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Development of Village Owned Enterprise Governance in Order to Improve Community Welfare

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Sriyono[!)], Adi Soeprapto[2)], Simon Pulung Nugroho[3)]

[1]Fakultas Ekonomi dan Bisnis (FEB) UPN "Veteran" Yogyakarta, Indonesia

[2] Department of Business Administration, UPN “Veteran” Yogyakarta, Indonesia

[3] Department of Informatics Engineering, UPN “Veteran” Yogyakarta, Indonesia

INTRODUCTION

- The Indonesian government provides village funds so that villages are able to develop independently, and encourages the existence of Village Owned Enterprises (BUMDes).
- BUMDes is an institution formed by the village government and the community to solve problems that occur in the community and assist efforts to improve the welfare of the community by optimizing the utilization of village potential.
- The BUMDes policy is a very good breakthrough, but in implementing the program, not all village communities have the readiness to run the program.
- The government is trying to develop the role of the village by targeting the growth of the number of BUMDes. The target for growth in the number of BUMDes has been exceeded, but BUMDes have not contributed to village income, even worse when a pandemic occurred, many BUMDes ended up stalling.

INTRODUCTION

- The problems that occur in development of Village Owned Enterprises (BUMDes) as follows:
  1. In 2019, based on data from the Ministry of Villages, Development of Disadvantaged Regions and Transmigration of the Republic of Indonesia, there were 50,199 BUMDes and it was recorded that 2,188 BUMDes were not operating, and 1,670 BUMDes were operating but had not contributed to village income. The situation got worse during the pandemic, 27,000 BUMDes from 57,273 BUMDes in 2021 were declared suspended.
  2. Secretary General of the Indonesian Forum for Budget Transparency, Misbah Hasan, and the Supreme Audit Agency (BPK) stated that many BUMDes were stalled because the BUMDes business field was not by the village potential so BUMDes income was minimal and BUMDes did not yet have good governance and BUMDes managers were not people who competent so that BUMDes managers work haphazardly and it is easy for abuse of authority, corruption, collusion, and nepotism to occur.

LITERATURE REVIEW

Resource Based View

- In the Resource Based View (RBV) theory, organizational resources (BUMDes) both physical and non-physical are used to achieve a sustainable competitive advantage, so they must have economic added value that has characteristics that are difficult to imitate and not easy to replace. Villages must have valuable, scarce, non-substitutable, and non-imitation resources[2]. Competitive advantage is determined by social capital, human capital, and financial capital.

LITERATURE REVIEW

Contingency Theory

- Contingency theory provides the main framework for the study of organizational design[6]. Contingency theory states that there is no universally applicable approach. The basic assumptions of contingency theory: 1) There is no one best way to organize; 2) Each way of organizing is not equally effective.
- The control carried out by an organization needs to consider the internal and external environmental conditions of the organization, because there is an interaction between stakeholders, both fellow employees of the organization and external parties, so that it can affect the state of the organization and management decisions in running the organization. Potential, needs, obstacles, and environmental conditions of the organization, can affect management decisions in carrying out organizational activities

LITERATURE REVIEW

Community Development

- Community empowerment is a process where people (especially those who do not have access to development) are encouraged to increase their independence in developing their lives[28]. There are five components in the empowerment framework[16]. (1) Advocacy (2) Community Organizing, (3) Network and Alliance Development, (4) Capacity Building, (5) Communication, Information and Education, Information Management Processing, Community Education, and Information Dissemination.
- Empowerment as a result of a series of activities and processes, involving various groups, allows them to take their actions and to actively participate in decision-making. These activities will vary depending on the needs of each community and the business case for community empowerment needs to reflect these diverse local contexts.

LITERATURE REVIEW

Stakeholder Theory

- Stakeholders are groups or individuals who have an interest in the company and/or are influenced by the goals, operations, or activities of the organization or the behavior of its members[22].
- Stakeholders consist of internal stakeholders (employees, management, etc.), connected stakeholders (customers, suppliers, competitors, etc.), and external stakeholders (government, pressure groups, etc).
- It is known that if stakeholders are treated well, they tend to reciprocate with positive attitudes and behaviors towards the organization, such as sharing valuable information (stakeholders), buying more products or services (customers), providing tax breaks or other incentives (society), providing conditions better finances (financiers), buying more shares (shareholders), or working hard and staying loyal to the organization, even during difficult times (employees) .

