

Public Private Partnership Opportunities in Developing Bank Desa

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Abstract: The biggest efforts to develop the community's economy is through the establishment of Bank Desa. The concept of Bank Desa, becomes the choice of the village government in providing village funds that have been given by the government to the village. The establishment of a bank desa is expected to provide solutions that are approved by the community. In developing a Bank Desa, the village government cannot carry out its functions optimally. Therefore the village government needs to provide part of its authority to the private sector as well as the general public to develop bank desa. Through Village-Owned Enterprises (BUMDes), most villages have given their authority to the managers of BUMDes or managers of Bank Desa. Thus the relationship between the village government and the private sector is certainly very important. The application of the Public Private Partnership principles is an important strategy in encouraging the development of bank desa. The pattern of collaboration that is built clearly and has legal certainty is an effective way of managing Bank Desa.

1 INTRODUCTION

At present, almost all villages in Indonesia already have BUMDes. The number of BUMDes in 2017 is 30,000 and an increase of 9,000, in 2018. So the total number of BUMDes is 39,000. This figure is claimed to have exceeded the Government of Indonesia's target of 5,000 BUMDes for five years, but not all BUMDes can grow and develop. Many of them are only able to establish without the knowledge to manage them. In the end, the village government was burdened by the presence of BUMDes which absorbed a large amount of funds from village funds. For this reason, village governments and BUMDes managers need to seriously explore BUMDes development strategies.

One of the businesses that is being developed through BUMDes is a savings and loan business. Among those who have developed this business are BUMDes in Banyumas Regency, especially in Wlahar Wetan Village. The Rural banks has carried out various activities oriented not only to empowerment but also contributed to Village Original Income (PADes).

Bank Desa Wlahar Wetan as one of the BUMDes activity units in Banyumas Regency has been able to

contribute to the PADes each year. Every year, the 20% profit from the Bank of Wlahar Wetan Village will go to the Wlahar Wetan PADes, which will certainly be beneficial for the empowerment of Wlahar Wetan Village. In 2012, the profit earned by the Bank of Desa Wlahar Wetan reached Rp 92,574,890.00 and entered the Village Revenue amounting to Rp 11,000,000.00. In 2015 profits rose significantly to Rp 143,894,921.00 with contributions to village income reaching Rp 16,740,000.00, while in 2016 profits reached Rp 160,128,417.00 with contributions to village income of Rp 38,500,000.00 (source : Bank of Wlahar Wetan Village, 2018)

An increase in profits every year shows the public responded positively. The increase in bank profits shows an increase in participation as rural banks customers. Participation to become a customer shows the effectiveness of the rural banks so that it can survive and be accepted. That has an impact on increasing the profits of rural banks, which in turn will also contribute to village income, which will ultimately be used for community empowerment and development. The development of rural businesses through rural banks, shows that the ability of managers supported by the commitment of the

village government can actually make BUMDes develop. Coupled with the support of rural communities and the private sector which is expected to continue to be able to work together to build the rural banks to further develop.

Based on this background, this paper aims to describe the opportunities for the principle of public private partnership in developing BUMDes in Banyumas in particular and Indonesia in general. Learning from Wlahar Wetan Village, which has succeeded in developing the rural banks, it is very important to collaborate with various parties, both government and private.

2 THEORETICAL

2.1. Public Privat Partnership (PPP)

Increasing the involvement of the private sector in economic development and to reduce the dominance of the Government's role in public services and addressing public problems are the main reasons for pushing the concept of public private partnership (Ismail & Haris, 2014). The relationship between private sector participation and the sustainability of a program is indeed very complex (Hodge & Greve, 2007). The concept of Public Private Partnership (PPP) indeed often causes controversy, but the participation of the private sector sometimes actually becomes a helper in the mining of a business (Ke, Wang, Chan, & Cheung, 2009). For example, a tourist attraction that is managed by the government, most of its developments are far behind those managed by the private sector. Likewise with businesses in the financial services sector, many rural credit banks have developed because they are supported by private banks. For this reason the existence of the private sector must be interpreted as a contingency system (Warsen, Nederhand, Klijn, Grotenbreg, & Koppenjan, 2018). It means that the implementation of PPP will highly depend on the situation in which the business develops and the suitability of the type of business to be developed (Bjärstig & Sandström, 2017).

