context who has a significant impact on an event (Amiruddin, 2016). What is meant by "role" is a dynamic process (situation) in which a person fulfills his rights and obligations according to his position.

Kusman and Widaningsih (2019) stated that BUMDes is a company run by village communities and its management is separate from the village government. In this case, BUMDes have an important role in empowering the community's economy. According to Seyadi (2013), there are several roles of BUMDes in community economic empowerment:

- a. Development and development of the potential and economic capacity of rural communities in general to improve their economic and social welfare.
- b. Take an active role in efforts to improve the quality of human life and society.
- c. Strengthening the people's economy as the basis for the strength and resilience of the National economy with BUMDes as the foundation.
- d. Strive to realize and develop the economy of rural communities.
- e. Helping the community to increase the income and prosperity of the community.

## **2.3 Community Empowerment Strategy**

Empowerment is aimed at knowing the behavior of the community so that they can be empowered so that they can improve their quality of life and welfare. However, it should be noted that the success of community empowerment does not emphasize the results, but also the process.

The implementation of the empowerment program requires several strategies. Suharto (2009) stated that there are 5 (five) strategies for community economic empowerment that can be carried out, including:

- a. Possibility, by enabling people who are in the lower economy to be able to develop.
- b. Reinforcement, through this strengthening, provides skills and knowledge to the community to create life independence.
- c. Protection, by protecting weak community groups so that they are not exploited by strong groups.
- d. Support, by providing support, namely the weak economic community, not to experience further deterioration in life, must be supported and given guidance.
- e. Maintenance, with the maintenance of the community to create conducive conditions so that there is a balance so that individuals have the opportunity to do business.

Edi Suharto (2005) stated that community empowerment can also be done in 2 (two) ways, namely by counseling and training. This aims not only to increase knowledge but also to improve abilities, skills, and work productivity. Counseling and empowerment are concepts that have the same goal, namely to create a more efficient society.

## III. Research Method

### 3.1 Research Approach

This study uses a qualitative approach, according to Albi Anggito (2018). Qualitative research is data collection in a scientific setting to interpret the phenomena that occur, where the researcher is the key instrument for sampling data sources with observations and interviews. Aselm Strauss (2013) stated that qualitative research methods in data collection are fundamentally where the data is very dependent on the observation process carried out by the researchers themselves. Qualitative research findings are not obtained through statistical procedures or other forms of heterogeneity.

### 3.2 Types of Research

Sugiono (2008) stated that this type of research is descriptive qualitative. It is said to be qualitative because the main data source in this research is the words and actions of the people who are observed or interviewed. While it is descriptive, that is, the researcher describes an object, phenomenon, which will be written in narrative writing. In terms of place, this research is a type of *field research*.

### 3.3 Data Source

According to Sandu Siyoto (2015), primary data is data in the form of verbal or spoken words or data obtained directly by researchers from direct data sources, the collection technique is carried out by means of observation, interviews, focused discussions. The primary data in this study was obtained from the PHP2D report (Holistic Village Development and Empowerment Program) organized by the Ministry of Education and Culture with the title of the report, Fostered Villages Based on Creative Economy through the "Semar Mara" Program as an Effort for Community Empowerment and BUMDes Development in Nglumpang District Mlarak, Ponorogo Regency (Denis et al., 2021).

### 3.4 Data Collection

The data collection technique was carried out using observation methods, in-depth interviews, which were added to the results, or documentary evidence that aimed to explore the data to be obtained in research on the role and strategy of BUMDes in carrying out economic empowerment of rural communities. This data collection was carried out in Nglumpang Village, Mlarak District, Ponorogo Regency.

### 3.5 Data Analysis Method

The method used in this data analysis is a qualitative descriptive method. According to Helaludin (2019), the descriptive method is research that describes everything he encounters in detail. The researcher describes the results of the interview, does not explain or explain, and also does not make an evaluation or assessment. Qualitative research is research that tries to understand phenomena in natural *settings and contexts*. This qualitative study is based on the postpositivism paradigm which does not attempt to make treatment or conditioning and or manipulate the observed phenomena.

