

BUMDES Financial Good Corporate Governance (Case Study at BUMDES in Tembarak District, Temanggung Regency)

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Abstract-This Study examined The implementation Good Corporate Governance (GCG) of BUMDES. The main objective of GCG was do create a control and balance system (check and balances) do prevent misuse of company resources and still encourage the growth of the company. The implementation of GCG needed to be implemented in all types of Businesses, including Badan Usaha Milik Desa (BUMDES). There was several main components needed in Good Corporate Governance (GCG), namely transparency, accountability, responsibility, Independence and fairness. In the implementation of BUMDES there often problems, such as the lack of good governance in BUMDES. The object of this

study was 13 BUMDES in Tembarak District in Temanggung Regency. The results showed that the implementation of financial functions at BUMDES in Tembarak District has not met the criteria of GCG (Good Corporate Governance) well. Transparency not yet fully open, accountability was unclear functions, responsibility has no suitability, unprofessional for independency, and also justice and equality have not been fulfilled properly for the fairness.

Keywords: BUMDES; GCG; transparency; accountability; responsibility

I. Introduction

Human capital is one of the factors of production driving a country's economic activity. Human capital plays an important role in managing other production factors to achieve the desired economic development goals [1]. In general, human capital refers to the condition of knowledge, education and health that every human being has in contributing to national income. The quality of human capital correlates with education and health. The higher the quality of education and health will affect the quality of growth produced. Human capital deals with assets owned by humans, not just human power, but also the power of thought, intelligence and creativity. Human capital can affect growth. Stagnant human knowledge will not change growth significantly. Growth can affect poverty reduction if the assets of the poor are enlarged. Therefore, education is the main facility to increase human capital. Some studies related to human capital have been carried out by Nugroho which proves that empirically education that is proxied by Literacy Rate (AMH) has a

significant influence on economic growth which is proxied by Gross Domestic Product (GDP). Anwar's research shows that education and health have a positive contribution to regional economic growth. Lubis's research shows that the variable number of workers, the level of education of workers and government spending on education have a positive and significant influence on economic growth in Indonesia for the period 2006-2012. The research of Sultanova and Chechina shows that overcoming the crisis phenomenon in the economy is carried out by the company's innovation activities, which are guaranteed by the country's human resources. The importance of human capital for country's economy provides a new spirit, namely developing the quality of human capital to improve the quality of growth. This study tries to explore the influence of the factors of developing the quality of human capital on sustainable development in Central Java using BPS data for 2003-2014 [2].

II. Literature Review

2.1 Good Corporate Governance (GCG)

The history of the birth of Good Corporate Governance (GCG) emerged from the reaction of shareholders in the United States in the 1980s who threatened their interests (Budiati, 2012). Where at that time in America there was tremendous economic turmoil which resulted in many companies restructuring by carrying out all means to seize control of other companies. This action caused strong protests from the public or the public. The public considers that management in managing the company ignores the interests of the shareholders as the owner of the company's capital. Mergers and acquisitions at that time were detrimental to shareholders due to mismanagement in decision making. To guarantee and secure the rights of the shareholders, the concept of empowerment of the Commissioners emerged as one of the discourse of upholding Good Corporate Governance (GCG). Many institutions issued definitions of Good Corporate Governance (GCG), including according to the Forum for Corporate Governance in Indonesia / FCGI (2001) defines Corporate Governance as a set of rules governing the relationship between shareholders, company managers, creditors, government, employees and other internal and external stakeholders related to their rights and obligations, thus creating added value for all stakeholders. The added value referred to is Corporate Governance provides effective protection for investors in obtaining their investment in a reasonable and high value. According to the Cadbury Committee, Good Corporate Governance (GCG) is the principle of directing and controlling the company in order to achieve a balance between strength and authority in order to achieve a balance between the strength and authority of the company in giving its responsibilities to its stakeholders and stakeholders in general [3].

There are several main components needed in Good Corporate Governance (GCG), namely transparency, accountability, responsibility, independency and fairness, based on the Decree of the Minister of BUMN Number PER-01 / MBU / 2011.

