



Enhancing Community Economic Growth: Financial System Management of Village-Owned Enterprises in Raya Village Tourism, Karo District, North Sumatra, Indonesia

Dina Rosari^{1*}, Ngatemin², Iwan Riady³, Bejo Mulyadi⁴

¹Politeknik Pariwisata Medan, Medan, Indonesia

dinarosari@poltekparmedan.ac.id
ngatemin@poltekparmedan.ac.id
iwanriadi1973@gmail.com
bejomulyadi@poltekparmedan.ac.id

*Corresponding author: bejomulyadi@poltekparmedan.ac.id

Abstract: This study aims to assess the impact of the financial management system of Village-Owned Enterprises (VOEs) in Arih Ersada Raya tourism village on the economic well-being of Raya village residents in the Berastagi sub-district of Karo district, North Sumatra, Indonesia. Employing qualitative and quantitative data, this research utilizes interviews as the primary data collection method. The study employs a descriptive data analysis approach, concluding that the presence of village-owned businesses can significantly enhance the regional economy by facilitating their expansion. These VOEs enable local residents to explore new employment opportunities across various business divisions, ultimately helping them realize their full potential. Village-owned enterprises serve as a critical indicator of the efficacy of economic development initiatives, whether at the village or national level. One of the notable achievements is the establishment of a tourist village that bolsters the local economy. Given that the community plays a central role in all activities, policies geared towards strengthening the local economy through VOEs should be formulated based on the community's needs and existing conditions. Village-Owned Enterprises RAYA actively manages the growth of these companies to further support the regional economy, with effective planning at its core.

Keywords: System Management Finance, Village Owned Enterprises, Tourism Village.

1. Introduction

The concept of the village, as the smallest administrative unit in the country, holds a unique significance, being closest to the community and directly addressing their welfare needs. As stipulated by the Village Law (UU No. 6 of 2014), a village is a legal entity that demarcates a specific region with the authority to govern and oversee local public affairs. This authority is rooted in public initiatives, original suggestions, and/or traditional rights acknowledged and respected within the Republic of Indonesia's government system. Being a representative of the nation, the village is entrusted with both physical and human resource development to enhance the quality of life and overall well-being of its residents (Tarmidzi & Arismiyati, 2018). The significance of regions is intertwined with the support they receive from their inhabitants, encompassing both urban and rural communities. Economic activities play a vital role in a country's development, and the village community can drive regional progress. Embracing the spirit of collaboration, regional and village development can be undertaken collectively by the village government, involving all layers of the public. This approach aims to engage village communities in regional and national development, fostering partnerships between local and village governments to effectively implement prepared plans (Tjahja, 2017).

Economic growth is synonymous with fiscal development and the production of goods and services within a country, encompassing various aspects such as increased industrial production, infrastructure development, educational institutions, service sector growth, and capital goods production. Real national income growth is the standard metric employed to gauge a nation's overall economic performance (Febriaty, 2018). To expedite the economic growth of local communities, establishing Village-Owned Enterprises (BUMDes) is a strategic endeavor. BUMDes serves as a corporate entity where a majority of the capital is owned by the village through direct participation, utilizing assets separate from the Village. BUMDes is designed to accommodate all economic activities and public services within the Village's control, promoting village cooperation (Fkun, 2021). Village-Owned Enterprises, originating from local initiatives, emphasize economic independence as an entity with financing access. Consequently, capital requirements for these enterprises can be met through public contributions or external loans, even from the village government or other intermediaries (Hariani, et al., 2018).

Village economic development centers on the unique needs, potential, and capacity of each village, with capital contributions from the village government in the form of financing and village assets. The objective is to elevate the economic standards of the village community, with Village-Owned Enterprises serving as the cornerstone of development, characterized by participatory and emancipative processes driven by the local community (Caya & Rahayu, 2021). Today, one of the pivotal catalysts for accelerating economic growth in rural communities is the

establishment of tourist villages. These villages yield numerous benefits, particularly for micro, small, and medium-sized enterprises (UMKM), and play a role in employment generation. Tourist villages leverage the existing potential within a village area, transforming it into tourism products on a small scale, thus offering a diverse array of tourist activities and fulfilling various travel needs. This not only boosts the local economy but also serves as a supportive facility for the tourism sector (Muljadi, 2012).

