Activating and organizing village economic potential through continuously strengthening BUMDES: A community service

Maimun, Uliya Azra, Cut Dian Fitri, Ana Fitria, Muhammad Arifin, Cici Mita, and Khairudin

Department of Economics, Faculty of Islamic Economics and Business, UIN Ar-Raniry Banda Aceh

Abstract. The attainment of village independence cannot be isolated from BUMDES’ excellent management performance. This community service initiative aims to activate and organize remote communities’ economic potential by continually strengthening BUMDES (Village-Owned Enterprises). BUMDES Tunas Harapan is a village-owned enterprise in Tanjung village, Riau, Indonesia, and its performance has suffered as a result of various internal issues. It is vital to solve difficulties and uncover local potential that may help Tanjung village's economic growth. The initiative intends to empower local communities and create sustainable livelihood options through a holistic strategy. Conducting a requirements assessment, providing training and capacity development, supporting resource mobilization, developing market links, addressing infrastructure needs, implementing monitoring and evaluation, and assuring long-term support are all important measures. The initiative aims to stimulate entrepreneurship, generate jobs, raise living conditions, and contribute to the general development of rural communities by harnessing the potential of BUMDES.

Keywords: BUMDes, economic orientation, entrepreneurship

1 Introduction

Village development is an important effort that must be carried out within the context of national development; villages are synonymous with regions that are deficient in a variety of areas such as education, economy, welfare, and other amenities. Because of the imbalance between cities and villages, villages are more dominated by poverty. Changes and government efforts are made in the framework of regional development to jointly optimize village development through equitable sharing of current development in rural regions. So that all rural communities can benefit from development (Salihin in Putra et al., 2012).

In order to encourage growth in the village, the village administration must be granted the authority to control its own region by empowering community institutions, allowing the village to be self-sufficient in its execution (Putra et al., 2012). The autonomy of an autonomous village in managing its government or its people is stated in Village Law Number 6 of 2014 (Parjaman & Enas, 2021). BUMDES (Village Owned Enterprise) is one of the village economic institutions in charge of village development. To fulfill national development goals, the village is the leading government agency that can reach the true target groups that want to prosper, especially by developing a commercial entity, namely a Village-Owned Enterprise (Ramadana et al., 2013).

1 Corresponding author: ana.fitria@ar-raniry.ac.id
BUMDES demonstrates considerable economic independence for the village (Yuliana & Indriastuti, 2020). BUMDES is a location for village communities' wishes to be channeled into growing village potential, managing and exploiting the village's natural resource potential, and optimizing human resources (village residents) in its management. Capital participation from the village administration is necessary as a driving force for the village economy in the form of funding and village assets that are given over to be handled as part of BUMDES (Parjaman & Enas, 2021).

The success of implementing village economic activities is inextricably linked to the availability of community funds. Transfer money from the State Revenue and Expenditure Budget (APBN), Regional Revenue and Expenditure Budget (APBD), and Regional Tax and Retribution Revenue Sharing money, Village Original Income, Grants, and Funds from other valid sources of revenue are used to fund villages. Village funds play a vital role in the execution of village development; village funds must be managed optimally if poverty and inequality are to be reduced in the village (Suleman et al., 2020).

Village development will occur if it is capable of recognizing village potential. Village potential is defined as everything that is thought to be capable of adding value, which includes natural resources and human resources that are enabled for rural development. Natural resources and assets in the village have a great opportunity to make a significant contribution to village development; through the objects owned, the village will be able to develop its existing potential both economically and see opportunities for developing the needs that exist in the village.

Tanjung Village, Koto Kampar Hulu District, Kampar District, Riau Province, is one of the communities where a significant portion of the people make a livelihood from plantations. Tanjung Village's potential resides in its surrounding plantation land and natural features like waterfalls and rivers. The Deed/Legal Entity Village Regulation No. 01 of 2016 established Tanjung Village's Village-Owned Enterprise (BUMDES), which goes by the name BUMDES TUNAS HARAPAN. Since its establishment in 2016, BUMDES Tunas Harapan has amassed assets dominated by plantation land, buildings, and oil palm, which are the primary commodities contributing to the village's original income.

BUMDES Tunas Harapan Tanjung Village has built business units by exploring the potential of Tanjung Village, which can be utilized in the management of BUMDES Tunas Harapan Tanjung Village. The BUMDES Tunas Harapan work system describes these business units as follows:

1) **Business Unit for Trading**
   
   Tunas Harapan Village has a BUM Trading Business Unit in the form of an Agricultural Shop (Saprodi) that sells fertilizers and agricultural equipment.