1. Transparency (transparency), namely openness in carrying out the decision making process and openness in disclosing material and relevant information about the company.
2. Accountability, namely clarity of function, implementation and accountability of organs so that the management of the company is carried out effectively.
3. Responsibility, namely conformity in the management of the Company with respect to laws and regulations and sound corporate principles.

4. Independence (independency), which is a situation where the company is managed professionally without conflict of interest and influence / pressure from any party that is not in accordance with the laws and corporate principles healthy.
5. Fairness, namely justice and equality in fulfilling the rights of Stakeholders (stakeholders) arising based on agreements and laws and regulations.

According to Siswanto Sutojo and Jhon E Aldridge (2008), Good Corporate Governance (GCG) has five objectives, namely:

1. Protect the rights and interests of shareholders,
2. Protecting the rights and interests of non-shareholder stakeholders,
3. Increase the value of the company and shareholders,
4. Improving the efficiency and effectiveness of the company's board and management,
5. Improve the quality of the relationship between the board and senior management of the company.

Benefits of Good Corporate Governance (GCG) according to the Indonesian Institute for Corporate Governance (IIGC) contained in the Corporate Governance Perception Index (2008) namely minimizing agency costs, minimizing cost of capital, increasing the value of the company's shares, and improving the company's image.

2.2 Badan Usaha Milik Desa (BUMDES)

According to Article 107 paragraph letter (a) of Law Number 22 of 1999 which states that the Original Wrong Village Source is, including: 1) the results of the village business; 2) village wealth; 3) results of self-help and participation; 4) the results of mutual cooperation; and 5) other legal village original income. Elucidation of Article 107 paragraph states that village empowerment in increasing income is carried out by, inter alia, the registration of Badan Usaha Milik Desa, in cooperation with third parties, and the authority to make loans [4].

Furthermore, according to Article 213 paragraph of Law Number 32 of 2004 concerning Regional Government, which states that matters relating to the economy and business. This means that the fulfillment of BUMDES's business capital must be sourced from the community. Even so, it is impossible for BUMDES to submit loans to external parties, such as from the Government, or even through third parties.

As one of the economic institutions operating in the countryside, BUMDES must have differences with economic institutions in general. This is so that the existence and performance of BUMDES is able to contribute significantly to improving the welfare of

villagers. In addition, in order not to develop a capitalistic business system in the countryside that can lead to disruption of the values of social life.

1. There are 7 (seven) main characteristics that distinguish BUMDES from commercial economic institutions in general according to the Center for the Study of Development System Dynamics (2007), namely: This business entity is owned by the village and managed jointly;
2. Business capital is sourced from the village (51%) and from the community (49%) through equity participation (shares or shares);
3. Its operation uses a business philosophy rooted in local culture (local wisdom);
4. The business fields carried out are based on the potential and results of market information;
5. The benefits obtained are intended to improve the welfare of Jember (capital provider) and the community through village policy;
6. Facilitated by the Government, Provincial Government, District Government and Pemdes;
7. The operationalization is controlled jointly (Pemdes, BPD, members).

So it can be concluded that BUMDES is a business entity that is established or formed jointly by the community and village government and its management is carried out by the village government and the community in order to obtain mutual benefits as a source of Village Original Income (PAD). There are four main objectives of establishing BUMDES:

1. Improve the village economy;
2. Increase village original income;
3. Improving the processing of village potential according to the needs of the community;
4. Become the backbone of rural economic growth and equity.

The establishment and management of Village-Owned Enterprises (BUMDES) is a manifestation of village productive economic management that is carried out in a cooperative, participatory, emancipatory, transparent, accountable and sustainable manner. Therefore, serious efforts are needed to make the management of the business entity run effectively, efficiently, professionally and independently [5].

In order to achieve the objectives of BUMDES, it is carried out by fulfilling the needs (productive and consumptive) of the community through the distribution of goods and services managed by the community and Pemdes. The fulfillment of this need is not trying to burden the community, considering that BUMDES will be the most dominant village business in driving the village economy. This institution is also required to be able to provide services to non-members (outside the village) by placing prices and services that apply to market

standards. This means that there are institutional mechanisms / rules that are mutually agreed upon, so as not to cause economic distortions in rural areas due to businesses run by BUMDES.

