

The Dynamics Management of Village Owned Enterprise as an Effort to Increase the Village Economic Competitive Power in Banyuwangi Regency

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Abstract: *The research is aimed to identify some factors that cause the Village owned enterprise in Banyuwangi be succeed or failed. The research also shows the government's role in increasing the Village owned enterprise, and its impact toward the stake holder, and the villagers as the doer. The research is the qualitative research that uses the snowball sampling method is taking the data. The data is analysed using the Interactive Model Analysis by Miles and Huberman. The result of the research shows that some factors that causes the Village owned enterprise be succeed or failed are : the capital social of the villagers, the geographical condition of the village, the government policies, and the villagers belief toward the enterprise. The government's role in running the village owned enterprise in Banyuwangan can be seen as follows; As a facilitator in forming and increasing the enterprise, as a mediator in forming the management of the enterprise and as a supervisor toward the enterprise management. The running of The Village owned enterprise has some impacts toward the stakeholder, and the economic doer. The impacts are increasing the villagers' income and enlarging the business unit among the villagers.*

Keywords: The Village owned enterprise, The Government's Role, Failed, Successful, and Management

1. Introduction

One of the problem that become the challenge in the village development is the village economic competitive power. As the main thing of the economic transformation, the village economic competitive power of the village is a root of the regional economic competitive power and the National economic competitive power. If the village economic competitive power is good the regional and national economic competitive power will be good as well.

The village role in increasing the national economic is really important because the number of the poor in the village is more than those in the city. In March 2018 the poverty rate in Indonesia was decreased about 9,82%. On September 2017, the poor in the city was 7,02 % and it's decreased on March 2018 became 7,02 %. Meanwhile, the poverty rate in the villages was decreased from 13,47% On September 2017 to 13,20% on March 2018. During September 2017 – March 2018 the number of the poor in the city was counted around 128,2 million people and it's decreased become 10,14 million people on March 2018. Meanwhile the number of poor in rural area was decreased around 505.000 people (BPS,2018)

Those data indicates that the increasing of the village economic competitive power is the important agenda and needs more serious attention from the stake holders and the people themselves.

In the Autonomic Era, the villagers need the policies that give them the opportunities and access to develop the natural resources and human resources in their village that leads to the villagers' income.

The Founding of The Village owned enterprise as stated in Constitution no. 32 on 2004 is one of the government's effort to increase the villagers' role to be involved in the regional economic development.

The research takes place in Banyuwangi where there is a village owned enterprise that have been running for 7 years. The Empowering Community and Village Biro have noted some of Village owned enterprise in banyuwangi with its development. Based in the data in the Biro, there are 34 village have the village owned enterprise unit. According to the data 9 of them are not developed, 1 is not active, 13 are well developed, 11 are developed. The village owned enterprise aims to increase the econpmic power among the villagers. The village owned enterprise creates some business units, i.g oranges and dragon fruit farms, husbandaries, natural fertilizer production and saving and landing unit. The interview was done and resulted that many of the business units are not running well. There are some reasons why this happens. First many villagers do not know the program of the enterprise, so they do not take part in it. Second the management of the enterprise have another job, so they have limited time to manage the enterprise. The third, saving and lending unit loss of its capital because many customers does not pay their loan back. The fourth is lack of support from the village's stake holder. The income of the Village owned enterprise has been decreasing and only be able to finance the agriculture and husbandary business.

So the research is conducted to identify the factors that makes the Village owned Enterprise be succeed or failed. Furthermore to know the government role in developing the village owned enterprise and to know its impacts towards the village's stake holder and the business doer.

2. Literature Review

Good Governance Management.

Governance is the series of political social interaction process between government and the citizen in all aspects that is related to the citizen's rights and duty and the government policy upon them. Good governance means;

- a) The value that place the citizens' interest as a main priority and enable the citizen to reach their welfare, social justice, and sustainable human development.
- b) Effective, efficient in running the government duty.
- c) The series of process social political interaction between government and citizen in all aspects related to the citizen interest and the government policies toward those interest. (Sedarmayanti, 2009 : 273)

Governance also means the relationship quality between the government and the citizen including private sectors and society.

