

Does Indonesian Government Program Have an Impact on the Development of Village-Owned Enterprise?

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ABSTRACT

Village-Owned Enterprise (*Badan Usaha Milik Desa—BUMDes*) is one of the business unit that is getting serious attention from the government to be developed. This study aims to analyze the impact of the VOE Revitalization and the Village Cash Workforce Program (PKTD) on the development of VOE businesses. The method used was descriptive method by collecting data through documentation and library studies, in which the writer searches the literature and then conducts a review. The technique analyzed data was a qualitative descriptive. The results show that the VOE Revitalization and the Village Cash Workforce Program encourage the development of the number of VOE, produce VOE databases and were able to make VOE businesses adaptive to the situation.

Keywords: *Development, Government program, Village owned enterprise*

1. INTRODUCTION

The Indonesian government has carried out various programs to improve the welfare of all Indonesian people. The *Nawacita* program, especially the third *Nawacita* program, which is to build Indonesia from the periphery within the framework of the Unitary State of the Republic of Indonesia, is an effort to reduce development problems, especially the problem of inequality. In connection with the third *Nawacita* program the government issued [1] concerning the Village. Chapter I Article 4 point a, Republic of Indonesia Law no. 6, 2014 states that village regulation aims to provide recognition and respect for existing villages with their diversity before and after the formation of the Unitary State of the Republic of Indonesia, this means that the existence and diversity of villages existed before the existence of the Republic of Indonesia and the village government has the freedom of the village to manage its government still under the corridors of the Republic of Indonesia and the 1945 Constitution.

Chapter X Article 87 paragraph 1 states that Villages can establish Village-Owned Enterprises called VOE which

hereinafter will be abbreviated as VOE. Article 90 states that the Government, Provincial Government, Regency/City Government, and Village Government encourage the development of VOE by providing grants and/or access to capital; provide technical assistance and market access; and prioritize VOE in the management of natural resources in the Village. The follow-up to Chapter X of the Village Law, is the issuance of the [2] which regulates the Establishment, Management and Management and Disbanding of VOE. The presence of the Regulation of the Minister for Rural Development and Transmigration No. 4, 2015 concerning VOE governance and funding from village funds is one of the triggers for the high interest of the village government in establishing VOE businesses, although there are several regions that have established VOE without using village funds from the central government as a source of capital. Several VOE in Bali Province, for example, were established using capital sources from the Provincial Government under the name of the *Gerbang Sadu Mandara* program.

The interest of the Village Government to establish VOE has received serious attention from the central government through the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration. The Ministry of Village collaborates with academics and VOE observers to organize various programs to improve the development of VOE businesses, both in terms of quantity and quality of their business. This study aims to analyze whether the Ministry of Village program has an impact on the development of VOE businesses. Two important research questions that this research intends to answer are: how is the implementation mechanism of the Ministry of Village program in helping the development of VOE and whether the program has an impact on the development of VOE businesses. The Ministry of Village program analyzed in this study is focused on the VOE Revitalization program and the Village Cash Workforce Program. This research is motivated by the fact that research analyzing the impact of government policies on the development of VOE up to now is still limited.

2. LITERATUR REVIEW

Research related to government programs, including conducted by Ashraf [3] analyzed Government invention in the Covid-19 Pandemic, found that the Government announcement regarding public awareness programs, testing and quarantining policies, and income support packages largely resulted in positive market returns. His finding has important policy implications, primarily by showing that government social distance measures have both positive and negative economic impact. [4] Analyze the impact of village fund program to VOE found that village fund is more likely to increase number of VOE with similar trend between java and non-java region. However, the rapid increase of VOE was not followed by large utilization.

Reference [5] analyzed social protection policies, especially the Direct Cash Assistance (*Bantuan Langsung Tunai*—BLT) program. Through a literature study it was found that (1), the implementation of the social protection system in Indonesia has been implemented through various programs and has been running for a long time. Since the reign of the New Order. (2) Furthermore during the Covid-19 pandemic the government provided cash assistance aimed at the groups of people most affected by the Covid-19 pandemic, including the poor, informal workers and online transportation business players. (3) Finally economically, the provision of BLT has a significant impact on maintaining purchasing power and for groups of business actors for business continuity and minimizing the impact of termination of employment).

