



Analyzing the Capabilities of Village Owned Enterprises (VOEs/BUMDES) to Increase the Village Economies; An Empirical Studies from VOEs/BUMDES in Tangerang

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Abstract. The study aims to analyze the general condition of VOEs and their main potential product/characteristic in Tangerang Regency and to deliver the Gap Analysis by the Village Own Enterprises (BUMDes) in Tangerang Regency. The methodology used was an in-depth interview through a Focused Group Discussion (FGD) with eight participants from different VOEs. The result from FGD showed some critical gaps in the operation of VOEs, such as a lack of community participation to participate in BUMDes programs, unclear vision since its establishment, and lack of mentoring. It is necessary to conduct mentorship among the VOEs to increase motivation and strengthen community participation. The growth of current VOEs in Tangerang Regency will significantly impact the village economy in the long run.

Keywords: Capabilities · Community Participation · Village Economy · Village Owned Enterprises (VOEs)

1 Introduction

The Indonesian government has been implementing several programs for rural economic development, such as supporting more facilities and infrastructure, developing systems for agribusiness and small business, including creating the PNPM project (Program Nasional Pemberdayaan Masyarakat/National Program for Community Empowerment) [1]. This extraordinary effort is worthwhile to increase the village economies in Indonesia. The object of this study focused on the development of villages and rural areas, which significantly influences regional development and poverty alleviation.

The creation of Village Owned Enterprises (VOEs/BUMDES) shows the concern of society and the government for the well-being of rural areas [2]. Village Owned Enterprises are intended to play a more significant part in rural development by managing the village's potential as best as possible, addressing the requirements of rural communities

without displacing already established enterprises. This is also strengthened by the fact that the growth of villages in Indonesia has increased rapidly, reaching 1,409 villages per year or an average village growth of 2.29 percent [3]. However, various challenges are encountered by state-owned enterprises in Indonesia and many other countries [4]. On the other hand, SOEs require domestic knowledge to increase innovation capabilities [5].

Based on the data from Ditjen PPMD Kemendesa PDPT, even though the number of BUMDES has been growing, BUMDes' existence, however, has not been able to function well, and it does not support the growth and emancipation of local communities in rural areas [6]. Even though the existence of VOs in Indonesia continues to increase from previous years, it is known that until early 2020, 46 thousand or more than 61% of villages in Indonesia already had Village Owned Enterprises (VOEs). However, many still have not developed due to some legal entity issues, human resources, and others [7]. Table 1 shows the average growth rate of BUMDes in Indonesia, with an average growth rate of 49,7% from its establishment in 2014. In general, the growth remained in fluctuating condition.

In Cameroon and South Africa, the obstacle faced by the SOEs was managerial skill in achieving their performance [8]. However, the research from [9] revealed that challenges focused on rural areas' commercialization process. Strengthening traditional production and processing systems was required to involve the rural communities, not in a subordinate position.

A village-owned enterprise must achieve financial success while also pursuing its social objectives. Profit and social objectives can occasionally tug in opposite directions, leading to conflict and failure in the worst situations. According to conversations with village officials and officers of village-owned enterprises, several obstacles prevent village-owned enterprises from operating effectively, including accessibility and a lack of creativity. Therefore, they need to implement a new business model for sustainability [10].

Empowerment, in general, is shown as an improvement effort to develop independent progress of the organization [11]. Community empowerment can be described as the action taken by factors outside of a structure to affect that specific structure. The objective is to increase the independence and capabilities of villages. For a structure to advance autonomously, it is also related to the endeavor to increase interconnectivity within that structure or improve components inside that structure [12]. Empowerment showed as

Table 1. The Growth of Village Owned Enterprises (BUMDes) in Indonesia.

No	Years	Amount	Growth (%)
1	2014	1.022	-
2	2015	11.945	91.4
3	2016	18.446	35.2
4	2017	31.796	41.9
5	2018	45.549	30.2

an enhancement of interconnectivity inside a structure or enhancement of components inside that structure in arranging for that structure to advance freely. A good organization will be shown by the quality of its employees. Employees are the foremost profitable resources, and all ventures in innovation and trade can end up ineffective if the aptitudes and capabilities of the individuals are immature.