2) **Plantation Business Unit**

   BUMDES Tunas Harapan is continuing to develop the plantation business in order to boost village fund income. BUMDES Tunas Harapan now has 4 hectares of oil palm plantation property. For the development of the plantation business in 2022, the BUMDES Tunas Harapan management has also purchased two more plantation land plots on the Lipalan river, which will be inaugurated as new plantations in 2023. The management intends to open an oil palm nursery on the Gambir Ex-Factory Grant property to facilitate the development of additional plantations, with a total of 5,000 seedlings. Profits from the sale of these oil palm seeds are hoped to be utilized to fund the establishment of new oil palm plants and other purposes. Furthermore, management requested the village government get a village-owned land grant in a small hamlet, to which the village council orally agreed and will conduct a review in early 2023.

3) **Tourism Business Unit**
It is hoped that the Tunas Harapan Village-Owned Enterprise (BUMDES) development will focus on the potential that will help the village community's economy grow. Tanjung Village has high tourism potential due to attractions such as the Paragliding Green Open Space (RTH), Sungai Kapur, Panisan Waterfall, and Tanah Dengung Cave. This has a wide-ranging positive influence on the community and local governments in terms of employment, business field provision, increased human resource expertise, and encouraging the growth and development of other economic sectors.

Furthermore, the great number of natural and human resources in this situation has tourism potential that may be further developed so that the range of tourist attractions presented can entice tourists to visit Tanjung Village more frequently. As a result, there must be collaboration among the village government, traditional institutions, community leaders, and student groups involved in the town's construction. The tourism unit adviser verbally informed me that, unless BUMDES continues to manage RTH, the management will pass to the Tourism Awareness Group (POKDARWIS) in accordance with the conclusions of the village deliberation meeting while choosing a new administrator.

Based on the aforementioned facts, it is clear that the mining of prospective natural resources and potential economic resources in Tanjung Village has been done with great care. However, capacity building for BUMDES Tunas Harapan managers has not been done optimally, so community service is required to maximize the potential of current resources in Tanjung Village while also increasing capacity for BUMDES Tunas Harapan managers.

2 Methodology

Focus group discussions (FGD) and talking are the methods employed in community service. The goal of this project is to map and communicate sustainable BUMDES management in the hopes that it will increase the use of BUMDES by village officials, enabling the best possible implementation of the community's potential. The socialization of sharing knowledge and experience, as well as performing interview stages with numerous significant elements that can supply pertinent information, are all examples of this service strategy in action.

3 Results and Discussion

3.1 Profile of BUMDES

The elements involved in the Organizational Structure of the Tunas Harapan Village-Owned Enterprise (BUMDES) are currently: 3 Supervisors, 1 Advisor (Village Head), 1 Director, 1 Secretary, 1 Treasurer, and 1 Unit Head. It’s vision is "To establish BUMDES Tunas Harapan as a high-quality Village Business Institution capable of assisting the community in achieving economic prosperity." The vision is clarified by the BUMDES mission, which is:

1) Managing village potential so that it is used as effectively as possible for the welfare of the community.
2) Formalize collaboration with various stakeholders for the development of BUMDES Tunas Harapan.
3) Increasing human resources through education, training, and comparative research
4) Making use of appropriate technologies to boost community productivity
5) Establishing a work place for the village's least disadvantaged residents
6) Develop local economic potential as a source of strength in company development.
7) Creating small and medium-sized economic activities by developing various home industry crafts
8) Using online media to promote village handicrafts

The oldest settlement in Koto Kampar Hulu District, Kampar District, and Riau Province is Tanjung Village. The birth of BUMDES Tunas Harapan in this community began with the existence of a savings and loan institution whose earnings and capital turnover were used to purchase useful assets. The business was switched to buying plantation land where oil palm was grown on various plantation lands after experiencing the failure of the business carried out. BUMDES Tunas Harapan has the following properties in Tanjung Village:

**Table 1. Business assets of BUMDES Tunas Harapan in 2022**

<table>
<thead>
<tr>
<th>No</th>
<th>Types of Assets</th>
<th>Quantity</th>
<th>Condition</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Plantation Land I (Palm Oil Plantation)</td>
<td>1.75 Ha</td>
<td>Good</td>
<td>Owned by BUMDES</td>
</tr>
<tr>
<td>2</td>
<td>Plantation Land II (Palm Oil Plantation)</td>
<td>0.5 Ha</td>
<td>Good</td>
<td>Owned by BUMDES</td>
</tr>
<tr>
<td>3</td>
<td>Plantation Land III (Palm Oil Plantation)</td>
<td>1.7 Ha</td>
<td>Good</td>
<td>Owned by BUMDES</td>
</tr>
<tr>
<td>4</td>
<td>Plantation Land IV (Palm Oil Plantation)</td>
<td>0.4 Ha</td>
<td>Good</td>
<td>Owned by Village</td>
</tr>
<tr>
<td>5</td>
<td>Office Land (Shop or Office)</td>
<td>10 x 35 = 350 m</td>
<td>Good</td>
<td>Owned by BUMDES</td>
</tr>
<tr>
<td>6</td>
<td>Open Green Space Park (RTH)</td>
<td>0.4 Ha</td>
<td>Good</td>
<td>Owned by Village</td>
</tr>
</tbody>
</table>