3. METHOD

This research is a literature review study. The data of this study were VOE Revitalization and the Village Cash Workforce Program (PKTD) programs, conducted by the Ministry of Villages, Development of Disadvantaged Areas and Transmigration. Data was collected through documentation methods and literature review by collecting information related to the revitalization of VOE and PKTD obtained through articles in journals, books, newspapers, webinar materials, official ministerial circulars and leaflets obtained through the management WA Group and VOE academic forums. The data were then analyzed using descriptive analysis, by describing the actions of the VOE revitalization and PKTD programs being continued, the reactions of VOE managers and the impact of these on the development of VOE business.

4. RESULT AND DISCUSSION

Village-owned enterprises (VOE) are instruments of empowering the local economy with various types of businesses according to the potential of the village. The development of this potential has the aim of improving the economic welfare of the villagers through the development of economic enterprises. Besides that, the existence of VOE also brings impact on increasing the source of village original income (PAD) which allows the village to be able to carry out a development and also to increase welfare more optimally [6]. Institutions similar to VOE have been developed in several countries such as Japan, Thailand, the Philippines and China. Japan introduced the OVOP (One Village One Product) concept. This concept was found in a city called Oita around 2001, a concept of economic and social development for rural communities [7].

OVOP means that a sub-district produces at least one superior product. This concept was later adopted by China under the name OBOP (One Barangay One Product), in Malaysia as One Village One Product Moment and in Thailand named One Tambon One Product (OTOP [8]. VOE as an organization that grows and develops in the social life of rural communities, needs to develop a dialogue with the community to get an overview of the management of a professional VOE organization in the community's version.

The sustainability of VOE really depends on the ability of organizational management, because VOE is in a situation that requires ambidextrous management to become a social business organization. If the social aspect is the emphasis of VOE, it needs to be realized that the principles of mutual cooperation and volunteerism require a strong commitment to bind the parties who manage VOE. If VOE is directed to become a professional business organization,

it will result in a transactional relationship pattern and a low sense of ownership of social capital that forms VOE [9].

VOE will be able to develop optimally and have an impact on improving the welfare of the community if they are able to take advantage of three opportunities in its development. Three opportunities that can be achieved related to Village-Owned Enterprises (VOE) according to [10] consist of: First, the Regional Government has the obligation and desire to create a strong village government in which the people's economy plays an important role. The role of the people's economy as the spearhead of village power in the future is supported by VOE by strengthening small businesses in rural areas. Second, the development of donor programs that facilitate the development of VOE through reliable assistance. Third and most importantly the number of VOE business units that are strategic and have both the advantages and the potential to develop and succeed, thus VOE can improve the welfare of residents, mobilize the potential of women and protect the environment. The business units developed by VOE must be based on local potential and strengthen the businesses that have been carried out by residents or community groups. The VOE management then manages the businesses of these residents or community groups to fight for a more equitable and just growth for the villagers.

Theoretically and empirically, the presence of VOE has a positive impact on the lives of rural communities. [11] examined the role of VOE in Karangasem Regency and found that economically VOE had not yet had a significant impact, but socially the presence of VOE had an impact on labor absorption so as to prevent population movement from villages to cities in addition to other social impacts, namely the presence of VOE freeing micro business actors from loan shark. Other research that has also found the impact of VOE' presence on the community includes: [12] found that the presence of VOE brings changes in the economic and social fields, but does not bring significant benefits directly to improving the welfare of residents. [13], found that VOE plays several roles, including encouraging the growth and development of economic activities in the village so that it has a wider economic impact, provides protection to rural communities and becomes one of the sources of village income so that the village development budget increases.

In addition to the results of research studies which found that the presence of VOE has a positive impact on the community, the reality in several regions also shows that the presence of VOE has a positive contribution to improving the welfare of the community. A number of facts show that the presence of VOE has an impact in the social and economic fields, including the Ponggok VOE in Klaten, Central Java which has contributed positively to improving the welfare of the Ponggok village community because it is

able to transform springs that were initially neglected and then become a very busy tourist area to visit. VOE Panggung Harjo is an example of VOE that has an impact on the social sector because it is able to solve the waste problems experienced by villagers. Garbage, especially plastic waste, which was initially considered a disaster by VOE, is processed into pipes so that it brings blessings. VOE Kutuh is located in Kutuh Village, South Kuta District, Badung Regency, founded in 2016 through Village Regulation No. 5 of 2016. Since its inception, VOE has managed three business units, namely the Spa unit, waste transportation and sales of goods and services. The innovation of all village elements splitting limestone to open road access to the beach is the forerunner of the formation of VOE which is based on the tourism sector. The beach, which was formerly called the hidden beach, has been adorned by the community with a statue of the Pandawa figure in the Mahabrata story, so that now the beach is known as the Pandawa beach. VOE Iyya Tekki in Tebara Village, Sumbawa Regency, improves village innovation by preparing tourism villages, reactivating pawn shops, granaries and village markets.