LITERATURE REVIEW

Accounting Systems and Procedures

- The Accounting Control System (SPA) is one of the sub-systems of the management information system. SPA is to maintain the wealth of the organization by encouraging compliance with management policies and checking the accuracy and reliability of accounting data so that organizational efficiency increases.
- Control consists of an organizational structure, methods, and measures that are coordinated to produce reliable financial reports to maintain investor and creditor confidence. Accounting systems and procedures are one of the tools used by organizations in controlling to minimize fraud and achieve organizational goals.

RESEARCH METHODS

- The research method chosen is descriptive analysis, which is a method to describe or provide an overview of the object under study through data or samples that have been collected as they are without analyzing and making conclusions that apply to the public.
- This study uses content analysis to answer research questions. Content analysis is defined as a research method for subjective interpretation of data content through a systematic classification process of coding and identifying themes or patterns[30]. The content analysis method summarizes and classifies large amounts of data into several categories that represent the same meaning.
- To ensure validity and credibility, this study uses several methods, namely respondent validation (member checking) and triangulation[3]. The triangulation used in this research is source triangulation.

FINDINGS AND DISCUSSION

- The results of data collection on BUMDes "SDM" found the following things :

1. In 2021, BUMDes managers have collaborated with UPN "Veteran" Yogyakarta universities in formulating and compiling an "HR" BUMDes master plan, so that currently BUMDes "SDM" already has a Master plan. This master plan serves as a direction and guideline for managers in carrying out organizational activities.
2. The existence of organizational strategic planning provides a foundation for becoming a more proactive organization in responding to the environment to grow and develop. Therefore, to maintain its existence and be able to have high competitiveness, BUMDes "HR" needs to have a clear vision, mission, goals, and objectives as stated in the master plan
3. The results of the analysis of the internal and external environment also found that many people experienced difficulties in working capital in developing their businesses.

FINDINGS AND DISCUSSION

- The results of data collection on BUMDes "SDM" found the following things :

4. This condition encourages the spread of loan sharks to meet the needs of the community. BUMDes “SDM" as a village-owned enterprise followed up on the results of the analysis, and one of the strategies developed by BUMDes was to determine alternative strategies, namely intensive strategies.
5. The form of implementation of the BUMDes “SDM” intensive strategy is product development, namely the development of the Financial Services unit with savings and loan operational activities. This unit will provide financial services to the surrounding community mission, goals, and objectives as stated in the master plan.
6. To implement the master plan, infrastructure is needed that supports good BUMDes governance. Good Corporate Governance (GCG) is an effort of BUMDes to create a conducive relationship between stakeholders (stakeholders). A conducive relationship between stakeholders is a prerequisite for realizing good BUMDes performance and its aimed in maximizing the value of BUMDes in the eyes of stakeholders and is applied to strengthen the competitiveness of BUMDes.
7. One of the infrastructures needed for the implementation of the master plan and in the context of realizing Good Corporate Governance is the need for accounting systems and procedures including activity implementation standards (SOPs), and an integrated information system.

CONCLUSION AND IMPLICATION

- Based on the data obtained from the results of the analysis and discussion (interviews) regarding internal and external conditions that in the context of implementing the master plan and realizing Good Corporate Governance, BUMDes “SDM" does not yet have accounting systems and procedures including standard implementation of activities (SOP), and an integrated information systemic.
- BUMDes “SDM" needs to develop and implement accounting systems and procedures and information systems, so that transparency and accountability can be realized. In developing accounting systems and procedures and information systems, it is necessary to pay attention to the nature and characteristics of the organization.
- To ensure validity and credibility, this study uses several methods, namely respondent validation (member checking) and triangulation[3]. The triangulation used in this research is source triangulation.

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