Good governance in public sectors means the good management of the government that involved the stake holders in economic, social political and natural and human resources exploitation for the citizen welfare conducted according to the value of fairness, equity, efficiency, transparency and accountability. (Sedarmayanti, 2009 : 274)

The Village owned enterprise needs good managements and good human capability and electability. It also needs some rules in running its business units : cooperative, paricipative, emancipative, transparent, accountable and sustainaineble.

The Data and information about social culture of the The management of the Village owned enterprise should know the data and information about social culture of the people around, include the data about market opportunity, services and goods resulted by the villagers.

Agency Theory

According to Jemsen and Meckling (1976) in hanifah (2013) agency theory describes an agency relationship between the owner or principal with the agent to give services and to make decisions for further. Principal is the owner of the enterprise and the agent is the one who manage the enterprise. This theory explains about the principal (owner) who delegate the job to the agent that run the business. (Hermawan, 2013)

Some agency problems may occur in the agency relationship. One of the problem is the asymmetric information between the stake holder and the management. It can cause the management take the ineffective decision for the business. Asymmetric information is the information that is not balanced between the information got by the management and information got by the principal. It makes the principal difficult to control the agent's work (Mayang sari 2015)

The Village owned enterprise is a public organisation which has a business units owned by the group of villagers. The business units are managed collectively by village officials and some villagers. The village owned enterprise is one of the partnership between the village officials and the villagers in economic aspect. The Village owned enterprise is more

inclusive than the cooperation, private business and others business institution in the village. Cooperetion is inclusive only for its members.

The Village owned enterprise as a public organisation.

Accrding to Ekawarna(2010:1), Enterprise or corporation is a juridical economic organisation aims to get some profits. The team for development dynamics system studies in Brawijaya University states in their book titled "Panduan Pendirian dan Pengelolaan Badan Usaha Milik Desa" stated that The Village owned enterprise is a corporation managed by the villagers and the village officials that aims to strengthen the village economic power and it is formed based on needs and potency of the village.

The Village owned enterprise is found by the villagers and the village official. It has the independent principle. It means that the capital for forming the enterprise comes from the villagers. The enterprise can apply loan to the bank ,to another finance institution or to the government. It is appropriate with the rules in Indonesia. This explanation is important for the village syake holder to know to help them founding the Village owned enterprise. The stake holders and the villagers also have to pay attention to the Regional Constitution (PERDA) and to the Village Constitution (PERDES) about the Village owned enterprise founding.

3. Research Method

This research is a qualitative research. It results the descriptive data about the statements, writings or the behaviour of the one's be observed.

The research was done in Banyuwangi, East Java where the writer get the data needed to answer the appeared problem. The research took one month since June 2017 to July 2017.

The sources were chosen by snowball sampling . The data taken from the main source that has the key information and has the knowledge about the Village owned enterprise in Banyuwangi. Some information was got from some sources that have suitable information for the addition. So the data analysis uses Interactive model analysis from Miles and Huberman.

4. Result

The Village owned enterprise development in Banyuwangi. The village owned enterprise in banyuwangi is categorized as the developed enterprise. The development of The village owned enterprise in Banyuwangi can be explained as follow.

- a) The developed village enterprise : 12 %
- b) The less developed village enterprise : 22 %
- c) The planned village enterprise : 74%

Based on the percentage, the village which owned the enterprise is only about 57,14 % from all villages in Banyuwangi. The government needs to motivate the villages which do not have the enterprise yet. The Village enterprise already exists needs to be encouraged. So the government can create independent economically village.

Some Factors that make Village owned Enterprise be successful or fail in Banyuwangi.

The village owned enterprise is formed based on the Village constitution number 02 2008 about the village enterprise. The first capital was from "Gerdu Taskin" (Integrated poverty alleviation movement). It was 71 million rupiah, then it's separated for the fertilizer production 14 million and for the saving and lending unit 57 million. The fertilizer production was not successful and it is not operated now. The others business are saving and lending unit, oranges and dragon fruits farm, and the ranch.