Based on table 1 above, it can be seen that the majority of the assets owned by BUMDES Tunas Harapan, or 3.95 Ha, are utilized for oil palm plantations. The remaining land is used to support village activities. The primary source of income for the village is oil palm farming. Implementing service projects is one way to align the potential of the hamlet with BUMDES Tunas Harapan initiatives. There are various tourism attractions in Tanjung village that could be expanded. According to talks with local officials, Tanjung village offers tours of the waterfalls.

**Table 2. Activities of BUMDES Tunas Harapan**

<table>
<thead>
<tr>
<th>No</th>
<th>Name of Unit Business</th>
<th>Type of Business</th>
<th>Starting</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Business Unit for Trading</td>
<td>sales of agricultural supplies and fertilizers</td>
<td>2018</td>
</tr>
<tr>
<td>2</td>
<td>Plantation Business Unit</td>
<td>Palm oil plantations</td>
<td>2017</td>
</tr>
<tr>
<td>3</td>
<td>Tourism Business Unit</td>
<td>management of village parks and nature tourism</td>
<td>2020</td>
</tr>
</tbody>
</table>

**3.2 Socialization for strengthening BUMDES**

Efforts to strengthen BUMDES through socialization with the goal of increasing the capacity of BUMDES Tanjung Harapan managers and BUMDES in Tanjung Village business unit managers by presenting material "Strengthening Village Owned Enterprises (BUMDES) in Tanjung Village, Koto Kampar Hulu District, Kampar Regency, Province Riau" delivered by Dr. Maimun, S.E., Ak. M.Si.
Strengthening BUM Desa's outline of the conversation, which was socialized to the participants, comprises the following outline:

1) Introduction, which covers:
   a) Legal foundation and regulations for the establishment of BUMDES
   b) Village-Owned Enterprises Definition (BUMDES)
   c) Purpose of Establishing a Village-Owned Enterprise (BUMDES)
   d) Profile of BUMDES Tunas Harapan Tanjung Village, Koto Kampar Hulu District, Kampar Regency, Riau Province

Since the promulgation of Law Number 11 of 2020 on Job Creation, it has emphasized the position of BUMDES as a legal entity established by the Village and/or in collaboration with the village to manage businesses, utilize assets, develop investment and productivity, provide services, and/or provide types of businesses for the maximum welfare of the village community, as underlined by Government Regulations (PP) Number 11 of 2021 regarding BUMDES and Permendesa PDTT Number 3 of 2021 regarding Registration, Data Collection and Ranking, Development, and Procurement of Goods and/or Services BUMDES and BUMDES Together.

With the status of a legal organization, BUMDES collectively plays an increasingly important role as a consolidator of community products and services, producer of diverse community needs, incubator of community companies, provider of public services, and a variety of other activities. Bumdes might contribute to the village's original income. As a result, BUMDES combined is expected to be an engine for village economic independence in the future.

According to Village Law Number 6 of 2014 and Government Regulation Number 11 of 2021 respecting Village-Owned Enterprises, a Village-Owned Enterprise (BUMDES) is: a legal entity founded by the village and/or with the village to do: business management, utilization of assets, development of investment and productivity, provision of services, and/or provision of various forms of business in the field of economy and/or public services; autonomously managed by BUMDES for the maximum welfare of the village community.

2) Establishing Village Owned Enterprises (BUMDES), specifically discussing:
   The local community, i.e., from the village, by the village, and for the village, manages BUMDES entirely. BUMDES operates by accommodating community economic activities in an institutional or company organization that is professionally managed. The following are some activities that can be carried out to strengthen capacity for Tanjung Harapan BUMDES
managers and should be considered while optimizing capacity building for Tunas Harapan BUMDES managers:
a) Skills and Entrepreneurship Training;
b) Business Cooperation;
c) Capital Access;
d) Production Tool and Facility Development; and
e) Market Access and Production Marketing

The establishment of BUMDES was considered an option for developing the village's economy. Several actions must be taken immediately to mobilize and organize village economic potential through BUMDES. Strengthen the community's capacity to participate in supervising the running of the BUMDES business; reduce the role of the village government while still paying attention to advisors held ex-officio by the village head; economic activities must be rooted in the social conditions of the village community; economic activities must be in accordance with the potential and assets owned by the village; and BUMDES benefits must be distributed in a fair, clear, transparent, and modern manner.

