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Analyzing performance of BUMDES: Learn from waste bank and clean water units

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Abstract. The research aimed to analyze the management performance of the BUMDES (Village-Owned Business Enterprise). The research used Case Study Method to provide detailed perspectives of individual village leaders who directly engage at very beginning of the establishment of the BUMDES in each village. Then, we took the advantage of in-depth interview for data collection. Twenty third village leaders selected purposively were interviewed. Data analysis approach used in this research is descriptive qualitative method for making some descriptions of the BUMDES. It is very clear that the process of establishing the BUMDES have fulfilled the requirements of the Indonesian government regulation. The results show that, types of businesses BUMDES members are savings and loan unit, service business unit, clean water management unit, cattle fattening unit, waste banks unit, photocopy unit, and marketing of agricultural products unit, etc. The BUMDES in the district has made a real contribution to the rural economy. It's contribution to the Local Government Revenue is a prove of a relatively good management performance indicator of the BUMDES. It is also implicit that the BUMDES has become one of the factors driving the village economy that has encouraged the absorption of rural-labor in rural areas.

1. Introduction

The initiated Indonesian Government Program of Village-Owned Business Enterprise (BUMDES) projected to emerge as a new economic power, it could even become an economic center in rural areas. The Indonesian Law No. 6 of 2014 about Village (*UU No 6 tahun 2014 tentang Desa*) provides a legal umbrella for the BUMDES as economic actors managing the village's potential collectively to improve the welfare of village. The term BUMDES emerges through Government Regulations (PP) No 72/2005 detailed by the Regulation of the Minister of the Interior (*PERMENDAGRI*) No. 39/2010. The BUMDES is a village business enterprise that has a spirit of independence, togetherness, and mutual cooperation between the village government and the community. It is intended to develop local assets to provide services and increase the economic income of people in the village.

As the lowest political unit, the village government has a strategic position as a pillar of national development [1]. The availability of abundant natural resources in Indonesia, if can be managed optimally, will provide prosperity for the villagers [2]. However, it is realized that so far development at the village level still have many weaknesses [3] and the weaknesses in development at the village



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level are partly due to not only the problem of under-qualified human resources but also due to financial problems [4]. Various efforts have been made by the government by issuing various types of development funds for village development programs, one of which is through the Village Owned Enterprises [5] to improve institutional aspects both farming and non-farming income in rural area [6].

According to Kurniawan the BUMDES has two main functions, namely as a social institution and a village commercial institution [7]. BUMDES as a social institution has a contribution as a social service provider [8]. Meanwhile the function the BUMDES as a commercial institution that aims to seek profits through offering local resources to the market [9]. BUMDES must provide more realistic changes and benefit from all parties, especially the villagers as the owner of the resources. But the reality is that there are still many BUMDES that are not going well. Therefore, this research is interesting and is expected to find some descriptions and solutions that can answer the expectations of many parties. The purpose of this study was to analyze the management performance of the BUMDES in Maros District, South Sulawesi Province. There were 3 (three) research questions explored in this research, namely: (1) what is the process of the formation of the BUMDES? (2) what is the financial source of the BUMDES? and (3) what are the economic benefits of the BUMDES to the villagers?

2. Research Method

2.1. Research Setting

The data collection of research was conducted during January-May, 2020 in Maros District, South Sulawesi Province, Indonesia. The location was selected purposively because of Maros District is one of a good performance of the BUMDES in South Sulawesi Province. Salam, et al., described that Maros District, with an area of 1,619.11 km², has a harvesting area and rice production of 52,414 ha and 309,209 tons respectively with productivity of 5.89 tons/ha [10]. Rice commodity is still the main source of income for residents in the district [10]. Various policies have been taken by the Maros District's government to encourage the increase of production, productivity of some commodities as well as to introduce some other policies to enhance the prosperity of the villagers in the district, such as the BUMDES.