Saving and Lending Unit

This business was already existed before the Village enterprise was founded. Now it is included the Village enterprise management. The business runs as follow

- 1) The enterprise gives the loan to the villagers who need the capital to finance their developing business. The management will analyse whether the debtor are worthy or not.
- 2) The management will take a look on their business, the loan will be given to the potential business owner.
- 3) The enterprise accept capital investment from the villagers with the agreement from both sides.
- 4) The enterprise accept the savings from the villagers or from the community group.

Saving and Lending unit is founded to serve the financial transaction, and to help the villagers develop their business. The unit is very important for the villagers to increase the economic welfare in the village.

The saving and lending unit faces the problem about the loan. The loan is not paid by the debtor, that causes accounts receivable reach 160.035.000 on 2018.

The second unit is the fruits farm, oranges and dragon fruit. The farm was started on 2014. First, the enterprise rented 125ru land for the fruit field and 62,5 rufrom the villagers. It spent 120 million for 5 years renting. The fields rented is already had the orange plants in it. So the enterprise rent the field that already produce the fruit.

The third business unit of the enterprise is goat farms. It was started on 2016 with 30 million for the first capital. The farm is taken care by some villagers, they will get payment from the breeding goat. The profit from the breeding will be divided into two for the enterprise and for the villagers who takes care the goat. From the data, the enterprise has 25 goats that are taken care by 3 villagers.

The village enterprise face the obstacle in running the business. The obstacle faced is from inside and outside . The obstacle can be solved if the government, the agent as the human resources have the same vision. The villagers' belief to the enterprise is the important point for the enterprise development. When the village government, enterprise management and the villagers have the same vision and work hard in running the enterprise the obstacles faced will be solved easily.

The Village enterprise often get the problem related to the capital. It is caused by the capital used to finance more than

one business. The capital possibly used for finance the road construction. The village enterprise can decrease the role of middleman who often increases the transactional cost between the product cost from the producer and the product cost to the customer. Through the village enterprise hopefully the producer in the village can get more profit from their product sale. The customer also can get the more reasonable price for the product. The village owned enterprise also can be the main distributor for fulfil the nine basic needs for the villagers (rice, sugar, cooking oil, meat and chicken, eggs, milk, corn, and salt). The village enterprise is controlled by the supervisor along with the villagers. The control to the enterprise is so important to do that the enterprise runs in accordance with the constitution, statutes and bylaws. The control is done to avoid the budget misuse done by the stake holder or by the management. If the budget misuse happens the villager belief will be gone.

From the data it can conclude that every business units in the enterprise have both the strength and weakness side. The weakness can be decreased if the stake holder, the management and the villagers work together and put the public interest upon the individual interest.

The village government and the villagers role are needed to develop the enterprise. The supported ideas from the villagers can help the enterprise to grow. It leads to the development of the economic potential of the village.

According to Studies center of System development Dynamic in Brawijaya University (2007: 4) the village enterprise is created as the prove that the economic activities in the village done cooperatively, transparent, accountable and sustainable. The village enterprise should be managed effectively, efficiently, professionally and independently.

The enterprise that serves the villagers economic transactional and activities will be the main point for the village to be developed. The enterprise should be able to give the good services to the people around. It means the management runs the enterprise according to the agreement between the stake holders, management and the villagers.

The obstacles faced by the Village enterprise in Banyuwangi happens in the first step of its founding. The obstacles are legacy and unlegacy. They are for example:

- 1) Low transaction cost.
The villager purchasing power is low. It makes the transactional activity in the enterprise is also low. It means the enterprise does not run smoothly. It is because the enterprise depend on the transaction done by the villagers, with the producers and the buyers.
- 2) The Geographical Condition of the Village.
Based on the regional map, Banyuwangi includes to urban agglomeration. It means the land using changes very significantly. Especially to the changing of the rice field into the houses area reach 2% every year. This matter can cause the natural source in Banyuwangi decreases.