3.2 Focus Group Discussion (FGD)

According to the findings of interviews with informants (the village head, BUMDES administrators, BUMDES Members, MSME Actors, and the Tanjung Village Community), the problems that frequently occur at BUMDES Tunas Harapan in Tanjung Village are the less-than-optimal roles and responsibilities of the parties involved in completing their tasks, the mismatch of the management pattern applied to the conditions faced by the village community, and a lack of human resources. It is hoped that the informants in Tanjung Village will recognize the importance of effective management in enhancing the performance of the BUMDES role in improving the community's welfare. The approaches used include:

1) Improving the organizational structure of the BUMDES
   BUMDES must have a clear structure that attempts to distribute authority and management responsibilities. To ensure that work is accomplished efficiently and effectively, the organizational structure of BUMDES should not overlap between one administrator and another.

2) Improving Human Resource Quality
   A rise in the caliber and competence of human resources is necessary to support technological advancement. BUMDES is classified as a "rural" company because it is located in a village, but its human resources are capable of competing competently with human resources in cities. Improving human resource quality can be accomplished through training, education, and technical guidance provided by the government and commercial sector in partnership with universities.

3) Improving the BUMDES organization's system
   The system being discussed here is how to effectively manage BUMDES administrators. The management, particularly the leader, must carry out at least three elements of this system: meetings, monitoring, and controlling. Meetings are convened to define goals, discuss issues that need to be addressed that have an impact on the operation of the Village BUM, and learn how the BUMDES work program is progressing. Monitoring is done to keep an eye on BUMDES's performance so that in real life, the management, particularly the chairman or director, can see how things are on the ground. Controlling is done by monitoring and assessing the management's work to ensure that it is done in accordance with their responsibilities, allowing the work to be done effectively and in line with the established goals.
The inhabitants of Tanjung Village noticed a favorable effect from BUMDES Tunas Harapan's presence. The continued presence of BUMDES helps village communities thrive by maximizing the use of human resources (villagers) in management, developing village potential, and managing and utilizing village natural resource potential. The BUMDES Tunas Harapan in Tanjung Village have advanced thanks to the BUMDES' high social values. BUMDES must be strengthened in order to boost the village economy, which includes finding new sources of funding to boost village income, addressing local needs, and developing the village. The management strategy for BUMDES Tunas Harapan's focus on raising villagers' standards of living must have a positive impact on Tanjung Village's advancement. Asset management business divisions are intended to be capable of developing sound strategies that will have a favorable effect on the village's initial income.

Based on the results of interviews with informants, BUMDES Tunas Harapan is still not optimal in providing guidance in the form of training and comparative studies with other BUMDES that are advanced and independent. The significance of direction, control, and oversight in managing and preserving village resources Lack of socializing prevents people from learning new skills and information about BUMDES; hence, increasing community involvement is required. The success of development in the village depends on the involvement of the community. Because community involvement helps the village government satisfy the requirements of the community, Development in the village cannot function well without a community that supports village government activities.

The problem with the low quality of human resources and human resource development is a constraining factor in increasing the performance or participation of BUMDES Tunas Harapan in advancing the economy of the people of Tanjung Village. Therefore, it is crucial to prioritize competency improvement before using the management of the BUMDES as a guide for expanding businesses in the village. In addition, management strategies are needed to improve the economic welfare of rural communities. The role of BUMDES in improving the standard of living of community administrators and commissioners is thought to have implications for the community's economic independence, particularly in terms of capacity as the backbone of growth and equity in the rural economy. BUMDES that are managed according to procedures and regulations will run well if financial management is carried out properly and needs to be improved to create quality village and community progress (Hambali, 2018).

4 Conclusion

BUMDES is one of the contributors to the village's original revenue and economic independence, so efforts must be made to ensure that village fund administration runs smoothly. Based on the field review, it was discovered that there were several obstacles to the BUMDES Tunas Harapan's sub-optimal performance, so it was necessary to conduct socialization and discussion forums to resolve the problem by providing several ideas and ways to improve the BUMDES's performance, namely: Improving the BUMDES’s organizational structure, improving the quality of human resources, and improving the system in the BUMDES organization. Additionally, because Tanjung village has the potential for several business units, including trading, plantation, and tourism, it is hoped that village officials, BUMDES managers, and the community will work together to develop the village economy so that BUMDES can become more than just a local economic engine and reach out to a larger scale of the economy. One advantage of BUMDES’s improved performance is that it can lessen poverty by empowering the people in the Tanjung community and recognizing the village's potential to become a labor-intensive industry.
Acknowledgements

1. Faculty of Islamic Economics and Business UIN Ar-Raniry Banda Aceh and Suska Riau State Islamic University's Faculty of Economics and Social Sciences, which organized this service activity, are acknowledged for their role in its implementation.

2. The Tanjung village community and the village apparatus, which serve as hosts and information sources for this service,

References