The following is data utilization of VILLAGE-OWNED ENTERPRISES Arik Ersada Raya Village year 2017 to the year 2022.

Table 1. Data activity business village owned enterprises arik ersada village raya year 2017 until 2022

Year	Business Activities	Number of Users	Number of Family Cards	%
2017	Jambur and equipment utilization	180 kk	1.369	13,15
2018	Utilization of jambur, equipment, and flower bases	195 kk	1.381	14,12
2021	Flower garden tour	175 kk	1.397	12,52
2020	Utilization of jambur, equipment, and flower market	158 kk	1.427	11,07
2021	Utilization of jambur, equipment, and flower market	182 kk	1.469	12,38
2022	Utilization of jambur, equipment, and flower market	197 kk	1.491	13,21
2023	Utilization of jambur, equipment, and flower market	246 kk	1.503	16,36

Source : Arik Ersada Desa Raya (2022).

Table 1 provides valuable insights into the increasing number of individuals who are now utilizing Village-Owned Enterprises (VOEs) in the Arik Ersada Raya village. This data signifies the commencement of the socialization process and the training of human resources, aimed at ensuring productive and effective management of VOEs to support the economic activities of rural communities. According to Tarnidzi & Arismiyati (2018), the village community fully controls the management of village-owned businesses, emphasizing a model of governance that is by the village, for the village, and of the village itself. These enterprises integrate the economic activities of the community into a professionally managed institutional structure, all while capitalizing on the village's inherent potential. This approach has the potential to enhance productivity and effectiveness within the community, which prompted researchers to investigate the financial management practices of these village-owned enterprises. The residents of the Raya tourist village, located in the Beras Tagi sub-district of the Karo region, have been reaping economic benefits from the Arik Ersada Raya Dalam village.

Human existence inherently operates within a group dynamic, forming complex systems of interaction, linkages, and relationships among various elements, ranging from smaller units to larger and more intricate structures. In the context of the economy, this system represents the interaction of smaller units, such as consumers and producers, which combine to create larger economic entities within a given area (Deliarnov, 2009). The community-based economy thrives on the collective economic strength of the public. This economic model predominantly involves individuals independently managing available economic resources, often manifesting as small and medium enterprises (SMEs) within sectors like agriculture, plantation, animal husbandry, crafts, and food production. The primary objective of this economy is to foster prosperity, meet the basic needs of the public, and enhance their comfort and satisfaction. The fulfilment of these needs contributes to creating productive livelihoods and overall welfare.

Village-owned enterprises are a manifestation of the village's rights under the provisions of the Village Law, granting authority to village governments to innovate in village development, particularly in improving the village economy and the well-being of its residents. When managed properly and professionally, these enterprises are expected to become the driving force behind the economic growth of village communities. Village Enterprises offers hope to the village population for economic improvement through the effective management of village finances based on the Village Development Budget and Village Shopping (APBDes) (Zulkarnaen, 2016).

Village Development, as outlined in Article 78, aims to enhance the well-being of the village population and the overall quality of life, focusing on fulfilling basic needs and addressing poverty. This entails infrastructure development, utilizing local resources, and the sustainable management of natural resources and the environment. Sustainable village development is central to village progress. It presents opportunities for innovation in the face of challenges, such as implementing the ASEAN Economic Community (MEA), thereby driving internal village development efforts.

