

# Analysis of Forming and Management of Village Owned Business Entities in Cirebon Regency

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This research is focused on the establishment and management of Village-Owned Enterprises in Cirebon Regency and What factors cause the Establishment and Management of Village-Owned Enterprises existence is not yet optimal. This research uses the method of observation in the process of forming and managing establishment and management of Village-Owned Enterprises, it is found that the establishment of establishment and management of Village-Owned Enterprises is not in accordance with the prevailing laws and regulations so that its existence does not function as expected. This is due to the weakness of the Cirebon district government in forming and overseeing policies regarding Establishment and Management of Village-Owned Enterprises.

**Key words:** *Formation And Management, Government Policy.*

## Introduction

The process of globalisation is a fact that cannot be denied and it is a challenge for all states. It should be recognised that the process brings a lot of benefits that can be utilised by the state. (Jaelani A.K, Handayani I.G.A.K.R, Karjoko L, 2020) However, there is the other side of the globalisation process that must be observed, which is the existence of in justice global structures. The dynamics of social, economic, political, and ecological changes that are very fast at the local, national and global levels require a fast response, as well as preparing

anticipation for the emergence of the impacts that may arise.( Jaelani A.K, Handayani I.G.A.K.R, Karjoko L, 2020)

Recent examples of changes in regional political economy governance such as the formation of regional cooperation in the ASEAN Economic Community (AEC) for example, will bring new challenges for Indonesia. Indonesia faces competition with other countries on the one hand, while at the same time require domestic strategic priorities.( Lego Karjokoa, Djoko Wahyu Winarno, Zaidah Nur Rosidah, I Gusti Ayu Ketut Rachmi Handayani, 2020) Goods and services will enter Indonesia without rates barriers, mobility in the production of goods and services will be faster, competition between local and foreign workers, foreign investment will be wider in strategic business sectors that have not been anticipated and responded to seriously. This example is only one of the challenges of the many other issues that must be immediately responded to by both the government and the Indonesian people in general. Some important issues that are urgent to be resolved are policies such as environmental quality, consumer rights, definition of property rights, control of the emergence of new technologies that are not compatible with the conditions of society, integration of domestic markets into global markets and several other pressing issues.( Soediro, Handayani, I.G.A.K.R., Karjoko, L.,2020)

Referring to the challenges faced by Indonesia like this, a strategic response is needed that ensures the achievement of quality policy products that are able to provide welfare benefits for the community. The quality of policies ultimately becomes a necessity, because changes in economic governance have an impact on society. (Leonard, T., Pakpahan, E.F., Heriyatia, Karjoko, L., Handayani, I.G.A.K.R., 2020) The low quality of policies can be identified through several aspects, for example low levels of compliance which result in high social policy costs; excessive procedures with unexpected results or overlapping with other policies, and unclear urgency for the existence of a public policy. Therefore, public policy will always receive broad attention because it involves the interests of many people who have a broad impact on society, so policies need to be regulated and must be obeyed by all stakeholders.( Jaelani A.K, Handayani I.G.A.K.R, Karjoko L,2020)

The law is seen not only as a means of regulating public order (a tool of social order) but also as a means to renew and change society for the better (as a tool of social engineering) so that people's welfare is carried out. Talks about efforts to improve people's welfare or general welfare are always echoed by the government as a form of implementation of one of the objectives of the establishment of the Indonesian state as stated in the fourth paragraph of the Preamble of the 1945 Constitution "... protect all Indonesians and all Indonesian spills and for promote public welfare ... " (Lego Karjokoa, Djoko Wahyu Winarno, Zaidah Nur Rosidah, I Gusti Ayu Ketut Rachmi Handayani, 2020)



In this context, the crucial component of this approach is the Local Rural Development Action Groups which were foreseen as a tool for decentralised development. The basis behind this pattern are the territorial foundation, the use of regional assets and local contextualisation over dynamic community involvement. Another successful application of endogenous rural development approach has also been witnessed in Gippsland in the State of Victoria, Australia in which the two strategic elements of transformation: a strong economy grounded from its natural assets and the adaptive abilities of local people and societies.( Leonard, T., Pakpahan, E.F., Heriyatia, Karjoko, L., Handayani, I.G.A.K.R., 2020)

