



## Study of Management of Village Owned Business Entities Malang Regency, Indonesia

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### ABSTRACT

*A village-owned business entity is a business entity that is owned and managed by village communities through village institutions or village community groups. In the context of village-owned enterprises, their authority is supported by regulations and included capital, making them entities with an essential role in village development. Therefore, research on managing village-owned enterprises is very relevant and vital. This research aims to describe and analyze the Policy Implementation process in managing village-owned enterprises and the factors that support and hinder Policy Implementation in managing village-owned enterprises based on Wonosari Village Regulation Number 5 of 2020. This type of research is descriptive qualitative. Data collection techniques used in this research were documentary interviews and observation. The data analysis technique uses the interactive research model from Miles and Huberman. The research results show that the management of village-owned enterprises in Wonosari Village based on Village Regulation No. 5 of 2020 has yet to be implemented. This can be identified by discovering problems where the policy implementation process at the Kawi Rani village-owned enterprise has yet to be implemented according to its objectives. This can be observed from the non-implementation of the three programs that had been planned, but there was an additional goat cultivation program. Supporting Factors: Competent human and natural resources supporting the Animal Cultivation program. Meanwhile, the inhibiting factors are that forming and establishing a village-owned business entity needs to go through processes and stages, communication between implementers, the attitude of implementers, and minimal socialization.*

**Keywords:** Implementation, Policy, Village-Owned Enterprises.

### 1. INTRODUCTION

The village is a regional institution that is closely involved with the community's specific requirements. Villages have so much potential that they must be developed to improve the lives of village residents. As a result, the community must have sufficient authority to control its territory independently. Law Number 6 of 2014 concerning Villages states in Article 87 paragraph 1 that "Villages can establish village-owned business entities called village-owned business entities which are managed in a spirit of kinship and cooperation" and in Government Regulations concerning Implementing Regulations Law Number 6 of 2014 concerning Villages. This law is further governed by the Minister of Villages, Development of Disadvantaged Regions, and Transmigration law 4 of 2015.

Establishment, Management, and Dissolution of Village-Owned Business Entities, with the goal of, among other things, strengthening and improving the village economy, maximizing the potential of existing village assets for community welfare, creating more job opportunities, and increasing village original income (PADes). Minister of Village Regulation Number 4 of 2015 concerning the establishment, administration, management, and dissolution of village-owned business entities cannot be implemented immediately but must be regulated in lower regulations, for example, Regional Regulations and Regent/Mayor Regulations, which will later be more technical as a guide for Village Government in managing village-owned enterprises through Village deliberations to prepare village regulations as Even though Law Number 6 of 2014 respecting Villages states that the Village Government may establish a village-owned business organization, it is important to note that the development of a village-owned business entity is dependent on local potential and community effort.

The qualities of the village-owned corporate entity will be influenced by the characteristics of each community, including its potential and local resources. Because each village community has different capabilities and demands,

the establishment of village-owned enterprises will be more diverse. As a result, development must rely on local resources and market demand. Village-owned business entities, which are regulated by village ministerial regulations, will be followed up by Regional Regulations and Village Regulations as the basis for establishing village-owned business entities. Government programs initiated by the government through the mobilization of village communities, which are only project-oriented, will result in the formation of formal institutions. However, efforts and activities will not make a positive contribution to improving the welfare of village communities.

Wonosari is a village in Wonosari District, Malang Regency, East Java Province. This village is located on the southern slopes of Mount Kawi, at an altitude of  $\pm$  800 meters above sea level. The geographical location of Wonosari Village provides a calm environmental atmosphere. As a mountainous area, the Wonosari Village area has beautiful natural views. Apart from being a natural tourist attraction, the Gunung Kawi area is also known as a pilgrimage tourist destination or spiritual cultural tourism. Most visitors to Gunung Kawi are on a pilgrimage to the sacred graves of two spiritual figures, so Gunung Kawi is known as a Mount Kawi ritual tourist spot. So, this village is classified as having great potential for economic improvement, which is the aim of village-owned enterprises.