Government Regulation Number 34 of 2014 regarding Villages, Chapter 28, paragraph (1) emphasizes the importance of providing tiered assistance to village communities, continuously adapting to their evolving needs. Tiered assistance entails an ongoing process aligned with the desires and aspirations of the society it serves. This approach to community empowerment is implemented progressively while focusing on fostering community self-sufficiency. An independent community is pivotal in sustaining village development by harnessing its potential and cultivating professional resources as a solid foundation for ongoing and sustainable progress.

Village-Owned Enterprises (VOEs) represent economic institutions within rural areas, uniquely managed by both the local community and the village government, with the primary objective of fortifying the village

economy. According to the Center for the Study of Dynamic System Development (2007), VOEs are founded based on the specific needs and potential of the village they serve. To effectively contribute to enhancing villagers' welfare, these enterprises must differentiate themselves from conventional economic institutions. This distinctiveness ensures that VOEs operate in harmony with the social values of rural life, avoiding potential disruptions to the community's cultural fabric.

A tourist village is a locality closely tied to its local region, knowledge, customs, and culture and is intentionally maintained as a tourist attraction to benefit both the community socially and economically. Local wisdom, often called local knowledge systems, encompasses specialized knowledge specific to a particular community or culture, developed over time through reciprocal interactions between the community and its environment (DIY Regional Cultural Utilization Project, 2003). The term "tourism village" denotes a region with tourist attractions rooted in local knowledge, including customs, culture, and natural resources, characterized by originality and authenticity, offering a rural ambiance. These tourist villages may offer various attractions, such as Nglanggeran Tourism Village, which combines agrotourism, cultural tourism, and ecotourism.

Tourism development profoundly influences the local community, yielding both positive and negative consequences. While tourism can provide economic, sociocultural, and ecological benefits, mismanaged development can harm the community. Therefore, holistic planning and careful consideration of socioeconomic and cultural factors are imperative in every stage of tourism development. Tourism actors should strive to minimize adverse effects on the local community's economic and sociocultural development.

Tourists typically spend money on specific items during their visit, and the extent of their economic impact on a destination can vary significantly. This impact can be both direct and indirect, and its overall effect on the local economy can be either positive or negative. According to IG Pitana and Putu (2009), eight categories can be used to classify the economic impact of tourism, encompassing aspects such as foreign exchange earnings, household income, employment opportunities, profit distribution, community ownership and control, overall development, and tax collections.

In the context of this study, the examination of economic repercussions focuses primarily on the village level and is limited in scope and methodology. Consequently, this study does not explore the effects of foreign exchange profits or the distribution of benefits, as outlined by Cohen's eight impact categories.

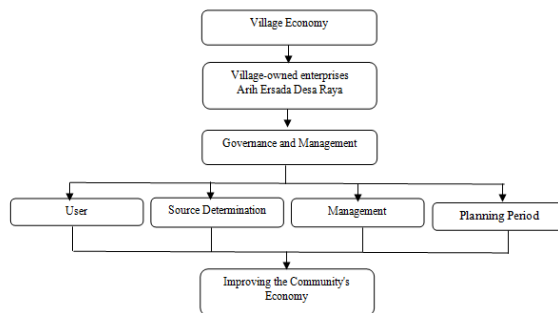


Fig 1. Conceptual framework

2. Methodology

This study employs a quantitative research approach, which is a methodology aimed at gathering, organizing, interpreting, and analyzing data to describe specific situations and draw conclusions. The research is conducted within the context of Village-Owned Enterprises (VOEs) in Arih Ersada Village, located in the Raya Subdistrict of the Karo district, Beras Tagi. The data utilized in this study encompasses both qualitative and quantitative aspects. Primary and secondary data sources are employed, with data collection techniques centered on interviews and documentation. The analysis of the collected data is conducted through a descriptive methodology, which enables the study to provide detailed insights and descriptions of the research subject.

3. Results and Discussion

The establishment and management of Village Owned Enterprises (Village Owned Enterprises) embodies the productive economic management of the village carried out in a cooperative, participatory, emancipative, transparent, accountable, and sustainable manner. Therefore, it needs serious efforts to make the management body business walk effectively, efficiently, professionally, and independently. To reach the objective, Village Owned Enterprises done with method fulfill society's needs (productive and consumptive) through services.