The capability development in the organization can be driven by internal factors, which relates to the structure of an organization, and external factor, such as the collaborative network environment [13]. In the implementation in several areas in Indonesia, the existence of VOEs is still not adequate and contributive as the expectations contained in the goals or targets for achieving the existence of VOEs [14]. Based on previous studies, the challenges faced in some regions are similar to the current condition of Village Owned Enterprises in Tangerang. Village Owned Enterprises is significantly growing in four regions in Banten Province. However, 43% are in active status. The capabilities of human resources have been suspected of becoming the critical reasons for the declining performance of this condition. From the evidence above, delivering the Gap Analysis by the Village Own Enterprises (BUMDes) in Tangerang Regency is necessary. This finding will become valuable input for the stakeholders to improve the current ecosystem in Tangerang.

Based on the explanation in the introduction, some problems have been identified below; (i) lack of human resources capabilities both in managing the operation and in the level of motivation, (ii) low level of community participation; since some VOEs are just focused on traditional sales, (iii) unclear vision, particularly for its sustainability in the long run. Meanwhile, the objectives of the study are; (a) to analyze the general condition of VOEs and their main potential product/characteristic in Tangerang Regency, (b) to deliver the Gap Analysis by the Village Own Enterprises (VOEs/BUMDes) in Tangerang Regency.

2 Methods

This study descriptively explained the analysis of Village Owned Enterprises in the Tangerang Region. The data collection was done by conducting an in-depth interview through FGD with eight owners of VOEs. This number was taken based on the recommendation by the local government in Tangerang. The process of in-depth interviews was conducted by delivering the gap analysis to get the significant finding.

3 Result and Discussion

The General Condition of VOEs in Tangerang Regency

Several structured questions are delivered to the participants to identify the current condition of VOEs in the Tangerang Regency. The establishment's average length was from two to five years with different motives of background. The government expected that the VOEs could be a supporter and impetus for accelerating the improvement of community businesses, especially in rural areas. The government has delivered various efforts to increase the economic activity of VOEs, such as simplifying regulations and

some approaches to bring VOEs closer to various off takers according to their superior products. The government has delivered adequate financial grants to the VOEs with some requirements at the first stage of their establishment. The fiscal decentralization has shown that the government's alignment should increase the village development priorities to realize the welfare of rural communities [15]. Several VOEs in Tangerang Regency have put their investment as their working capital in the following operational stages. Around eight observable VOEs in Tangerang Regencies are recommended by the local government to be further analyzed in this study, as shown in Table 2.

From the in-depth interview with the eight VOEs above, their general condition is described in three aspects below;

- a. Motivation: they have different motives for how they started their business. Some of them used the village land with the rental scheme. They got grants from the government to support their business operation. However, some VOEs could not manage the grants well even though they are motivated to run the business long-term. Serdang Wetan, Kronjo, Gema Mandiri, Pantura Makmur, and Lengkong Kulon have considered having a strong motivation of the owners to increase the welfare of their members, including the communities. However, Tunas Mulya has strong confidence in developing a grocery/store for daily household needs.
- b. Knowledge and Experience: not all the owners or managers have sufficient knowledge and experience on how to run the business well with the concern for its sustainability. Some of them have strong initiation and sufficient knowledge; however, they still face some problems in the marketing aspect. Damai Mandiri is the VOE who has a

Table 2. List of Village Owned Enterprises.

No	Regency	Villages	VOEs name	Type of Business
1	Tigaraksa	Sodong	Mutiara Karya sejahtera	Groceries and credit union
2	Cikupa	Sukadamai	Damai Mandiri	Cafe, minimarket, and car wash steam
3	Panongan	Panongan	Sejahtera Bersama	Traditional groceries
4	Pagedangan	Lengkong Kulon	Karya Sejahtera	Wate management
5	Legok	Serdangwetan & Rancangong	Serdang Tirta Kencana & Rancangong Mandiri	Ecotourism
6	Kronjo	Kronjo & Padegangan ilir	Karya Ranjala & Pantura Makmur	Pilgrim tourism and culinary business (food court)
7	Sepatan Timur	Jatimulya	Tunasmulya	Groceries and waste management
8	Pakuhaji	Kramat	Gema Mandiri	Marine tourism, Furniture

problem in terms of management participation. They were stagnant and still looking for potential business in the long run.