2.2. Rural Banks Business

Impacts of the establishment of BUMDes include: community empowerment, contributing to social welfare and can increase village income, and improve the economy of rural communities. The existence of rural banks can provide credit services for small businesses or consumption. Activities include raising funds from the public (in the form of time deposits, savings and / or other equivalent

forms), providing credit, placing funds in the form of Bank Indonesia Certificates (SBI), time deposits, certificates of deposit of funds or savings in other banks.

3 METHOD

The research aims to describe the management pattern of BUMDes in Banyumas Regency through the Public Private Partnership approach. The method used in this study is qualitative (Caldas, 2009). Data collection using interview techniques. The informants of this research came from the elements of citizens, village government, and rural banks management. Data analysis uses interactive analysis (Miles, Michael Huberman, & Saldaña, 2014).

4 RESULT AND DISCUSSION

By describing the role of various elements of the community in the management of BUMDes (rural banks), it can be seen the opportunity for the implementation of Public Private Partnership in developing rural banks. In addition to the challenges of the usual business model innovation, the social business model must consider all stakeholders and determine the expected social benefits (Sabatier, Medah, Augsdorfer, & Maduekwe, 2017). The following is an illustration of the existing condition of BUMDes management.

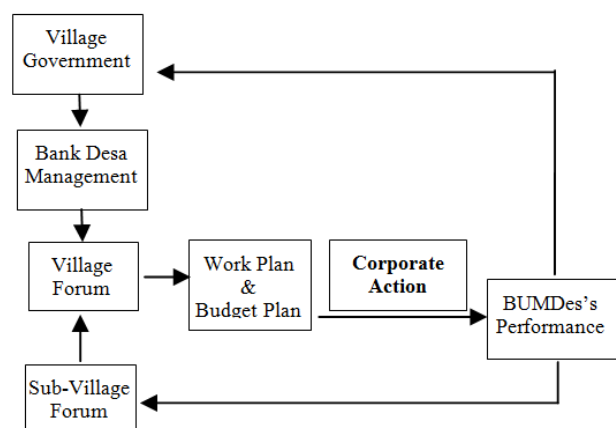


Figure 1: The Existing Model

4.1. The Role of Rural Communities

Public administration in a democratic era essentially presents social equity and equality for every citizen

and other parties (Frederickson, 2018; Glaser, 2012; Svava & Brunet, 2018). Therefore, one of the biggest challenges of democracy today is how to guarantee respect for the rights of citizens and accommodate the diversity that exists in society, including in carrying out social business activities that are not only financial profit oriented, but also social profit (Baber, Bartlett, Baber, & Bartlett, 2015; Stansbury & Irvin, 2004).

Social business activities cannot be separated from the lives of local people (Moingeon, Yunus, Moingeon, & Lehmann-ortega, 2015; Villis, Strack, Bruysten, & Yunus, 2013; Yunus, Moingeon, & Lehmann-Ortega, 2010). Public involvement in decision making in the public sector is very important (Christiansen-Ruffman, DeSario, & Langton, 2006). Stakeholders make it possible to involve more parties in society to add credibility to the public accountability process (Schillemans, 2011). The shift in understanding of accountability, from functional accountability to social accountability (Unerman & O'Dwyer, 2006). Partnerships between public organizations and communities in the context of accountability are still rhetorical that have not yet turned into reality (Björstig & Sandström, 2017). In order to further reduce the dominance of elements of the village government that can result in inhibition of BUMDes corporate actions, a wider role for the community is needed, especially in each process of BUMDes administration.

4.2. Role of Non Government Organization (NGO)

Decisions in a public organization are made by actors who have various interests in an issue. These actors are those who are inside or outside the system, those who make and those who are involved and those who are affected by a policy decision (Araral, 2014; Ball, Maguire, Braun, & Hoskins, 2011; Knoepfel, Larrue, Varone, & Hill, 2018; Maddison, Denniss, Maddison, & Denniss, 2012). For this reason, the involvement of NGOs is very important in this regard, especially in the surveillance sector. The involvement of NGOs ensures accountability of BUMDes management is indeed very necessary (Mercer, 2002; Ullberg, 2009). Collaboration and coordination with NGOs can be carried out in the process of planning and monitoring the performance of rural business units (Kamat, 2004; Van Huijstee & Glasbergen, 2010).

The role of NGOs is very important to further reduce the central role of village governments, especially the headman in the decision making

process, because the role of government often dominates in economic activities especially in developing countries (Lam, 2016). The role of the government that is too deep can lead to conflict between the government and the private sector (Lam, 2016). To avoid this, a mature strategy and breakthrough is needed in the form of business improvement (Morçöl & Wolf, 2010).