Inspired by this, one of the efforts to accelerate the improvement of people's welfare currently is that the government has delegated resources and given the mandate of authority and development to the village with the enactment of Law Number 6 of 2014 concerning Villages to improve the welfare of the village called BUMDes. Village-Owned Enterprises (BUMDes) are business entities whose entire or most of their capital is owned by villages through direct participation from village assets that are separated to manage assets, services, and other businesses for the maximum welfare of the village community. BUMDes can be said to be a pillar of village economic activity that has two functions, namely as a business institution (commercial institution) as well as a social institution. As a business institution, BUMDes are demanded to make profits and as a social institution BUMDes is expected to provide benefits to the village community.( Baranyanan, SD., Handayani, I.G.A.K.R., Isharyanto, 2019)

BUMD and BUMDes business not only depends on economic factors, but also depends on political factors and governance factors. BUMDes not only relies on technocracy-managerial principles, but it also contains principles of democracy and social capital such as the principles of togetherness, trust, creativity, transparency, accountability, participation and others. BUMDes with a local political context have a reciprocal relationship. BUMDes is difficult to develop in the village context which is characterised by exclusive politics, whereas inclusive politics supports BUMDes better. On the other hand, with BERBUMDes, villagers are learning to build inclusive politics, which are parallel with building social capital, democracy, and village traditions. (Suhartini, E., Hartiwiningsih, Handayani, I.G.A.K.R., Roestamy, M., 2016)

## **Results and Discussion**

In developing countries, there are urgent needs to reduce poverty and wage gaps by revitalising regional economy. The “One Village One Product” (OVOP) approach has recently attracted significant attention from many scholars and policy makers as a rural development strategy. OVOP, under policymakers point of view, is useful at bridging the gap between

urban and rural areas in developing countries through community-base development.(Sudarwanto, A.S., Handayani, I.G.A.K.R, 2019)

The village is the smallest unit of the country closest to the community and in real terms directly touches the people's need for welfare. According to the Village Law (Law No. 6 of 2014) the Village is a legal community unit that has territorial boundaries, authorised to regulate and manage government affairs, the interests of the local community based on community initiatives, original rights, and / or traditional rights recognised and respected in the government system of the Unitary Republic of Indonesia (NKRI). (Prasetyo, B., Handayani, I.G.A.K.R., Sulistyono, A., Karjoko, L., 2019) As a state representative, the village is obliged to carry out both physical development and human resource development, as an effort to improve the quality of life and life for the maximum welfare of the village community. (Sari, S.D., Handayani, I.G.A.K.R., Pujiyono, 2019)

The village law regulates village economic institutions, namely Village-Owned Enterprises or more popularly abbreviated as BUMDes. Village-Owned Business Entity (BUMDes) is a business entity whose entire or most of the capital is owned by the village through direct participation from village assets that are separated to manage assets, services, and other businesses for the maximum welfare of the village community. (Baranyanan, SD., Handayani, I.G.A.K.R., Isharyanto, 2019) BUMDes can be said to be a pillar of village economic activity that has two functions, namely as a business institution (commercial institute) as well as a social institution. As a business institution, BUMDes are demanded to make profits and as a social institution BUMDes is expected to provide benefits to the village community.( Aprilindo, N., Handayani, I.G.A.K.R., Sulistiyono, A.,2020)

The presence of BUMDes in Indonesia is still not fully socialised to all villagers. Some of the obstacles related to BUMDes include the first limited information due to geographical conditions and lack of access to information in most villages to become obstacles that make it difficult for residents to get a thorough explanation of what BUMDes is, including villages located in remote islands. Second, the quality constraints of Human Resources (HR) are also on the agenda that hinders the development of BUMDes in their implementation, for example the level of education of some village heads and village officials is one of the obstacles. Quality of Human Resources (HR) greatly influences people related to the formulation of problems, decision making and related economic policies what will be taken in a village and the most important thing is, a leader in this case the village head must be able to understand that he is in a very important role in the economy of the region which will lead to the welfare of the village he leads. (Gumbira, S.W, Jaelani, A.K., Tejomurti, K, Saefudi, Y., 2019)