2.2. Qualitative research method: Application of the Case Study Method

Qualitative research defined as a holistic approach that involves discovery [11]. Denzin & Lincoln state qualitative research is a situated activity that locates researcher in the subjective reality of participant or subject about the relevant phenomena [12]. What qualitative study intends to convey is why people have thoughts and feelings. Qualitative research is used to get insights into people's feelings and thoughts, which may provide the basis for a future thinking. Qualitative research method tends to use inductive form of the scientific method to develop a theory or some theories about phenomena in the real world. In this research we employed case study as one type of the 5 (five) qualitative tradition described by Denzin and Lincoln, in their monumental text book in qualitative research [12].

Case Study Research is a type of qualitative research that is focused on providing detailed account of one individual or more cases. This type of research focuses on each case as a whole unit as it exists in real life context [13]. Connole, Smith & Wiseman explained that the case study research purpose is to obtain and portray a rich descriptive account of meaning and experiences of people in an identified social setting [13]. Case study research uses multiple or various data collection methods. The multiple data collection methods are such as focus group discussions, in-depth interview method, observations, personal reflection journals, and documents [as well as participant observation]. Any of the data collection methods can be used in the case study research as long as can help to answer the research questions [13].

In this research, we used Case Study Research as the research method to provide detailed perspectives of one individual village leaders who directly engage at very beginning of the formation of the BUMDES in each village. Then, we took the advantage of in-depth interview for data collection method to understand how the stakeholders experienced the BUMDES and we want to try to see the

experience from that person's perspective. Twenty third village leaders, as the direct stakeholders involved in the BUMDES formation, were interviewed by using an interview guide prepared before. The village leaders were selected purposively. We made field notes to complement audio-taped interviews. Field notes allow to maintain and comment on our impressions, environmental contexts, behaviours that occurred during the interview. The method used to obtain in-depth information about the village leaders' thoughts and experiences regarding the research questions. The question type in this research was open-ended questions. After interviewed, we transcribed, reviewed and verified all data collected. Data analysis approach used in this research is descriptive qualitative method for making some descriptions of the BUMDES that is related to the 3 (three) research questions mentioned above. Then, based on the general descriptions, we came up to some conclusions.

3. Results and discussions

3.1. The establishment of the BUMDES

The village head as an element of national government administration has an obligation to realize the objectives of the regulation and management of village assets in an effort to accelerate the villagers welfare, to enhance the economic welfare of the village community, to overcome national development gaps and strengthen the village community as the subject of development. One strategy that can be implemented to improve the welfare of the villagers is the establishment of BUMDES. In Maros District, some BUMDES established in 2016. The following statement is the statements of some village heads interviewed, represented by Mr. Tajuddin, the Village Leader of Purnakarya Village, Tanralili Sub-District:

"Proses pendirian BUMDES dilakukan sudah sesuai ketentuan yang dibuat oleh pemerintah dan hasil musyawarah pada tingkat desa. Pada rapat awal pendirian BUMDES, yang hadir dalam musyawarah ini adalah saya sendiri sebagai kepala desa, aparat desa, Lembaga Pemberdayaan Masyarakat Desa (LPMD), BPD (Badan Perwakilan Desa) Babinsa, Babinkamtibmas, tokoh masyarakat desa, tokoh pemuda dan kelompok tani, wanita tani. Pada rapat ini juga dilakukan kesepakatan untuk menyusun pengurus BUMDES, membuat AD/ART BUMDES yang selanjutnya dibuatkan peraturan desa sebagai payung hukumnya."

(The process of establishing the BUMDES is in accordance with the provisions made by the government and the meeting results at the village level. In the initial meeting of the establishment of BUMDES, the participants of the meeting were myself as the village head, the village apparatus, Village Community Empowerment Institute (LPMD), BPD (Village Representative Body) BABINSA, BABINKAMTIBMAS, the community leaders of the village, the youth leaders and the farmer groups, as well as the women farmers. At the meeting, an agreement was also made to arrange the BUMDES members, to make the BUMDES AD/ART which then made village regulations as the legal umbrella).