Enhancing prosperity and well-being for the people in a country requires a balanced approach to economic development. Achieving prosperity and well-being entails fostering economic growth through initiatives and innovations that can transform the economy into a driving force capable of leading society toward prosperity and welfare. This development goal includes building self-sufficiency, particularly in rural areas, which is a key focus of government objectives. Empowering the public and expanding institutions that support the production and marketing chain are vital steps in this process. These measures maximize the utilization of resources, laying the foundation for expanding the rural economy, increasing productivity, and diversifying business activities. In this context, the utilization of tourist villages as a means of fostering economic growth while maximizing income is also considered.

Village-owned businesses play a significant dual role as both social and commercial institutions and are integral to village economies. As a social institution, Village-Owned Enterprises advocates for the welfare of the public by supporting the delivery of social services. On the other hand, as a commercial institution, its objective is to maximize profits by supplying regional resources (goods and services) to the market. The legal entity status of Village-Owned Enterprises, established in accordance with relevant statutes and agreements within the village community, should be emphasized during their operation. Consequently, various community-owned businesses can be established in different villages across Indonesia, each tailored to its unique characteristics, potential, and resource base.

To effectively operationalize this system, village communities must be prepared to embrace the novel concept of an economic organization that serves both social and commercial purposes while preserving the values and ideals cherished by the community. Accordingly, preparations should focus on socialization, education, and training for individuals interested in elevating the standard of living at the village level. Village-Owned Enterprises are expected to contribute to the dynamics of rural economic life through these means. The role of the village government is to build relationships with the public to fulfil the minimum service standards as part of more robust community development efforts in the village.

In the case of Village Raya, Mr. Budiono leads the village as the Village Head, with his office in Jl. Axis Merapi Gg. Field No. 38 in the village of Raya Subdistrict, Berastagi District, Karo Regency. He has been in office from 2014 to 2020. Village Owned Enterprises, known as "Village Owned Enterprises Raya," was established on October 6, 2015, to formalize this village institutional form. Its office is situated at Jl. Merapi axis no. 012 in Desa Raya, with contact information provided as Tel. 0853-3414-7589 / 0813-8040-8663. The operations of Village Owned Enterprises "Raya" commenced in October 2015.

The establishment and management of Village-Owned Enterprises represent a concrete realization of productive economic management at the village level, characterized by cooperation, participation, emancipation, transparency, accountability, and sustainability. Therefore, earnest efforts are required to ensure the business management body operates effectively, efficiently, professionally, and independently. The objective of Village -Owned Enterprises is to fulfill the needs, both productive and consumptive, of the community through its services.

As the largest investor in village-owned businesses and a founding member of the community, the village government is expected to provide a minimum level of service. This entails protecting against interventions that may harm third parties within and outside the village. Village-Owned Enterprises Arih exemplifies the implementation of village authority based on ancestral rights and local-scale village authorities funded by the Village Budget (APBDesa) sourced from the state and Regional Budget (APBD).

Table 2. Village Income Sources

Source Income	Type	Amount
PADS	Company results village	60.500.000
	Income original village which legitimate (levies legitimate)	280.500.000
Income transfer	Village fund, allocation fund, tax and retribution area	1.092.835.000
Income other	Grants and donations from party third ones no tie	96.500.000
Flower tourism retribution	Entrance fee and parking	435.000.000

Source Income	Type	Amount
		1.965.335.000

Source: Village-owned enterprises Aarih Ersada Desa Raya (2023)

Raya Village is a cool area and is at an altitude. Its fertile soil makes agriculture one of the economic backbones of its citizens. Included as one of the best flower-producing villages in Karo Regency, North Sumatra. This potential was glimpsed and became capital for Village Owned Enterprises Aarih Ersada to add economic value to its village residents. One of them is through the development of a new tourist area in Raya Village. The existence of this flower tour has become a new tourist destination that has made Raya Village even more famous and attracted local tourists. Taman Wisata Seribu Bunga Raya has various facilities, such as cafes, souvenir shops, and spots for selfies. Residents and Village Owned Enterprises manager Aarih Ersada repaired this 4.5-hectare area. The residents did not hesitate to lend their land so these Village Owned Enterprises could be managed properly.