The enactment of the Village Law No. 6 of 2014 places a village head in several new roles that are very influential on the village's ability to build its economy based on village potential

and assets. This role is very different from what was done by the village head at the time before the Village Law was enacted. Unfortunately this condition was exacerbated by the weakness of the regional government in making and overseeing the policies made. The existence of BUMDes in Cirebon District, as of August 2018, were recorded that there were no less than 250 BUMDes units from 412 villages, [12] thus there are still many villages that have not yet established BUMDes. While there are those who have not run as well as expected. This is due to the weak structure of local government in conducting socialisation about what, why and how BUMdes. (Nurhidayatulloh: Febrian, Apriandi, M., Annalisa, Y., 2020)

In terms of policy the Cirebon district government has made Regulations Number 32 of 2007 concerning Establishment and Management of BUMDes enacted in regional sheet number 34 of 2007. This means that the legal umbrella for the establishment of BUMDes in Cirebon regency has existed long before the Village Law was born and has not seen any efforts to make adjustments to new regulations, especially in the operational level of BUMDes arrangements such as Minister of PDT Regulation Number 4 of 2015 Concerning Establishment, Management, Management and Dissolution of Village-Owned Enterprises. Cirebon district government also does not have the tools and formulas that can drive the optimisation of the operation of BUMDes. As a result of all of this, besides not all the villages established BUMDes due to lack of socialisation and even though some villages already have village businesses, there is no willingness to morph into BUMdes.( Kukul Tejomurti, Seno Wibowo Gumbira, Naim Fajarul Husna, Abdul Kadir Jaelani, Nurhidayatulloh, 2020)

Of the several villages that have established BUMDes, it is also seen as fulfilling mere formalities with a number of violations, such as the BUMDes management consisting only of families and close people, and even the BUMDes management is often held by village officials. Usually the formation of BUMDes is not widely publicised. As a result of this pattern of formation, BUMDes cannot carry out its functions because it does not have a visible business plan, it does not have an accountable accounting system and cannot access the market. Such BUMDes are more established to outsmart equity participation from ADD which will soon be used up to provide organisational salaries and operational costs for the organisation. This phenomenon is often found in villages with exclusive leadership patterns, who do not want to learn or accept advice and input from others.

It is recognised that there are indeed several villages whose BUMDes seem to have a business that has a reasonable income so that they can contribute to the PADes even though the value is not so significant compared to the capital disbursed. This type is usually found in villages that develop inclusive thinking where the village head is able to move the potential of the village community and give management of the BUMDes to the younger generation

who have business insights and have a slightly entrepreneurial spirit. The Village Head gives full authority by continuing to carry out monitoring and control with no intervention in nature.

The existence of a Village-Owned Enterprise is actually very useful for increasing the knowledge and welfare of the village community. By BUMDes villagers are learning to build inclusive politics, which are parallel in building social capital, democracy, and village traditions by utilising their potential while still paying attention to the characteristics of each village. Therefore, in order to realise the welfare of the village community through BUMDes, the regional government must have policies that can be the direction and guidelines. Because low quality policies result in high social costs, the institutions formed will be counter productive. Some suggestions that can be given so that the existence of BUMDes is able to meet the expectations as mandated in the Village Law is that the Cirebon district government should review regulations on BUMDes rather than merely regulated by regent regulations but upgraded to regional regulations. The local government should also partner with penta helix especially academics to assist BUMDes. (Kukuh Tejomurti, Seno Wibowo Gumbira, Naim Fajarul Husna, Abdul Kadir Jaelani, Nurhidayatuloh, 2020)

## **Conclusion**

The contributing factor to the large number of villages in Cirebon regency not establishing BUMDes is the low understanding of village heads and village officials in carrying out information about BUMDes itself. Besides that, socialisation and assistance from local government structures is very minimal. Establishment of BUMDes is also more formalistic, impressed only to fulfil mere reports and even many of them as a mode to utilise village funds solely. That is why even villages that have established BUMDes seem unable to improve the welfare of their communities. The things mentioned above occur because the policies made by the local government have not been able to anticipate the happiness of what is happening in the field especially since the local government is also deemed to not provide assistance to the village in terms of optimising the role of BUMDes as a village economic institution.



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