## IV. Results and Discussion

Nglumpang Village is a village in Mlarak District, Ponorogo Regency. To reach this village it takes  $\pm$  30 minutes from downtown Ponorogo by using a motorized vehicle. The distance from the city center to the village is  $\pm$  11 kilometers, and the road access is quite easy. The village of Nglumpang is in the lowlands. In addition, it is surrounded by extensive rice fields with an average temperature of 25-30<sup>0</sup> Celsius. The population of Nglumpang Village is 36,829 people, with a male population of 20,645 and a female population of 16,184. The area of Nglumpang Village, Mlarak District is  $\pm$  37.20 hectares, which is divided into rice fields, settlements, and dry land. One of the villages in Ponorogo Regency that has run BUMDes is Nglumpang Village. BUMDes Nglumpang was founded in 2012, but the journey did not run smoothly due to a lack of planning from the start. Until now, BUMDes Nglumpang is still running a business in one type of business, namely, refill drinking water and healthy water. Based on the results of surveys and interviews, there is a lot of potentials such as fish cages, superior human resources, an environment that supports plant cultivation, and others.

The discussion is presented according to the results of the research and the theory that has been explained in the previous discussion, which includes interviews with the nglumpang village head, bumdes administrators, and the nglumpang village community, besides that there are documents as supporting material in this research. The following is a discussion of the data obtained from interviews, observations, and documentation:

### 4.1 The Role of BUMDes in the Process of Empowering the Community's Economy

In 2016, the Lantabur BUMDes began to add a business unit, namely the drinking water filling business (Drinking Water Depot) which has been ongoing until now, then with the PHP2D Program (Holistic Village Development and Empowerment Program) which is a program from the Ministry of Education, it can explore the potential of nglumpang villages which owned by the community so that the community can sell their work or processed products in BUMDes Lantabur. With the potential of the village that has been explored, the community can create their work or processed products to then be sold at BUMDes Lantabur, this can certainly increase the community to be more productive and make it easier for people to sell their business results.

In an interview with Mr. Febri as chairman of BUMDes Lantabur, he said:

*"This BUMDes was founded in 2012, and at that time it was only renting a place to be used as a place to stay for the family of santri in the BUMDes environment who was visiting their sons and daughters at the cottage, then in 2016, a new business unit emerged, namely a drinking water depot which is still running today."*

From his explanation about the establishment of BUMDes to the business units owned, the question arises about "what is the purpose of establishing this Lantabur BUMDes?" the following is Mr. Febri's answer:

*"So what is clear is that in the Nglumpang village, the majority of the people rely on the industrial sector, and here the largest majority of industries are the food, agriculture and handicraft industries, so indirectly this BUMDes makes it a place for the community to channel their sales to be sold at BUMDes. In addition, the existence of BUMDes can help find potential in people who have the desire and ability to carry out industrial processing, where BUMDes conduct training, mentoring, and assisting in monitoring the development of industrial units owned by the community. So BUMDes is more about empowering less fortunate people, besides that BUMDes helps people find a place to sell their processed products."*



After that, the question arises, how do you feel about the existence of BUMDes?

Mr. Febri replied:

*"I think BUMDes is very necessary, namely the first in terms of marketing or marketing. So here are the existing businesses, which on average collide in terms of marketing. On average, local sellers make big profits, while their incomes from the industrial sector are small. So with the existence of BUMDes, it is hoped that later marketing can help so that they are both profitable in terms of their income. Then the most significant thing is the matter of extracting potential for community empowerment, it is hoped that it can be continued so that it can develop the potential and capabilities of the community."*

Thus the existence of BUMDes Lantabur is very necessary because the existence of BUMDes helps empower the community so that the community's economy becomes a more independent economy. From this, the question arises again: "what is the role of BUMDes in community welfare and community economic empowerment?"

Mr. Febri replied:

*"When it comes to his role, it's still too early for a bigger role. However, from BUMDes itself, its role is more to assist, train and develop the potential of the community. Having a business unit here can help provide jobs for the people in Nglumpang, Ms. to become BUMDes administrators. They don't have to have a degree, they can become the administrators of this Lantabur BUMDes, Ms. But for the role in empowering the economy of the community, we are more focused on mentoring, training, and developing it so that the community can be much more productive."*

In addition to researching information about BUMDes from Mr. Febri as the head of BUMDes, here the researchers also conducted interviews with Mrs. Siti Surohmi as the local community who had attended the training held by BUMDes and the village government. What benefits did the community feel during the existence of BUMDes?

He replied: *"With the existence of BUMDes in Nglumpang, it makes it easy for people to sell their products, and with the existence of BUMDes, it also helps the community to explore their potential by conducting training and mentoring Ms."*

#### **4.2 Constraints Faced by Bumdes in Empowering the Community's Economy**

To find out the obstacles that occur in the process of empowering the community's economy, the researchers conducted interviews with the head of BUMDes with the question: Are there internal and external obstacles that occur?