Fig 2. Taman wisata seribu bunga desa raya Karo District, North Sumatra, Indonesia

Table 3. Use finance village owned enterprises Aarih Ersada Raya Village

Business Unit Name	Activity Products	Use of Finance
Services Business Unit	Electricity tokens	IDR. 40.000.000
Rental Business Unit	Big stage tent Stage makeup sound system Blower fan	IDR. 30.000.000
Trading Business Unit	Building material Agricultural materials for flowers	IDR. 45.000.000
Tourism Service Unit	Park operations Cafeteria MSMEs	IDR. 25.000.000 IDR. 18.000.000 IDR. 27.000.000

Source: profile Village Owned Enterprises RAYA village Raya 2022

In the context of Raya Village, it is noteworthy that the majority of its residents rely on credit and postpaid tokens for their daily power needs. This widespread practice reflects the essential need for electricity in the town, serving as a fundamental requirement for households and various industries operating within the Raya Village sector. This encompasses residences, the workforce, and industries that provide essential products and services, including the basic necessities for homes and daily living.

Village-Owned Enterprises (VOEs) in Aarih Ersada Raya tourism village play a pivotal role in supporting the residents of Raya Village. The community benefits significantly from the businesses operated by these VOEs, as they provide access to essential agricultural supplies such as fertilizers and pest control products needed for crop and plantation growth. These vital needs are readily available through Village-Owned Enterprises, ensuring that people can conveniently purchase their agricultural necessities. Additionally, Raya Wisata Village's Taman 1000 Bunga (1000-Flower Garden) boasts attractions that require ongoing maintenance and essential supporting facilities. This includes a café where visitors can relax and enjoy food and beverages, as well as souvenirs that serve as mementos from the Raya tourist village.

In recognizing potential risks, Village-Owned Enterprises have initiated risk management practices within their operational activities. These measures encompass tasks like creating and maintaining product stocks, implementing inventory systems to minimize damaged items, and ensuring adequate stock of power tokens or pulses to mitigate disruptions resulting from sales. Regular maintenance is also conducted for the plants surrounding the garden area, particularly within the 1000-Flower Garden in Raya Wisata Village, to preserve the health and beauty of the flora. The risk management program aims to reduce potential harm to the resource area, encompassing the assets owned by Village-Owned Enterprises.

Effective communication and transparency are vital aspects of Village-Owned Enterprises' operations. They actively engage with the village government, providing information about their production, challenges, quantity of goods, and operational costs. This open dialogue helps ensure that the village government is well-informed about Village-Owned Enterprises' activities. Moreover, investments in additional tourist attractions, such as introducing new and distinctive flower varieties, playgrounds for children, and amenities catering to visitors, such as prayer rooms and clean restrooms, are planned each year. These endeavours aim to attract more visitors to the park, with the increased revenue from the 1000-Flower Garden contributing to the growth and development of the Raya tourism village in North Sumatra's Karo Regency, Indonesia.

4. Conclusion

In conclusion, the findings of this study demonstrate the significant impact of Village-Owned Enterprises (VOEs) in bolstering the public economy and facilitating the development of Raya Village into a thriving tourist destination. VOEs have established various business units that not only create employment opportunities but also harness the untapped potential of the community. By doing so, they motivate and inspire individuals to seek additional sources of income, ultimately contributing to the economic well-being of families in the region.