Furthermore, Malang Regency has enacted Regional Regulation Number 20 of 2006, which concerns Village-Owned Enterprises. PP Number 11 of 2021 respecting Village-Owned Enterprises Chapter II Article 7 paragraph (1) indicates that Village Regulations govern the formation of Village BUMs. Based on this paragraph, the Wonosari Village Government, Kec. Wonosari, established and stipulated Village Head Regulation Number 5 of 2020 concerning Funding, Management, and Dissolution of Village-Owned Business Entities, which aims, among other things, to strengthen and improve the village economy, maximize the potential of existing assets in the village for community welfare, open up fields for work, and increase Village Original Income .

These Village Regulations have been in effect since they were formed. The Wonosari village business entity is intended to follow the village ordinances that have been created. Regulations and capital involvement support the authority of village-owned firms with power, and additional research is required based on the facts stated above. The purpose of this research is to describe and analyze the process of implementing policies in the management of village-owned enterprises, as well as to describe and analyze the factors that support and hinder policy implementation in the management of village-owned enterprises in accordance with Wonosari Village Regulation Number 5 of 2020. The benefits of this research include: It is hoped that it can be used to strengthen community participation in improving the economy of village communities and as a recommendation for the development of village-owned enterprises in other villages as a whole, specifically creating opportunities and market networks that support public services and improving community welfare through improving public services..

## **2. THEORETICAL BASIS**

### **2.1 Village Development Concept**

Villages are the lowest level in the national framework. A village is a place where individuals have specific patterns of interactions and socialization. According to the Big Indonesian Dictionary (2013), a village is a unitary place inhabited by multiple families with their own form of administration, or it is a group of dwellings outside the city that function as a unit. According to Beratha in Nurcholis (2011: 4), a village with its original name at the same level is a legal community unit based on its original structure, which is both a "legal entity" and a "Government Body" that is part of the surrounding sub-district or regional area. Widjaja (2003:3) defines a village as a legal community unit with a unique structure based on distinctive rights of origin. Diversity, participation, true autonomy, democratization, and community empowerment are key concepts in Village Government.

Improving the quality of a community and its region requires sustainable development. Development is significant because the development process includes utilizing all existing resources. The term development itself has various definitions. This diversity of definitions is because development can be seen from many points of view, including political, social, cultural, economic, educational, and so on.

Village development must have clear principles in its implementation; in this case, Adisasmita (2006:18-20) explains that rural development should be a principle of transparency, participation, and sustainability. Rural development facilities, namely to, create increased production and productivity, accelerate village growth, increase skills in producing and developing employment and business opportunities, increase initiative, community

participation, and strengthen institutions. Rural development has the scope of developing rural facilities and infrastructure (including irrigation, roads, environment, settlements, etc.). Community empowerment in managing natural and human resources, creating jobs and business opportunities, increasing income (especially in poor areas), and structuring inter-regional linkages, rural with urban areas.

## **2.2 Village-Owned Enterprise Concept**

Village-owned enterprises are one of the business sectors developed at the village level as a source of original village income. A village-owned business entity is a business entity whose capital is wholly or primarily owned by the village through direct participation originating from village assets, which are separated to manage assets, services, and other businesses for the most excellent welfare of the community. In the above definition, the most essential thing about village-owned enterprises is that the village must own most of the capital. Direct participation in village-owned assets means that the capital, most of which belongs to the village, can be in the form of finance, natural potential, facilities, and infrastructure.

Village-owned enterprises are a form of utilization of village assets that are institutionalized into business entities whose capital is owned mainly by the village. Villages can collect part of the capital from several parties by the regulations for establishing Village-Owned Enterprises. Capital can be raised from the community, cooperation between villages, as well as from third parties. The establishment of a business entity is intended to contribute to improving the village's economy. Managing the Village-Owned Enterprise uses business principles that still pay attention to local cultural aspects.