Mr. Febri replied: *"For the internal problems that occurred in the drinking water depot business unit, where from 2016 until now there has been no clear financial report from the sales of BUMDes and the administrative procedures are still manual so there is a possibility that sales data are not recorded in detail and occur. lost the report book. Besides that, we also had problems with online marketing, Ms. As for the external constraints, Ms.A.S., when there was a BUMDes here for the first time, the people ignored the term, they were ignorant, they were too dismissive, and that had become an obstacle for us, Ms. Until now, they still have problems, madam, the community is very selfish, so they are still indifferent to the existence of BUMDes"*.

Then Mr. Febri's answer was added by the BUMDes treasurer, Mrs. Mila with the answer: *"yes, madam, you are right, the financial reports in this BUMDes are not detailed, this is also influenced by the village government being a little less concerned about BUMDes, madam, so we BUMDes administrators report what the results are. from BUMDes"*.

From the results of the interview above, the chairman of BUMDes Lantabur said that it was not easy to empower the community's economy, there were still many obstacles faced both internally and externally, but besides the obstacles that occurred with hard work and direction from the community and village empowerment office in overcoming these obstacles, so that BUMDes Lantabur was able to realize the goals and objectives that have been set, namely improving the community's economy.

#### **4.3 Strategies Took in Dealing with Obstacles that Interfere with Community Empowerment**

A strategy in solving obstacles is really necessary considering that the purpose of the Lantabur BUMDes is to improve the community's economy, therefore the obstacles that occur must be resolved immediately so that the process of empowering the community's economy can run well. Here, the researcher conducted an interview with the head of BUMDes about: How was the strategy used to overcome the obstacles that occurred?

Mr. Febri explained: *"The strategy we took for internal problems is this, madam, for our drinking water depot business unit, we are assisted by unmuh students in the PHP2D program by creating a web-based financial application so that the application can be used to record sales, profits and financial reports every month, and it can be used to record any incoming goods from the community that is sold in the village government so that it is easier for us to process the report, we were assisted by students not long ago, Ms. Then for external obstacles, we carried out BUMDes socialization with the help of Ponorogo Muhammadiyah University students as well as in the PHP2D program, where this BUMDes socialization was assisted by the Community Empowerment Service to better introduce BUMDes to the community that BUMDes is useful for the welfare of the community, with the hope that people will no longer ignore and underestimate BUMDes. Of course, with this, it is increasingly necessary for the village government to pay attention to the development of BUMDes, Ms.*

Then it was added by Mr. Edi as the bumdes administrator who manages the BUMDes gallery.

*"We are also having problems with online marketing, Ms. related to marketing, until finally we were helped by selling it through Instagram and assisted by students by way of product endorsements assisted by the students themselves and Alhamdulillah with this strategy the potential products from the community are a little more known, sis."*

Through some of the data from the informants above, it can be seen that many benefits are felt by the community, although there are many obstacles faced by BUMDes Lantabur, these obstacles can be overcome properly so that the community can feel the positive impact carried out by BUMDes Lantabur so far. The existence of the role and strategy of BUMDes can reduce the number of poor people, make the community more independent and of course, can improve the community's economy by utilizing training and assistance provided by BUMDes.

## V. Conclusion

Based on the description of the role of Village-Owned Enterprises (BUMDes) in conducting Village Community Empowerment. (Case Study in Nglumpang Village, Mlarak District, Ponorogo Regency) it is concluded that:

1. The role of BUMDes in empowering the Nglumpang Village Community's Economy is through several mentoring, training, and development of the community.
2. The obstacle faced by BUMDes in empowering the economy of the nglumpang mlarak village community is that there are internal obstacles that occur in the drinking water depot business unit, where from 2016 until now there has been no clear financial report from the sales of BUMDes and the administration is still manual so there is a possibility that data sales were not recorded in detail and there was a loss of the report book. In addition, we also had problems with online marketing, the community's external constraints were ignored, they were too dismissive.
3. Strategies took in dealing with obstacles that interfere with community empowerment
  - a. The water depot business is assisted by Muhammadiyah University Ponorogo students in the PHP2D program by making a web-based financial application that is used to record sales, profits, and financial reports every month, and can be used to record incoming goods from the public that are sold in any BUMDes so that it is easier to process the report.
  - b. BUMDes socialization is assisted by the Community Empowerment Service to better introduce BUMDes to the community that BUMDes.
  - c. How to market BUMDes product sales.

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