The effective management of VOEs in Raya Village ensures that the funds collected are used for the benefit of the village. These funds are allocated for physical and non-physical needs, addressing critical aspects of community development. Various business units managed by VOEs in Raya Village actively engage and employ the local community, enabling them to augment their daily income and meet their essential requirements. Furthermore, the youth in the village are provided with opportunities to participate in VOE programs, equipping them with skills and empowerment before seeking employment opportunities outside the village.

Developing the public economy through VOEs calls for increased community involvement in their management. This inclusive approach enhances the village's and its residents' economic prospects. Given the ongoing demand for empowerment and the management of VOEs within the community, these enterprises must continue to innovate and explore untapped potentials within Raya tourist village. Such initiatives promise to further improve the local community's economic prospects and contribute to the region's sustained growth.

References

- Arih Ersada Desa Raya. (2023). Desa Wisata Raya Seribu Bunga. https://sumut.jadesta.com/desa/raya_seribu_bunga. Accessed on February 22, 2023.
- Bacherin, S. (2010). The developing village approach in west java: strategy and West Java rural development policy. *Journal of Policy Analysis Agriculture*, 8 (2), 133–149.
- Caya, M. F. N., & Rahayu, E. (2021). The impact of burden on welfare communities in Aik Batu Buding Village, Belitung Regency, Bangka Province Belitung. *Journal of Social Welfare Science*, 20 (1), 1–12.
- Daily, P., Hasibuan, L. S., & Sinambela, E. (2018). Strategy policy village owned enterprises: Bottom-up of economics development model (Studies Case subdistrict banyan regency Deli Serdang Province Sumatra North). *Journal Prodikmas Results of Community Service*, 1 (1), 1-59.
- Deliarnov. (2009). Development thinking economy. Jakarta: Eagle Pers.
- Febriaty, H. (2018). Effect of road infrastructure and electricity deficit North Sumatra economic growth. *Journal of Business Financial Research* 2 (2), 71-80.
- Fkun, E. (2021). Existence body business owned by village in increase community economy in Subun Bestobe Village, West Insana District. *Journal of Axis Politics*, 1 (1), 1–7.
- Ida, & Dwinta. (2010). Influence locus of controls, financial knowledge, and income on financial management behavior. *Journal of Business Accounting*, 12 (3), 131–144.
- Jayadinata, J. T., & Paramandika. (2006). *Development village in development*. Bandung: ITB.
- Kasryno, F. (2000). *Putting agriculture as the base of indonesia's economy: Strengthening food security and reducing poverty. widyakaryanational food and nutrition VII*. Jakarta: Institution Knowledge Indonesia.

- Naila, A. K., & Irmami, R. (2013). Financial management behavior study at Surabaya people. *Journal of Business and Banking*, 3 (1), 69–80.
- Sinambela, E., Sargih, F., & Sari, EN (2018). Internal APBD structure analysis increase management finance area on government area North Sumatra. *Journal of Economics and Development Studies*, 18 (2), 93- 101.
- Sugiyono. (2018). *Quantitative research methods, qualitative, and R&D*. Bandung: CV. Alfabet.
- Sukirno, S. (2006). *Economy development*. Jakarta: Kencana.
- Tarmidzi, & Arismiyati, I. (2018). Development of village economic potential in effort increase economy public through body business owned by village. *DIMAS*, 18 (1), 129–142.
- Tjahja, K. (2017). *Nawa Cita for the welfare of the indonesian people: Integration national and regional development planning*. Jakarta: Kompas Media Archipelago.
- Warsono, SBH (2010). *Accounting principles*. Jakarta: Asghard Chapter.
- Yulianti, N., & Silvy, M. (2013). Attitude manager finance and planning family investment in Surabaya. *Journal of Business and Banking*, 3 (1), 57–68.
- Zulkarnaen, RM (2016). Village economic potential development through agency village owned enterprise (Village owned enterprises) Pondok Salam, Purwakarta Regency. *Journal Application Science and Technology for Society*, 5 (1), 1–4.

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