The main objectives of village-owned enterprises (Center for the Study of Development System Dynamics: 2007) are improving the village economy, increasing the village's original income and management potential by community needs, and being the backbone of rural economic growth and equality. The governance principles of village-owned enterprises are cooperative, participatory, emancipatory, transparent, accountable, and sustainable.

## **3. RESEARCH METHOD**

### **3. 1 Research Design**

This research employs qualitative research methods. According to Moleong (2009: 6), qualitative research aims to learn phenomena about what is experienced by research subjects, such as behavior, perceptions, motivation, and actions.

### **3. 2 Research Sites**

The research was conducted in Wonosari Village, Wonosari District, Malang Regency. The reason for choosing this location was that the information extracted was regarding implementing the Village Policy for village-owned enterprises.

### **3. 3 Data Types and Sources**

This research uses two types of data, namely primary and secondary data. Primary data is obtained directly from sources through an interview process by researchers. Interviews were conducted with selected sources/informants using Purposive Sampling techniques. Interviews use a predetermined list of questions appropriate to the topic and research context. Secondary data is the type of data obtained from official documents, archives, reports, and books. In this research, the secondary data needed is general information regarding the general condition of Wonosari Village, including geographical and demographic data, socio-economic facilities, and the government structure of Wonosari Village.

### **3. 4 Data Collection Technique**

The data collection techniques used by researchers are interviews, documentation, and observation, according to Moh. Nazir (2013: 170) states that interviews are the process of obtaining information for research purposes through questions and answers while meeting face-to-face between the questioner or interviewer and the answerer or respondent using an interview guide. Documentation data is obtained by collecting research materials in documents/archives. Sugiyono (2011: 240) stated that documents can be written in images and works of art.

According to Satori and Komariah (2013: 105), observation is the observation of an object being studied directly or indirectly to obtain data that must be collected in research.

### **3. 5 Technique Analysis Data**

The data analysis model researchers use in this research is the interactive data analysis model, according to Miles and Huberman in Saldana (2014), which consists of data collection, condensation, data presentation, and conclusions.

## **4. RESULTS AND DISCUSSION**

Policy implementation is part of public policy studies. The concept of implementation refers to the process of implementing a policy. Policy implementation must be prepared and planned well to achieve objectives. Likewise vice versa, if the policy is not formulated well, then the policy objectives will not be achieved even though the preparation and planning for policy implementation have been carried out well.

The complexity of implementation is anticipated by more than the number of actors or organizational units involved. However, it is also caused by the implementation process being influenced by a number of complicated variables, both interpersonal and organizational, all of which interact with one another. According to Van Meter and Van Horn (Wibawa Samodra. 1994: 19), "formulate an abstraction that shows the relationship between various variables that influence the performance of a policy." Based on Van Meter's thesis, Van Horn contends that the success of policy implementation is determined by various dimensions connected to the policy itself. This model demonstrates that policy implementation follows a linear path from available political decisions, implementers, and public policy outcomes.

One type of village development is the establishment of village-owned firms, or Village-Owned firms, which serve as a forum for strengthening rural communities. In this session, the researcher will outline the research focus, which is based on Meter and Horn's top-down approach model known as the A Model of Policy Implementation. Meter and Horn identify six variables that influence public policy performance (Agustino, 2006, pp. 141-144), including policy size and objectives, resources, implementing agent characteristics, implementer attitudes/tendencies, communication between organizations and implementing activities, and, finally, the economic, social, and political environment. In the following section, the researcher will explain more analysis of the research findings.