3) The Government Policy

The Government role is the important point for the Village enterprise. The government policy should support the enterprise related to the rules made and the capital investment. It is stated on constitution passage 8 sentence 1 number 6 2014 about village that village can found the Village owned enterprise then in sentence 3 stated that the enterprise can run the economic services that accordance with the regulation and the constitutions. Furthermore, on passage 88 sentence 1, Constitution number 6 2014 states that The Village enterprise founding is based on the discussion among the villagers and the stake holders. Then in sentence 2 the Village enterprise founding is defined in the Village regulations. It means the Village owned enterprise development really depends on the regulation made by the village stakeholder.

There are two motivations in founding the Village enterprise, they are the motivation to develop economic power of the village and the motivation just to be in accordance with the constitutions. Banyuwangi Local Government made the regulation about the Village Enterprise management, as stated in The Village regulation number 7, 2013 about the Village owned Enterprise Founding and the Village Regulation number 9, 2015 about the Village owned enterprise that has been matched with the Village Constitutions number 6, 2014 and the village and under developed region and transmigration ministry of the Republic of Indonesia regulation number 4, 2015 about the founding, managing, running and dissoluting of the Village owned Enterprise. The government as the facilitator do not dominate the managing and running the enterprise.

It is possible that the inappropriate policy happens caused by the changing of the Village head official.

a) Social Capital Factor

Social capital factor means the social culture condition that support the Village owned enterprise development. The village Economic developing process does not just depend on the financial capital but also to the social culture of the people in the village.

The Village owned enterprise needs the villagers to be involved in running and managing the enterprise actively. The Village owned enterprise will not be successful if the villagers do not take part in it, the government cannot run the enterprise without the villagers participation.

The Village enterprise should be able to widen their business network. It should goes beyond their village boundaries. Sometimes it becomes a problem because many of villagers do not want to open their mind in having wider relationship with others village or others business units out of their village. The area of one village is too small for the enterprise to be developed. So the main goal of founding the enterprise cannot be reached.

b) The People Belief Factors

Many people in the village think that the government officers have the duty related to the administration only. So when the government village officer talks about the enterprise with the business units the villagers cannot accept it. They will hesitate whether the government officer can run

the business together with them. The village owned enterprise is a village institution that has two function, to runs the business which can develop the economic village and to increase the people welfare.

The village owned enterprise is separated from the government village, but it is still closely related. The 60 % of the capital investment that given to the enterprise does not belong to the government financial. The 40 % is from the village asset.

In the early period the founding of Village owned enterprise is so difficult that the Banyuwangi local government held the socialization to acknowledge the program.

The Government Role in The Village owned Enterprise Development in Banyuwangi

The Banyuwangi local government is the facilitator in founding the enterprise. The government also gives the capital loan. Then the government control and evaluate the business run by the Village enterprise. The problem appears in the when the loan capital is late, it makes the enterprise cannot operate smoothly.

The government role can be explained as follow:

- 1) As the facilitator in conducting the work plan of the enterprise.
- 2) As the mediator and motivator that gives the training to the Village enterprise management.
- 3) As the management partner that helps to run the enterprise.
- 4) As the empower agent to conduct the enterprise to be accordance with the regulation and the constitution and the Operational standard.

The roles of the village government are:

- 1) Planning the foundation of the Village enterprise. It is done through the discussion among the Village Consultative institution, Village government officer, the youth representative, the public figure, religion public figure and some villagers the discussion called Musrenbangdes.
- 2) Organizing the Village Enterprise, in which is separated from the village government.
- 3) Controlling the management of the Enterprise. The supervisor consists of the village stake holder and some public figure in the village that defined in the Letter of decree.
- 4) Investing the social capital from the public. The investment is Rp.6.500.000 as the first capital.
- 5) Developing the Enterprise, through the socialization to the villagers. The villagers should be aware that the Village Enterprise is one of the efforts to increase their economic condition.

