Training on Identification of Business Units of Village-Owned Enterprises (BUMDES)

Titin Purwaningsih\textsuperscript{1}, Bambang Eka Cahya Widodo\textsuperscript{2}, Meika Kurnia Pujj Rahayu DA\textsuperscript{3}

\textsuperscript{1}Doctoral Program of Government Affairs and Administration, Jusuf Kalla School of Government, Universitas Muhammadiyah Yogyakarta
\textsuperscript{2}Department of Government Affairs and Administration, Faculty of Social and Political Sciences, Universitas Muhammadiyah Yogyakarta
\textsuperscript{3}Magister of Management Program, Post Graduate Faculty, Universitas Muhammadiyah Yogyakarta

Abstract. Village-owned enterprises (BUMDES) strive to utilize village economic, institutional, and human resource potential to improve community welfare. BUMDES often needs to develop due to the mismatch of business units chosen by BUMDES with the potential and capabilities of the village. Therefore, training in identifying potential for business units of BUMDES is necessary for starting an appropriate business. The objective of this community service is to identify potential business units to be developed by BUMDES in Bengkal village, Kranggan District, Temanggung Regency, which recently pioneered BUMDES. There are two activities in this community service, namely Focus Group Discussion in identifying the potential of BUMDES business units and training on BUMDES business unit planning. This activity involved the managers of BUMDES, the Village Head, village officials, community leaders, and village youth. Through FGD and planning training for business units, BUMDES managers and village officials understand the strengths, weaknesses, opportunities, and challenges faced in developing business units so that they can anticipate weaknesses and challenges with existing strengths and opportunities.

Keywords: business unit, BUMDES, potential unit

1 Introduction

Based on Law Number 6 of 2014 concerning Villages, Village-Owned Enterprises are business entities whose entire or most capital is owned by the village through direct participation derived from separated village wealth to manage assets, services, and other businesses for the maximum welfare of the village community [1]. In 2021, the number of BUMDES throughout Indonesia was 57,273, and of these, 45,233 BUMDES (79\%) were active, and 12,040 BUMDES (21\%) were inactive [2]. There are various causes of the inactivity of BUMDES, including the background of the establishment of BUMDES caused by trends alone, the inaccuracy of business units carried out by BUMDES, the inaccuracy in choosing BUMDES managers, the lack of focus of BUMDES managers, giving up on doing business, and the non-involvement of millennials (sedesa.id, August 2020). Weak managerial skills, abuse of authority, and incomprehension of BUMDES also contribute to the inactivity of BUMDES [3], [4]. In addition, several studies also show that the BUMDES that has been formed has not developed and cannot provide benefits [5].

BUMDES 'Berdikari Bengkal', is a BUMDES in Bengkal Village, Kranggan District, Temanggung Regency, Central Java, established in 2016. However, the establishment of

* Corresponding author: titin.p.widodo@gmail.com
BUMDES at that time was more top-down and followed the trend in the formation of BUMDES so it was not following the community's needs. Although BUMDES has been established, there has been no activity. In mid-July 2021, the restructuring and reorganization of BUMDES began with a new structure and management. To strengthen the institution of BUMDES, Village Regulations on BUMDES and BUMDES AD/ART began to be prepared. This institutional strengthening needs to be followed up by registering BUMDES to the Village Ministry so that the existence of BUMDES is more accurate and can support business activities through BUMDES [6]. In the organizational structure of BUMDES Berdikari Bengkal, in addition to advisors, supervisors, directors, secretaries, and treasurers, there are three coordinators: the trade business coordinator, the rental service business coordinator, and the industrial service coordinator. However, the three coordinators need clear primary duties and functions. The three coordinators need to follow the pioneered business [7], [8].