First, the size and objectives of the policy. The village-owned enterprise program itself was taught in 2007 by the Ministry of Home Affairs, as stated in Permendagri No. 37 of 2007, which concerns Guidelines for Village Financial Management. However, it was still in the adjustment stage at that time, so Minister of Home Affairs Regulation No. 39 of 2010 concerned village-owned business entities. This Minister of Home Affairs Regulation 39/2010 explicitly contains the mechanisms for creating village-owned enterprises and their management. Meanwhile, village-owned enterprises began to develop in the Malang district and became known to the village in 2013. Starting from the size of a policy, a policy can be measured by whether or not the implementation of the policy is successful. The village-owned enterprise program policy in Malang Regency can be seen whether it is successful or not, namely from the number of villages with village-owned enterprises. In Malang Regency alone, of the 378 existing villages, there are already 368 village-owned business entities in Malang Regency that have just been formed, with six village-owned business entities in the process of registering to obtain a legal entity.

In contrast, 130 village-owned business entities have had their names verified. Meanwhile, six village-owned business entities are also correcting their names, and one village-owned business entity is registering its name, but 149 village-owned business entities still need to register as legal entities. The remaining ten villages still need to have village-owned enterprises.

Based on the interview results above, the business entity belonging to Kawiran Village before implementing the business fields was developed by Wonosari Village Regulation No. 7 of 2020, which contained three main business fields. However, implementing this policy has encountered obstacles in that the management of the Gunung Kawi workshop entrance portal has yet to be managed by the village-owned business entity but is managed directly by the village. Its management is still handled by community groups directly responsible for the village. Third, related to women's cooperatives. The failure to implement this policy can be attributed to a lack of coordination, inadequate supervision, and a mismatch between regulations and ground realities.

Second, resources consist of human resources and non-human resources. The condition of human resources in implementing village-owned enterprises in Wonosari Village is that human resources are volunteers, and there is no fixed salary for them as regulated by the regulations for Wonosari village-owned enterprises. So, finding people who want to work for the village is challenging. Therefore, the people listed in the structural section are social people who want to work for the village. The description in the presentation of the research results above confirms that the Supervisory Body's role is vital in any institution's operations. Effective control is needed to prevent errors that may occur by those in power. The Supervisory Body is a controller to ensure that the institution operates by established procedures. With adequate supervision, institutions can achieve their goals more smoothly. Even though the Human Resources (HR) involved have fulfilled the educational requirements set out in regulations such as Village Regulations (Perdes) and the Articles of Association and Bylaws, the management of village-owned enterprises in Wonosari sub-district, it is unfortunate that the implementation of the Village Regulations has not yet been implemented. Carried out seriously shows that using these regulations could be more optimal. Meanwhile, financial resources are closely related to time resources.

Regarding financial resources, the funds used to build this village-owned enterprise are mostly aid funds from the government. The subsidized funds obtained are from the village, and the APBN budget is based on Law 6/2014. Most of the funds that help come from Village funds. With these funds, the Goat Cultivation program can run well. However, this program is not a priority for the village formation objectives.

Third, the characteristics of implementing agents in implementing the Village-Owned Enterprise Program must be in sync with each other. During the implementation of village-owned enterprises in Wonosari Village, many obstacles were overcome, including a lack of funds and human resources, even though the quality of human resources was qualified by the existing core management and a lack of socialization carried out by the village government. This lack of funds is due to the need for targets that Wonosari village must achieve to empower its community. Existing funds will be sufficient if this program does not need development and progress because funds are needed for additional capital, additional facilities, and improvements to existing facilities. The last one is the need for more socialization from the government, both from the regional and village governments. The regional government does not carry out specific outreach regarding village-owned enterprises; the regional government does outreach only through APDESI, which still needs to be comprehensive. Meanwhile, in the village government, village-owned enterprises have yet to conduct socialization regarding village-owned enterprise programs to the community, so some people do not know about the programs run by village-owned enterprises.