The involvement of the village government as the biggest capital participant in BUMDES or as the founder along with the community is expected to be able to meet the Minimum Service Standards (SPM), which are realized in the form of protection (protection) for adverse interventions from third parties (both inside and outside the village). Likewise, the village government has a role in the formation of BUMDES as a legal entity that is based on the prevailing laws and regulations, and in accordance with the agreements established in the village community. Further arrangements regarding BUMDES are regulated through Regional Regulations (Perda) after paying attention to the regulations above. Through the self help mechanism and member-base, BUMDES is also a manifestation of the participation of the village community as a whole, so as not to create business models that are hegemonized by certain groups at the village level. That is, this rule is realized in a solid institutional mechanism. Strengthening institutional capacity will be directed to the existence of rules that bind all members.

BUMDES as a business entity that is built on the initiative of the community and adheres to the principle of self-reliance, must prioritize the acquisition of capital from the community and Pemdes. Even so, it does not rule out that BUMDES can obtain capital from outside parties, such as from the District Government or other parties, and can even make loans to third parties, in accordance with laws and regulations. Further arrangements regarding BUMDES will certainly be regulated through Regional Regulations (Perda).

The principles of managing a Village-Owned Enterprise (BUMDES) referred to in this study are referring to the 2006 General Guidelines for Good Corporate Governance (GCG) Indonesia,

1. Transparency (Transparency)

To maintain its effectiveness in running a business, companies must provide material and relevant information in ways that are easily accessible and understood by stakeholders. The company must take the initiative to express not only the problems that are implied by the legislation, but also the things that are important for decision making by shareholders, creditors and other stakeholders. The principle of transparency is carried out by BUMDES officials by providing material and relevant information in ways that are easily accessible

and understood by members and the community.

2. Accountability

The company must be able to account for its performance transparently and fairly. For this reason, the company must be managed properly, measured and in accordance with the interests of the company while still taking into account the interests of shareholders and other stakeholders. Accountability is a prerequisite that is needed to achieve sustainable performance. The principle of accountability carried out by BUMDES officials is able to account for its performance transparently and fairly.

3. Responsibility

The company must comply with the laws and regulations as well as carry out responsibilities to the community and the environment so that it can maintain business continuity in the long term and get recognition as a Food corporate citizen. The principle of responsibility is carried out by BUMDES management to carry out business in accordance with the laws and regulations and to carry out business to maintain business continuity.

4. Independence (Independency)

For the smooth implementation of the GCG principle, companies must be managed independently so that each organ of the company does not dominate each other and cannot be intervened by other parties. The principle of independence is carried out by BUMDES management in managing the business independently and there is no business domination and intervention by other parties.

5. Fairness and Equality (Fairness)

In carrying out its activities, companies must always pay attention to the interests of shareholders and other stakeholders based on the principle of fairness and equality. The principle of fairness and equality is carried out by the BUMDES management with the operationalization of activities based on the principle of fairness and equality.

III. Previous Research

Table 1. Previous Research

No	Researcher's Name	Research Title	Research Results
1	Budiharto, et al (2012)	Responsibilities of the Management in the Implementat	Indonesia as a unitary state that adheres to the principle of autonomy, in order to implement autonomy and seek

		ion of Good Corporate Governance Principles on Badan Usaha Milik Desa (BUMDES)	village development and improve the economy of the village, a Village-Owned Enterprise is formed as a business entity characterized by a village. GCG (Good Corporate Governance) is basically a system of control and corporate regulation that can be seen from the mechanism of the relationship between various parties that take care of the company. BUMDES as business entities need to implement GCG to carry out good corporate management.
2	Hafidh, Rifqi Abdul (2017)	Badan Usaha Milik Desa Good Governance (Study of BUMDES Danar, Garut Regency)	In general, BUMDES Danar's management has been good. The management practices of BUMDES by the management fulfill almost all variables used. Second, the presence of BUMDES Danar Garut gives a lot of benefits to the community. Third, even though the management has gone well enough, the establishment of BUMDES is not based on the initiation of the village community, but the third party that is the driving force for the establishment of BUMDES. In this study, the researchers concluded that the management forms carried out by BUMDES might be able to be done at other BUMDES.