4.1. Ministry of Village Program for Disadvantaged Areas and Transmigration

Theoretical, Empirical and Reality studies that show VOE have a positive impact on the welfare of the community, it becomes natural if the Ministry of Village for Disadvantaged Areas and Transmigration then implements the VOE development program especially in the Covid-19 pandemic conditions so that VOE can survive even their business grows. The types of PDTT Village Ministry programs that have been implemented for VOE business development consist of:

4.2. VOE Revitalization Program

VOE revitalization is carried out with several activities including first, VOE capital assistance which aims to increase VOE capital and its role as a driving force for the village economy and create new workers in the village. From 2016 to 2019, aid has been distributed to 4,231 VOE with a total budget of Rp. 211,500,000,000. Second, local economic development which aims to increase the number and institutional capacity of VOE in local economic development. From 2018 to 2019 piloting has been carried out to 157 VOE, with the form of activities including the formation of business partnerships, facilitation of business incubation (strengthening of human and institutional capacity) and provision of capital assistance [14] Third, the Ministry of Villages for Disadvantaged Regions and Transmigration collaborates with VOE id, an institution that acts as a VOE information center and has integrated services

that provide consultation, training, systems and media services to solve problems faced by villages and VOE. Fourth, the Ministry of Villages for Disadvantaged Regions and Transmigration has made efforts to digitize VOE, starting with the creation of a VOE database by calling on all VOE managers to register on the VOE android application.

VOE data collection is intended to facilitate coordination and form networks between VOE, and facilitate providing assistance. The digitization of VOE is not only in the form of data collection or making VOE database, but more broadly, digitizing VOE is intended to encourage VOE businesses to adapt to pandemic situations. VOE data listed on the VOE android application consists of: VOE identity which includes name, address, village regulations as the legal basis for establishment, Articles of Association and Bylaws, standard operating procedures for business, latest financial reports, email address, social media used, admin name, business unit and capital change data. The VOE digitization application contains a menu that enables VOE administrators to communicate with the Village Ministry.

4.3. Village Cash Workforce Program

Circular Letter No.15/2020 concerning Strengthening Village Economic Awakening through Village Cash Workforce and VOE regulates the following: a. Prioritizing members of poor, unemployed and underemployed families, as well as members of other marginalized communities; b. The proportion of wages must be more than 50% of the cost of village cash-intensive activities; c. Paying wages for work activities every day; d. Taking into account the situation of the Covid-19 outbreak, the implementation of activities under the Village Cash Workforce Program is implemented by adapting new habits; and e. Encouraging the participation of VOE in managing the productive economy through the Village Cash Workforce Program.

Activities to generate productive economies in rural areas through the PKTD pattern and strengthening VOE that can be done, but still have the opportunity to be developed by the village according to local wisdom: a. Utilizing empty land belonging to the village and belonging to residents for food crops, vegetables and plantations; b. Planting with an intercropping system of staple crops in plantation lands; c. Cleaning up tourist and culinary spots managed by VOE; d. Open citizen participation to do business in tourist locations. e. Maintain market buildings; f. VOE buys village commodities for resale; g. VOE provides bailouts for farmers and small entrepreneurs to carry out production; h. VOE includes profitable productive business capital in the village; i. Installing or maintaining the cage together; j. Conducting freshwater fish farming through VOE with a

profit sharing system; k. Cleaning the Fish Auction Place and other fish selling points managed by VOE; l. Cleaning the cattle sheds belonging to VOE; m. VOE manages the cattle fattening business together with a production sharing system; n. VOE collaborates with breeders in the use of manure for organic fertilizer; o. Maintaining VOE' warehouses and rice mills.

4.4. Impact of Government Programs on VOE Business Development

The establishment of VOE aims to be a locomotive for local economic development at the village level. The local economic development of this village is based on the needs, potentials, capacity of the village, and the participation of capital from the village government in the form of financing and village wealth with the ultimate goal of increasing the economic level of the village community. One of the efforts to increase the economic level of rural communities is to establish VOE.

Village Law No. 6/2014, particularly Chapter X which states that villages can establish VOE, Village Minister Regulation No. 4 of 2015 which was then followed up by the implementation of the VOE Revitalization and Village Cash Workforce program has encouraged an increase in the number of VOE units in Indonesia. The development of the number of VOE from 2014 to 2019 is presented in Table 1.