4.3. Role of Corporation (Privat Sector)

The private sector is one of the pillars in the concept of governance (Dentchev, Haezendonck, & van Balen, 2017; Klijn, 2016; Kooiman, 2003; Pestoff & Hulgård, 2016; Xia, 2011). The involvement of the private sector can provide a stimulus that can strengthen the performance of public sector management (Dentchev et al., 2017). rural business management, even though it uses village-owned funds, should still provide opportunities for private sector involvement. Therefore private sector capacity is also an important part of managing rural businesses.

The role of the private sector needs to be increased to enlarge the business scale of BUMDes. Current world developments have demanded greater involvement of the private sector in the development of a particular village area (Bruton, Peng, Ahlstrom, Stan, & Xu, 2015; Zulkhibri, 2018). A strong wave has emerged to emphasize the importance of public sector and private sector partnerships to make the private sector more involved in rural development (Björstig & Sandström, 2017). Public sector and private sector partnerships are significant solutions to increase the effectiveness and legitimacy of sustainable rural governance (Ke et al., 2009). The private sector plays a role in promoting growth, creation and increasing the potential for new production specifically in rural areas (Zulkhibri, 2018). The acceleration of economic development needs to be encouraged by the spirit of entrepreneurship, especially for villages. Transforming the value of entrepreneurship requires synergy between government policies that govern the business environment and the entrepreneurs who operate within it (Hodge & Greve, 2007). For this reason, in the future the relationship mechanism in the management of BUMDes needs to be directed towards optimizing the role of BUMDes managers through the full application of the spirit of entrepreneurship.

4.4. Partnership Opportunities

Opportunities to use the concept of public private partnership are very open for the development of

BUMDes management. As a business unit that uses public finance, BUMDes management certainly requires public participation. This research discusses the BUMDes management pattern through the Public Private Partnership approach by focusing on the involvement of various elements of society both individually and social groups and corporations.

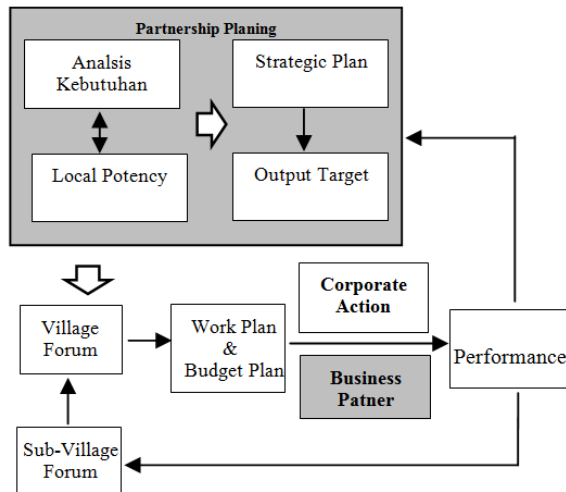


Figure 2. The Partnership Model of Bank Desa

Partnership is a way of making changes in a public organization and is part of the process towards organizational modernization (Kernaghan, 2000). To answer the challenges of increasingly complex rural communities, BUMDes management is needed towards optimizing stakeholder capacity through a public-private partnership approach. Based on this, it is necessary to affirm and strengthen the capacity of BUMDes managers in the role of stakeholders in the management of BUMDes to open the concentration of dominance from the village government, so that business-government relations become balanced. Open governance is an important innovation to encourage a network of governance that is always trustworthy and inclusive (Grimmelikhuijsen & Feeney, 2017).

The balance of roles becomes the main key with the involvement of other sectors, both in planning, corporate action to performance evaluation and supervision. The role capacity through the involvement of the private sector in the management of rural businesses needs to be encouraged. For this reason, the mechanism of involvement of the private sector and other stakeholders needs to be directed to strengthen governance capacity, so as to create not only vertical accountability, but also horizontal

accountability (El-Gohary, Osman, & El-Diraby, 2006).

5. CONCLUSION

Based on the results of the study, it can be concluded that the development of rural businesses really needs the role of citizens and also the private sector. Both are possible to form partnerships that are mutually supportive and mutually beneficial to each other. Public private partnership is carried out in a framework to make a breakthrough in rural business governance towards a more modern direction. Partnership between the public sector and the private sector is a necessity to realize a sustainable rural economy..

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