IV. Theoretical Framework

This research was conducted to find out the financial management principles of BUMDES which will be reviewed based on the General Guidelines for Good Corporate Governance (GCG) in 2006, namely transparency, accountability, responsibility, independency and fairness and equality (fairness).

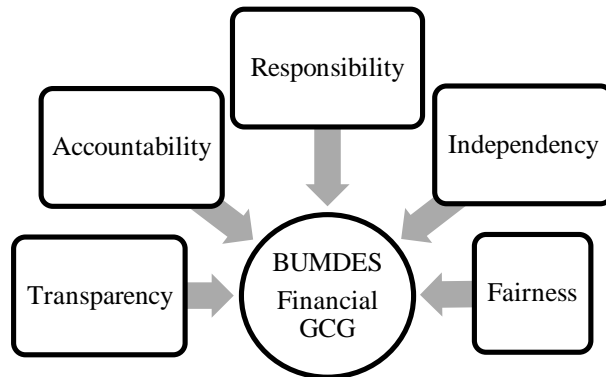


Fig. 1. Theoretical Framework

V. General Description

Tembarak is a Subdistrict area in Temanggung Regency, Central Java Province with the capital of the subdistrict in the Village of Tembarak. Tembarak District is one of 20 sub-districts in the Temanggung Regency area. The distance from Temanggung City is 8 km with an area of 2,684 ha, with details of 752 ha of paddy fields and not 1,932 ha of paddy fields. The division of the administrative area is divided into 13 villages, 216 RTs and 60 RWs. The boundary of Tembarak sub-district, west of Tlogomulyo sub-district, north of Tlogomulyo and Temanggung sub-districts, east of Kranggan District, and south of Selopampang sub-district.

Tembarak District is located on the slopes of the Sumbing mountain with an altitude of 495 to 620 meters above sea level, with an average temperature of 18 to 29 degrees Celsius. The land is fertile and potential for agricultural land. For now this potential has been worked on by several BUMDES, although not yet optimal.

Tembarak District has 13 BUMDES which are divided into 13 villages, namely Tembarak Village, Menggoro, Wonokerso, Purwodadi, Kemloko, Gandu, Botoputih, Tawang Sari, Greges, Krajan, Jragan, Drono and Banaran. BUMDES is engaged in the agricultural sector.

VI. Implementation of Financial GCG in each BUMDES

1. Tembarak Village

BUMDES Agro Sukses is a BUMDES in Tembarak Village. This BUMDES is engaged in agriculture and also in the sale of agricultural products. The initial capital of BUMDES was Rp. 98,700,000. At the moment the final balance is Rp. 51,100,000 and has assets in the form of 1 laptop.

The financial statements are only limited to that information, so the information obtained is

incomplete. The GCG function in financial management has not yet been implemented.

2. Menggoro Village

BUMDES in Menggoro Village have been running for a long time, but have no documented reports at all.

3. Wonokerso Village

Lumintu BUMDES has 2 business units, namely tent rental and chair rental business units. With a capital investment of IDR 120,000,000, the current turnover reaches IDR 4,000,000 per month.

Although the financial statements are submitted to the sub-district level, the financial statements only contain information about the initial capital and turnover in the first month alone.

4. Purwodadi Village

As with BUMDES Menggoro Village, BUMDES in Purwodadi Village also do not have a documented report.

5. Kemloko Village

BUMDES Advance Together, as BUMDES Kemloko Village has 3 business units, namely Procurement of ATK, Clean Water and Services. With initial capital of Rp. 8,500,000. This BUMDES does not have a complete financial report, it only contains initial capital. However, the minimal report has been submitted to the sub-district.