There are some important keywords in the statement above. They are the meeting was initiated by the village leaders; the process of establishing the BUMDES is in accordance with the provisions made by the government; in the initial meeting of the establishment of BUMDES, there were a lot of parties participated; there was an agreement to arrange the the organization structure of the BUMDES; and the commitment to arrange the BUMDES AD/ART as the legal umbrella of the BUMDES; the objectives of the BUMDES is to enhance the household income of the villagers. Some other statements regarding the condition of the establishment of the BUMDES that the BUMDES enterprises developed in all villages in Maros District based on mainly the local resources and local agricultural enterprises, as stated by two leader villages below:

"Potensi usaha yang dilakukan beberapa di antaranya penggemukan sapi, simpan pinjam, tanaman jagung dan padi (Mr. Tajuddin, Kepala Desa Purna Karya).

(The potential businesses undertaken include cattle fattening, savings and loans, maize farming and rice farming” (Mr. Tajuddin, the Village Leader of Purna Karya Village))

“Potensi ekonomi desa yang dapat dikembangkan di Desa Samangki, Kecamatan Simbang adalah usahatani jamu, budidaya lebah madu, dan penggemukan sapi” (Hj. Darwana, S.Pd, Kepala Desa Samangki).

(The economic potential of the village that can be developed in Samangki Village, Simbang District are herbal medicine farming, honey bee cultivation, and cattle fattening (Ms. Darwana, S.Pd., the Village Leader of Samangki Village).

If we see to the process of establishing BUMDES described above, it is clear that the process of establishing BUMDES in Maros Regency in general has fulfilled the requirements set forth in [Minister of Domestic Affairs Regulation No. 39 of 2010 concerning Village-Owned Enterprises \(BUMDES\), Chapter 5 \(Peraturan Menteri Dalam Negeri Nomor 39 Tahun 2010 tentang Badan Usaha Milik Desa, Pasal 5\)](#) [14].

3.2. The type of enterprise established

In their research Yusuf, et.al., said that in general, there were 5 (five) types of businesses undertaken by members of BUMDES. They were savings and loans (UEDSP), Clean Water Management (PAM Desa), waste banks, goat farming and trading processed products [15]. In line with what Yusuf et.al., discovered, in Maros District, the types of businesses that are much established by the BUMDES members are savings and loan businesses, service business units, clean water management business units, cattle fattening, waste banks, photocopy business units, marketing of agricultural products, and etc. [16]. Let us see the statement of the some village leaders, as the representative of the all village leaders interviewed.

“Kepengurusan BUMDES di desa kami dikelola oleh pengurus baru. Kepengurusan desa sudah berjalan dengan beberapa kegiatan usaha seperti simpan pinjam, ada studio foto, bahkan ke depan akan ditingkatkan. Rencana pembelian alat (molen) untuk dipersewakan pada warga dengan tarif yang murah, penggemukan sapi dan perdagangan umum” (Ibu Darawati, S.Pd. Kepala Desa Sambueja)

(The management of BUMDES in our village is managed by the new village management. Management has been running with several business activities such as savings and loans, a photo studio, that will be improved in the future. Plans to purchase tools (*molen*) for rental purpose to the residents at low rates, cattle fattening and general trading) (Ms. Darawati, S.Pd. the Village Leader of Sambueja Village).

“Kegiatan dan jenis usaha yang sudah ada beberapa di Desa Bontotallasa, Simbang Sub-District, di antaranya adalah simpan pinjam, peternakan ikan lele, penjualan Atk di pertokoan, ada BRI Linknya, menjual Saprodi, dan jasa pengetikan” (Sultan, Kepala Desa Bontotallasa).

(Activities and types of businesses that already exist in Bontotallasa Village, Simbang Sub-District, include savings and loans, catfish farms, stationary sales, BRI Link, selling agricultural inputs, and typing services) (Sultan, the Village Leader of Bontotallasa Village).