Fourth, the attitude/tendency (disposition) of the implementers. The attitude of acceptance or rejection of the implementing agent will significantly influence the success or failure of the performance of public policy implementation. So, in this research, the attitude shown is an attitude of acceptance from various parties related to institutional strengthening by forming operational implementers of village-owned business entities carried out by the mechanism stated in Village Regulation No. 5 of 2020. The stages above show a process for forming business entity management. It belongs to Kawi Rani village, which has quality. Both in terms of honesty, activeness, and skills. Apart from that, the Kawi Rani village-owned enterprise also determines that the quality of prospective administrators must have a high school education level. That way, members of village-owned enterprises no longer doubt the quality of the management who will run it. It is hoped that a democratic and transparent process will improve the community's economy by managing business entities owned by Kawirani Village. However, from the research observations, implementing this village regulation has not been optimal.

The fifth point is communication between organizations and implementing activities. Coordination plays a vital role in implementing the Village-Owned Enterprise Program Policy. The Village-Owned Enterprise Program Policy is a policy from the central government that is implemented by the Village Government involving all elements, starting from local institutions and the community. Coordination is also essential so that the Village-Owned Enterprise Program Policy can run. This is all so that there is no overlap in the duties of each stakeholder, and the main tasks and functions of each relevant party must be understood. Coordination and communication carried out by the Wonosari village government still need to be improved. Coordination is still limited to the operational implementation of Wonosari village-owned enterprises, with the village government communicating only as needed without a special schedule. They reasoned that activities in the village were unpredictable; sometimes, there were lots of activities, and sometimes they were empty, so communication was carried out flexibly and symbiotic, mutualistic. This must show

better communication patterns in coordinating between the village government and implementing agents for village-owned enterprises and village institutions.

Sixth, namely, the economic, social, and political environment. If we look at the economic environment in Wonosari Village before the existence of village-owned enterprises, most farmers' livelihoods were based on a green rural environment as their agricultural land. Even though they live a simple life, the beauty of the environment makes people feel at home living in their village. Malang Regency has also been influenced by the progress of the times and modernization, so agriculture is starting to be abandoned, as previously described. However, even though their agricultural land was evicted to build a building, the community and village government did not remain silent, so they looked for other work and took advantage of the existing situation. The Village Government held a discussion and created a program to help the community by cultivating suitable goat farms with the potential in Wonosari Village. The village-owned business entity Wonosari Village helps the community to become entrepreneurs by providing superior goat cultivation.

## **5. CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Conclusion**

From the results of all discussions regarding implementing the Kawi Rani Village-Owned Enterprise policy, Wonosari Village, Wonosari District. This can be seen from the policy implementation approach presented by Van Meter and Van Horn. This can be identified by discovering problems where the policy implementation process at the Kawi Rani village-owned enterprise has yet to be implemented according to its objectives. This can be observed from the non-implementation of three planned programs. In the context of implementing the Village-Owned Enterprise Program in Wonosari Village, several challenges emerged. First, related to policy size and objectives, although many villages have established village-owned enterprises, not all do not necessarily operate according to the stated objectives. For example, the Kawirani village business entity in Wonosari Village still needs to implement all business fields regulated in Village Regulation No. 7 of 2020. The second challenge is related to resources, especially human resources, which are still volunteers, and the need for more budget for salaries, which makes it difficult to find people who want to work for the village.

### **5.2 Suggestions**

Based on the conclusions from the research results stated above, suggestions can be given, including the importance of measuring the success of a policy, such as the Village-Owned Enterprise Program, in achieving the stated goals. In Wonosari Village, Malang Regency, the success of the village-owned enterprise program can be adjusted, such as livestock cultivation, which has seen results from the initially planned program so that it can be reformulated by involving all stakeholders from the community to elements of the district government. There must be coordination and communication between organizations and implementing activities for the success of the village-owned enterprise program. Poor coordination between the village government and operational implementers of village-owned enterprises has resulted in minimal socialization and community understanding of existing village-owned enterprise programs. This lack of communication also causes overlapping tasks between the stakeholders involved.

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Law Number 6 of 2014 concerning Villages

Law Number 6 of 2014 concerning Villages states that Village Governments can establish BUMDes

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