Based on the interview, it can conclude that the local and village government role is well done. The management of the enterprise also has been appropriate according to the regulation and the constitutions. On the other side the villagers presumption to the enterprise is still apathetic. The problem about the delay in disbursing funds from the government can be overcome by giving the loan from the Local Government, in this case Banyuwangi. The loan is

disbursed into the Village Original Income (PAD). The enterprise can pay back the loan in one year.

The Impact of the management of Village owned enterprise in Banyuwangi toward the stake holder and the business doer

The impact of the Enterprise toward the stake holder and the business doer are specialized to employment absorption, the numbers of assets, the numbers of the developed business units and the contribution given to the Village.

Based on the interview, there are 11 Village enterprises categorized as the developed enterprises. The Village owned enterprise can absorb the labour, for example: Ijen Lestari enterprise in Taman sari village. The Enterprise can give Rp.1.500.000 to the village treasury every month. Another enterprise is JoloSutro enterprise in Kemiren village can give Rp.750.000 to the village every month. Yet, it is still not the big amount of money. The increasing of income of the enterprise will have better impacts toward the management and the village development.

Based on the data the Village owned enterprise give the positive impacts for the economic village development.

5. Discussions

The Founding village owned enterprise should be based on the needs and potency of the village . The enterprise founded based on the villagers initiative and manage cooperatively, transparently, inclusively, accountable and sustainable with member based and self help mechanism. Village regulation organise about the duty and right of the village stake holder in which set the rules about the Village owned enterprise foundation. The Village Ministry Regulation no.4, 2015 clearly stated that the Village owned enterprise is an important thing to develop the village economically. The Village regulation is able to aware the villagers to take part in developing the enterprise actively.

The Village government institution has a very important role in implementing the government policies that support the Village owned enterprise to be developed.

The village government institution needs to be open mind to welcome the villagers ideas .Through the discussion Village council the village government can select the people who manage the enterprises . The supervision is conducted to control and to determine how well management run the enterprise. The supervision also functions to identify the problem in the enterprise. Then the stake holder and the management find the solutions together.

Related to the matters above, there are some enterprise management are not be able to manage the enterprise well. The problem can be internally that the management do not work well and externally that the debtor in saving and lending unit do not pay their loan back.

It is important for the village government held the training to develop the human skill of the management. So the management can work better to develop the enterprise. The

developed enterprises shown that they can help the villagers get better opportunity to increase their economic condition.

According to the Resource Based View theory, to create the Independent Economic Village needs to know what resources owned by the village. The Village enterprise then improves the resources to contribute the significant impact in developing village welfare.

The potential resources should be well valued, rare and unique, un substituted and cannot be artificialized (Barney, 1991). The Excellent resources determined by the social capital, human resources capital, and financial capital (deMassis et al, 2011). The social capital related to the relationship between the people and the organization and the outside subject.

6. Summary and Recommendation

Based on the data analysed above it concludes as follow:

- 1) Some factors cause The Village owned enterprise be successful or failed are: the transactional cost is low, the public social capital, geographical village condition, and the government policy and the Public belief.
- 2) The government roles are as the facilitator, the mediator in forming the Village owned enterprise. The government also as supervisor and attendant in the running the Village owned enterprise.
- 3) The impact of Running the Village owned enterprise: to absorb the employee, to increase the village income and to enlarge business units and the economic activity in the village.

The recommendations given are:

- 1) The Village enterprise should be able to empower the villagers to use their resources maximally. The government role to sustain the human resources through The BKD, HIPAM and BAPEGAR to run their duty well so they can help the people to increase their economic power.
- 2) The management who run the Village owned enterprise should have the commitment to develop the enterprise for the public .
- 3) The Village government institution needs to invest the capital in order that the Village owned enterprise can run well.
- 4) The Village owned enterprise should avoid the high risk business units operation such as the saving and lending units that can lead to the credit congestion.
- 5) The business units in the Village owned enterprise should be appropriate with the village potency and resources.

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