BUMDES Berdikari Bengkal pioneered several business units, namely household waste services; and the production and marketing of healthy rice. Household waste services are social services but still need to be profit-oriented. Since there is no public awareness of household waste management, the BUMDES service in waste management is only at the level of sending waste to the final landfill, so it is more service-oriented than profit. In producing and marketing healthy rice, it has also begun to be pioneered by producing healthy rice from farmers in Bengkal Village [9], [10]. However, healthy rice production from BUMDES has not been neatly bookended and recorded. Based on interviews with BUMDES managers, there is no factual data on the production and marketing of healthy rice.

Picture 1: Business Unit of BUMDES Berdikari Bengkal

Source: Documentation

However, it is said that healthy rice production is still lower than demand due to farmers' low interest in growing rice in an organic way. It also shows that management capabilities are still weak, including in the administration of BUMDES. In addition to these two business units, BUMDES Berdikari Bengkal has several plans, including opening a rice mill, a program of one house and one banana tree to produce bananas from unproductive agricultural land, and the desire to open agricultural edu-tourism for school children. This desire shows that there is a strong motivation from the new management to improve the BUMDES business unit. On the other hand, the absence of mapping village potential is an obstacle in determining business units that BUMDES can develop.

From this situation, there are several problems for BUMDES Berdikari Bengkal, namely: the still weak organization/institution of BUMDES Berdikari Bengkal. It is reflected in the absence of mapping the potential resources of BUMDES so that there is still uncertainty in choosing the business unit to run, the absence of orderly administration, and the non-registration of BUMDES Berdikari Bengkal at the Ministry of Villages. Orderly administration is essential in the governance of BUMDES, following the principles of professional, transparent, and accountable governance. For this reason, digitizing BUMDES assets is a necessity [11], [12].
Referring to the Situation Analysis and the discussion of the service team with village officials and managers of BUMDES Berdikari, the determination of priority problems in management and production that have been mutually agreed upon are:

1. The management of BUMDES is still weak, which includes the non-registration of BUMDES Berdikari Bengkal to the Village Ministry, the absence of mapping the potential assets of BUMDES resources, and the lack of managerial competence of BUMDES managers, the disorderly administration of BUMDES and the absence of a business plan following village potential.

2. There is still low production of healthy rice, which includes a lack of socialization of organic rice planting and low public interest in planting organic rice

The justification for the joint service team of the Village Government and BUMDES Management based in Bengkal in determining these two problems to be resolved through this year's PPDM Program is by increasing the capacity of BUMDES governance. Until now, BUMDES does not have a mapping of potential BUM Village resource assets. This asset mapping is crucial to determine the type of business to be developed by BUMDES. Thus, the business activities pioneered by BUMDES are not merely existential but planned following village potential.

2 Methodology

The solutions to the problems faced by BUMDES Berdikari Bengkal are as follows: Capacity Building of BUMDES Governance, which includes:

1. Capacity building of strategic management and business unit planning with indicators of the preparation of the BUMDES business plan.

2. Institutional improvement of BUMDES is indicated by achieving the status of BUMDES as a Legal Entity Business Unit.

Efforts to increase the governance capacity of BUMDES are significant because, based on research, the improvement of BUMDES is strongly influenced by the ability of its managers [14], [15]. The governance capabilities of this BUMDES include planning, implementing, evaluating, and monitoring based on the principles of good governance, which are participatory, transparent, and accountable. In addition to general governance capabilities, BUMDES business planning is a significant aspect of strengthening BUMDES. A business plan is a document to prepare the elements needed to start a business, both internal and external [16]. The progress of BUMDES is also influenced by the business approach used [17], so the function of BUMDES is not only to carry out social roles but also commercial roles [18]. With the business unit planning, the business unit developed by BUMDES becomes more focused by considering various aspects of risk, chances, and opportunities in business development. 

Qoshim [19] also shows that institutional governance affects the success of BUMDES businesses. Other studies show several factors supporting the success of BUMDES, namely infrastructure, management policies, guidance, and supervision. The increasing status of BUMDES as a legal entity further strengthens its existence and makes it easier to obtain guidance and supervision. Meanwhile, inhibiting factors include the lack of community awareness and the lack of ability of BUMDES administrators in financial management [20].