“Jenis usaha yang sudah berjalan di Desa Tanete, Simbang Sub-District, adalah usaha foto copy, kerajinan bambu, budidaya DOC ayam kampung, simpan pinjam, penggemukan sapi, dan menjual sarana produksi pertanian” (Abdul Kadir, S.Ag., Kepala Desa Tanete)

(The types of businesses that have been running in Tanete Village, Simbang Sub-District, are photocopy unit, bamboo crafts, DOC chicken farming, savings and loans, cattle fattening, and selling agricultural inputs) (Abdul Kadir, S.Ag., the Village Leader of Tanete Village)

The village leader statements above indicate that the type of businesses established by the BUMDES members consist of some varieties. Mostly in agricultural such as DOC chicken farming, cattle fattening, catfish farms, etc., and service sectors such as savings and loans, photocopy unit, typing services, etc. There are agricultural marketing activities such as selling agricultural inputs, etc. All these business units established were based the local resources considerations, as suggested in Minister of Domestic Affairs Regulation No. 39 of 2010 concerning Village-Owned Enterprises (BUMDES), Chapter 5.

3.3. The economic benefit of the BUMDES to the villagers and rural economy

BUMDES in its activities are not only oriented towards financial profit, but also oriented to supporting the improvement of the welfare of rural communities. The BUMDES is expected to develop business units in utilizing economic potential in rural area. The BUMDES is also expected to be able to stimulate and move the wheels of the rural economy. The economic assets in the village must be fully managed by the villagers them self. The substance and philosophy of BUMDES must be imbued with a spirit of togetherness and self help in an effort to strengthen the institutional economic aspects. At this stage, the BUMDES will move in tune with efforts to increase the sources of original village income, move the community's economic activities according to the role of BUMDES as an umbrella institution. In general, the BUMDES in Maros has been contributed to local government through it's contribution the Local Government Revenue (PAD, *Pendapatan Asli Daerah*). Let us see the statements some village leaders who represent their colleagues regarding the contribution the BUMDES in the district.

"Penyetoran PAD sudah ada Rp8.000.000,00 pada tahun 2018, dan Rp16.000.000,00 pada tahun 2019" (Abdul Kadir, S. Ag., Kepala Desa Tanete).

(The deposit of PAD already exists 8M IDR in 2018, and 16M IDR in 2019 (Abdul Kadir, S. Ag., the Village Leader of Tanete Village).

"Sudah ada sumbangan PAD-nya sebanyak Rp3.000.000,00 pada tahun 2018" (Hj. Siti Aminah, Kepala Desa Simbang).

(There has been a PAD contribution of 3M IDR in 2018 (Hj. Siti Aminah, the Leader Village of Simbang Village).

"Penyetoran PAD sudah ada Rp8.000.000,00 pada tahun 2018, dan Rp16.000.000,00 pada tahun 2019" (Sultan, Kepala Desa Bontotallasa).

(The deposit of PAD already exists 8M IDR in 2018, and 16M IDR in 2019 (Sultan, Head of Bontotallasa Village).

The data above clearly shows that at the relatively young of the BUMDES age, it has made a real contribution to the rural economy, even though the amount is still relatively small money. The real contribution of the BUMDES has given a clear clue that the management performance of the the BUMDES relatively in a good position. And it is also a clear indication about the direction of future development of the BUMDES. In addition to the real contribution above, it is also implicit that BUMDES has become one of the factors driving the village economy that has encouraged the absorption of rural-labor in rural areas and encouraged the optimal used of the available local resources.

4. Conclusion

It is very clear that the process of establishing the BUMDES have fulfilled the requirements of the Indonesian government regulation. The results show that, types of businesses BUMDES members are savings and loan unit, service business unit, clean water management unit, cattle fattening unit, waste banks unit, photocopy unit, and marketing of agricultural products unit, etc. The BUMDES in the

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