Data Table I shows that there has been an increase in the number of VOE formed from year to year from 2014 to 2019. The percentage of a very high increase from 2014 to 2015 was in line with the issuance of the Village Minister Regulation which regulates the procedures for the formation, management and dissolution of VOE. The lowest percentage increase in the last five years occurred from 2018 to 2019, this condition occurs because almost all villages in Indonesia already have VOE.

An increase in the number of VOE has also occurred in Bali Province. The development of the number of VOE from 2016 to 2018 is presented in Table II. VOE in Bali Province have increased in number over the last three years. Table II presents the number of VOE data in each district / city in Bali Province from 2016 to 2018. The increasing number of VOE units is one indicator of the high public interest in Bali Province to form businesses in their villages. The increase in the number of VOE units from 2016 to 2018 occurred in all districts/cities.

In relation to the Revitalization program, especially the VOE registration activity on the VOE android application from the Ministry of PDPT, profiling has been carried out on 18,195 VOE consisting of 29,733 business units with the classification: 4,651 advanced VOE, 9,682 developing

VOE, 3,861 beginner VOE (Emma, 2020). Especially for Bali Province, data for VOE that have registered for the VOE android application is presented in Figure 1.

Table 1. Development of the number of VOE in Indonesia

Number	Year	Number of VOE (unit)	Increasing Percentage (%)
1	2014	1.022	
2	2015	11.945	1.068,79
3	2016	18.446	54,42
4	2017	39.149	112,34
5	2018	45.549	16,35
6	2019	47.717	4,76

Source: Directorate General of Village Community Empowerment, Ministry of Villages, Development of Disadvantaged Areas and Transmigration, 2020

Table 2. Development of the number of VOE in Bali Province

No	Regency/ City	N	2016	2017	2018
1	Buleleng	148	85	100	103
2	Jembrana	51	40	40	41
3	Tabanan	133	72	79	86
4	Badung	62	13	34	40
5	Denpasar	43	6	6	11
6	Gianyar	70	14	21	41
7	Bangli	72	29	39	39
8	Klungkung	59	28	35	39
9	Karangasem	78	63	64	68
Total		716	350	418	468

Source: Bali Province Village Community Empowerment Agency, 2018



Figure 1. Percentage of VOE in Bali Province that are registered

Source: Documentation of the VOE Forum, Bali Province, July 2020

The VOE Revitalization and Village Cash Workforce Program does not only have an impact on increasing the number of VOE, data collection on VOE business classifications, another impact is improving the quality of VOE services to the community, by conducting business readjustments in the midst of a pandemic. Ongoing training and mentoring carried out by VOE id by applying the ABCGFM model, which is a training cooperation model and ongoing VOE assistance, collaboration between Academics, VOE, Community, Government, Financial/Business, and Media has an economic and social impact, namely: VOE Panggung Lestari in Sukoharjo has carrying out economic empowerment, strengthening the economic role of women/involving the PKK as partners, initiating early childhood education with payments using garbage, social housing programs worth 15 million rupiah, these activities are based on the principles of residents, by residents, for residents [14]. The economic and social impacts of the VOE Revitalization and Village Workforce Cash program are VOE in Lampung and Riau Province carrying out efforts to sell batik with local cultural motives, and several VOE in Bali Province that prior to the Covid-19 pandemic carried out savings and loans businesses, after receiving training and assistance, are currently conducting readjustments business by selling processed products from household businesses, such as selling shredded tuna, virgin coconut oil and cloth masks.

5. CONCLUSION

VOE is a social entrepreneurial institution formed with the aim of increasing Village Original Income, accelerating development in the village which leads to an increase in the welfare of the village community. The important role of VOE for village communities is to encourage the government through the Ministry of Villages for Disadvantaged Areas and Transmigration to carry out programs to help develop VOE businesses. The VOE Revitalization and the Village Cash Workforce Program are programs carried out during the pandemic period. The results of a review of related data and documents show that the two programs have had a positive impact on the development of VOE businesses. The intended impact is an increase in VOE business units, VOE database showing VOE business classifications and sustainable assistance as part of revitalization resulting in VOE businesses that are adaptive to changing situations. As a literature study, this research has limitations, including data collection dominated by data from journals and the results of webinars. Data obtained directly from VOE management documents is very limited. Another limitation is that the measurement of the program's impact on the development of VOE is still not optimal. The implication of this literature study opens opportunities for further research to measure the impact of

the program on the development of VOE quantitatively so that the results are more measurable.

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