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Therefore, based on these various studies, capacity-building activities for BUMDES governance become very relevant. The stages or steps in implementing the solution offered to overcome the problems of BUMDES Berdikari Bengkal in 2023 are as follows: assisting and training on capacity building of BUMDES governance, which includes: FGD and training on identifying potential business units to be developed by BUMDES.

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3 Results and Discussion

Community service activities are carried out through:

1. Focus Group Discussions. This FGD was held on February 8, 2023, which Village officials, BUMDES Managers, and BPD attended. This FGD was carried out to determine the potential of business units to be managed by BUMDES Bengkal. From the results of the FGD, it was known that several potential business units other than those that have been carried out were building tourism villages [21], [22]. The concept of tourism village that is pioneered includes river crossing in Bengkal Village (irrigation canal), waterfalls in Jurang hamlet, and agricultural education tourism. From the results of the FGD, several problems were also known, namely in human resources and business unit planning, especially related to business start-ups.

2. Training on business unit identification and work programs of BUMDES was carried out on Thursday, March 9, 2023. Business opportunity identification is recognizing business opportunities to build a new business. In this process, sharpness is needed to seize existing opportunities. Business opportunities have four characteristics: attractive, timely, long-lasting, and measurable risk [23], [24]. In this training, the material was also given on ways to identify business opportunities through developing ideas, seizing opportunities, understanding self-potential, understanding economic conditions, having access to entrepreneurship, and improving communication skills. Training to identify potential business units to be developed by BUMDES in Bengkal Village strengthen the understanding of BUMDES business. Training participants were divided into four groups based on business unit opportunities to be developed by BUMDES: rice milling, e-warung, horticultural development, and tourism village. Each group identified the potential of business units with a SWOT analysis by looking at the strengths, weaknesses, opportunities, and challenges each business unit faced. From discussions and presentations based on SWOT analysis in each business unit, participants can find out the potential of business units that are most likely to be developed by BUMDES in Bengkal Village [25]. From the SWOT analysis results, training participants can consider the most reliable business units to develop.

Apart from identifying the business units to be developed, the training materials also covered how to prepare the selected business units. Activities can be seen in the following picture:

In preparing a business unit, it is necessary to understand the 4 Ps, namely product, price, place, and promotion. The first element is product, what product will be produced. This product element includes variety, quality, design, brand, packaging, size, service, and product guarantee. Price elements include price lists, discounts, purchasing power, financing terms, and credit if needed. Promotion elements include sales promotion, advertisements, sales clerk, public relations, and direct marketing. At the same time, place elements include channels, coverage, assortment, inventory, and transport. Before the training, participants were asked questions about their knowledge of the 4Ps, after which they were given material regarding the 4Ps. The participants were also divided into small groups to discuss the 4Ps.
related to the product to be developed to understand the training material. After discussing, each group presented their business plan, including determining their product brand and the marketing plan.

After the training, participants were again asked about their understanding of the 4Ps. The results of the analysis regarding their understanding of the 4Ps are shown in the following chart:

Chart 1: Before and After Analysis of Understanding 4Ps

Source: Data Analysis

Chart 1. Shows that the understanding of the 4Ps was increased. Before the training, they were already familiar with the product, price, promotion, and place, but they were still on the surface. With this training, participants' knowledge of the 4Ps is complete and more apparent.

4 Conclusions

Through FGD and planning training for business units, BUMDES managers and village officials understand the strengths, weaknesses, opportunities, and challenges faced in choosing business units to be developed, so that they can anticipate weaknesses and challenges with existing strengths and opportunities. From the discussion and training in this
service activity, participants felt enlightened and hoped that this activity would be continued with intensive assistance to BUMDES in Bengkal Village.

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References