6. Gandu Village

BUMDES Business Partners have 4 business units, namely the rental business unit, electricity service business unit, pamsimas business unit, and industrial business unit.

As with the BUMDES Wonokerso, there is the delivery of financial reports to the sub-district level, but the information is very limited.

7. Botoputih Village

BUMDES Berkah Alam has 3 business units, namely internet, rental services (modems) and savings and loans. What has been running is only the internet network that began in 2018 with an initial capital of Rp. 40,000,000.

This BUMDES only started at the beginning of this year, and its business unit is only in the form of leased internet networks. This BUMDES does not have a financial report, only a simple report containing initial capital.

8. Tawang Sari Village

BUMDES in Tawang Sari Village named Margo Rukun. BUMDES Margo Rukun has 6 business units, namely the tractor business unit, the garbage counting machine business unit, the livestock business unit, the waste business unit, the electricity service business unit, and the internet business unit.

Judging from its development 3 of the 6 business units have good mining. The tractor business unit with an initial capital of Rp 20,000,000, grew to Rp 21,000,000, an increase of 5%. The livestock business unit with an initial capital of Rp 16,500,000, grew to Rp 20,000,000, an increase of 17.5%. And the electricity services business unit experienced the highest growth, from initial capital of Rp 16,000,000 to Rp 20,000,000, up by 25%.

However, 3 other business units did not experience good growth, because they were not optimal in their management.

9. Greges Village
BUMDES in Greges Village was only formed in March 2018. It has 3 business unit plans, namely, the livestock business unit (fattening goats and rabbit cultivation), fishery business units (enlargement of catfish and tilapia cultivation), and the equipment rental business unit (agricultural equipment and molen). While the MFI savings and loan business unit has been running well, with growth of 16%.
10. Krajan Village
BUMDES Krajan Village has no documented financial statements in its implementation. So that all financial processes at BUMDES are not recorded.
11. Jragan Village
BUMDES Mekar Abadi Jragan Village has 5 business units, namely the flower plantation business unit, fishery business unit, tatak leasing business unit, savings and loan MFI, and PAM (Clean Water). Only 2 business units that experienced growth, namely interest plantations (grew 50%) and LKM Savings and Loans (grew 57%).
12. Drono Village
BUMDES Mitra Sehati has the biggest assets among other business units, once IDR 629,729,793, - with an initial capital of IDR 28,000,000. BUMDES Mitra Sehati has 3 business units namely services, livestock and savings and loans.
The recording of financial statements at BUMDES is carried out well. Information about finance is always contained in the annual report. The transparency aspect can work well, because annual financial reports are always reported to the sub-district. The aspects of accountability, responsibility, independence and fairness are well implemented with good financial management at the BUMDES.
13. Banaran Village
BUMDES in Banaran Village also do not have financial reports. BUMDES operational is only

carried out, without any financial and administrative records.

VII. Conclusion

Based on the research that has been done, it can be concluded that the implementation of financial functions at BUMDES in Tembarak District has not met the criteria of GCG (Good Corporate Governance) well.

Table 2. Research Result

No	GCG Principles	Indicator	Research Result
1	Transparency	Openness in carrying out the decision making process and openness in disclosing material and relevant information regarding BUMDES	Not yet fully Open
2	Accountability	Clarity of function, implementation and accountability of the organization so that the management of the company is carried out effectively	Unclear functions, implementation and accountability
3	Responsibility	Conformity in the management of the company against the laws and regulations and the principles of a healthy corporation	There is no suitability
4	Independence	Circumstances where the company is managed professionally without conflict of interest and influence / pressure from any party that is not in accordance with the laws and regulations and healthy corporate principles	Unprofessional
5	Fairness	Justice and equality in fulfilling the rights of Stakeholders arising based on agreements and legislation	Justice and equality have not been fulfilled properly

VIII. Suggestion

- a. Each BUMDES makes financial statements well and professionally, so that all financial information can be well documented.
- b. At any given time period, the BUMDES financial statements should be published up to the sub-district level.
- c. Every period of time audits are held by external parties.

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