- c. Business Plan: some VOEs have solid knowledge and clear business goals. They know exactly what aspects require more resources for growth in the future. Serdang Wetan, Kronjo, Gema Mandiri, Pantura Makmur, and Lengkong Kulon are the VOEs running well. They know precisely their potential area and how to involve their communities. Most of them have a comprehensive business plan.

The Gap Analysis

The gap analysis has been conducted to analyze the capabilities of current VOEs in the Tangerang Regency. Through this analysis, we could assess the performance of VOEs to assure that the business needs and processes could be well-achieved. There are some stages on how to deliver the Gap Analysis; (a) Identifying the presence of business and environmental conditions, (b) Analysing what will be the ideal future state, (c) Looking for the gap and assessing solutions, (d) Innovate for further application plan to bridge the gap.

Analyze Current Condition and Identify the Ideal Future State

There are some critical factors why the performance of VOEs is considered low, such as;

- a. The lack of knowledge and traditional mindset
 - Some of the staff do not have adequate skill, knowledge, and experience, leading to unprofessional attitudes, such as being unmotivated, less creative, and stagnant. From this fact, it is necessary to bridge the gap on those obstacles. Tunas Mulya explained that they had to face intense competition, which made them leave behind the huge stores in Tangerang. However, Serdang Wetan, Karya Manjala, and Gema Mandiri are facing the human resources challenge, whose resources still lack knowledge in marketing promotion and tourism development, particularly in destination management.
- b. Infrastructure challenge
 - The existence of infrastructure is very crucial for the VOEs' focus on tourism development. Three aspects must be fulfilled: accessibility, attraction, and amenities. The accessibilities relate to the availability of the road and transportation service to the destination or other supporting public facilities.
- c. Additional Investment
 - Some VOEs are categorized as underperformance due to limited working capital. They can not pay their staff's salary since the net income is not sufficient yet. Thus, some investments are required for further business development, such as land purchases and other support.

Find the Gap and Evaluate the Solution

From the challenges above, they expect that the local government could help us increase the training and development program, mainly through mentoring activities based on the challenge in each VOEs. The mentoring includes the project plan development, licensing

procedure for destination development, and how to develop the marketing strategy for destination tourism products. The synergy between local government, business, and education (universities) will effectively deliver the training and mentoring activities for the VOEs in Tangerang Regency.

Create a Plan to Bridge the Gap

- a. Empower the communities service activities between universities in Tangerang Regency. Some big universities have done community services but are spread in various locations and areas with various challenges. It is necessary to collaborate and synergy by sharing the resources and dividing into some sectors of interest based on the prior program of the local government.
- b. Develop the MBKM concept (Merdeka Belajar Kampus Merdeka) in each university related to the village project. This project will develop an opportunity for their students to involve and assist the village communities through VOEs mentoring program. Each lecturer will monitor this program to measure its effectiveness and the progress of VOEs.
- c. Collaboration with the potential company through sponsorship. There is a huge opportunity to collaborate with many corporations through community service or branding activities. Those will bring a win-win solution to both parties and positively impact the village economy in the short and long run.

4 Conclusion

From the above explanation, it can be concluded that the result is similar to the finding that VOEs as a driving force of Chinese economic development [16]. It is also founded that the participation of the owner or board of chairs of VOEs plays a significant role and influence on the performance, particularly in the financial aspect [17]. From the Irish experience, we can also learn that modern corporate governance was successfully placing pressure on the sustainability of VOEs [18].

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Authors' Contributions. The authors have conducted the analysis gap towards the low performance of VOEs in Tangerang Regency. Through this analysis, a significant effort and plan should be executed for better improvement of economics Village and its sustainability in the long run.

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